

Program Budget Comparison

The following table summarizes the total proposed budget by year, type of expenditure, and source of funding.

Program Budget Comparison								
Budget Item	Base Fiscal 2014	Approp. Fiscal 2015	Budget Fiscal 2016	Budget Fiscal 2017	Biennium Fiscal 14-15	Biennium Fiscal 16-17	Biennium Change	Biennium % Change
FTE	138.45	138.45	133.45	133.45	138.45	133.45	(5.00)	(3.61)%
Personal Services	8,655,954	8,807,655	9,219,399	9,255,491	17,463,609	18,474,890	1,011,281	5.79 %
Operating Expenses	1,508,704	1,472,324	1,713,944	1,484,634	2,981,028	3,198,578	217,550	7.30 %
Equipment & Intangible Assets	0	0	0	3,298	0	3,298	3,298	0.00 %
Total Costs	\$10,164,658	\$10,279,979	\$10,933,343	\$10,743,423	\$20,444,637	\$21,676,766	\$1,232,129	6.03 %
General Fund	9,254,776	9,339,739	9,832,442	9,852,522	18,594,515	19,684,964	1,090,449	5.86 %
State/Other Special Rev. Funds	660,828	672,145	860,475	650,475	1,332,973	1,510,950	177,977	13.35 %
Federal Spec. Rev. Funds	249,054	268,095	240,426	240,426	517,149	480,852	(36,297)	(7.02)%
Total Funds	\$10,164,658	\$10,279,979	\$10,933,343	\$10,743,423	\$20,444,637	\$21,676,766	\$1,232,129	6.03 %

Program Description

The Business and Income Taxes Division is responsible for the administration of and collection of over \$1.5 billion annually for 38 Montana taxes and fees including but not limited to corporation license, natural resource, withholding, individual income, lodging facilities, cigarette and tobacco products, contractor’s gross receipts, and telecommunications taxes. The division also values all industrial and centrally assessed property in the state which generates \$250 million in state and local revenue annually. Some of the duties associated with administration include: tax type expertise, taxpayer education, auditing, identification of non-filers, delinquent account collection, and overall tax compliance. The Accounts Receivable and Collections Bureau, the Business Tax and Valuation Bureau, and the Income and Withholding Tax Bureau handle these functions for the department.

Program Highlights

Business and Income Taxes Division Major Budget Highlights
<ul style="list-style-type: none"> • The proposed increase in the Business and Income Taxes Division budget is due to: <ul style="list-style-type: none"> ◦ Personal services present law adjustments ◦ Fixed costs

Program Discussion -

The following table highlights the differences between the FY 2015 appropriations as shown in the main table and the FY 2015 legislative appropriations used for purposes of the budget base.

Department of Revenue Business and Income Taxes Division FY 2015 Appropriation Transactions			
Category	Legislative Appropriation	Difference Between Exec. and Leg.	Total Executive Implementation
Personal Services	\$8,807,655		\$0 \$8,807,655
Operating Expenses	<u>1,472,324</u>		<u>0</u> <u>1,472,324</u>
Total Costs	<u>\$10,279,979</u>		<u>\$0</u> <u>\$10,279,979</u>

Comparison of the 2014 Actual Expenditures to FY 2015 Legislative Appropriations

Actual FY 2014 expenditures of \$10,164,658 are \$115,321 below the FY 2015 Legislative appropriation of \$10,279,979.

Funding

The following table shows proposed program funding by source from all sources of authority.

Department of Revenue, 07-Business and Income Taxes Division Funding by Source of Authority						
Funds	HB2	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
01100 General Fund	19,684,964	0	0	19,684,964	90.77 %	
02025 Unclaimed Property	613,804	0	0	613,804	40.33 %	
02110 Accommodation Tax Admin	288,578	0	0	288,578	18.96 %	
02260 Cigarette Tax Revenue	0	0	0	0	0.00 %	
02293 Film Production Credit	0	0	11,000	11,000	0.72 %	
02790 6901-Statewide Tobacco Sttlmnt	398,568	0	0	398,568	26.19 %	
02259 Cigarette Tax Administration	210,000	0	0	210,000	13.80 %	
State Special Total	\$1,510,950	\$0	\$11,000	\$1,521,950	7.02 %	
03928 Royalty Audit - NRCT	480,852	0	0	480,852	100.00 %	
Federal Special Total	\$480,852	\$0	\$0	\$480,852	2.22 %	
Proprietary Total	\$0	\$0	\$0	\$0	0.00 %	
Total All Funds	\$21,676,766	\$0	\$11,000	\$21,687,766		

The Business and Income Taxes Division is primarily funded with general fund, with some state special revenue and federal special revenue. State special revenue comes from the unclaimed property fund for program support and tobacco settlement funds that supports tobacco tax compliance activities. Other state special revenue includes the accommodations tax, funds expenses for administering the tax, and cigarette tax administration. Federal special revenue comes from reimbursements for performing mineral royalty audits.

Additionally, the Business and Income Taxes Division administers a statutory appropriation for the administrative costs of the film production credit. In the 2017 biennium, the statutory appropriation is estimated to provide \$11,000 toward the administrative costs.

Budget Summary by Category

The following summarizes the total budget utilizing the FY 2015 Legislative base, present law adjustments, and new proposals.

Budget Summary by Category								
Budget Item	-----General Fund-----				-----Total Funds-----			
	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget	Leg. Budget Fiscal 2016	Leg. Budget Fiscal 2017	Leg. Biennium Fiscal 16-17	Percent of Budget
2015 Budget	9,339,739	9,339,739	18,679,478	94.89 %	10,279,979	10,279,979	20,559,958	94.85 %
PL Adjustments	551,428	546,283	1,097,711	5.58 %	502,089	496,944	999,033	4.61 %
New Proposals	(58,725)	(33,500)	(92,225)	(0.47)%	151,275	(33,500)	117,775	0.54 %
Total Budget	\$9,832,442	\$9,852,522	\$19,684,964		\$10,933,343	\$10,743,423	\$21,676,766	

Present Law Adjustments -

The "Present Law Adjustments" table shows the changes from FY 2015 legislative appropriation to the budget proposed by the executive. PSPL adjusts all personal services. LGPL provides for adjustments to other expenditures such as operating expenses. Each is discussed in the narrative that follows. Total funds in the Present Law Adjustments table do not include proprietary funds budgeted in House Bill 2.

Present Law Adjustments										
	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 98 - LEG. Personal Services Present Law	0.00	452,205	(17,771)	(22,690)	411,744	0.00	452,832	(17,963)	(22,936)	411,933
DP 99 - LEG. Present Law	0.00	99,223	(3,899)	(4,979)	90,345	0.00	93,451	(3,707)	(4,733)	85,011
Grand Total All Present Law Adjustments	0.00	\$551,428	(\$21,670)	(\$27,669)	\$502,089	0.00	\$546,283	(\$21,670)	(\$27,669)	\$496,944

DP 98 - LEG. Personal Services Present Law -

The Personal Services Present Law Adjustments (PSPL) in the table below includes all present law adjustments related to personal services, including statewide present law personal services adjustments. This adjustment has been broken out by some of its component parts for a more detailed understanding of the adjustments. FY 2016 and FY 2017 contain the reductions in FTE made by the executive to implement the boilerplate language in HB 2.

Personal Services Present Law Adjustments					
CP 98 PSPL Item	FTE	FY 2016			
		General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	133.45	\$64,857	-	-	\$64,857
Executive Implementation of 2015 Pay Increase		155,649	-	-	155,649
Fully Fund 2015 Legislatively Authorized FTE		160,103	5,573	4,167	169,843
Other		71,596	(23,344)	(26,857)	21,395
Personal Services Present Law Adjustments	133.45	\$452,205	(\$17,771)	(\$22,690)	\$411,744
CP 98 PSPL Item	FTE	FY 2017			
		General Fund	State Special	Federal Special	Total Funds
State Share Health Insurance	133.45	\$64,857	-	-	\$64,857
Executive Implementation of 2015 Pay Increase		155,649	-	-	155,649
Fully Fund 2015 Legislatively Authorized FTE		160,103	5,573	4,167	169,843
Other		72,223	(23,536)	(27,103)	21,584
Personal Services Present Law Adjustments	133.45	\$452,832	(\$17,963)	(\$22,936)	\$411,933

The executive proposes to increase support to personal services adjustments by 4.7% in FY 2016 and 4.7% in FY 2017 in comparison to the FY 2015 legislative budget. As shown in the table, health insurance, the HB 13 pay increases, and fully funding legislatively authorized FTE account for approximately 95% of the adjustments. The remaining adjustments are due primarily to longevity and reclassifications of positions.

DP 99 - LEG. Present Law -

The LGPL adjustments are primarily due to increases in fixed costs.

New Proposals -

Total funds in the New Proposals table do not include proprietary funds budgeted in House Bill 2.

New Proposals	-----Fiscal 2016-----					-----Fiscal 2017-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 700701 - Funding Switch Of Cigarette Tax Stamps - Biennial	0.00	(79,300)	210,000	0	130,700	0.00	(79,300)	0	0	(79,300)
DP 700702 - Funding for Apprenticeship Tax Credit	0.00	20,575	0	0	20,575	0.00	45,800	0	0	45,800
Total	0.00	(\$58,725)	\$210,000	\$0	\$151,275	0.00	(\$33,500)	\$0	\$0	(\$33,500)

DP 700702 - Funding for Apprenticeship Tax Credit -

This request is for general fund authority in the Business and Income Taxes Division to administer the Apprenticeship Tax Credit if legislation passes. Changes to tax returns would be made as part of the annual update process with no additional costs. Authority for one-time costs to add the credit to the department's data processing systems in FY 2016 would be \$20,575. Authority for an additional 0.50 FTE and related expenditures in FY 2017 would be \$45,800. This change package is contingent on passage and approval of LC 628.

DP 700701 - Funding Switch Of Cigarette Tax Stamps - Biennial -

Montana law requires all cigarettes sold in the state to be taxed. Like all states, Montana enforces this taxation through affixing a tax stamp to each pack of cigarettes sold. The tax stamp informs customers, retailers, and the department that the appropriate amount of tax was collected on the cigarettes sold. The Department of Revenue, Business and Income Tax Division requests a funding switch from the general fund in the 2017 biennium to purchase cigarette tax stamps. The vendor has indicated an increase during the 2017 biennium.