

Estimate Comparison by Year				
(\$ Millions)				
	FY 2013	FY 2014	FY 2015	3-Year Total
LFD November Estimate	\$1,989	\$2,045	\$2,124	\$6,157
Governor Bullock Estimate	\$1,995	\$2,090	\$2,166	\$6,250
Executive-LFD Difference	\$6	\$45	\$42	\$93
Executive-LFD % Difference	0.3%	2.2%	2.0%	1.5%

Individual Income Tax Estimate Notes

Data Sources: Prior year's taxpayer data with all identifying information removed
Page 43 Economic data from IHS Global Insight
CPI from Bureau of Labor Statistics

Process: Estimate the growth of each individual income item:
Page 47 14 Income Estimates
15 Adjustment Estimates
16 Addition Estimates
32 Reduction Estimates
22 Deduction Estimates

Estimate Federal and State Tax Brackets and Exemptions using CPI forecast

Using estimated income item growth rates, and tax brackets and exemptions, run model

Convert the calendar year output of the model to fiscal year collections, adjusting for:

- Partial-year and non-residents
- Credits
- Federal legislation
- Audits, Penalties & Interest
- State legislation

Important Factors: Definition of fiscal year base revenue
Growth estimates for the 6 largest income sources, which account for 95% of total income

Definition of fiscal year base revenue:

Include audit revenues as a part of base year revenues

Exclude audit revenues as a part of base year revenues



\$95 million difference in 3-year total revenue

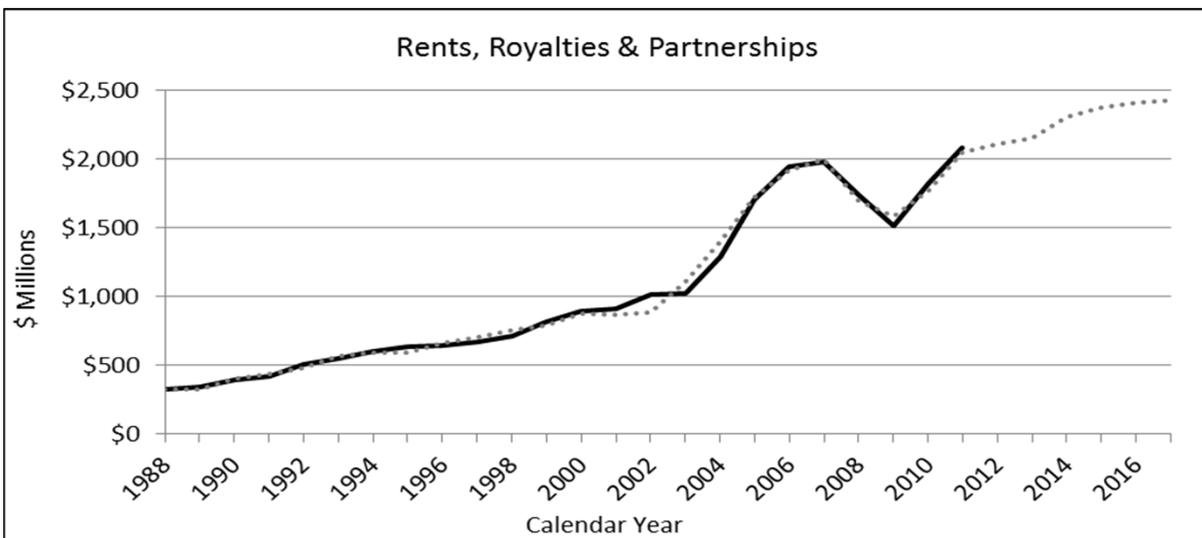
Growth estimates of the largest 6 income sources, listed in descending order of size:



Page 49
Table 3

Variable Source & Description

IHS Global Insight, Montana total wage disbursements



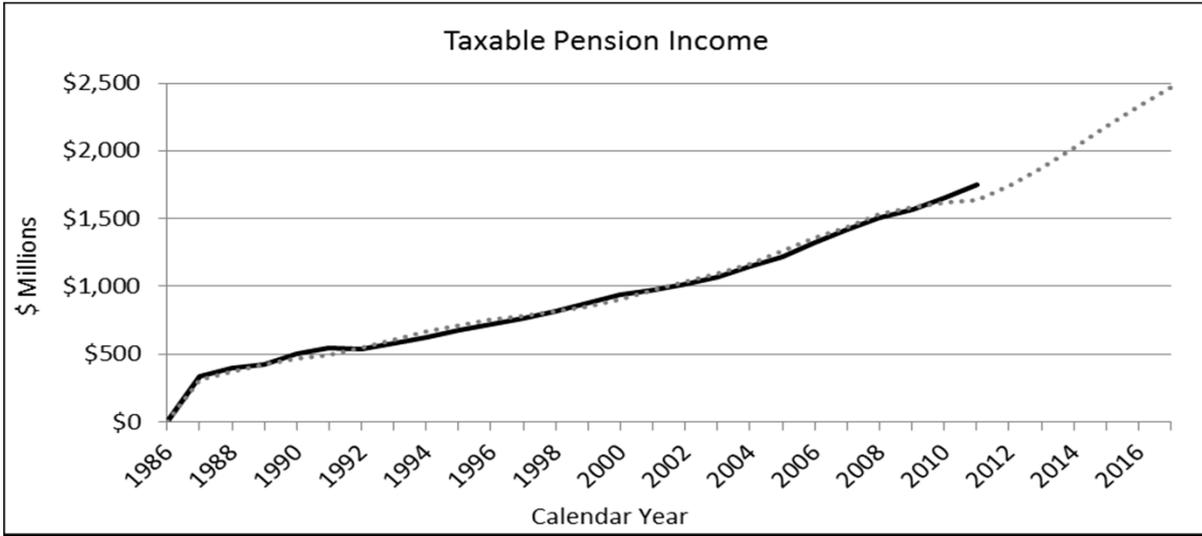
Page 50
Table 2

Variable Source & Description

IHS Global Insight, West Texas Intermediate oil price with a 1 year lead

IHS Global Insight, Montana gross state product for construction

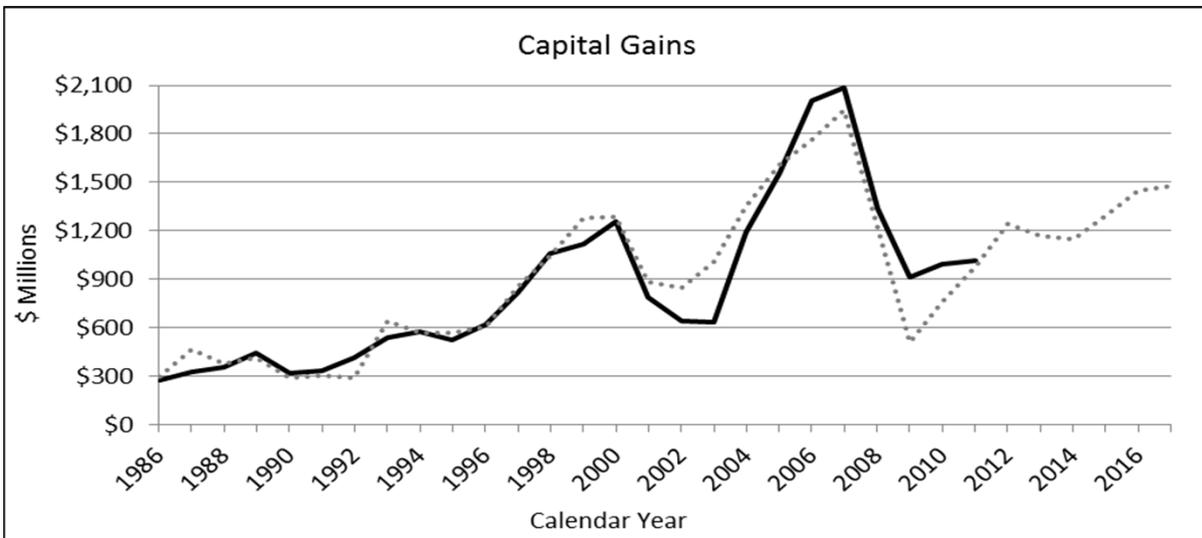
IHS Global Insight, Montana gross state product for mining with a 1 year lag



Page 50
Table 3

Variable Source & Description

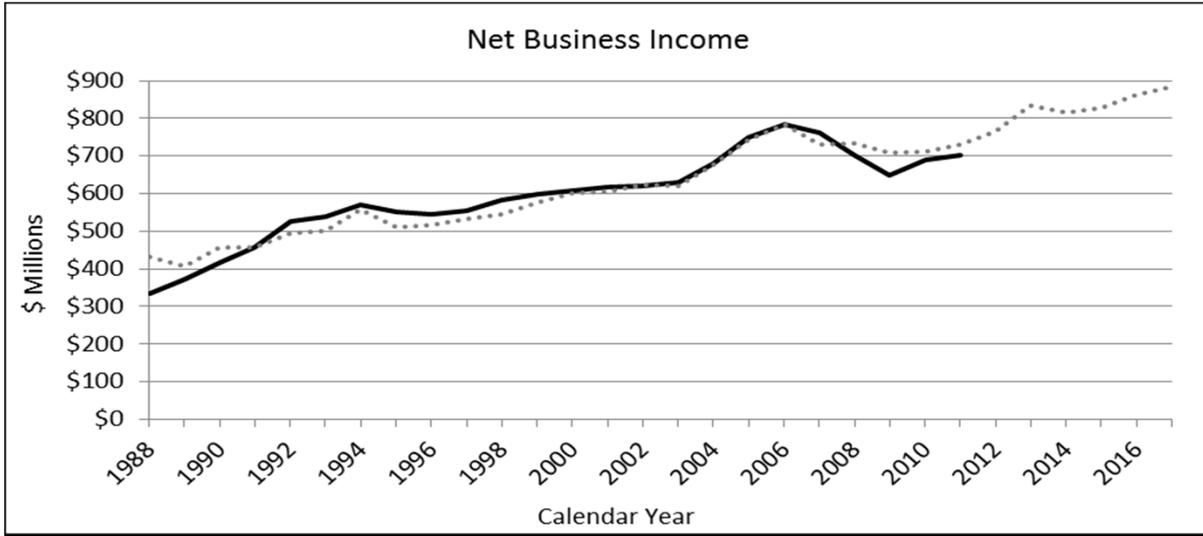
- IHS Global Insight, S & P 500 index
- IHS Global Insight, Gross domestic product
- IHS Global Insight, Montana population aged 65 or older



Page 50
Table 1

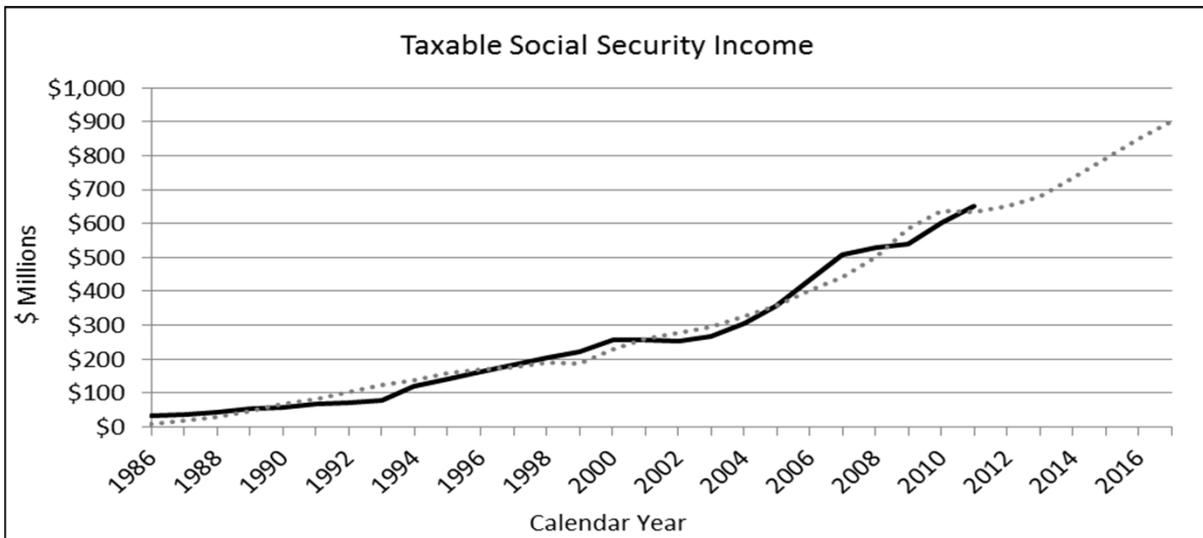
Variable Source & Description

- IHS Global Insight, S & P 500 index, 3 year difference
- IHS Global Insight, Montana median price of existing houses, 3 year difference
- IHS Global Insight, Montana existing single-family houses sold



Variable Source & Description

- IHS Global Insight, Nonfarm proprietors' income with inventory & capital consumption adjustment
- IHS Global Insight, Montana farm proprietors' income with a 1 year lag
- IHS Global Insight, Montana gross state product for construction



Variable Source & Description

- IHS Global Insight, Montana transfer payments
- IHS Global Insight, Montana population aged 65 or older

Property Tax Estimate Notes

Data Sources:

Every year around November Tax Policy and Research (TPR) supplies market values, taxable values, tax increment financing value and abated values for property that had been assessed the prior January 1 to the LFD and OBPP

Every two years Property Assessment Division of the DOR supplies advice on new properties, and new value, that have taken place during the year

Process:

95 Mill Revenue

Property Tax Revenue = 95 mills *(taxable values + abated value - tax increment financing value) - 1/2 protested taxes

Historical growth rates for taxable values, or market values, and TIF and abated values are developed and forecast of the next two years are developed.

Any known new developments are added to taxable value growth rates. For instance, several new wind projects were built during calendar 2012, the values for which were not in the January 1, 2012 data. In addition the Montana Alberta Tie Line has begun construction.

Each year the DOR keeps track of protested taxes by centrally assessed companies. One-half of these taxes are deposited in a state special account, and the other half is deposited in the general fund. An adjustment to the revenue is made for this.

The impact of any known legislation is figured in. For instance SB 372, passed in the 2011 legislative session cut business equipment taxes starting January 1, 2012, and installed a contingent trigger to cut them again starting January 1, 2014.

Nonlevy Revenue

Nonlevy revenue includes 1) coal gross proceeds, 2) federal forest revenues and 3) miscellaneous revenue, including interest revenue

Coal gross proceeds revenue forecasts depend on the same data as coal severance taxes, and fixed percentage distributions are applied

Federal forest revenue is distributed from the federal government to the state and 1/3 of this revenue is distributed to the county equalization mills

Important Factors:

Reappraisal Cycle

Strength of Economy and Housing market

Market Values of Businesses

Coal production and prices

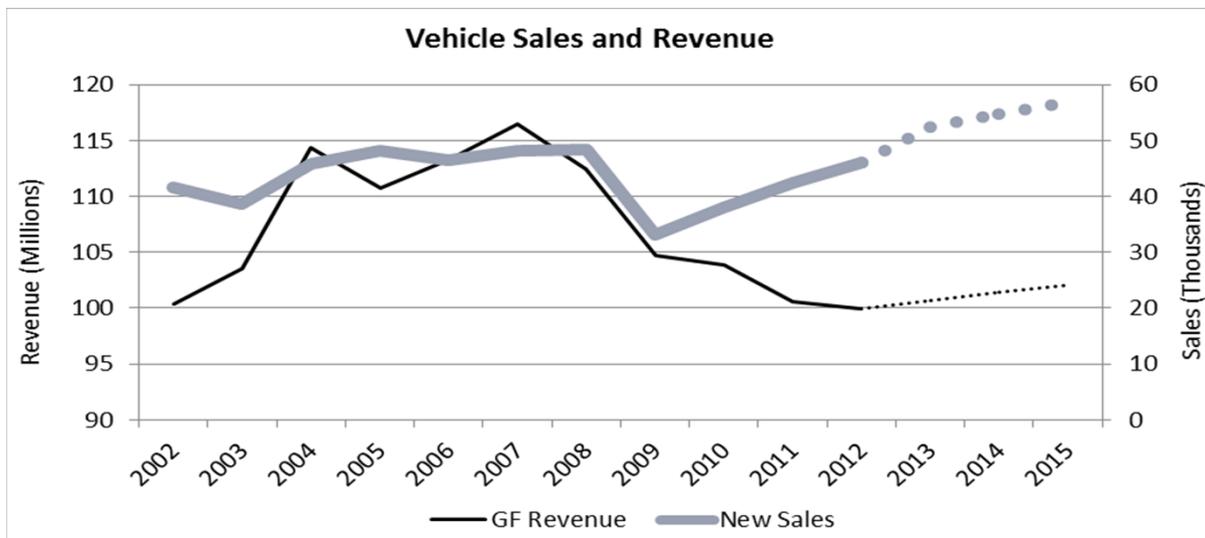
Motor Vehicle Fee and Tax Notes

Data Sources: SABHRS for tax revenue
 Page 68 - Vehicle Fee Department of Justice - Motor Vehicle Division for detailed transactions
 Page 89 - Vehicle Tax IHS Global Insight for vehicle stock growth.

Process:
 Page 71 - Vehicle Fee Estimated growth rates for each fee type are applied to previous year's revenue
 Growth rates come from Global Insight

Page 91 - Vehicle Tax Estimate growth rates are applied to the number of vehicles in the state
 Growth rates come from Global Insight

Important Factors: Difficulty tracking permanent and vehicles no longer on the road
 MERLIN Data



Corporate License Tax Estimate Notes

Data Sources: Historical taxpayer data with all identifying information removed
Page 22 Economic data from IHS Global Insight
Collection data from SABHRS

Process: Estimate the calendar year tax liability growth of each of the following sectors:
Page 23 Agriculture
Mining
Utilities
Construction
Manufacturing
Wholesale and Retail Trade
Transportation and Warehousing
Information
Professional and Business Services
Financial Services
Social and Educational Services
Unknown

Convert total calendar year tax liability into fiscal year liability, adjusting for:
Refunds
Audits, Penalties & Interest
Federal legislation
Insure MT Credit Reimbursement
State legislation

Important Factors: Definition of fiscal year base revenue
Growth estimates for the 2 largest sectors, which account on average for 44% of liability

Definition of fiscal year base revenue:

Include audit revenues as a part of base year revenues

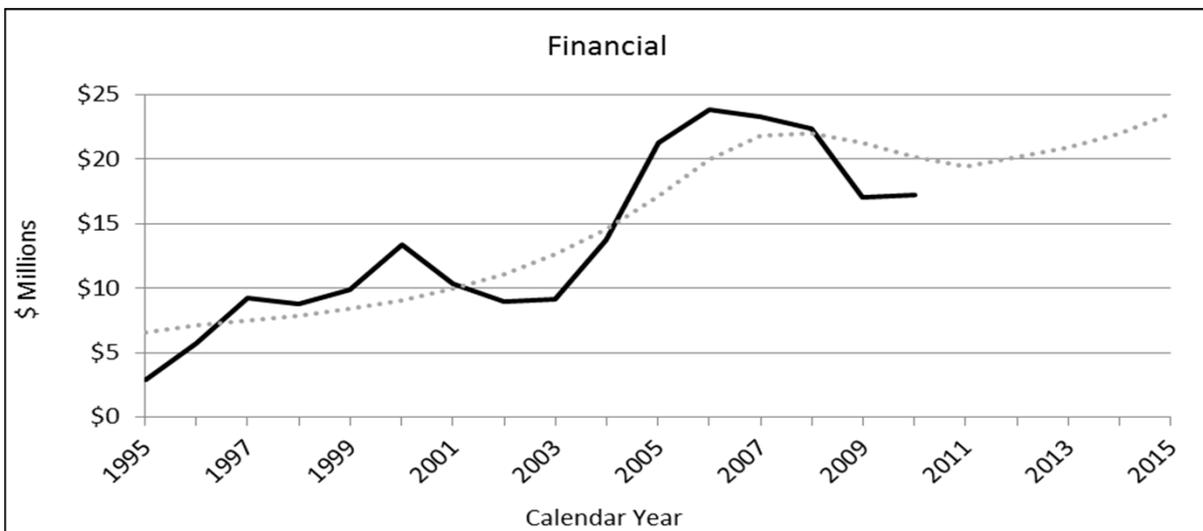
Exclude audit revenues as a part of base year revenues

Growth estimates of the 2 largest sectors, listed in descending order of size:



Variable Source & Description

IHS Global Insight, West Texas Intermediate oil price



Variable Source & Description

IHS Global Insight, Montana median price of existing houses

Oil & Natural Gas Severance Tax Estimate Notes

Data Sources: Production by field and by well from the Board of Oil & Gas Conservation
 Forecasts of WTI oil price and well head natural gas prices from IHS Global Insight
 Production, price, value and revenue collection data from DOR

Process: Oil Production
 Vertical and horizontal production estimated separately
 Start date of well
 Most recent production by well
 Historical rate of production decline by field or type of well
 New wells

Oil Price
 IHS Global Insight forecast growth in WTI oil price
 Current Montana price

Gas Production
 Start date of well
 Most recent production by well
 Historical rate of production decline by field or type of well

Gas Price
 IHS Global Insight forecast growth in national well head price
 Current Montana price

Important Factors: Production
 Price
 Transportation costs

Common School Interest & Income

- Data Sources: Collection data from SABHRS
Department of Natural Resources and Conservation
Global Insight for certain natural resource prices
Coal surveys
Board of Investments
- Process:
1. Determine production and price of oil, gas, and coal
 - a. SABHRS data, % changes to price and productions
 2. Estimate Permanent Revenue
 - a. Apply applicable royalty rates to the above
 - b. Royalties, easements, other
 3. Calculate investment earnings: STIP, TFBP
 - a. Permanent fund balance
 - b. Apply common school % to total TFBP
 4. Determine income
 - a. Oil and gas bonuses
 - b. Agriculture and grazing leases
 - c. Timber
 - d. Other miscellaneous rents
 5. Administration Cost Diversions
 - a. Reduce interest and income by about \$9.1 million/year
 6. Deal with revenue source oddities
 - a. Excess oil & gas SB 329
 - b. Public land trust power site rent
 - c.
 7. Direct 95% of distributable revenue to the guarantee account
 8. Direct 5% to the common school trust
- Important Factors: Bonus payments