

Railroad Car Tax

Revenue Description

The railroad car tax applies to the rolling stock owned by railroad companies, and the tax rate is equal to the average property tax rate for commercial and industrial property. Railroad car companies, which operate in several states, pay taxes on the portion of the property value allocated to Montana, based on the ratio of the car miles traveled within Montana to the total number of car miles traveled in all states, as well as time spent in the state relative to time spent in other states.

Statutory Reference

Tax Rate – [15-23-214\(1\), MCA](#)

Tax Distribution – [15-23-215, MCA](#)

Date Due – Report due to the Department of Revenue (DOR) by April 15th of each year for the previous calendar year ([15-23-103\(2\), MCA](#); [15-23-212, MCA](#)). The department calculates the tax due by the third Monday in October ([15-23-214\(1\), MCA](#)). Half of the tax is due by November 30th and half is due by May 31st ([15-23-214\(3\), MCA](#); [15-16-102\(1\), MCA](#)).

Applicable Tax Rates

The tax rate is equal to the previous year's average statewide tax rate for commercial and industrial property; in recent years, the rate has been about 3.5%. The rate is multiplied by the statewide average mill levy for commercial and industrial property.

Collection Frequency: Semi-annually

Distribution: All proceeds are deposited into the general fund.

Comparison of Legislative and Executive Forecasts

There are no material differences between the legislative and executive forecasts, any difference is primarily due to modeling differences.

Railcar Tax (\$ Millions)				
	FY 2015	FY 2016	FY 2017	Total
Executive Forecast	\$3.610	\$3.790	\$3.970	\$11.370
Legislative Forecast	3.641	3.698	3.849	11.188
Difference	(\$0.031)	\$0.092	\$0.121	\$0.182
% Difference	-0.8%	2.5%	3.2%	1.6%

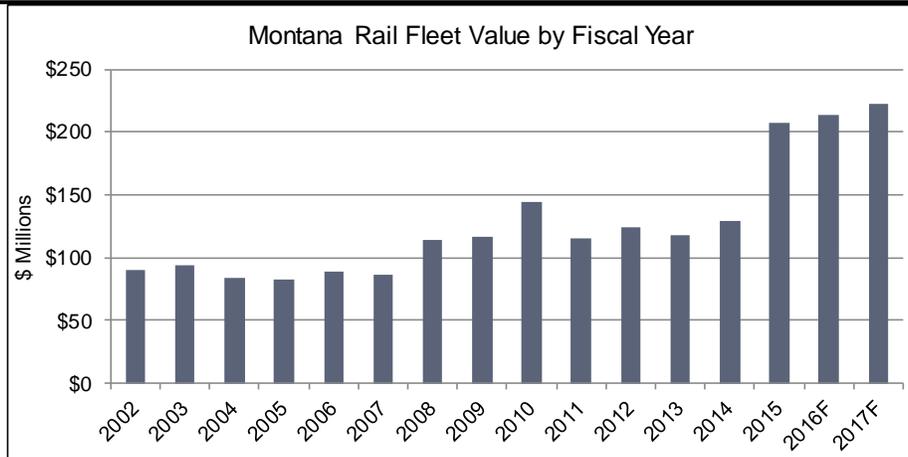
Forecast Risks

- Changing outlook for Montana retail sales

Revenue Estimate Methodology

Data

Data from DOR provides the value of national railroad car fleet, Montana's rolling stock, railroad car tax assessed by company, the average mill levy and applicable tax rate. SABHRS data are used to check the estimates against the historic values.



Analysis

Although the railcar tax appears quite volatile, most of the volatility is caused by shifts in average mill levies and tax rates, both of which are controlled in large part by factors outside of the growth in rail shipments. The volatility can also be traced to litigation brought by rail companies and settled in federal legislation. In 1993, some rail companies protested tax rates, which reduced tax payments for four years. In 1997, the litigation was settled and the companies were required to make both past and current payments.

Railroad properties are taxed as class 12 properties. To calculate total railroad car tax collections, the market value of the Montana fleet is multiplied by the average mill levy and tax rate. The market value of the rail fleet in Montana is based on a relationship with market value of the U.S. fleet. An estimate for the value of the national fleet is developed using the average rate of growth in the U.S. fleet value, based on a four-year pattern of growth. Montana’s average share of the total fleet value is applied to the national estimate. Since 2004, the market value of Montana’s rail fleet has been ranged between 0.44% and 0.51% of the nation’s fleet. Growth in Montana-allocated value is expected to grow with the national fleet value.

After the Montana market fleet value is determined, the average commercial and industrial mill levy and tax rate must be calculated. The rate of the mill levy is calculated from the average of statewide commercial and industrial mill levies. The average mill levy is expected to increase because counties are able to raise levies at a rate equal to half of the annual rate of inflation. Furthermore, the increasing costs of school budgets will further force the average mill levy to increase.

The tax rate for the railroad property is created from a weighted average of five property classes containing commercial and industrial property: class 4, 7, 8, 9, 13 and 14. Class 4 property tax, which contains commercial real estate, is weighted more heavily than the other classes. The estimated tax rate will is shown for forecast years in the revenue estimate assumptions table below.

The rail car tax estimates are completed by multiplying the Montana market value by the average mills and the tax rate.

Business and Personal Taxes
Revenue Estimate Assumptions

Railroad Car Tax

FY	Total Tax \$ Millions	GF Tax \$ Millions	Total MV of Fleet \$ Millions	MT Allocation Percent	MT MV of Fleet \$ Millions	Tax Rate	Mills
A 2002	\$1.490	\$1.490	\$20,065	0.45%	\$89.657	4.21%	0.401
A 2003	1.484	1.484	19,528	0.48%	93.549	4.02%	0.419
A 2004	1.568	1.568	19,232	0.44%	84.020	3.88%	0.474
A 2005	1.604	1.604	18,768	0.44%	82.646	3.81%	0.487
A 2006	1.667	1.667	20,014	0.44%	89.056	3.74%	0.510
A 2007	1.615	1.615	21,120	0.41%	85.817	3.55%	0.516
A 2008	2.064	2.064	22,553	0.50%	113.859	3.52%	0.520
A 2009	2.099	2.099	25,133	0.46%	116.184	3.44%	0.525
A 2010	2.579	2.579	28,121	0.51%	144.031	3.45%	0.525
A 2011	2.130	2.130	27,259	0.42%	115.455	3.40%	0.517
A 2012	2.273	2.273	26,011	0.48%	123.766	3.45%	0.533
A 2013	2.179	2.179	26,722	0.44%	117.899	3.39%	0.530
A 2014	2.418	2.418	29,293	0.44%	129.494	3.28%	0.538
F 2015	3.641	3.641	34,410	0.60%	206.979	3.28%	0.536
F 2016	3.698	3.698	35,463	0.60%	213.307	3.28%	0.529
F 2017	3.849	3.849	36,905	0.60%	221.981	3.28%	0.529

Revenue Projection

