State Revenue Perspectives

SUMMARY

Major revenue source contributors to the state general fund (and interrelated state special funds) are experiencing deep declines from FY 2008 levels. These declines are expected to continue through FY 2010 before increasing, but will still be below the FY 2008 level by FY 2011. Rapidly deteriorating economic conditions statewide, nationwide, and worldwide bodes ill for the revenues that finance many state-provided services. Such unprecedented turmoil also complicates the accurate prediction of future revenues and, hence, complicates the budgeting process for the legislature. Throughout the 2009 legislative session, LFD revenue staff updated the legislature on changing economic conditions and offered recommendations for amending HJR 2, the official revenue estimates introduced by the Revenue and Taxation Interim Committee (RTIC) in HJR 2. Although the Sixty-first Legislature failed to adopt the revenue estimate resolution, they became the official revenue estimates of the legislature (as amended by the House Taxation Committee) based on statutory language in 5-5-227(3), MCA.

THE 61ST LEGISLATURE GENERAL FUND REVENUE OUTLOOK

FORECAST FOR MAJOR GENERAL FUND REVENUE SOURCES

Figure 1

HJ 2 Revenue Estimate Recommendations - General Fund

Figures in Millions

	Actual FY 2008	Estimated FY 2009	Estimated FY 2010	Estimated FY 2011	2009 Biennium	2011 Biennium	Biennial $ Change	Biennial % Change
Individual Income Tax	$866.659	$852.615	$840.263	$852.746	$1,719.274	$1,693.009	($26.265)	-1.5%
Property Tax	205.044	214.615	228.853	232.248	419.659	461.101	41.442	9.9%
Corporation Income Tax	160.342	157.284	115.638	121.371	317.626	237.009	(80.617)	-25.4%
Vehicle Tax and Fees	93.493	93.493	92.247	90.093	186.986	182.340	(4.646)	-2.5%
Oil and Gas Production Tax	149.994	94.769	66.930	82.423	244.763	149.353	(95.410)	-39.0%
Remaining Sources	478.008	431.827	428.984	450.467	909.835	879.451	(30.384)	-3.3%
Total	**$1,953.540**	**$1,844.603**	**$1,772.915**	**$1,829.348**	**$3,798.143**	**$3,602.263**	**($195.880)**	**-5.2%**

This section presents the details on five of the major general fund revenue sources that comprise 75.5 percent of the total general fund revenue. Of these major sources, the Sixty-first Legislature revised assumptions for all of them. These revisions are reflected in the information below. Additional details of these and other revenue sources, including assumptions and analytical methods used to estimate each source, can be found in the LFD *Legislative Fiscal Report 2011 Biennium, Volume 2 – Revenue Estimates.*

Individual Income Tax

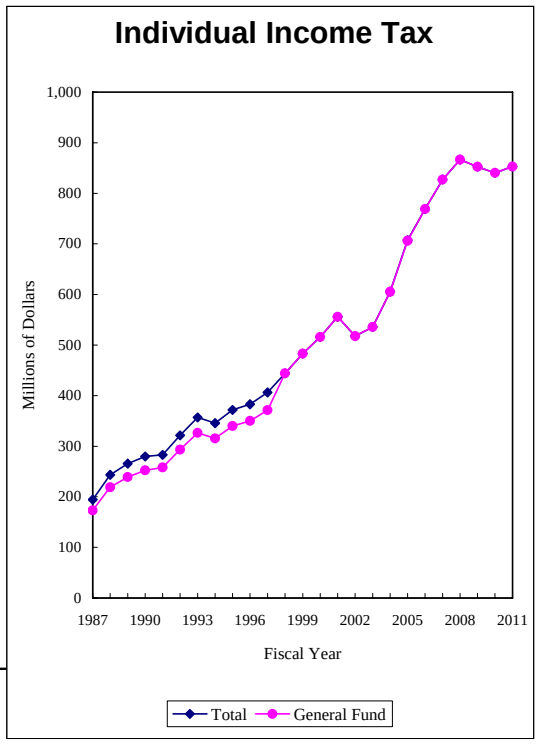
Background

The tax is levied against taxable income, which is defined as Montana personal income adjusted for exemptions and deductions. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits. Tax rates vary from 1.0 to 6.9 percent, depending on the level of taxable income. Tax brackets, personal exemption amounts, and the standard deduction are adjusted by the rate of inflation in each year. SB 407, enacted by the 2003 legislature, created a new capital gains income tax credit. As a result, the tax rate on capital gains income is less than the tax rate on ordinary income by 1 percent in tax years 2005 and 2006, and by 2 percent in tax year 2007 and beyond. This source has contributed the following percentages of total general fund revenue:

FY 2004 – 43.82% FY 2007 – 45.04%
FY 2005 – 46.13% FY 2008 – 44.17%
FY 2006 – 45.01%

Revenue Forecast

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	194.676947	173.262483	Not App.
A	1988	243.768721	219.241292	26.54%
A	1989	265.539814	238.963596	9.00%
A	1990	279.642960	252.230465	5.55%
A	1991	282.960086	258.216424	2.37%
A	1992	321.538093	293.564151	13.69%
A	1993	356.986934	326.187735	11.11%
A	1994	345.643403	315.677433	-3.22%
A	1995	371.902909	339.939156	7.69%
A	1996	383.091612	350.161013	3.01%
A	1997	406.275740	371.275410	6.03%
A	1998	444.160729	444.160729	19.63%
A	1999	483.031571	483.031571	8.75%
A	2000	516.261912	516.261912	6.88%
A	2001	556.014554	556.014554	7.70%
A	2002	517.567691	517.567691	-6.91%
A	2003	535.830664	535.830664	3.53%
A	2004	605.582309	605.348420	12.97%
A	2005	707.343333	706.234579	16.67%
A	2006	768.922343	768.922343	8.88%
A	2007	827.145498	827.145498	7.57%
A	2008	866.659000	866.659000	4.78%
F	2009	852.615000	852.615000	-1.62%
F	2010	840.263000	840.263000	-1.45%
F	2011	852.746000	852.746000	1.49%



Forecast Factors

The income tax forecast for fiscal years 2009 through 2011 is comprised of four steps: 1) collect calendar year 2007 income data from the tax returns, 2) develop calendar growth factors for each income and deduction component and apply them to the base components in the 2007 income tax data, 3) convert calendar year data to fiscal year data, and 4) adjust the resulting fiscal year data for audits, credits, legislation, and other special events.

In November 2008, the Revenue and Transportation Interim Committee met and developed the assumptions and the resulting revenue forecast for all state revenues. Many of the income tax growth factors were based on IHS Global Insight October forecasts for wages and salaries, interest income, dividend income, capital gains, retirement income, business income, as well as other income tax items.

The forecast also contained estimates of income tax audits, credits and adjustments for: 1) the one time $140 property tax credit which was claimed in April 2008, 2) excess refunds in FY 2008, 3) the acceleration of income revenues by the withholding of mineral royalties in FY 2008, and 4) other minor legislative impacts.

The November, and subsequent months, IHS Global Insight economic forecasts contained major downward revisions in the growth factors used to forecast Montana income tax. As a result, the LFD applied some of these lowered growth rates to revise its estimate of individual income tax.

The latest income tax growth estimates reflect downward revisions in wage and salary income, interest income, dividend income, and capital gains. These revisions, compared to RTIC assumptions, are shown in the following Figure.

Figure 2

Revised Income Tax Growth Factors Compared with RTIC Growth Factors

	Wages and Salaries			Interest Income			Dividend Income			Capital Gains		
Calendar Year	RTIC	Revised	Difference	RTIC	Revised	Difference	RTIC	Revised	Difference	RTIC	Revised	Difference
2008	4.53%	2.90%	-1.63%	1.14%	0.53%	-0.61%	6.09%	6.68%	0.59%	-16.32%	-17.62%	-1.30%
2009	2.29%	0.43%	-1.86%	-1.46%	-3.91%	-2.45%	-1.18%	-0.57%	0.61%	-17.35%	-19.44%	-2.09%
2010	3.09%	2.32%	-0.77%	-1.42%	-1.00%	0.42%	1.33%	0.33%	-1.00%	11.63%	14.80%	3.17%
2011	3.41%	4.16%	0.75%	8.05%	9.44%	1.39%	3.06%	2.47%	-0.59%	13.60%	13.78%	0.18%

Assumptions used in developing the income tax forecast can be found in the LFD *Legislative Fiscal Report 2011 Biennium, Volume 2 – Revenue Estimates.*

Property Tax

Background

Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills, and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vocational technology (vo-tech) college. Taxable value is defined as the market value of statutorily defined property times

a statutory tax rate. Property valued at market value includes personal property, utility property, railroad and airline property, and mineral net and gross proceeds. The assessed value of residential and commercial real estate is the market value phased in over the reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. The prior reappraisal cycle took effect January 1, 2003, and the last reappraisal took effect January 1, 2009. Beginning January 1, 2009, residential real estate increased by 55.1 percent compared with values on January 1, 2003. For the same period, commercial property increased 34.5 percent, agricultural land increased 26.8 percent, and timberland increased 51.7 percent. The new reappraised values will be phased in over the next six years, FY 2010 through FY 2015. The 2009 Legislature, in HB 658, provided new tax rates and new exemptions that were phased in over the next six years for all four classes of property. See the Bills Affecting General Fund and Selected Non-General Fund Revenue on page 39 for a discussion of these changes.

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed on the basis of mills levied by taxing jurisdictions. These non-levy sources include the state share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

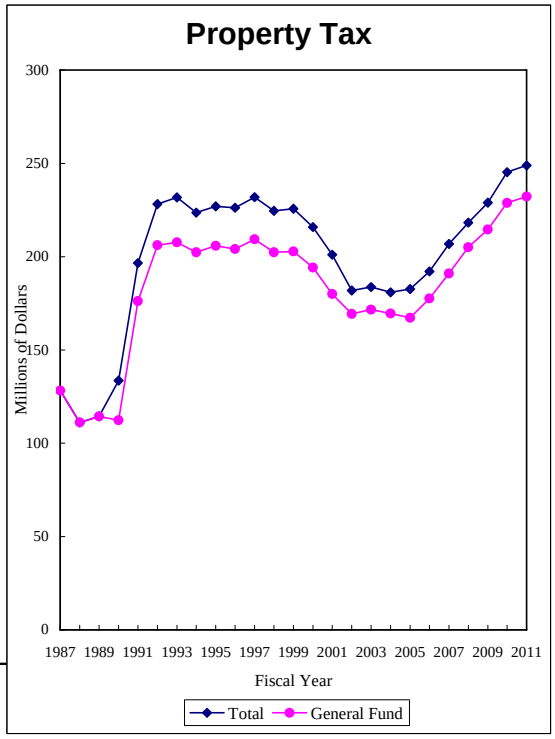
This source also includes the state's share of protested taxes paid by centrally assessed companies. Should the state fail in defense of the taxation of these companies, the protested taxes must be returned to the taxpayer.

This source has contributed the following percentages of total general fund revenue:

FY 2004 – 12.27 %	FY 2007 – 10.74%
FY 2005 – 10.93%	FY 2008 – 11.53%
FY 2006 – 10.4%	

Revenue Forecast

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	128.225413	128.225413	Not App.
A	1988	111.111138	111.111138	-13.35%
A	1989	114.444609	114.444609	3.00%
A	1990	133.619694	112.374543	-1.81%
A	1991	196.551532	176.154583	56.76%
A	1992	228.220531	206.138029	17.02%
A	1993	231.757476	207.646372	0.73%
A	1994	223.577122	202.381945	-2.54%
A	1995	226.944990	205.842671	1.71%
A	1996	226.234755	204.082588	-0.86%
A	1997	231.943080	209.284365	2.55%
A	1998	224.562154	202.350380	-3.31%
A	1999	225.681256	202.774979	0.21%
A	2000	215.866432	194.196158	-4.23%
A	2001	201.103545	180.050247	-7.28%
A	2002	181.923409	169.339388	-5.95%
A	2003	183.690786	171.679862	1.38%
A	2004	180.905286	169.530994	-1.25%
A	2005	182.587822	167.270350	-1.33%
A	2006	192.118042	177.639199	6.20%
A	2007	206.872427	190.981939	7.51%
A	2008	218.222981	205.043751	7.36%
F	2009	229.004000	214.615000	4.67%
F	2010	245.293000	228.853000	6.63%
F	2011	248.915000	232.248000	1.48%



Forecast Factors

The property tax forecast for fiscal years 2009 through 2011 is comprised of five steps: 1) collect the latest base year data, in this case FY 2009 taxable values, 2) apply taxable value growth rates to the base data for fiscal years 2010 and 2011 and sum across property classes, 3) forecast statewide tax increment financing values and abatement values and adjust the statewide taxable value forecast by these values, 4) for the general fund, apply the state 95 mills, to the net statewide taxable value, and 5) subtract one-half of the forecast for protested taxes. The same procedure is applied for the 1.5 mill vo-tech levy which is also deposited in the general fund and the 6 mill university levy which is deposited in the university account. The 1.5 mill vo-tech levy is applied to the net taxable values in the five vo-tech counties.

For FY 2010 and FY 2011, preliminary reappraisal values available for the RTIC meeting in November 2008 were used for residential and commercial property, agricultural land, and timberland. During the 2009 legislative session, the estimates of the impact of reappraisal were refined, and estimates were finalized late in the session. The legislature passed HB 658 which phased in reduced tax rates for all 4 classes of property, and phased in increased homestead and comstead exemptions for residential and commercial real estate.

In addition, two events impacted the level of protested taxes: 1) Northwestern settled its case with the state and 2) the Supreme Court ruled for Omimex in its protested taxes suit over the proper classification of its pipeline properties. As a result of these two cases, the general fund in FY 2009 will receive increased revenue from of transfers from the protested account to the general fund in the Northwestern case, but will pay a refund out of the general fund to Omimex. For the 2011 biennium, protested taxes will be lower as each company is not expected to protest their taxes.

During the 2009 legislative session, the Omimex decision lead to a reduction in the revenue estimates for property tax because of possible reclassification of property similar to that of Omimex from class 12 to class 8. Class 8 has tax rate of 3 percent and class 12 has a tax rate of 12 percent. In response to this possible reclassification, the 2009 Legislature passed SB 489, which clarified that all pipeline property of the type involved in the Omimex decision is class 12 property and would be assessed at a 12 percent tax rate.

Corporation Income Tax

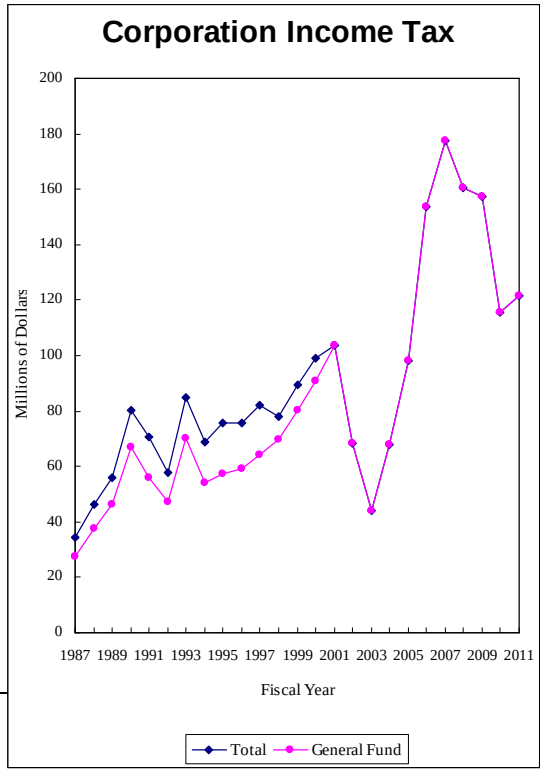
Background

The corporation income tax is a license fee levied against a corporation's net income earned in Montana. The corporation income tax is imposed on corporations that, for reasons of jurisdiction, are not taxable under a license tax. Factors that affect corporation income tax receipts include tax credits and the audit efforts by the Department of Revenue. As with individual income tax, all tax liability is adjusted for allowable credits. The tax rate is 6.75 percent, except for corporations making a "water's edge" election (see 15-31-322, MCA), who pay a 7.0 percent tax on their net income. This source has contributed the following percentages of total general fund revenue:

FY 2004 - 4.90%	FY 2007 - 9.67%
FY 2005 - 6.42%	FY 2008 - 8.17%
FY 2006 - 9.00%	

Revenue Forecast

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	34.566361	27.371125	Not App.
A	1988	46.200104	37.584806	37.32%
A	1989	56.139749	46.152627	22.80%
A	1990	80.315504	67.087905	45.36%
A	1991	70.784279	56.006784	-16.52%
A	1992	57.682672	47.027797	-16.03%
A	1993	85.054483	70.003987	48.86%
A	1994	68.871909	53.996713	-22.87%
A	1995	75.519940	57.425136	6.35%
A	1996	75.761891	59.336677	3.33%
A	1997	81.999138	64.078549	7.99%
A	1998	77.928498	69.724680	8.81%
A	1999	89.624560	80.142416	14.94%
A	2000	99.088867	90.682672	13.15%
A	2001	103.670487	103.670487	14.32%
A	2002	68.173253	68.173253	-34.24%
A	2003	44.137518	44.137518	-35.26%
A	2004	67.722940	67.722940	53.44%
A	2005	98.213716	98.213716	45.02%
A	2006	153.675068	153.675068	56.47%
A	2007	177.503707	177.503707	15.51%
A	2008	160.341786	160.341786	-9.67%
F	2009	157.284000	157.284000	-1.91%
F	2010	115.638000	115.638000	-26.48%
F	2011	121.371000	121.371000	4.96%



Forecast Factors

The corporation tax is extremely reactive to national economic swings. Historic collection patterns demonstrate that in periods of national recession, Montana corporate tax revenues decline for two to three years. Through the 2011 biennium, with a national economy in the midst of recession, the Montana corporation tax is expected to experience significant declines. The current recession has created a significant level of uncertainty in the national economy, causing changes in the projections used in development of the HJR 2 estimates.

To estimate corporation tax collections, corporation tax payment data provided by the Department of Revenue are disaggregated based on corporate industrial sector, allowing analysis of specific components of the corporate landscape. Each sector is then analyzed, measured, and forecast individually. Through this methodology, the profitability changes inherent in highly volatile sectors are captured. For example, the profitability of Montana's large and volatile natural resource corporations is highly reactive to commodity prices, and the volatility affects the corporation tax payments of oil and gas, energy, mining, and timber corporations.

To develop the estimate for the corporation income tax, the sector growth rate is applied to the most recent tax year collections, 2007. The industrial sectors are then summed to provide an estimate for the tax year corporation tax liabilities. Because the industrial sector estimates are based on a tax year analysis, but are paid in a state fiscal year, payment timing must be taken into consideration. The estimated tax year payments of two years are distributed between two fiscal years, at a ratio of 60:40, to obtain the fiscal year liability ($0.6 \times TY_1 + 0.4 \times TY_2 = FY_2$).

Vehicle Tax

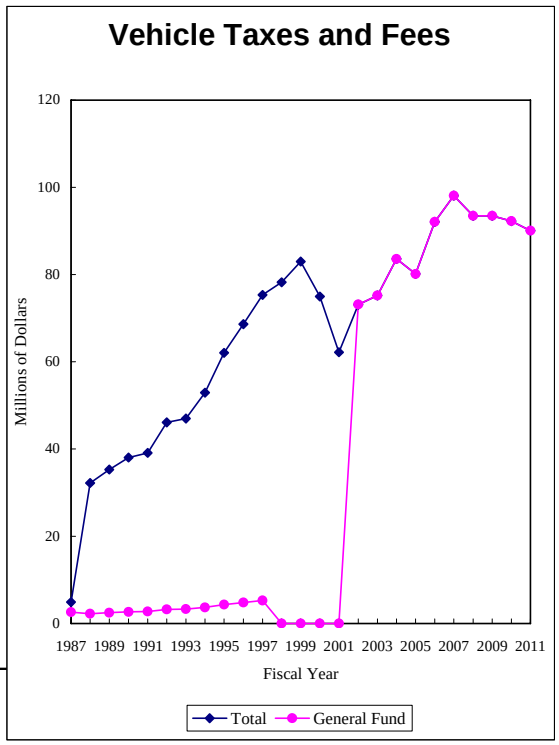
Background

Light vehicles, motorcycles and quadricycles, snowmobiles, buses, trucks, and truck tractors having a manufacturer's rated capacity of more than 1 ton, motor homes, and certain trailers and travel trailers are taxed under a fee schedule that varies by age and weight. The fee for light vehicles is $195 for ages between zero and four years, $65 for vehicles between five and ten years of age, and $6 for vehicles over ten years old. Owners of vehicles greater than ten years old may pay $87.50 (plus other applicable fees) for a permanent registration. The fee schedule for trucks varies by age and weight capacity. The fees-in-lieu-of-tax on motorcycles and quadricycles, trailers and travel trailers, snowmobiles, watercraft, and off-highway vehicles are one-time payments, except upon change of ownership. This source has contributed the following percentages of total general fund revenue:

FY 2004 – 6.05%	FY 2007 – 5.51%
FY 2005 – 5.23%	FY 2008 – 5.26%
FY 2006 – 5.39%	

Revenue Forecast

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	8.213142	2.608426	Not App.
A	1988	36.271740	2.255149	-13.54%
A	1989	40.139702	2.471472	9.59%
A	1990	44.232002	8.869602	258.88%
A	1991	46.947105	10.582218	19.31%
A	1992	56.247735	13.378654	26.43%
A	1993	56.358436	12.670105	-5.30%
A	1994	62.629657	13.424539	5.95%
A	1995	71.925382	14.238226	6.06%
A	1996	78.442141	14.605759	2.58%
A	1997	85.645500	15.588374	6.73%
A	1998	88.988649	10.778306	-30.86%
A	1999	94.058206	11.053035	2.55%
A	2000	86.666587	11.715716	6.00%
A	2001	74.720471	12.548251	7.11%
A	2002	100.548823	100.398624	700.10%
A	2003	104.092316	103.537563	3.13%
A	2004	115.208780	114.330455	10.42%
A	2005	111.494279	110.771948	-3.11%
A	2006	114.000647	113.292384	2.28%
A	2007	117.211161	116.471506	2.81%
A	2008	113.108912	112.487931	-3.42%
F	2009	113.069000	112.419000	-0.06%
F	2010	112.583000	110.217000	-1.96%
F	2011	111.382000	107.305000	-2.64%



Forecast Factors

With constant tax rates, the future change in vehicle tax revenue results from change in the vehicle stock in Montana. Because tax payments are directly connected to the number of vehicles in the state, estimates for the revenues are made by applying estimated growth rates to the previous year revenue. Growth rates for the stock of Montana vehicles are derived by obtaining IHS Global Insight estimates for the national vehicle stock and new car sales nationwide and for Montana. A ratio is then developed to project the stock of Montana vehicles. An average of the Montana stock in the current and previous years is used in this estimate from which growth between two years is calculated. For the estimated period, growth is expected to increase in FY 2009, but decline in the following years. The growth rate is applied to base year (FY 2008) revenues of each tax category and projected for all estimated fiscal years based on the stock ratio for Montana.

Oil and Natural Gas Production Tax

Background

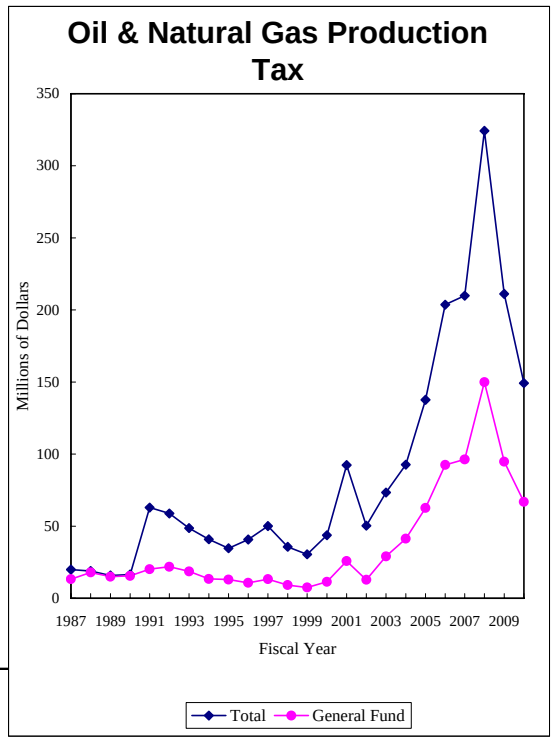
The oil and natural gas production tax is imposed on the production of petroleum and natural gas in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production.

The oil and natural gas production tax has numerous tax rates depending on several factors. These factors include whether the oil or gas is produced from a stripper well, a stripper incentive well, from a well initially drilled before 1999 or after, from a well newly drilled within the last year or 18 months, and whether the interest being taxed is the working interest or the royalty interest. The Board of Oil and Gas Conservation imposes an additional privilege and license (P & L) tax on all oil and natural gas tax rates. Starting October 2006 as set by the Board, the P&L tax rate is 0.09 percent. Based on this rate, HB 758 enacted by the 2005 Legislature allows an additional tax rate of 0.17 percent to generate revenue for local impacts for local governments. The two taxes may not exceed 0.3 percent. This source has contributed the following percentages of total general fund revenue:

FY 2004 – 2.99%	FY 2007 – 5.25%
FY 2005 – 4.09%	FY 2008 – 7.64%
FY 2006 – 5.42%	

Revenue Forecast

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1987	19.904239	13.254877	Not App.
A	1988	18.913097	17.975582	35.61%
A	1989	15.748241	14.959251	-16.78%
A	1990	16.486405	15.567426	4.07%
A	1991	62.879742	20.163269	29.52%
A	1992	58.892324	21.822893	8.23%
A	1993	48.650604	18.676586	-14.42%
A	1994	40.871318	13.403408	-28.23%
A	1995	34.704332	12.963887	-3.28%
A	1996	40.826475	10.665986	-17.73%
A	1997	50.150068	13.283093	24.54%
A	1998	35.709042	9.120152	-31.34%
A	1999	30.446634	7.505617	-17.70%
A	2000	43.772950	11.362741	51.39%
A	2001	92.395790	25.791723	126.99%
A	2002	50.303610	12.902439	-49.97%
A	2003	73.389376	29.086038	125.43%
A	2004	92.676050	41.323718	42.07%
A	2005	137.754331	62.625939	51.55%
A	2006	203.681078	92.562800	47.80%
A	2007	209.946350	96.334992	4.08%
A	2008	324.311270	149.993826	55.70%
F	2009	211.249000	94.769000	-36.82%
F	2010	149.193000	66.930000	-29.38%
F	2011	183.730000	82.423000	23.15%



Forecast Factors – Oil

Data from the Board of Oil and Gas Conservation are used extensively to isolate monthly historical production of oil and natural gas by field and by individual well. IHS Global Insight provides future estimates of West Texas Intermediate oil and national well head natural gas prices. Production, price, value, and revenue collections, by oil type, are provided on a quarterly basis by the Department of Revenue. The oil production estimate is developed on a quarterly basis with production from the Elm Coulee field separate from all other production. A normalized production decline curve from every producing well in the field is developed. Future production from completed wells is estimated by developing a curve that represents the average production of wells in the Elm Coulee field by month of production. Production from all other fields is also estimated on a quarterly basis and by the different taxation types based on historical production. The price for each quarter is estimated by adjusting the IHS Global Insight West Texas Intermediate oil price for that quarter by the ratio of the previous three year average Montana price to the three year average of the IHS Global Insight price.

Forecast Factors - Natural Gas

Similar to oil, a normalized production curve is developed for each of the major gas fields: St. Joe Road, Pennel, CX, Tiger Ridge, Bowdoin, and Cedar

Creek. Future production from these fields can be estimated based on the resulting curve that represents the average production of wells by month of production. Production from all other fields is also estimated on a quarterly basis and by the different taxation types based on historical production. The price for each quarter is estimated by adjusting the IHS Global Insight national well head price for that quarter by the ratio of the previous three year average Montana price to the three year average of the IHS Global Insight price.

HJR 2 estimates for this source incorporate the latest IHS Global Insight prices for oil and natural gas adjusted to reflect Montana prices.

All Remaining General Fund Revenue

The remaining general fund revenue sources in the 2011 biennium constitute 23.8 percent of the total. For detailed information on all the remaining general fund and selected state special revenue sources, see the LFD *Legislative Fiscal Report 2011 Biennium, Volume 2 – Revenue Estimates.*

REVENUE AND TAX POLICY INITIATIVES

Revenue and Tax Policy Changes

Figure 3 shows the general fund revenue impacts of legislation enacted by the Sixty-first Legislature. If more than one bill were enacted that impacts a particular revenue source, the cumulative impact of the bills is shown for each revenue source.

Figure 3

Revenue Legislation Impacts of 61st Legislature
Total General Fund
In Millions

	Source of Revenue	Estimated Fiscal 2009	Estimated Fiscal 2010	Estimated Fiscal 2011	Estimated Fiscal 08-09	Estimated Fiscal 10-11	Estimated 09,10,11
1	Individual Income Tax	$0.000	$1.513	$2.732	$0.000	$4.245	$4.245
2	Property Tax	-	6.934	6.529	-	13.463	13.463
3	Corporation Income Tax	-	-	(0.011)	-	(0.011)	(0.011)
4	Vehicle Tax	-	-	-	-	-	-
5	Common School Interest and Income	-	-	-	-	-	-
6	Insurance Tax & License Fees	-	10.882	11.445	-	22.327	22.327
7	Coal Trust Interest	-	-	-	-	-	-
8	US Mineral Royalty	-	-	-	-	-	-
9	All Other Revenue	(29.565)	3.121	2.361	(29.565)	5.482	(24.083)
10	Tobacco Settlement	-	-	-	-	-	-
11	Telecommunications Excise Tax	-	-	-	-	-	-
12	Video Gambling Tax	-	-	-	-	-	-
13	Treasury Cash Account Interest	-	-	-	-	-	-
14	Estate Tax	-	-	-	-	-	-
15	Oil & Natural Gas Production Tax	-	-	-	-	-	-
16	Motor Vehicle Fee	-	(1.702)	(2.269)	-	(3.971)	(3.971)
17	Public Institution Reimbursements	1.124	1.635	0.355	1.124	1.990	3.114
18	Lodging Facility Use Tax	-	-	-	-	-	-
19	Coal Severance Tax	-	(1.337)	(1.400)	-	(2.737)	(2.737)
20	Liquor Excise & License Tax	-	0.023	0.032	-	0.055	0.055
21	Cigarette Tax	-	(0.977)	(0.987)	-	(1.964)	(1.964)
22	Investment License Fee	-	-	-	-	-	-
23	Lottery Profits	-	0.063	0.064	-	0.127	0.127
24	Liquor Profits	-	(1.798)	(0.045)	-	(1.843)	(1.843)
25	Nursing Facilities Fee	-	-	-	-	-	-
26	Foreign Capital Depository Tax	-	-	-	-	-	-
27	Electrical Energy Tax	-	-	-	-	-	-
28	Metalliferous Mines Tax	-	-	-	-	-	-
29	Highway Patrol Fines	-	-	-	-	-	-
30	Public Contractors Tax	-	-	-	-	-	-
31	Wholesale Energy Tax	-	-	-	-	-	-
32	Tobacco Tax	-	-	-	-	-	-
33	Driver's License Fee	-	-	-	-	-	-
34	Rental Car Sales Tax	-	-	-	-	-	-
35	Railroad Car Tax	-	-	-	-	-	-
36	Wine Tax	-	-	-	-	-	-
37	Beer Tax	-	(0.003)	(0.004)	-	(0.007)	(0.007)
38	Telephone License Tax	-	-	-	-	-	-
39	Long Range Bond Excess	-	-	-	-	-	-
	Total General Fund	($28.441)	$18.354	$18.802	($28.441)	$37.156	$8.715

Figure 4 shows the revenue impacts of legislation enacted by the Sixty-first Legislature summarized by bill number. For the three-year period, fiscal years 2009 through 2011, total general fund revenues were increased by a net $9.5 million. There

were numerous bills that decreased revenue as well as others that increased revenue. Figure 4 also summarizes the total revenue impacts for all funds for the same period.

Figure 4

Impact of Enacted Legislation By Bill Number
General Fund and Total Funds

Bill Number and Short Description	General Fund Impact Fiscal 2009	General Fund Impact Fiscal 2010	General Fund Impact Fiscal 2011	General Fund Impact 09,10,11	Total Funds Impact 09,10,11
HB0002 General appropriations act	-	(928,907)	(654,322)	(1,583,229)	(1,583,229)
HB0005 Long-range building appropriations -- include energy conservation	-	(1,850,000)	-	(1,850,000)	18,207,000
HB0010 Long range information technology funding bill	-	1,500,000	2,153,000	3,653,000	51,676,587
HB0021 Repeal termination date for recycling tax incentives	-	-	-	-	-
HB0027 Revise universal system benefit laws	-	-	-	-	451,144
HB0042 Forest management program for FWP land	-	-	-	-	300,000
HB0071 Repeal sunset of hospital bed tax	-	-	-	-	135,894,958
HB0082 Revise deposit of stranded 911 revenue	-	(481,052)	(513,619)	(994,671)	-
HB0108 Revise deposit of restitution payments	-	(200,000)	(200,000)	(400,000)	-
HB0132 Diversion from involuntary commitment to short-term inpatient treatment	-	-	(252,706)	(252,706)	(252,706)
HB0152 Quality schools facility grant program	-	-	-	-	-
HB0154 Make fire suppression fund permanent, fund and revise use	(32,915,000)	-	-	(32,915,000)	(32,915,000)
HB0160 Revise captive insurer laws	-	(7,500)	(7,500)	(15,000)	(86,167)
HB0163 Revise tax incentives for motion picture industry	-	-	(50,000)	(50,000)	(40,000)
HB0171 Repeal state regulation of pro and semipro combative events	-	-	-	-	(82,162)
HB0213 Establish SW Montana veteran's home	-	(977,029)	(986,661)	(1,963,690)	-
HB0262 Revise list of low emission wood combustion devices that qualify for tax credit	-	(28,000)	(43,000)	(71,000)	(71,000)
HB0279 Revise laws relating to transportation	-	-	-	-	(206,352)
HB0283 Revise workers compensation act on exemptions, claims examiners, safety funding	-	-	-	-	19,000
HB0290 Increase sales amount requiring produce license for farmer's market vendors	-	-	-	-	(6,114)
HB0306 Extend certain permanent license plates for motorcycles	-	10	20	30	30
HB0315 Increase amount and slow phase out of retiree exclusion from income	-	-	(107,000)	(107,000)	(107,000)
HB0318 Regulate debt settlement companies	-	-	-	-	91,500
HB0331 Revise laws relating to licensed establishments for health purposes	-	19,666	19,666	39,332	565,030
HB0384 Revise volume cap bond procurement laws	-	19,847	19,847	39,694	39,694
HB0412 Revise liquor excise tax rates for smaller producers	-	-	-	-	-
HB0416 Exempt certain biodiesel from state tax	-	-	-	-	(176,252)
HB0478 Eliminate licensing fees for small plant sellers	-	-	-	-	(46,550)
HB0480 Authorizing nonresident youth bird hunting at discounted price	-	-	-	-	(17,080)
HB0487 Classify as business inventories certain farm implements and construction equip.	-	(58,622)	(61,537)	(120,159)	(127,749)
HB0578 Health corps for in-home medical care	-	-	-	-	12,661
HB0583 Fund food and agriculture innovation centers	-	250,000	250,000	500,000	500,000
HB0585 Implement PL/PW recommendations: "Come Home to Hunt" pilot project	-	-	-	-	986,000
HB0588 Revise coal gross proceeds distribution	-	-	-	-	(1,328,578)
HB0634 Revise law on transportation of mentally ill	-	-	-	-	866,022
HB0636 Tax incentive to sell mobile home park to resident's group	-	(8,590)	(8,590)	(17,180)	(17,180)
HB0645 Implement receipt of and appropriate federal stimulus and recovery funds	4,474,404	6,199,802	4,073,091	14,747,297	15,047,297
HB0655 Revise agriculture laws	-	-	-	-	20,800
HB0656 Revise liquor store commissions	-	(30,062)	(32,556)	(62,618)	(62,618)
HB0658 Mitigate reappraisal	-	3,320,276	2,757,915	6,078,191	6,459,947
HB0662 License massage therapists	-	-	-	-	51,206
HB0669 Establish wood product industry loan program	-	-	-	-	7,997,800
HB0674 Generally revise laws relating to state land	-	-	-	-	21,000,000
HB0676 Statutory implementation of general appropriations act	-	10,889,921	11,452,464	22,342,385	(3,367,861)
HB0678 Revise opencut mining laws	-	-	-	-	1,263,735
SB0021 Clarify distribution of certain motor vehicle revenue	-	-	-	-	42,145
SB0024 Repeal Montana Consensus Council statutes	-	-	-	-	(256,650)
SB0038 Revise laws governing nurseries and plant dealers	-	-	-	-	6,000
SB0057 Revise laws governing special districts	-	-	-	-	77,850
SB0062 Fix discrepancy in environmental contingency account funding	-	-	-	-	-
SB0065 Revise trust land funding laws	-	-	-	-	1,669,743
SB0086 Revise gambling laws	-	-	-	-	800
SB0100 Increase coal board funding	-	(1,336,784)	(1,399,859)	(2,736,643)	-

(Figure 4 continues on the following page)

Figure 4 continued

Impact of Enacted Legislation by Bill Number
General Fund and Total Funds

SB0115	Simplify income calculations for certain property tax assistance programs	-	(1,789)	(1,789)	(3,578)	(3,804)
SB0119	Medicaid buy-in option for individuals with disabilities	-	-	-	-	256,469
SB0126	Implement lifetime rodeo bull transportation permit	-	-	-	-	1,500
SB0131	Require DNRC to designate wildland-urban interface	-	-	-	-	287,854
SB0152	Revise motor vehicle registration and driver's license laws	-	290	580	870	450
SB0164	Revise FWP land management and acquisition re: Good Neighbor Policy	-	-	-	-	1,637,200
SB0181	Require tax information agents to report certain real estate transactions	-	-	900,000	900,000	900,000
SB0185	Nonresident college student combination game license	-	-	-	-	83,380
SB0192	Small business work comp relief	-	-	-	-	182,546
SB0204	Montana centennial farm and ranch program	-	-	-	-	16,500
SB0264	Revise Montana facility finance authority	-	-	-	-	19,000
SB0271	Licensure and regulation for marriage and family therapists	-	-	-	-	11,250
SB0275	Add additional pharmacist to board of pharmacy	-	-	-	-	5,462
SB0280	Revise tax exemption of rental personal property	-	(23,338)	(24,498)	(47,836)	(50,857)
SB0281	Revise driver license suspension law	-	3,367	3,767	7,134	7,134
SB0292	Revise coal severance tax	-	-	-	-	-
SB0297	Map state gravel resources	-	-	-	-	71,220
SB0300	Increase fertilizer fee check off to fund research and education	-	-	-	-	400,304
SB0322	Revise apiary laws	-	-	-	-	(568)
SB0351	Revise residential mortgage licensing law	-	-	-	-	1,403,714
SB0353	Remove license tax incentive for ethanol	-	-	-	-	12,704,142
SB0356	Licensure for manufactured housing dealers	-	1,500	-	1,500	1,500
SB0392	Revise subdivision laws	-	-	-	-	20,000
SB0399	Report on placement of youth with mental health needs	-	-	-	-	9,000
SB0418	Revise administrative provisions of individual income tax	-	50,000	(124,038)	(74,038)	(74,038)
SB0425	Revise laws governing funding and operation of Fort Peck fish hatchery	-	-	-	-	-
SB0438	Regulate sale of alcoholic energy drinks	-	36,207	49,196	85,403	101,712
SB0446	Revise specialty hospital law	-	-	-	-	40,000
SB0465	Clarify ownership of streambeds concerning property taxation	-	89,815	44,908	134,723	143,186
SB0475	Require notice of oil or gas lease sale	-	-	-	-	(41)
SB0489	Revise taxation laws related to pipelines	-	3,607,991	3,813,646	7,421,637	7,890,372
SB0507	Use of river beds	-	-	-	-	214,396
SB0508	Revise motor vehicle laws	-	(1,702,598)	(2,269,330)	(3,971,928)	4,923,185
SB0509	Revise contract sales price of underground mined coal	-	-	-	-	-
SB0510	Abatement of half of coal gross proceeds tax for new underground mine	-	-	-	-	-
SB0511	Retail license to sell table wine for sacramental purposes	-	1,140	840	1,980	1,980
SJ0475	Require notice of oil or gas lease sale	-	-	-	-	(9,092)
Total Impact of Legislation Listed Above		($28,440,596)	$18,355,561	$18,801,935	$8,716,900	$253,691,757

Bills Affecting General Fund and Selected Non-General Fund Revenue

A complete summary of each general fund and selected non-general fund revenue sources can be found in "Volume 2 – Revenue Estimates". Each summary provides information on the particular source of revenue including a description, the applicable tax or fee rates, distribution mechanisms, and other useful information. A legislation impact table (if applicable) is shown summarizing all bills that impact the particular source of revenue. It should be noted that the revenue projection figures and graphs in the LFD *Legislative Fiscal Report 2011 Biennium, Volume 2 – Revenue Estimates* are based on HJR 2 estimates plus the impacts, if any, of enacted legislation. The corresponding revenue estimate assumption figures reflect only assumptions pertinent to the HJR 2 revenue estimates and have not been updated for the impacts of enacted legislation.

The following is a brief summary of each enacted bill that impacts general fund and selected non-general fund sources estimated by the legislature. Included in each summary is the particular revenue sources affected.

House Bill 2 – Affected general fund revenue sources: "All Other", "Lottery Profits", and "Liquor Profits". The money appropriated from certain accounts impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJR 2, final appropriations set by the legislature (such as those in HB 2 and HB 5) differ and, thus, may affect revenue. Revenue changes due to changes in appropriations occur in the following accounts: 1) liquor division account (DOR and DOJ); 2) lottery division lottery enterprise fund (DofA); 3) securities fee account (State Auditor's Office); 4) captive account (State Auditor's Office; 5) cigarette tax revenue account (DPHHS); 6) procurement special revenue account (Administration); and 7) coal severance tax shared account (agriculture, state library, DNRC). These changes reduce general fund revenue a net of $928,907 in FY 2010 and $654,322 in FY 2011. The legislation was effective July 1, 2009.

House Bill 5 – Affected general fund revenue sources: "All Other" and "Liquor Profits". The money appropriated from certain accounts impacts the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the executive budget and finalized in HJR 2, final appropriations set by the legislature (such as those in HB 2 and HB 5) differ and, thus, may affect revenue. Transfers from the cigarette tax revenue account (DPHHS) and the liquor enterprise fund (DOR) to the general fund are reduced $1,850,000 in FY 2010. The legislation was effective on passage and approval.

House Bill 10 – Affected general fund revenue source: "Income Tax". The legislation provides appropriation authority for the Department of Revenue (DOR) to purchase an electronic data imaging system to facilitate more efficient handling of paper returns and other documents that will improve business practices in the areas of compliance, tax processing, and information technology. Greater returns to compliance resources and speedier processing of returns are estimated to increase individual income tax audit collections $1,500,000 in FY 2010 and $2,153,000 in FY 2011. The legislation was effective on passage and approval.

House Bill 21 – Affected general fund revenue sources: "Corporation Tax" and "Income Tax". Under previous law, the credits for investment in recycling equipment and the deduction for business purchases of recycled material were scheduled to sunset at the end of calendar year 2011. This legislation eliminates the related termination dates, making both the credit and the deduction permanent. Elimination of the termination dates allows the credits and deductions to be claimed in future years beginning in FY 2012. In the 2013 biennium, income tax revenues are reduced $800,000 in FY 2010 and $1,600,000 in FY 2013. The legislation was effective July 1, 2009.

House Bill 82 – Affected general fund revenue source: "All Other". Under the previous law, 3.74 percent of 9-1-1 fees was deposited to the general fund. HB 82 eliminates this distribution and earmarks 2.74 percent to the state special revenue fund to be used for administration. General fund revenue decreases $481,052 in FY 2010 and $513,619 in FY 2011, and state special revenue increases by the same amounts. Of the state special revenue, $128,624 in FY 2010 and $137,331 in FY 2011 is statutorily appropriated to the Department of Administration. The legislation was effective July 1, 2009.

House Bill 108 – Affected general fund revenue source: "All Other". The legislation creates a new state special revenue account and earmarks certain criminal restitution payments to the account that previously had been deposited to the general fund. General fund revenue decreases $200,000 in FY 2010 and $200,000 in FY 2011 and state special revenue increases by the same amounts. The new state special revenue is statutorily appropriated to the Department of Justice for crime victims' compensation. The legislation was effective July 1, 2009, and terminates June 30, 2015.

House Bill 132 – Affected general fund revenue source: "All Other". The Department of Public Health and Human Services receives revenue from counties for the pre-commitment costs of individuals facing involuntary commitments. The legislation is expected to reduce the number of involuntary commitments by allowing professionals to defer individuals to short-term inpatient treatment programs instead of committal. Consequently, general fund is reduced $252,706 in FY 2011 (and by the same amount each subsequent year). The legislation was effective July 1, 2009.

House Bill 152 – Affected state special revenue source: "Common School Trust Interest and Income". The name of the previous "school facility improvement account" is changed to the "school facility and technology account". The following common school trust revenue sources are deposited to the account: 1) income from timber sales over 18 million board feet; 2) remainder of the $138.9 million of mineral royalties purchased under Senate Bill 495 enacted by the 2001 Legislature (estimated to be $37,061,258 for FY 2009 – FY 2011) and transferred from the guarantee account; and 3) 95 percent of rent from power site leases and 5 percent deposited to the common school trust (effective January 1, 2012). Previously: 1) income from timber sales over 18 million board feet had been deposited to the guarantee account and statutorily appropriated to school for technology purposes; 2) the remainder of the $138.9 million of mineral royalties had been deposited to the guarantee account and transferred to the school facility improvement account to implement the recommendations of the school facility and needs assessment and energy audit; and 3) rent from power site leases had been deposited 95 percent to the guarantee account and statutorily appropriated to schools and 5 percent deposited to the common school trust. Money in the school facility and technology account is to be used for school maintenance, energy efficiencies, emergency facility needs, and technological improvements. A new program is established in the Department of Commerce for awarding grants and matching grants from the account to school districts. Each year $2.0 million is statutorily appropriated from the account for technology purposes. The legislation does not change the amount of revenue transferred from the common school trust, but does

change the revenue distribution. State special revenue to the guarantee account from timber sales over 18 million board feet is reduced $2,047,781 in FY 2009, $2,721,914 in FY 2010, and $799,554 in FY 2011. State special revenue to the facility and technology account is increased by the same amounts. The legislation was effective on passage and approval. The change in revenue distribution of power site rents applies to payments after January 2012.

House Bill 154 – Affected general fund revenue source: "All Other". The legislation makes numerous changes to the fire suppression account (created by HB 3 in the September 2007 Special Session): 1) the account is made permanent (it had been terminated at the end of FY 2009); 2) uses of money in the account are expanded to include fire prevention, fuel mitigation, grants for county cooperative fire suppression equipment, and fire suppression costs incurred by the state in FY 2008; and 3) eliminates the statutory appropriation of money in the account. Since under current law the account was to be terminated in FY 2009, any balance in the account, estimated to be $32,915,000, was to be transferred to the general fund (17-1-504, MCA). Because the termination of the account was repealed by HB 154, general fund revenue is reduced $32,915,000 in FY 2009. The legislation was effective on passage and approval.

House Bill 160 – Affected general fund revenue source: "Insurance Tax and License Fees". The legislation changes how captive insurance companies calculate premium taxes. The tax rate brackets are reduced from four to two: 1) 0.4 percent on the first $20 million of net direct premiums; and 2) 0.3 percent on each subsequent dollar collected. Since no premiums had been taxed at a rate lower than 0.3 percent under the previous law, there are no revenue impacts from this change. The legislation also prorates the annual $5,000 minimum tax paid based on the quarter in which the company is first licensed: 1st - $5,000; 2nd - $3,750; 3rd - $2,500; and 4th - $1,250. Proration of the minimum tax reduces general fund revenue $7,500 in FY 2010 and $7,500 in FY 2011. The legislation was effective July 1, 2009.

House Bill 163 - Affected state special revenue sources: "Corporation Tax" and "Income Tax". This legislation extends film production credits through calendar year 2014. Credits are about $200,000 per year, but credits for a tax year generally are paid out over several fiscal years. Under the previous law, the credit for film production terminated January 1, 2010. The extension of the credit impacts the last six months of FY 2011. The extension reduces tax revenues deposited in the general fund by $50,000 in FY 2011. The legislation was effective on passage and approval and is effective until January 1, 2015.

House Bill 213 – Affected general fund revenue source: "Cigarette Tax". This legislation diverts 1.2 percent of the cigarette tax revenue distributions in FY 2010 and FY 2011 to a new state special revenue account to fund the future construction of a new veteran's home, to be located in southwestern Montana. Under previous law, this revenue was deposited to the general fund. Reductions to the general fund are $977,029 in FY 2010 and $986,661 in FY 2011. State special revenue increases by the same

amounts. The bill generally was effective on passage and approval, but the change in the distribution took effect July 1, 2009.

House Bill 262 – Affected general fund revenue source: "Income Tax". Section 15-32-201, MCA, allows an income tax credit for up to $500 of the cost of installing an alternative energy system in the taxpayer's principle residence. Beginning in tax year 2009, this legislation expands the eligible investments to include masonry heaters and EPA white-tag certified outdoor wood-fired hydronic heaters. As a result, income tax collections are reduced $28,000 in FY 2010 and $43,000 in FY 2011 and each year thereafter. The legislation was effective on passage and approval.

House Bill 306 – Affected general fund revenue source: "Motor Vehicle Fee". A new, special motorcycle license plate for military personnel, veterans, and spouses is authorized to be designed. A $10 veterans' cemetery fee for each plate is deposited to the general fund and allocated to various state special revenue accounts according to 15-1-122, MCA. General fund revenue increases $10 in FY 2010 and $20 in FY 2011. The legislation was effective January 1, 2010.

House Bill 315 – Affected general fund revenue source: "Income Tax". Section 15-30-111, MCA, exempts $3,600 of pension and annuity income from the income tax. This exemption is reduced by $2 for each $1 that the taxpayer's federal adjusted gross income exceeds $30,000. This legislation indexes the amount of the exemption and the phase-out threshold for inflation, with 2009 as the base year. The changes in income tax liability will result in larger refunds or smaller payments with returns when affected taxpayers file their returns in the spring following each tax year. General fund revenue is reduced $107,000 in FY 2011, $304,000 in FY 2012, and $369,000 in FY 2013. The income tax model will be adjusted accordingly. The legislation was effective on passage and approval.

House Bill 331 – Affected general fund revenue source: "All Other". The legislation increases license fees for retail; food service establishments from $60 for establishments with two or fewer employees and $90 for all others to $85 and $115, respectively. Revenue from theses fees is deposited 5 percent to the general fund and 95 percent to the state special revenue fund. Fees (various amounts) for other food service establishments (such as bed and breakfasts, hotels, and boarding houses) also are increased. Revenue from these fees is deposited 11.25 percent to the general fund and 88.75 percent to the state special revenue fund. General fund revenue increases $19,666 in FY 2010 and $19,666 in FY 2011 and state special revenue increases $262,849 in FY 2010 and $262,849 in FY 2011. The legislation was effective on passage and approval.

House Bill 384 – Affected general fund revenue source: "All Other". Under previous law, issuers of state bonds paid a bond issuance fee of $0.30 per $1,000 of bonds issued. This legislation increases the fee to $0.35 per $1,000 of bonds issued for increases in general fund revenue of $19,847 in FY 2010 and $19,847 in FY 2011. The legislation was effective on passage and approval.

House Bill 412 – Affected general fund revenue source: "Liquor Excise and License Tax". The legislation reduces the liquor excise tax rate for producers that produce less than 50,000 proof gallons of liquor annually. Under previous law, the liquor excise tax rate was 16 percent of the retail selling price for producers that produce 200,000 or more proof gallons annually and 13.8 percent of the retail selling price for producers that produce less than 200,000 proof gallons annually. Under this legislation, if nationwide production is: 1) less than 20,000 gallons the tax rate is 3 percent; 2) between 20,001 and 50,000 gallons the rate is 8 percent; 3) between 50,001 and 200,000 gallons the rate is 13.8 percent; and 4) over 200,000 gallons the rate is 16 percent. Since the liquor control division does not currently carry any products from producers that produce less than 50,000 proof gallons of liquor annually, no fiscal impact is anticipated. The legislation was effective on passage and approval and the new rates apply to liquor sold and delivered after July 1, 2009.

House Bill 416 – Affected state special revenue source: "Diesel Tax". An exemption from the 27.75 cent tax on diesel is provided to a producer of biodiesel produced from waste vegetable oil feedstock. State special revenue decreases $88,126 in FY 2010 and $88,126 in FY 2011. The legislation was effective July 1, 2009.

House Bill 487 – Affected general fund revenue source: "Property Tax". The legislation specifies that implements and equipment rented under purchase incentive rental programs are business inventories that are exempt from property taxation. The definition excludes equipment rented to a person for more than 9 months, equipment rented more than once to the same person, and equipment not owned by a dealer. The bill also specifies that farm implements of farm implement dealers and construction equipment of construction equipment dealers rented under purchase incentive rental programs that are brought into the state are not subject to property taxation while they are under purchase incentive rental programs. General fund revenue from the 95-mill property tax is reduced $58,623 in FY 2010 and $61,537 in FY 2011. State special revenue from 6-mill revenues is reduced $3,703 in FY 2010 and $3,887 in FY 2011. The legislation was effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 583 – Affected general fund revenue source: "All Other". A new program is established to promote Montana agricultural development through the funding of four development centers. The legislature provided $250,000 general fund appropriations for each year of the 2011 biennium, but also directed that $250,000 from the research and commercialization state special revenue account is transferred to the general fund for each year of the 2011 biennium. General fund revenue increases $250,000 in FY 2010 and $250,000 in FY 2011. The legislation was effective July 1, 2009.

House Bill 588 – Affected general fund revenue source: "Property Tax". The legislation retains present law relative distributions of coal gross proceeds between the state and coal producing counties, but counties now remit the present law state share of coal gross proceeds revenue directly to the state. The state special revenue coal gross proceeds redistribution account is eliminated along with the calculation of coal gross

proceeds county redistributions and the statutory appropriation for the redistribution transfers. State special revenue is reduced $461,295 in FY 2010, $514,289 in FY 2011, and $807,000 in future years. Transfers to counties are reduced by like amounts. The legislation was effective July 1, 2009, and applies retroactively to coal produced and sold after December 31, 2007.

House Bill 636 – Affected general fund revenue source: "Income Tax". The legislation excludes all or part of the gain from the sale of a mobile home park from taxable corporate income or taxable individual income if the sale is to a tenants' association or a mobile home park residents' association, a nonprofit organization purchases a mobile home park on behalf of a tenants' association or mobile home park residents' association, a county housing authority, or a municipal housing authority. The exclusion of recognized gain is limited to 50 percent for mobile home parks with more than 50 lots and, for mobile home parks with 50 lots or less, the excluded gain is 100 percent. It is expected that only individual income tax revenues will be affected by HB 636. Beginning in FY 2010, revenue is reduced $8,590 each fiscal year. The legislation was effective on passage and approval.

House Bill 645 – Affected general fund revenue sources: "All Other" and "Public Institution Reimbursements". This legislation contain two sources that increase revenue to the general fund: 1) hospital utilization fee revenue in excess of $16,232,795 in FY 2009, $18,505,269 in FY 2010, and $19,818,193 in FY 2011 is deposited to the general fund for an increase in general fund revenue of $3,350,007 in FY 2009, $4,564,481 in FY 2010, and $3,465,357 in FY 2011; and 2) with the passage of the American Recovery and Reinvestment Act of 2009 (ARRA) by the congress, the FMAP rate was increased, thus increasing federal reimbursements to the general fund $1,124,397 in FY 2009, $1,635,321 in FY 2010, and $607,734 in FY 2011. The legislation was effective on passage and approval. The sections implementing the deposit of excess hospital utilization fees to the general fund terminates June 30, 2011.

House Bill 656 – Affected general fund revenue source: "Liquor Profits". The legislation allows agency liquor stores to purchase products at sale prices for an additional two weeks prior to the beginning of the sale. Given the increased timing of sale priced goods, the volume of liquor sales is expected to increase, thus increasing commissions paid by the state to liquor stores. The increased commissions reduce liquor profits that are transferred to the general fund. General fund revenue is reduced $30,062 in FY 2010 and $32,556 in FY 2011. Since the legislation does not include an effective date, the legislation is effective October 1, 2009.

House Bill 658 – Affected general fund revenue source: "Property Tax". The legislation mitigates the tax year 2009 reappraisal. Every six years, property in classes 3 (agricultural land), class 4 (residential and commercial property), and class 10 (timberland) is reappraised. The reappraisal process was completed in June 2008 and increased values compared with January 1, 2002. Values from the previous reappraisal were phased in over six years between January 1, 2003, and January 1, 2008. Current law requires the new reappraised values as of January 1, 2009, be phased-in at 1/6 per year between January 1, 2009, and January 1, 2014. If HB 658 had not been enacted,

existing tax rates and exemptions would have been applied to these phased-in values during this period.

New Reappraisal Values

Figure 5 shows the increase in assessed values for the four types of property subject to cyclical reappraisal. Class 3, agricultural land, which is valued on a productivity basis, was revalued for new crop prices and for new yield values. The average increase in value statewide was 26.8 percent. HB 658, however, reduced this increase in valuation by increasing the statutory agricultural cost adjustments allowed for irrigated agriculture as shown in Figure 5.

Figure 5

Changes in Value Due to Reappraisal

Type of Property	Full Assessed or Market Value: 2003 Reappraisal	2009 Reappraisal	Difference in Value	Percent Change
Class 3 - Agricultural Land	$4,446,329,036	$5,636,120,313	$1,189,791,277	26.8%
Class 3 - Agricultural Land w/ Cost Adj	4,446,329,036	5,537,552,743	1,091,223,707	24.5%
Class 4 - Residential Property	48,714,569,856	75,575,222,942	26,860,653,087	55.1%
Class 4 - Commercial: Multifamily Property	2,226,005,531	2,964,215,783	738,210,253	33.2%
Class 4 - Commercial: All Other Property	11,464,532,592	15,444,499,573	3,979,966,981	34.7%
Class 4 Commercial Subtotal	$13,690,538,123	$18,408,715,357	$4,718,177,234	34.5%
Class 4 Total	$62,405,107,979	$93,983,938,299	$31,578,830,320	50.6%
Class - 10 Forest Land	1,947,330,452	2,954,056,906	1,006,726,454	51.7%
Class - 10 Forest Land - Cap Rate min=8%	1,947,330,452	2,318,041,346	370,710,894	19.0%

Figure 6

Ag Cost Adjustments

Base Water Cost	Labor Cost for Irrigated Pivot	Labor Cost for Wheel Lines	Labor Costs for Flood Irrigation
$15.00	$5.00	$10.00	$15.00

Total Allowable Water Costs - $50/Acre

Figure 6 shows the increase in the assessed value for timberland. Timberland is also valued on a productivity basis and increased in value statewide by 51.7 percent. However, HB 658 changed the capitalization rate used to value the future net income stream on timberland by setting a minimum capitalization rate

of 8 percent. This reduces the assessed values and, as a consequence, timberland values increased statewide as a result of reappraisal by only 19.0 percent. Figure 6 also shows the increase in market values for both residential and commercial properties statewide. Residential property increases on average by 55.1 percent and class 4 commercial property increases by 34.5 percent. Both of these increases will be phased in over the next six years beginning January 1, 2009.

Reappraisal Mitigation

Figure 7 shows the new tax rates and exemptions in HB 658 for tax years 2009 through 2014. The goal of the legislature was to choose rates and exemptions to mitigate the revenue impacts in each property type separately, given the constraints that the tax rates for classes 3 and 4 were to remain equal to each other. This was done by choosing a tax rate that mitigated the revenue impacts for agricultural land first and then choosing a homestead exemption that mitigated residential property and a comstead exemption that mitigated commercial property. The tax rates for timberland were chosen independently.

Figure 7

Tax Rates and Exemptions, in HB 658

Tax Year	Tax Rates, Classes 3 and 4	Homestead	Comstead	Tax Rates, TimberLand
2008	3.01%	34.0%	15.0%	0.35%
2009	2.93%	36.8%	14.2%	0.34%
2010	2.82%	39.5%	15.9%	0.33%
2011	2.72%	41.8%	17.5%	0.32%
2012	2.63%	44.0%	19.0%	0.31%
2013	2.54%	45.5%	20.3%	0.30%
2014	2.47%	47.0%	21.5%	0.29%

The homestead exemption applies up to a market value of $1.5 million for single family dwellings.

The chosen tax rates and exemptions mitigated the state and local revenue impacts associated with reappraisal on average statewide. However, the variation in appreciation of properties due to reappraisal varied widely between counties and within counties. As a result, some properties will experience tax increases and other properties will experience tax decreases from local and state mills.

HB 658 also limits the homestead exemption. The previous law had allowed a homestead exemption on all of a property's value. HB 658 limits the homestead exemption to $1.5 million in assessed market value in each year of the reappraisal cycle. The limit on assessed market value to which the homestead exemption is applied does not apply to the homestead exemption that is applied to multifamily dwellings.

Impact on State Revenues

Without mitigation, reappraisal would have generated $32.0 million more for the state 95 mills and $2.1 million more for the university 6-mill levy. The legislature did not include these revenues in its HJR 2 revenue estimate. Instead, it assumed that a bill would mitigate the revenue impacts associated with reappraisal. With perfect mitigation, the fiscal impacts of HB 658 would have generated the property tax revenue estimates contained in HJR 2. As a result of HB 658, the legislature slightly undermitigated the impact of reappraisal on state revenues in the 2011 biennium. Revenues to the 95 mills as a result of HB 658 are expected to exceed the estimates in HJR 2 by $3.2 million in FY 2011 and $2.8 million in FY 2011. These differences are expected to trend toward zero by FY 2014. Revenues to the 6-mill account, as a result of HB 658, are expected to exceed HJR 2 estimates by $208,538 in FY 2010 and $173,218 in FY 2011.

Other Features of HB 658

HB 658 contains several additional features and requirements regarding monitoring the impact of reappraisal and on several existing property tax laws. These are shown in Figure 8.

Figure 8

Additional Feature of HB 658			
Timberland Capitalization Rate	**Sales Assessment Ratio Study**	**Cap Homestead Exemption**	**Change 15-10-420**
Minimum of 8 percent, Create Timber Advisory Committee	Conduct every two years - Report to Revenue and Transportation Interim Committee	Cap the asessed market value at which the full Homestead exemption is available at $1.5 million,. Does not apply to multifamily units	Round state mills up to the nearest tenth of a mill Redefine newly taxable property that is newly constructed as current year value less previous year value

Keep as Current Law		Studies	Deadlines
Elderly Homeowner Renter Credit Extended Property Tax Assistance Program Property Tax Assistance Program, Application extended to July 15th, 2009 Disabled Veteran Property Assistance Program, Application extended to July 15th, 2009	Use Assessment Notice and Property Tax Bill to inform Taxpayer of these programs	Revenue and Transportation Committee to Study Circuit Breaker Concepts to Mitigate Property Taxes for Low Income Taxpayers	All Deadlines for DOR to report certified taxable values to schools and local governments are extended as reasonable

In addition, HB 658 voids section 1 of SB 115, which amended certain class statutes. The legislation was effective on passage and approval and applies retroactively beginning with tax year 2009.

House Bill 676 – Affected general fund revenue source: "Insurance Tax and License Fees". The percentage distribution of insurance premium taxes to the healthy Montana kids state special revenue account is changed from 33 percent to 16.67 percent. State special revenue decreases $10,889,921 in FY 2010 and $11,452,464 in FY 2011. General fund revenue increases by the same amounts. The legislation was effective July 1, 2009, and the section changing the percentage distribution of insurance premium taxes terminates June 30, 2013.

House Bill 678 – Affected state special revenue source: "Resource Indemnity Tax". For all opencut mines, except those producing bentonite, a per cubic yard fee of $0.025 is collected. The legislation exempts these mines from paying the resource indemnity and groundwater assessment tax. The state special revenue collected from the new fee ($935,823 in FY 2010 and $467,912 in FY 2011) is distributed 85 percent for administration, 7.5 percent to the natural resources project account, 3.75 percent to the environmental quality protection fund, and 3.75 percent to the hazardous waste/CERCLA account. Because of the exemption from paying the resource indemnity and groundwater assessment tax, state special revenue from this tax is reduced $70,000 in FY 2010 and $70,000 in FY 2011. The legislation was effective on passage and approval.

Senate Bill 62 – Affected state special revenue source: "RIT Trust Interest". The legislation was introduced to clarify whether the distribution of $175,000 of resource indemnity trust interest earnings to the environmental contingency account was to be on an annual or biennial basis. Revenue estimates contained in HJR 2 were based on an annual distribution. As enacted, the legislation sets the distribution to be once a biennium. The legislation has no net effect on state special revenue. However, in FY 2011 revenue deposited to the: 1) environmental contingency account is reduced $175,000; 2) natural resource operations account is increased $113,750; 3) hazardous waste/CERCLA account is increased $45,500; and 4) environmental quality protection fund is increased $15,750. The bill was effective on passage and approval.

Senate Bill 65 – Affected state special revenue sources: "Common School Trust Interest and Income, "Capital Land Grant Interest and Income", "Pine Hills Trust Interest and Income", and "Deaf and Blind Trust Interest and Income". This legislation makes numerous fiscal changes that affect the various land trusts and how revenues are distributed and used and how administrative costs are funded. Affected land trusts include the common school, capital land grant, deaf and blind, and pine hills. Four state special revenue accounts that had previously received portions of various income components that funded specific activities are eliminated. These accounts are: 1) resource development; 2) state timber sale; 3) state lands recreational use; and 4) commercial leasing. Balances in these accounts at the end of FY 2009 are transferred by September 2009 to the earnings reserve account (discussed below). All activities that had been funded by these accounts will now be funded from the trust land

administration state special revenue account. Up to an amount of revenue equal to 25 percent of distributable revenue generated from each trust (except revenue from the forest improvement fee) in the fiscal year completed prior to a legislative session is deposited to the account to be appropriated by the legislature. This revenue can be derived from: 1) distributable revenue; 2) sale of easements; 3) timber, except from public school and Montana university system lands; 4) mineral royalties; and 5) fees from sales of state lands except lands granted by the Morrill Act. If the amount of revenue deposited to the trust land administration account for a specific land trust exceeds that trust's administrative costs, up to one-third of the excess revenue (excluding revenue from sales of easements, sale of timber, mineral royalties, non-distributable sources, and the $80,000 biennial transfer of general fund) may be transferred to the newly established earnings reserve state special revenue account at the end of a fiscal year. Money in this account may be used if revenue deposits to the trust land administration account are insufficient to fund costs. The remaining revenue must be transferred to the trust's permanent fund. The balance in the earnings reserve account may not exceed twice the appropriation to the trust land administration account for the last completed fiscal year prior to a legislation session. Costs and revenue deposits must be identified and accounted for by trust. The legislation was effective July 1, 2009.

Senate Bill 86 – Affected general fund revenue source: "Video Gambling Tax". The legislation establishes an associated gambling business license of $100 for providers of a product or service to a licensed gambling business. State special revenue increases $400 in FY 2010 and $400 in FY 2011. The legislation was effective on passage and approval.

Senate Bill 100 – Affected general fund revenue source: "Coal Severance Tax". The legislation increases the percentage allocation of coal severance tax revenue to the coal natural resource account from 2.9 percent to 5.8 percent. General fund revenue decreases $1,339,784 in FY 2010 and $1,399,859 in FY 2011. The legislation was effective July 1, 2009, and terminates September 30, 2013.

Senate Bill 115 – Affected general fund revenue source: "Property Tax". The legislation changes the definition of income for qualifying for the low income property tax assistance program. Previous law had defined income as a measure that was broader than adjusted gross income. This legislation changes the definition of income to federal adjusted gross income. However, HB 658 voided this section of SB 115. Section 2 of SB 115 still remains and alters the disabled veterans' property tax assistance program by extending the income qualifications for married couples to heads of household. General fund revenue is reduced $1,789 in FY 2010 and $1,789 in FY 2011. In the absence of voidness caused by HB 658, SB 115 would have reduced property tax revenues by approximately $7,000 per year. The 6-mill impact of the revised SB 115 reduces state special revenue $113 per year. The legislation was effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 152 – Affected general fund revenue source: "Motor Vehicle Fee". The legislation de-earmarks the entire $18.50 salvage vehicle inspection fee to the general fund. Previously, $5 had been deposited to the general fund and $13.50 to the state special revenue fund. A new $3.00 temporary registration permit allows insurers or their agents to transport a vehicle to auction. State special revenue decreases $140 in FY 2010 and $280 in FY 2011. General fund revenue increases $290 in FY 2010 and $580 in FY 2011. The legislation was effective January 1, 2010.

Senate Bill 181 – Affected general fund revenue source: "Income Tax". The legislation requires information agents, primarily realty transfer companies, to file forms with the DOR reporting certain real estate transactions. The real estate transactions to be reported are those required under the rules or regulations of the United States Department of the Treasury. These forms must be filed under rules to be developed by the DOR. The first tax year where the reporting requirement will apply is tax year 2009 The rules and regulations of the United States Department of the Treasury are those required for reporting transactions via a Form 1099-S, Proceeds from Real Estate Transactions. The forms to be filed with the DOR will be copies of 1099-S. Beginning in FY 2011, revenue increases $900,000 each fiscal year. The legislation was effective on passage and approval.

Senate Bill 280 – Affected general fund revenue source: "Property Tax". The legislation revises 15-6-219 (5), MCA, which exempts personal property owned by a rental or lease company from property taxation. In cases where no one customer can account for more than 10 percent of the total rentals or leases during a calendar year, 15-6-219(5)(c), MCA, under previous law, limited the exemption to property that is generally leased on a hourly, daily or weekly basis. SB 280 extends this exemption to property that is generally leased on a semi-monthly or monthly basis. General fund revenue is reduced $23,338 in FY 2010 and $24,498 in FY 2011. The 6-mill impact of SB 280 reduces state special revenue $1,474 in FY 2010 and $1,547 in FY 2011.

Senate Bill 281 – Affected general fund revenue source: "All Other". The legislation waives the driver's license reinstatement fee for non-alcohol related license suspensions of indigents who have complied with sentencing requirements for a net general fund increase of $3,367 in FY 2010 and $3,767 in FY 2011. The legislation was effective July 1, 2009.

Senate Bill 292 – Affected general fund revenue source: "Coal Severance Tax". New coal severance tax rates of 3.75 percent for a pound of coal under 7,000 BTUs per pound and 5.0 percent for a pound of coal 7,000 BTUs or greater are imposed on coal produced by auger mining that would otherwise be uneconomical to recover by conventional strip-mining methods. There are no fiscal impacts in the 2011 biennium. The legislation was effective July 1, 2009.

Senate Bill 353 – Affected state special revenue source: "Gasoline Tax". Under previous law, ethanol-blended fuel was taxed at a rate 15 percent lower than gasoline. The legislation eliminates the 15 percent reduction and taxes ethanol-blended gasoline taxed at the same rate as non-blended gasoline. The gasoline tax revenue is deposited

in the Department of Transportation state special revenue fund. Gasoline tax revenue increase $6,368,789 in FY 2010 and $6,335,353 in FY 2011. The legislation was effective July 1, 2009.

Senate Bill 356 – Affected general fund revenue source: "All Other". The legislation provides for the licensure of manufactures home dealers. The one-time fee of $50 is deposited to the general fund. General fund revenue increases $1,500 in FY 2010. The legislation is effective October 1, 2009.

Senate Bill 418 – Affected general fund revenue source: "Income Tax". This bill updates language and procedures, and has the following provisions, of which three have fiscal impact:

- Beginning in tax year 2010, applies a limit of $5,000 on the deduction for federal income tax for trusts and estates, increasing income tax revenue by $385,900 in FY 2010 and by $770,000 in FY 2011
- Beginning in tax year 2010, increases the income a person who is not a qualifying child of the taxpayer may earn and be claimed as a dependent from $800 to the personal exemption amount, decreasing income tax revenue in FY 2011 by $174,038, and in FY 2012 by $183,752, with slight increases thereafter.
- Makes interest the state pays on a refund from a late-filed income tax return begin on the date the return is filed rather than the date when the return was due.
- Beginning in FY 2010, interest paid out is reduced $50,000 per year.
- Sections 1, 4, 11(2) were effective on passage and approval. All other sections are effective October 1, 2009.

Senate Bill 438 – Affected general fund revenue sources: "Beer Tax", "Liquor Excise and License Tax", and "Liquor Profits". This legislation reclassifies malt beverages with caffeine or other stimulants as liquor and taxes the beverages at the same rate as liquor, based on the wholesale price. Under previous law, malt beverages were taxed as beer and were estimated to account for about one-eighth of 1 percent of beer tax revenue. General fund revenue increases a net $44,076 in FY 2010 and $59,888 in FY 2011 and state special revenue increases a net $30,115 in FY 2010 and $40,919 in FY 2011. Since the legislation does not include an effective date, it becomes effective October 1, 2009.

Senate Bill 465 – Affected general fund revenue source: "Property Tax". The legislation revises laws related to treatment of property consisting of beds of navigable rivers and streams; provides for a reduction from tract land or grazing land before a reduction from irrigated land or non-irrigated land for property tax purposes; requires adjudication before navigability is determined and a collateral land exemption is applied; provides that in a dispute over the ownership of the bed of a river or stream a presumption may not be made based on the property tax status of the property; clarifies ownership of structures; and clarifies the ability to control noxious weeds. General fund revenue increases $89,816 in FY 2010 and $44,908 in FY 2011 and beyond. The legislation was effective on passage and approval and is retroactive to tax year 2008.

Senate Bill 489 – Affected general fund revenue source: "Property Tax". The final resolution of Omimex vs. Montana (ruling of December 2, 2008) on February 10, 2009, effectively shifted some class 9 (transmission property of utilities, including pipelines – 12 percent tax rate) property into class 8 (business equipment – 3 percent tax rate), thus reducing statewide taxable value. As a result of the decision, eight natural gas pipeline companies were expected to have property move from class 9 to class 8. The impact of the decision was incorporated in the HJR 2 revenue estimates revised on March 21, 2009. General fund revenue was reduced approximately $3.7 million per year in the 2011 biennium and 6-mill state special revenue was reduced approximately $235,000 per year.

The Montana Supreme Court decision applies to natural gas production and transportation property, but not to liquid (crude oil and refined products) production and transportation property. SB 489 returns a significant portion of this property to class 9 and increases property tax revenue. Specifically, the legislation amends 15-6-138, MCA, (class 8 property, tax rate 3 percent) adding flow lines and gathering lines, along with statutory definitions, to the list of oilfield machinery and equipment applicable to class 8 property tax rules. New subsection 15-6-138(6), MCA, in the bill further states: "The gas gathering facilities of a stand-alone gas gathering company providing gas gathering services to third parties on a contractual basis, owning more than 500 miles of gas gathering lines in Montana, and centrally assessed in tax years prior to 2009 must be treated as a natural gas transmission pipeline subject to central assessment under 15-23-101. For purposes of this subsection, the gas gathering line ownership of all affiliated companies, as defined in section 1504(a) of the Internal Revenue Code, 26 U.S.C. 1504(a), must be aggregated for purposes of determining the 500-mile threshold."

SB 489 also amends 15-6-141, MCA, (class 9 property, tax rate 12 percent), centrally assessed property that is included in class 9. This bill replaces the language "centrally assessed natural gas companies having a major distribution system in this state" with "centrally assessed natural gas distribution utilities, rate-regulated natural gas transmission or oil transmission pipelines regulated by either the public service commission or the federal energy regulatory commission, a common carrier pipeline as defined in 69-13-101, a pipeline carrier as defined in 49 U.S.C. 15102(2), or the gas gathering facilities specified in 15-6-138(6)".

SB 489 also amends 15-23-101, MCA, (property centrally assessed) by adding more restrictive language defining "natural gas or oil pipelines" as "those regulated by the public service commission or the federal energy regulatory commission". Section 3 also adds common carrier pipelines and natural gas distribution facilities to the list of centrally assessed properties.

Relative to the estimates in HJR 2, SB 489 increases general fund revenue $3.6 million in FY 2010 and $3.8 million in FY 2011 and 6-mill state special revenue revenues increases $227,873 in FY 2010 and $240,863 in FY 2011. The legislation was effective on passage and approval and applies retroactively beginning with tax year 2009.

Senate Bill 507 – Affected state special revenue source: "Common School Interest and Income". The legislation defines the methodology for determining the full market value for the use of navigable river beds belonging to the common school trust. The Board of Land Commissioners is authorized to establish amounts to be paid for a lease, license, or easement. The application fee for use of the bed of navigable rivers is $50. Annual license fee is $150. Because current leases on the Teton River may not be renewed because of the legislation, revenue to the guarantee account is reduced by $5,264 in FY 2010 and $46 in FY 2011. Application fee revenue, deposited to the new historic riverbed use account, increases state special revenue $10,000 in FY 2010 and $10,000 in FY 2011. Sales of easements increase permanent revenue to the common school trust $99,723 in FY 2010 and $99,983 in FY 2011. The legislation is effective October 1, 2009.

Senate Bill 508 – Affected general fund revenue source: "Motor Vehicle Fee". An online vehicle insurance verification system is created and funded by a new state special revenue "vehicle insurance verification and license plate operating" account. Revenue to this account is derived from new fees, increased fees, and earmarking of existing fees (see the figure below). State special revenue increases $1,725,000 in FY 2010 and $1,450,000 in FY 2011. General fund revenue decreases $1,702,598 in FY 2010 and $2,269,330 in FY 2011.

Figure 9

Senate Bill 508
New and Increased Motor Vehicle Fees

				Distribution		
Fee Type	Old Fee	New Fee	Change	State Special	General Fund	County
Motor home one-time permanent registration	$0.00	$5.00	$5.00	$5.00	$0.00	$0.00
New or re-issued license plates	5.00	10.00	5.00	8.00	2.00	0.00
Option to keep same plate issued between 2006-2009*	0.00	15.00	15.00	15.00	0.00	0.00
Replacement license plate or decal	5.00	10.00	5.00	8.00	2.00	0.00
Replacement license plate with same background	5.00	15.00	10.00	15.00	0.00	0.00
New or re-issue collegiate license plates	5.00	10.00	5.00	8.00	2.00	0.00
Generic specialty license plates administration	15.00	20.00	5.00	10.00	5.00	5.00
Perm. light vehicle registration if keep same plates	0.00	5.00	5.00	5.00	0.00	0.00
Reinstatement of suspended vehicle registration**	0.00	100.00	100.00	0.00	0.00	0.00
Totals	$35.00	$190.00	$155.00	$74.00	$11.00	$5.00

* terminates January 1, 2015
**distribution is unknown

Senate Bill 509 – Affected general fund revenue sources: "Coal Severance Tax" and "Property Tax". Beginning with coal mined after June 30, 2009, the legislation provides that the costs of washing coal produced from an underground mine are not included in the calculation of contract sales price of coal. Contract sales price is used in the calculation of the coal severance tax and the coal gross proceeds tax. This bill also clarifies when the Department of Revenue may impute the value of coal for purpose of calculating the coal taxes. The redefinition of contract sales price in SB 509 terminates July 1, 2017. The bill is not expected to impact coal gross proceeds taxes and, therefore, there is no impact on property tax revenue. The legislation was effective on passage and approval and applies to coal mined after June 30, 2009.

Senate Bill 510 – Affected general fund revenue source: "Property Tax". The legislation allows a board of county commissioners to grant an abatement of 50 percent of the coal gross proceeds taxes for production from a new or expanding underground coal mine for a period of five years. Production from an expanding underground coal mine is defined as "that portion of the mine's production that exceeds the average production for the previous 3 years. To qualify for the abatement, the total of the prior average production and the new production may not decrease during the time of the abatement." The abatement applies to all jurisdictions in which the mine is located except the state. The abatement may be extended for one additional five-year period. There is no impact on state property tax revenue. The legislation is effective is October 1, 2009, and applies to tax years beginning after December 31, 2009.

Senate Bill 511 - Affected general fund revenue source: "Liquor Profits". The legislation establishes a sacramental wine license which allows the licensee to sell wine to rabbis, priests, pastors, ministers or other religious officials. There is an application fee of $200 and an annual license renewal fee of $100. It is assumed that 450 cases with 12 bottles each of sacramental wine will be sold each year, generating an additional $540 in liquor profit revenue transferred to the general fund. General fund revenue increases $1,140 in FY 2010 and $840 in FY 2011. The legislation was effective on passage and approval.