
Legislative Fiscal Division

Revenue Estimate Profile

Railroad Car Tax

Revenue Description: All railroad property is subject to taxation as defined in the federal Railroad Revitalization and Regulatory Reform Act of 1976. The Railroad car tax applies to the rolling stock owned by railroad companies. The railroad car tax rate 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 (MCA) - 15-23-214(1)

Tax Distribution (MCA) – 15-23-215

Date Due – Report due to the Department of Revenue April 15th of each year for the previous calendar year (15-23-103(2), 15-23-212). The department calculates the tax due by the third Monday in October (15-23-214(1)).

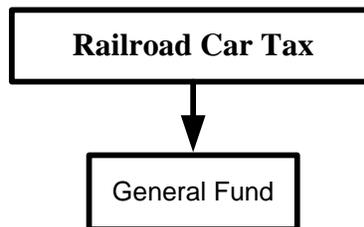
One-half of the tax is due by November 30th and one-half is due by May 31st (15-23-214(3), 15-16-102(1)).

Applicable Tax Rate(s): The tax rate is equal to the previous year's average statewide tax rate for commercial and industrial property. This is multiplied by the statewide average mill levy for commercial and industrial property. The most current tax year rates are:

FY 2004 – 3.88%	FY 2007 – 3.55%	FY 2010 – 3.40%
FY 2005 – 3.81%	FY 2008 – 3.52%	FY 2011 – 3.40%
FY 2006 – 3.74%	FY 2009 – 3.44%	FY 2012 – 3.50%

Distribution: All revenue from this tax is deposited into the general fund.

Distribution Chart:



Collection Frequency: Semi-annually

% of Total General Fund Revenue:

FY 2004 – 0.11%	FY 2007 – 0.09%	FY 2010 – 0.16%
FY 2005 – 0.10%	FY 2008 – 0.11%	FY 2011 – 0.12%
FY 2006 – 0.10%	FY 2009 – 0.12%	FY 2012 – 0.12%

Revenue Estimate Methodology:

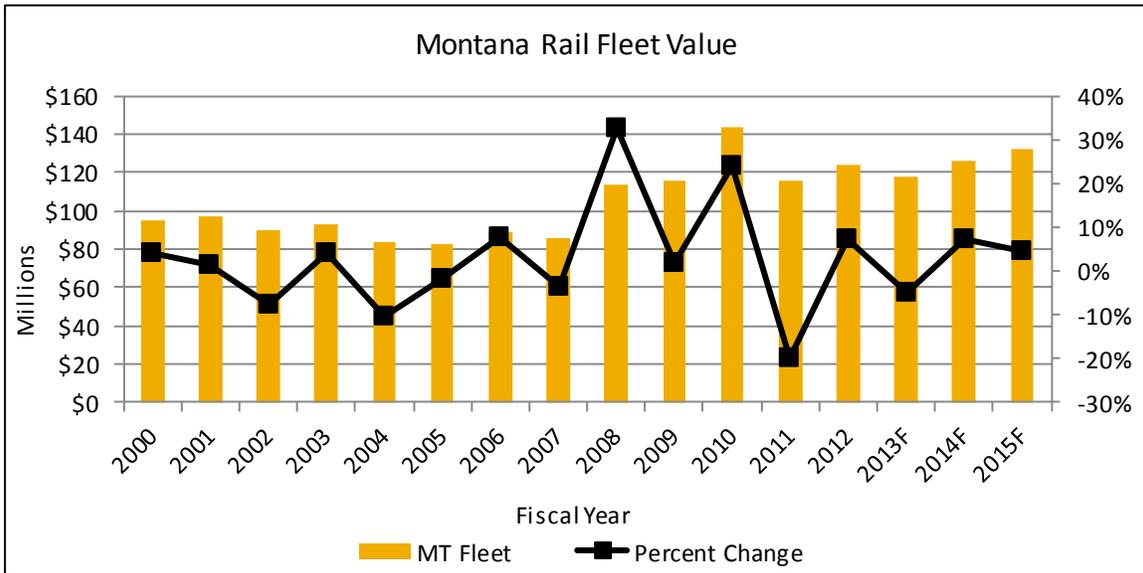
Data

Data from the Department of Revenue (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. State accounting data (SABHRS) are used to check the estimates against the historic values.

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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. The growth in Montana-allocated value is expected to grow with the national fleet at 7.4% in FY 2014 and by 4.5% in FY 2015.

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 calculated mill levy growth estimates are less than 1% throughout the forecast period.

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 be 3.45% in FY 2012, FY 2013 and FY 2015.

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

Forecast Methodology:



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Revenue Estimate Assumptions:

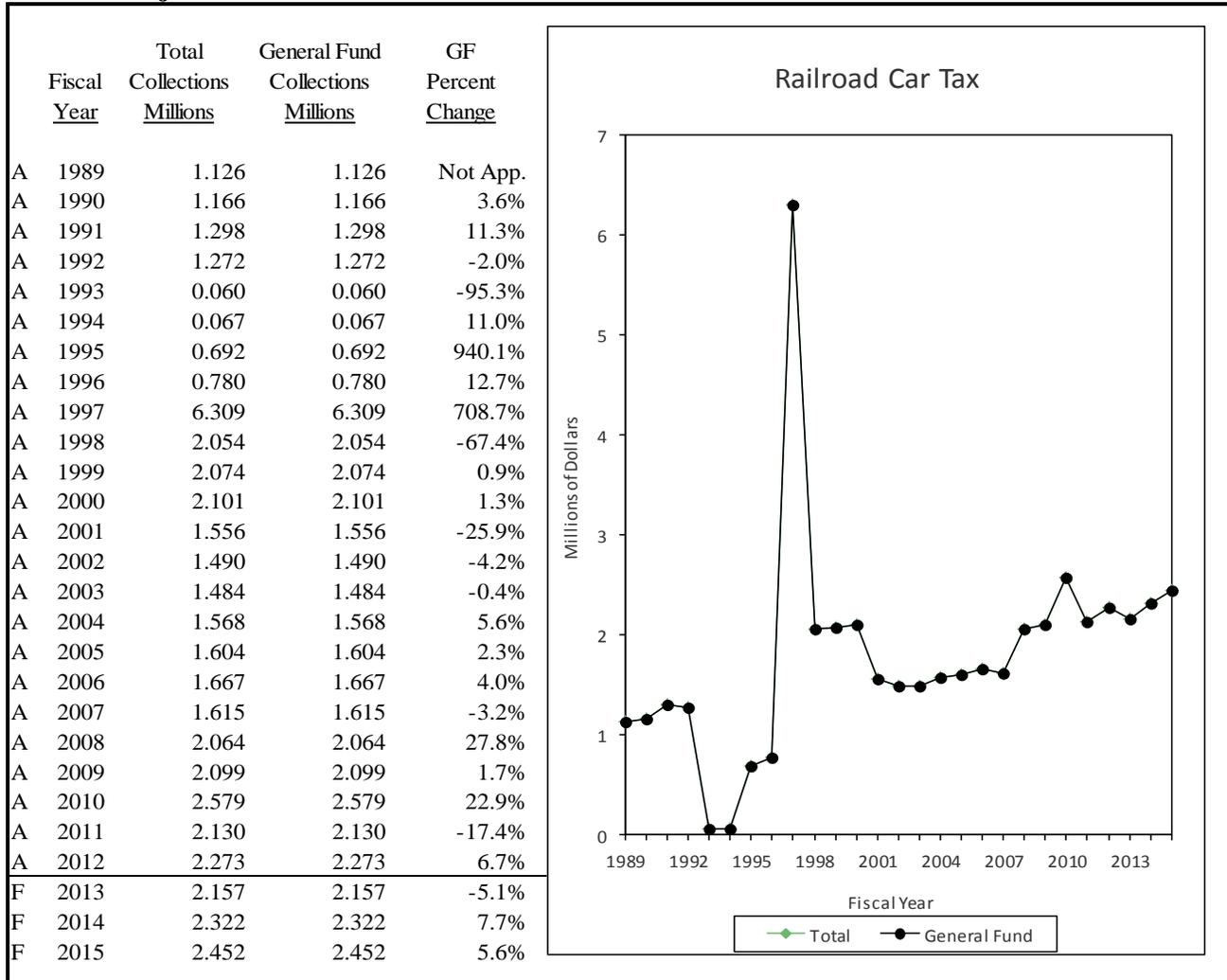
	t	Total Tax	GF Tax	Total MV	MT	MT MV	Tax	
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>of Fleet</u>	<u>Allocation</u>	<u>of Fleet</u>	<u>Rate</u>	<u>Mills</u>
				<u>Millions</u>	<u>Percent</u>	<u>Millions</u>		
Actual	2002	1.490	1.490	20,065.084	0.4%	89.657	4.2%	0.401
Actual	2003	1.484	1.484	19,527.800	0.5%	93.549	4.0%	0.419
Actual	2004	1.568	1.568	19,231.928	0.4%	84.020	3.9%	0.474
Actual	2005	1.604	1.604	18,767.655	0.4%	82.646	3.8%	0.487
Actual	2006	1.667	1.667	20,014.412	0.4%	89.056	3.7%	0.510
Actual	2007	1.615	1.615	21,120.423	0.4%	85.817	3.6%	0.516
Actual	2008	2.064	2.064	22,553.070	0.5%	113.859	3.5%	0.520
Actual	2009	2.099	2.099	25,133.266	0.5%	116.184	3.4%	0.525
Actual	2010	2.579	2.579	28,120.571	0.5%	144.031	3.5%	0.525
Actual	2011	2.130	2.130	27,258.969	0.4%	115.455	3.4%	0.517
Actual	2012	2.273	2.273	26,010.981	0.5%	123.766	3.5%	0.533
Forecast	2013	2.157	2.157	26,722.252	0.4%	117.899	3.5%	0.530
Forecast	2014	2.322	2.322	28,712.047	0.4%	126.678	3.5%	0.532
Forecast	2015	2.452	2.452	30,005.708	0.4%	132.385	3.5%	0.537
Total Tax = Total MV of Fleet × MT Allocation × Tax Rate × Mills								
GF Tax = Total Tax								

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Revenue Projection:



Data Source(s): SABHRS, Department of Revenue

Contacts: Railroad Car Companies, Department of Revenue