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# **Legislative Fiscal Report**

**2011 Biennium**

**Volume 2 – Revenue Estimates**

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**Presented to the Sixty-first Legislature**

Submitted by the  
Legislative Fiscal Division

Helena, Montana  
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# Revenue Estimates

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## How to Use This Report

The following report provides a detailed profile of the revenue estimates adopted by the 2009 Legislature for the 2011 biennium. It is arranged into six main revenue sections. Each section contains profiles of revenue sources that share common characteristics, have many of the same assumptions, and have common estimating methodologies. The main sections of the report are:

1. Business Taxes
2. Natural Resource Taxes
3. Interest Earnings
4. Consumption Taxes
5. Property Taxes
6. Other General Fund Revenue

The sections are marked by divider pages that list each revenue source within that section. The sources are arranged alphabetically within each section.

The report contains profiles of each revenue source estimated by the 61<sup>st</sup> Legislature. Nine categories of information are provided for each source. These categories and a short description of each follow:

**Revenue Description:** A brief description of the source is provided including the origin of the revenue and, in the case of taxes and fees, the item that is taxed.

**Statutory Reference:** These are the citations from the Montana Code Annotated (MCA) applicable to the revenue source and include citations for the tax rate, the distribution, and when the tax is due.

**Applicable Tax Rate(s):** This section provides an explanation of the tax rate or license fee, more detail on the items that are taxed, and other information such as exemptions, minimums, initial versus annual fees, etc.

**Distribution:** This section shows how the revenue is distributed. In cases where uses or entities other than general fund receive a portion of the revenue, percentage distribution or the dollar amount is discussed. This section also contains a simplified flow chart illustrating how the revenue received from the source is distributed in the state accounting system.

**Summary of Legislative Action:** Legislation adopted by the 2009 Legislature affecting the revenue source and/or distribution is noted and explained. A table is provided showing the revenue impact of each piece of legislation.

**% of Total General Fund Revenue:** To give the reader an idea of the importance of a particular revenue source, the percentages of total general fund revenue for FY 2006, 2007, and 2008 are included.

**Forecast Methodology:** This section includes a flow chart illustrating a simplified diagram of the methodology used to determine the revenue estimate.

**Revenue Estimate Assumptions:** The data provided in these tables are used to derive the revenue estimate and do not reflect changes, if any, enacted by the 2009 Legislature that may affect future estimates of the revenue source. The tables also show the revenue estimates for fiscal years 2009, 2010, and 2011, the estimated general fund amount and, if applicable, distributions to other funds or uses.

**Revenue Projection:** This section consists of a graph and accompanying data table. The line graph shows the amount of actual collections and the projected amounts for fiscal years 2009, 2010, and 2011. Total collections are depicted by a dark line while general fund collections are shown by a lighter line. The data table contains historic information about this data source since 1987 including: 1) actual total collections; 2) actual general fund collections; 3) projected total and general fund amounts for fiscal years 2009, 2010, and 2011; and 4) the yearly percentage change for the general fund.

The remaining portion of this document is the legislature's revenue estimates by revenue source.

# Overview

**General Fund Revenue Estimates**  
**Revenue Impacts of Other Legislation**  
**Non-General Fund Revenue Estimates**  
**Summary of Tax Policy and Revenue**  
**Initiatives**  
**Economic Outlook For Montana**



## General Fund Revenue Estimates

### House Joint Resolution 2

During November 2009, prior to the convening of the 61<sup>st</sup> Legislature, the Revenue and Transportation Interim Committee (RTIC) formally adopted economic assumptions and the associated revenue estimates for fiscal years 2009, 2010 and 2011. This process is in accordance with 5-5-227, MCA, which states that these estimates “constitute the legislature’s current revenue estimates until amended or until final adoption of the estimates by both houses.” The actions taken by the RTIC were incorporated into HJR 2 and were introduced at the beginning of the Sixty-first Legislature. During the legislative process, the legislature amended certain assumptions that had been initially recommended by the RTIC in HJR 2. Figure 1 shows the total general fund impact of the changed assumptions by the House and Senate. For the three-year period, fiscal 2009 through 2011, total general fund revenue estimates were decreased by \$292.6 million from the recommendations of the RTIC.

**Figure 1**

<b>Revenue Estimate Adjustments by the 61st Legislature General Fund In Millions</b>				
<b>Revenue Issue</b>	<b>Fiscal 2009</b>	<b>Fiscal 2010</b>	<b>Fiscal 2011</b>	<b>3-Year Total</b>
<b>Revenue and Transportation Committee</b>	<b>\$1,915.651</b>	<b>\$1,873.585</b>	<b>\$1,941.532</b>	<b>\$5,730.768</b>
House Taxation Committee Adjustments	(42.607)	(119.024)	(130.986)	(292.617)
Senate Taxation Committee Adjustments	0.000	0.000	0.000	0.000
<b>Revised HJR2 Revenue Estimates</b>	<b>\$1,873.044</b>	<b>\$1,754.561</b>	<b>\$1,810.546</b>	<b>\$5,438.151</b>

Figure 2 shows the amended current law general fund estimates by revenue category as contained in HJR 2. Actual fiscal 2008 collections are shown, along with projections for fiscal years 2009 through 2011.

**Figure 2**  
**House Joint Resolution 2**  
**General Fund Revenue Estimates**  
 In Millions

Source of Revenue	Percent of 2008	Actual Fiscal 2008	Estimated Fiscal 2009	Estimated Fiscal 2010	Estimated Fiscal 2011	Estimated Fiscal 08-09	Estimated Fiscal 10-11	Cumulative % of Total
1 Individual Income Tax	44.36%	\$866.659	\$852.615	\$838.750	\$850.014	\$1,719.274	\$1,688.764	47.37%
2 Property Tax	10.50%	205.044	214.615	221.919	225.719	419.659	447.638	59.93%
3 Corporation Income Tax	8.21%	160.342	157.284	115.638	121.382	317.626	237.020	66.57%
4 Vehicle Tax	4.79%	93.493	93.493	92.247	90.093	186.986	182.340	71.69%
5 Common School Interest and Income	0.00%	-	-	-	-	-	-	71.69%
6 Insurance Tax & License Fees	3.28%	64.004	49.878	47.880	50.353	113.882	98.233	74.44%
7 Coal Trust Interest	1.48%	28.855	29.312	28.574	28.288	58.167	56.862	76.04%
8 US Mineral Royalty	1.86%	36.389	24.885	27.796	30.418	61.274	58.214	77.67%
9 All Other Revenue	1.97%	38.434	65.415	32.126	32.831	103.849	64.957	79.49%
10 Tobacco Settlement	0.19%	3.808	3.956	4.007	4.071	7.764	8.078	79.72%
11 Telecommunications Excise Tax	1.14%	22.350	21.597	21.672	21.761	43.947	43.433	80.94%
12 Video Gambling Tax	3.23%	63.134	66.554	69.003	71.973	129.688	140.976	84.89%
13 Treasury Cash Account Interest	1.58%	30.783	16.507	7.967	15.905	47.290	23.872	85.56%
14 Estate Tax	0.01%	0.122	0.113	0.029	0.005	0.235	0.034	85.56%
15 Oil & Natural Gas Production Tax	7.68%	149.994	94.769	66.930	82.423	244.762	149.353	89.75%
16 Motor Vehicle Fee	0.97%	18.995	18.926	19.672	19.481	37.921	39.153	90.85%
17 Public Institution Reimbursements	0.78%	15.335	13.658	14.412	14.675	28.993	29.087	91.67%
18 Lodging Facility Use Tax	0.69%	13.390	13.109	13.376	13.926	26.499	27.302	92.43%
19 Coal Severance Tax	0.61%	11.894	12.410	12.183	12.959	24.304	25.142	93.14%
20 Liquor Excise & License Tax	0.76%	14.925	15.787	16.558	17.609	30.712	34.167	94.10%
21 Cigarette Tax	1.84%	36.004	34.564	32.984	33.053	70.568	66.037	95.95%
22 Investment License Fee	0.33%	6.514	6.127	6.210	6.825	12.641	13.035	96.31%
23 Lottery Profits	0.56%	11.029	10.275	10.906	11.453	21.304	22.359	96.94%
24 Liquor Profits	0.45%	8.775	8.651	8.837	9.194	17.426	18.031	97.45%
25 Nursing Facilities Fee	0.29%	5.610	5.318	5.213	5.109	10.928	10.322	97.74%
26 Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.74%
27 Electrical Energy Tax	0.27%	5.179	4.707	4.717	4.727	9.886	9.444	98.00%
28 Metalliferous Mines Tax	0.55%	10.774	6.777	3.248	3.279	17.551	6.527	98.18%
29 Highway Patrol Fines	0.21%	4.049	4.052	4.055	4.058	8.101	8.113	98.41%
30 Public Contractors Tax	0.26%	5.063	4.058	4.322	4.357	9.121	8.679	98.66%
31 Wholesale Energy Tax	0.20%	3.856	3.870	3.931	3.993	7.726	7.924	98.88%
32 Tobacco Tax	0.24%	4.699	4.710	4.738	4.796	9.409	9.534	99.15%
33 Driver's License Fee	0.20%	3.866	4.667	3.920	4.739	8.533	8.659	99.39%
34 Rental Car Sales Tax	0.16%	3.157	3.118	3.182	3.313	6.275	6.495	99.57%
35 Railroad Car Tax	0.11%	2.064	2.166	2.295	2.336	4.230	4.631	99.70%
36 Wine Tax	0.09%	1.829	1.942	2.043	2.146	3.771	4.189	99.82%
37 Beer Tax	0.16%	3.124	3.160	3.221	3.282	6.284	6.503	100.00%
38 Telephone License Tax	0.00%	-	-	-	-	-	-	100.00%
39 Long Range Bond Excess	0.00%	-	-	-	-	-	-	100.00%
Total General Fund	100.00%	<u>\$1,953.540</u>	<u>\$1,873.044</u>	<u>\$1,754.561</u>	<u>\$1,810.546</u>	<u>\$3,826.584</u>	<u>\$3,565.107</u>	100.00%



## Revenue Impacts of Other Legislation

Figure 3 shows the revenue impacts of legislation enacted by the 61<sup>st</sup> Legislature. If more than one bill were enacted that impact a certain 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	<u>(\$28.441)</u>	<u>\$18.354</u>	<u>\$18.802</u>	<u>(\$28.441)</u>	<u>\$37.156</u>	<u>\$8.715</u>

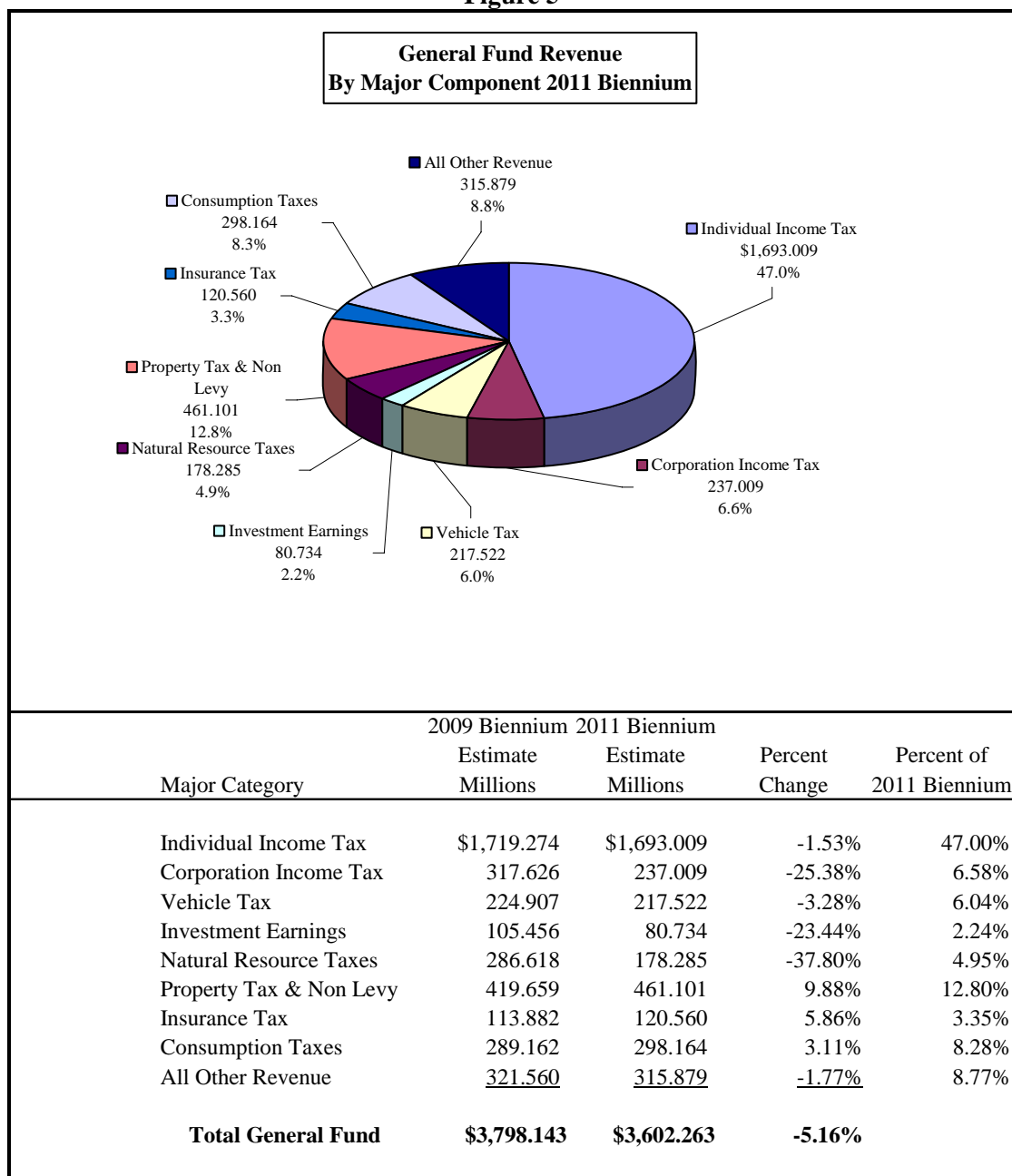
Figure 4 shows the revised general fund revenue estimates by source which is the sum of HJR 2 estimates and all enacted legislation impacts. These revised estimates are used in “Volume 1 – Statewide Perspectives” to determine the overall financial condition of the general fund for the 2009 and 2011 biennia.

**Figure 4**

<b>House Joint Resolution 2 Plus Legislation Impacts</b> <b>General Fund Revenue Estimates</b> In Millions								
Source of Revenue	Percent of 2008	Actual Fiscal 2008	Estimated Fiscal 2009	Estimated Fiscal 2010	Estimated Fiscal 2011	Estimated Fiscal 08-09	Estimated Fiscal 10-11	Cumulative % of Total
1 Individual Income Tax	44.36%	\$866.659	\$852.615	\$840.263	\$852.746	\$1,719.274	\$1,693.009	47.00%
2 Property Tax	10.50%	205.044	214.615	228.853	232.248	419.659	461.101	59.80%
3 Corporation Income Tax	8.21%	160.342	157.284	115.638	121.371	317.626	237.009	66.38%
4 Vehicle Tax	4.79%	93.493	93.493	92.247	90.093	186.986	182.340	71.44%
5 Common School Interest and Income	0.00%	-	-	-	-	-	-	71.44%
6 Insurance Tax & License Fees	3.28%	64.004	49.878	58.762	61.798	113.882	120.560	74.79%
7 Coal Trust Interest	1.48%	28.855	29.312	28.574	28.288	58.167	56.862	76.37%
8 US Mineral Royalty	1.86%	36.389	24.885	27.796	30.418	61.274	58.214	77.98%
9 All Other Revenue	1.97%	38.434	35.850	35.247	35.192	74.284	70.439	79.94%
10 Tobacco Settlement	0.19%	3.808	3.956	4.007	4.071	7.764	8.078	80.16%
11 Telecommunications Excise Tax	1.14%	22.350	21.597	21.672	21.761	43.947	43.433	81.37%
12 Video Gambling Tax	3.23%	63.134	66.554	69.003	71.973	129.688	140.976	85.28%
13 Treasury Cash Account Interest	1.58%	30.783	16.507	7.967	15.905	47.290	23.872	85.94%
14 Estate Tax	0.01%	0.122	0.113	0.029	0.005	0.235	0.034	85.94%
15 Oil & Natural Gas Production Tax	7.68%	149.994	94.769	66.930	82.423	244.762	149.353	90.09%
16 Motor Vehicle Fee	0.97%	18.995	18.926	17.970	17.212	37.921	35.182	91.07%
17 Public Institution Reimbursements	0.78%	15.335	14.782	16.047	15.030	30.117	31.077	91.93%
18 Lodging Facility Use Tax	0.69%	13.390	13.109	13.376	13.926	26.499	27.302	92.69%
19 Coal Severance Tax	0.61%	11.894	12.410	10.846	11.559	24.304	22.405	93.31%
20 Liquor Excise & License Tax	0.76%	14.925	15.787	16.581	17.641	30.712	34.222	94.26%
21 Cigarette Tax	1.84%	36.004	34.564	32.007	32.066	70.568	64.073	96.04%
22 Investment License Fee	0.33%	6.514	6.127	6.210	6.825	12.641	13.035	96.40%
23 Lottery Profits	0.56%	11.029	10.275	10.969	11.517	21.304	22.486	97.02%
24 Liquor Profits	0.45%	8.775	8.651	7.039	9.149	17.426	16.188	97.47%
25 Nursing Facilities Fee	0.29%	5.610	5.318	5.213	5.109	10.928	10.322	97.76%
26 Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.76%
27 Electrical Energy Tax	0.27%	5.179	4.707	4.717	4.727	9.886	9.444	98.02%
28 Metalliferous Mines Tax	0.55%	10.774	6.777	3.248	3.279	17.551	6.527	98.20%
29 Highway Patrol Fines	0.21%	4.049	4.052	4.055	4.058	8.101	8.113	98.43%
30 Public Contractors Tax	0.26%	5.063	4.058	4.322	4.357	9.121	8.679	98.67%
31 Wholesale Energy Tax	0.20%	3.856	3.870	3.931	3.993	7.726	7.924	98.89%
32 Tobacco Tax	0.24%	4.699	4.710	4.738	4.796	9.409	9.534	99.15%
33 Driver's License Fee	0.20%	3.866	4.667	3.920	4.739	8.533	8.659	99.39%
34 Rental Car Sales Tax	0.16%	3.157	3.118	3.182	3.313	6.275	6.495	99.57%
35 Railroad Car Tax	0.11%	2.064	2.166	2.295	2.336	4.230	4.631	99.70%
36 Wine Tax	0.09%	1.829	1.942	2.043	2.146	3.771	4.189	99.82%
37 Beer Tax	0.16%	3.124	3.160	3.218	3.278	6.284	6.496	100.00%
38 Telephone License Tax	0.00%	-	-	-	-	-	-	100.00%
39 Long Range Bond Excess	0.00%	-	-	-	-	-	-	100.00%
<b>Total General Fund</b>	<b>100.00%</b>	<b>\$1,953.540</b>	<b>\$1,844.603</b>	<b>\$1,772.915</b>	<b>\$1,829.348</b>	<b>\$3,798.143</b>	<b>\$3,602.263</b>	<b>100.00%</b>

Figure 5 shows the revenue contribution to the general fund account by the most significant revenue components. During the 2011 biennium, over 72 percent of total general fund revenue comes from income, property, and vehicle taxes, while about 2 percent is generated from investment earnings. Natural resource taxes are estimated to produce about 5 percent of total general fund revenue during the 2011 biennium. The information shown in Figure 5 illustrates the significant dependence the state has on income, property, and vehicle taxes to fund general government operations. In addition, Figure 5 shows the general fund will receive an estimated \$81 million in the 2011 biennium from investment earnings. Although these revenues are due to the state investment of taxpayer dollars, they can be viewed as taxpayer savings or relief. Without these revenues, the state would either have to cut services, increase other revenues, or do a combination of both.

**Figure 5**



Total general fund revenues for the 2011 biennium are projected to decrease 5.2 percent over the 2009 biennium projections. The comparative changes by major revenue category are shown at the bottom of Figure 5. Included in these amounts is \$8.7 million of additional revenue in the 2011 biennium due to the enactment of the legislation shown in Figure 3.

## Non-General Fund Revenue Estimates

Figure 6 shows estimates for selected non-general fund revenue for fiscal years 2009, 2010, and 2011 as contained in HJR 2 and from enacted legislation. These estimates are included because of their importance in the budgeting process.

**Figure 6**

House Joint Resolution 2 Plus Legislation Impacts Non-General Fund Revenue Estimates In Millions								
Source of Revenue	Percent of 2008	Actual Fiscal 2008	Estimated Fiscal 2009	Estimated Fiscal 2010	Estimated Fiscal 2011	Estimated Fiscal 08-09	Estimated Fiscal 10-11	Cumulative % of Total
1 Diesel Tax	19.87%	\$74.302	\$67.750	\$68.633	\$69.604	\$142.052	\$138.237	19.04%
2 Federal Forest Receipts	3.48%	13.028	26.953	24.258	21.832	39.981	46.090	25.39%
3 Gasoline Tax	35.08%	131.147	123.278	129.003	128.325	254.425	257.328	60.85%
4 GVW and Other Fees	8.09%	30.238	30.727	31.192	31.672	60.965	62.864	69.51%
5 Resource Indemnity Tax	0.52%	1.926	1.987	1.949	2.517	3.913	4.466	70.12%
6 Arts Trust Interest	0.16%	0.584	0.632	0.645	0.663	1.216	1.308	70.30%
7 Capital Land Grant Interest and Income	0.26%	0.983	0.898	0.791	0.412	1.881	1.203	70.47%
8 Deaf & Blind Interest and Income	0.09%	0.334	0.333	0.337	0.335	0.667	0.672	70.56%
9 Parks Trust Interest	0.27%	1.025	1.051	1.078	1.110	2.076	2.188	70.86%
10 Pine Hills Interest and Income	0.12%	0.435	0.443	0.450	0.454	0.878	0.904	70.99%
11 RIT Trust Interest	1.55%	5.801	5.579	5.576	5.583	11.380	11.159	72.52%
12 TSE Trust Interest	2.46%	9.194	9.244	9.712	10.492	18.438	20.204	75.31%
13 Economic Development Trust	0.48%	1.801	2.088	2.343	2.683	3.889	5.026	76.00%
14 Tobacco Trust Interest	1.22%	4.546	5.283	6.022	6.784	9.829	12.806	77.76%
15 Regional Water Trust Interest	0.58%	2.175	2.328	2.570	2.941	4.503	5.511	78.52%
16 Property Tax: 6 Mill	3.56%	13.313	13.702	14.874	15.101	27.015	29.974	82.65%
17 Common School Interest and Income	22.21%	<u>83.026</u>	<u>82.088</u>	<u>69.315</u>	<u>56.601</u>	<u>165.114</u>	<u>125.916</u>	100.00%
Total Non-General Fund	100.00%	\$373.856	\$374.364	\$368.748	\$357.109	\$748.220	\$725.856	100.00%

## Summary of Tax Policy and Revenue Initiatives

Figure 7 shows the revenue impacts of legislation enacted by the 61<sup>st</sup> Legislature summarized by bill number. For the three- year period, fiscal years 2009 through 2011, total general fund revenues increase a net \$8.7 million. Large increases totaling \$54 million from five bills, (HB10-long range technology, HB645-federal stimulus, HB658-mitigate reappraisal, HB676-implement HB2, and SB489-revised pipeline taxation) were offset by large reductions totaling \$45 million from six bills (HB2-general appropriations act, HB5-long range building, HB154-make fire suppression fund permanent, HB213-SW Montana veteran's home, SB100-increase coal board funding, and SB508-revise motor vehicle laws).

**Figure 7**

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 7 continues on the next page

**Figure 7 (continued)**  
**Revenue Impacts 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

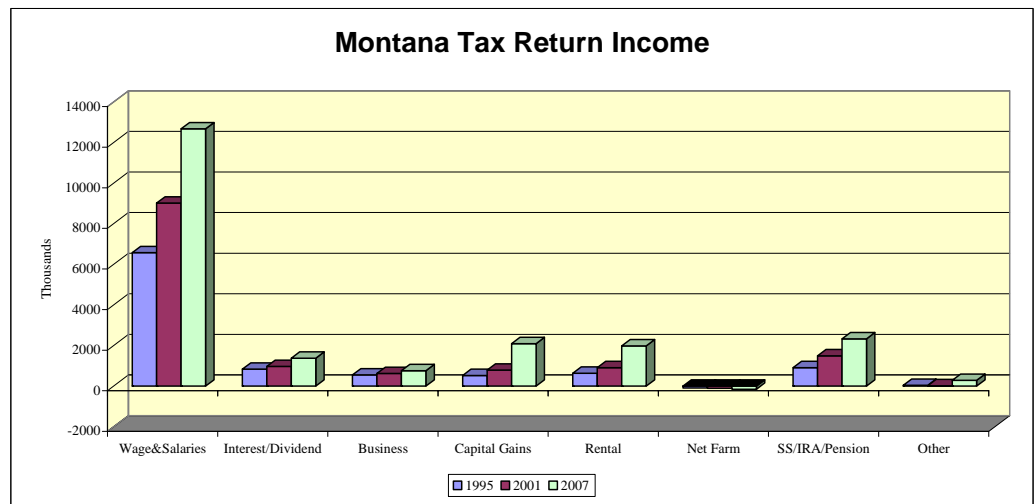
## Economic Outlook for Montana

### Montana Total Income

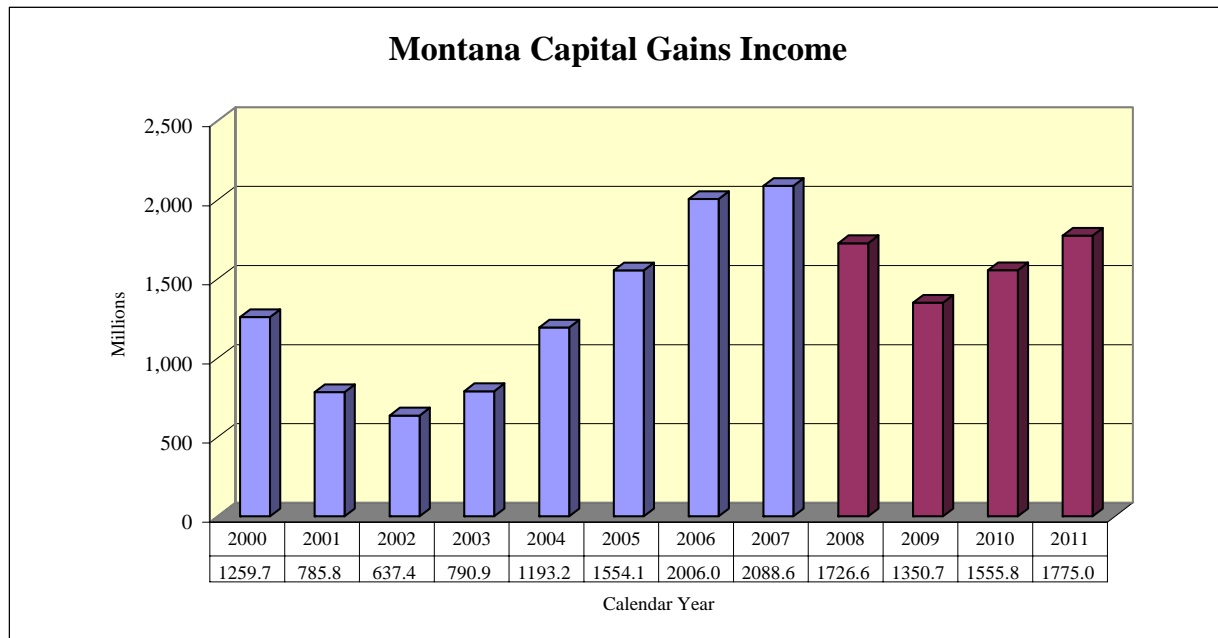
The total of all income sources listed on the Montana personal income tax form is referred to as Montana total income. The Department of Revenue tracks income from 11 different components, including wages, interest, dividends, business, capital gains, supplemental, rental, farm, social security, IRA and pension, and other incomes.

Montana total income is the single most important variable to consider in the revenue estimation process. Of the 11 income items, wage and salary income

provides the largest portion of Montana total income. Since 1990, wage and salary income has contributed an annual average of 64.1 percent of total income. In calendar 2007, it contributed 59.4 percent, or \$12.7 billion. The average compounded growth rate from calendar 1990 to 2007 has been 5.6 percent



In recent times, capital gains income has been the focus of much conversation and speculation. Capital gains income has increased in relative importance over the decade. In 1990, capital gains made up only 4.2 percent of total income, with reported income of \$318 million. In 2001, capital gains receded to 5.7 percent of total income, with income at \$786 million, a reduction of over 37.6 percent over the previous year. In 2007, capital gains income was \$2,089 million and increased to nearly 9.8 percent of total income.

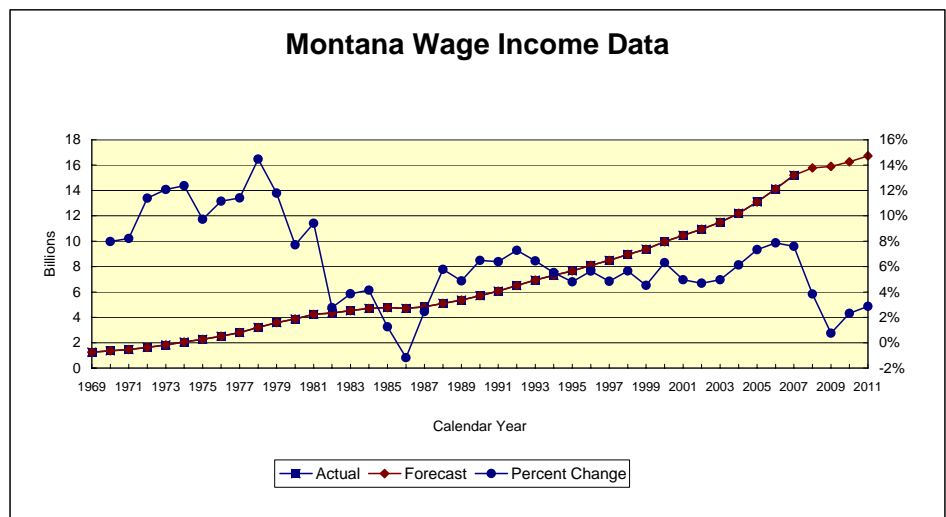


In 2002 capital gains income fell by \$622.3 million from the 2000 level, but rebounded in calendar 2003 through 2007. Capital gains are projected to decline in 2008 and rebound at a average rate of 14.7 percent in 2010 and 2011.

## Montana Wages

The average annual growth in Montana wages and salaries has been 5.9 percent between 1991 and 2007. Wage growth exceeding this average occurred in the early nineties and again in the last four years, 2004-2007. In both these periods inflation was relatively high, i.e. greater than 2.5 percent, and employment growth was relatively high.

The forecast for inflation for calendar years 2008 through 2011 is provided by Global Insight in the March issue of forecasts. Inflation for 2008 is forecast to be at 3.8 percent and then turn to a negative 1.9 percent in 2009 as the national and world economies slow down and enter a recession. Inflation is expected to increase to 1.5 percent in 2010 and 2.4 percent in 2011.



Calendar Year	Employment Growth	Inflation	Real Wage Per Worker	Wage Growth
A 1991	2.1%	4.8%	-0.6%	6.4%
A 1992	4.3%	3.6%	-0.7%	7.3%
A 1993	2.9%	3.0%	0.5%	6.5%
A 1994	4.5%	2.8%	-1.7%	5.5%
A 1995	3.1%	2.7%	-1.0%	4.8%
A 1996	2.8%	2.9%	-0.1%	5.6%
A 1997	1.3%	2.6%	0.9%	4.8%
A 1998	2.2%	1.9%	1.5%	5.7%
A 1999	2.0%	1.9%	0.6%	4.5%
A 2000	1.9%	2.8%	1.4%	6.3%
A 2001	1.2%	3.1%	0.7%	5.0%
A 2002	1.1%	2.2%	1.3%	4.7%
A 2003	1.2%	2.0%	1.7%	5.0%
A 2004	2.7%	2.5%	0.9%	6.1%
A 2005	2.2%	3.0%	1.9%	7.3%
A 2006	3.4%	3.3%	1.0%	7.9%
A 2007	2.2%	2.7%	2.5%	7.6%
F 2008	1.0%	3.8%	-0.9%	3.9%
F 2009	-1.5%	-1.9%	4.2%	0.8%
F 2010	0.6%	1.5%	0.2%	2.3%
F 2011	1.2%	2.4%	-0.7%	2.9%

The growth in wages for calendar 2008 through 2011 is provided by Global Insight in their February Montana-specific report. In calendar 2005 through 2007, wages on average grew at an historically high rate of around 7.5 percent. For 2008, growth of only 3.9 percent is expected, dropping to 0.8 percent in 2009, and rising to 2.3 percent in 2010 and 2.9 percent in 2011.

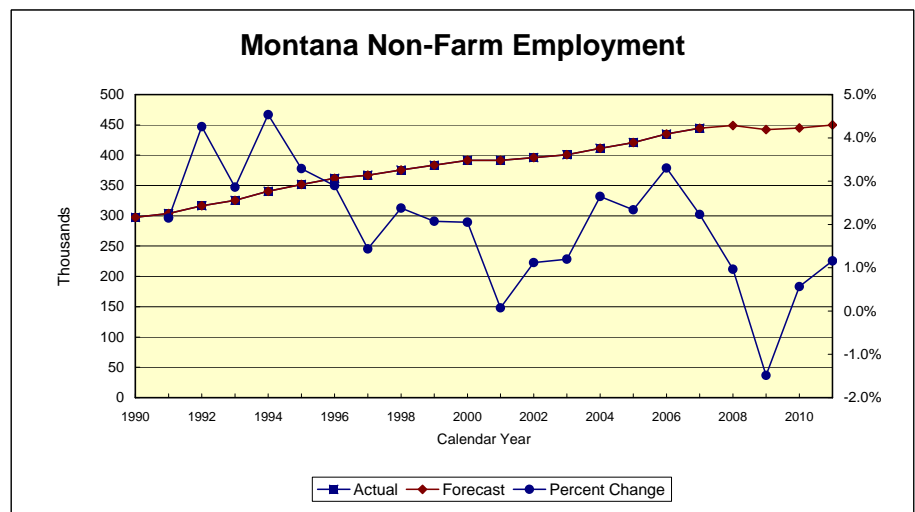
Employment is also expected to slow down in 2008 through 2011. Employment growth since 2003 has been between 2.2 percent and 3 percent. Forecasts from Global Insight for Montana employment show Montana's employment growth at 1.0 percent for 2008, negative 1.5 percent for 2009, 0.6 percent for 2010 and 1.2 percent for 2011. Negative growth in employment is expected in almost all sectors in 2009 except in education and health services. All sectors are expected to rebound somewhat in 2010 and 2011 as the national economy comes out of the recession.

Growth in real wages per worker, defined as wages per worker adjusted for inflation, was low in the early nineties, but above the 1991-2007 average of 0.6 percent growth since 1997. Because of the assumptions on growth in wages, employment, and inflation for 2008 and 2009, it is expected that wages per worker, adjusted for inflation, will turn negative in 2008 and 2011, a situation that has not been seen

since the early nineties. Growth in real wages per worker is expected to be positive in fiscal 2009 because inflation is expected to be negative.

## Montana Employment

Average annual growth in total employment between 1990 and 2007 was 2.6 percent, although between 2000 and 2007, the average rate of growth has been 1.8 percent. Total non-farm employment is expected to grow by about 1.0 percent in calendar 2008. Since 1990, the fastest growing sector in terms of employment has been construction, which experienced a 6.6 percent annual increase in employment. Other fast growing sectors have been professional and business services (5.5 percent annual growth), education and health services (3.2 percent annual growth), and accommodation and food services (3.1 percent annual growth). Sectors that have experienced reduced or



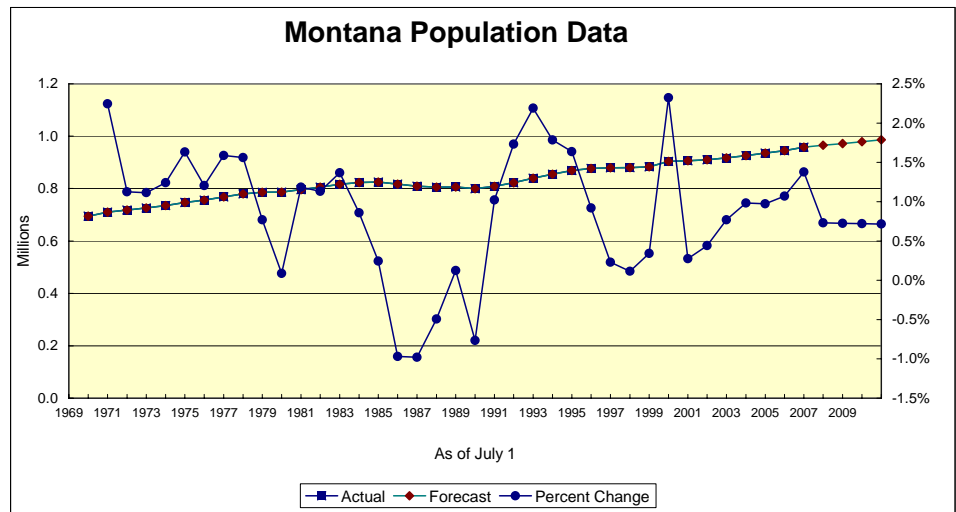


stable employment since 1990 are mining and manufacturing. Mining employment is expected to increase during the forecast period. Employment is expected to decline in calendar 2009 by 1.5 percent and then increase moderately in calendar 2010 and 2011 by 0.6 and 1.2 percent, respectively.

## Montana Population

Population statistics are used to develop estimates for many of the revenue sources including beer, wine, liquor, and cigarette taxes. In addition to those sources where population has a direct effect, the size of the population indirectly affects the profitability of all businesses and the employment levels statewide. Accurate population estimates are especially important when determining the changes expected in overall and per capita income for the state.

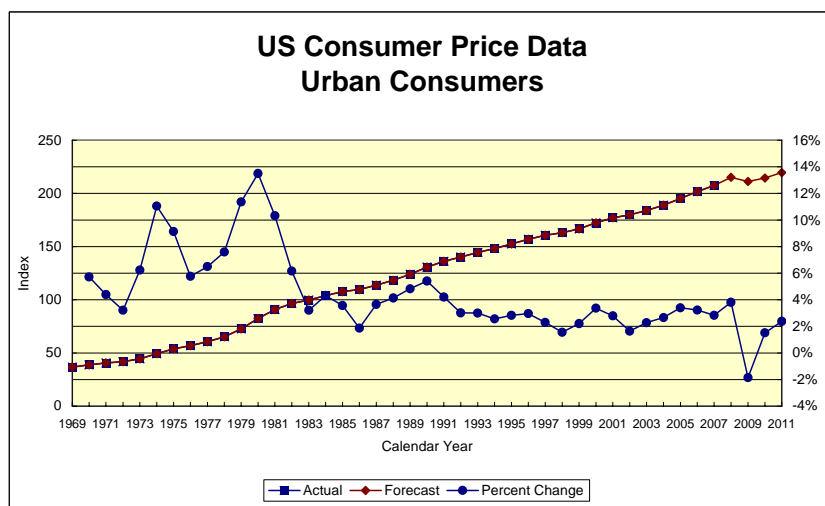
Consumption of any given item is highly reliant upon the size of the population, so accurate population forecasts are essential when determining tax revenues from the sources mentioned above. Historic population data are gathered from the U.S. Census department while projections are obtained from Global Insight. Since the early 1990's, Montana has experienced positive growth in total population varying between 0.1 percent in 1998 to 2.3 percent in 2000. Growth through the next biennium is estimated at about 0.7 percent annually.



## Inflation Rates

The inflation rate is measured by the price change of the Consumer Price Index (CPI) "shopping basket" of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a reduction in disposable income and spends less. Several areas where this information is vital in determining costs include minerals, timber, energy resources, and most services.

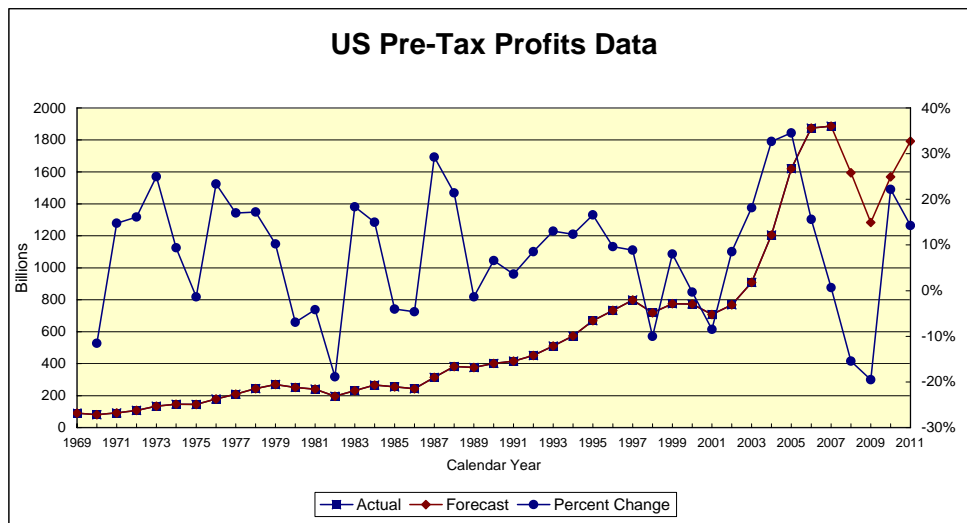
Since Montana's individual income tax structure is fully indexed by changes in the consumer price index, this assumption is critical in the formulation of the individual income tax forecasts. The U.S. Bureau of Labor Statistics provides the required CPI data for the all-urban consumers data set. Since 1990, the average annual rate of inflation has been 2.8 percent. Global Insight forecasts inflation at 3.8 percent for calendar 2008, a negative 1.9 percent for calendar 2009, and 1.5 and 2.4 for calendar 2010 and 2011, respectively.



average of 10.3 percent. However, from 1997 through 2001, profits decreased by an average of 3.0 percent, the greatest decrease of 8.5 percent occurring in 2001. In 2004 and 2005, corporate profitability increased by 32.7 percent and 34.5 percent respectively. That trend is not expected to continue, however, as Global Insight is estimating profits to decline by 20.0 percent in calendar 2009 and then grow at an average rate of 22.2 percent and 14.2 percent in 2010 and 2011, respectively.

## Corporate Profits

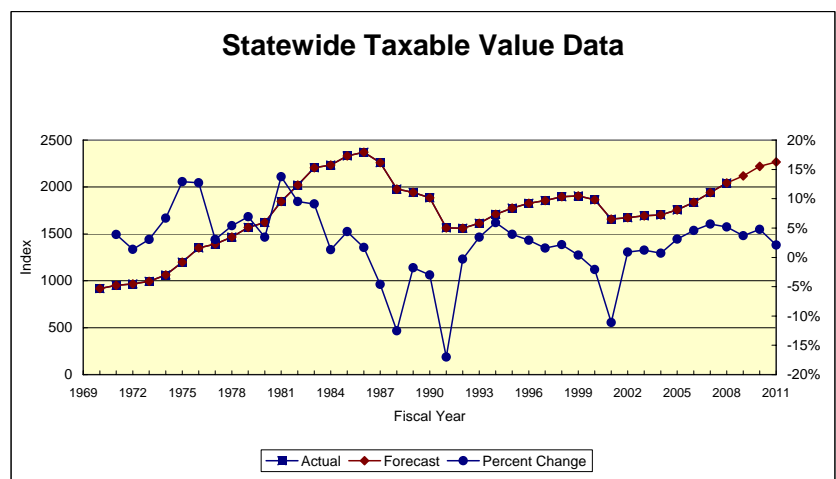
The profitability of corporate America is an important factor in estimating revenues. Corporate profitability affects both corporation license tax and individual income tax estimates. When corporations are profitable nationally, there is an expectation that corporations will be profitable in Montana. Additionally, greater corporate profitability is largely responsible for the amount of dividends corporations pay to stockholders as well as the value of equity investments. During the most recent years, the reduction of corporate profits has translated to lower corporate license tax collections. According to Global Insight, between 1990 and 1997, US corporation pre-tax profits increased by an annual



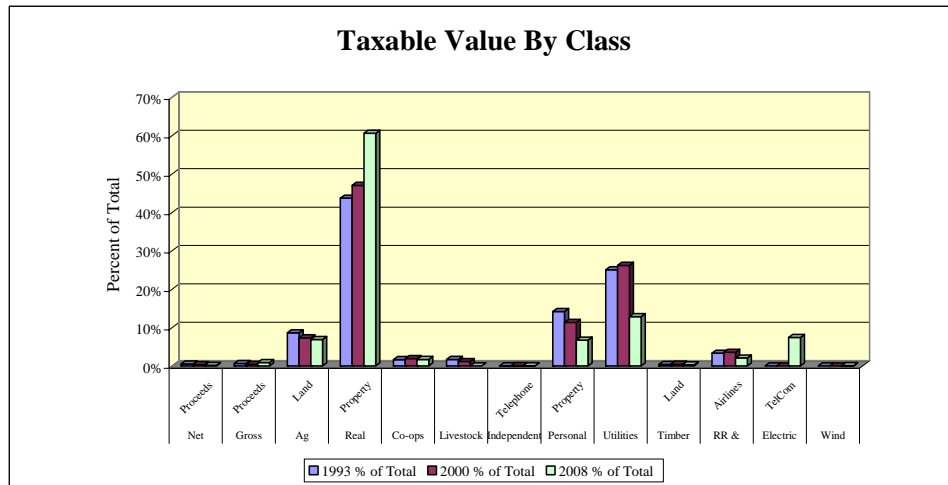
## Property Values

Change in statewide property values is the critical assumption behind the estimates for property taxes. Historic property values are obtained from the Montana Department of Revenue. Total statewide taxable value increased slowly during the first part of the 1990's, but fell in fiscal 2000. This decline was primarily due to business equipment tax changes enacted by previous legislatures. Other legislative reductions occurred in electrical generating and telecommunication property. Property values resumed an upward trend in 2001 and have increased every year since that time.

Significant changes have taken place in each class's share of total statewide property value since fiscal 1998. In that year, 48.0 percent of total statewide value was in class 4, residential and commercial property, and 11.5 percent of total value was in class 8, business equipment personal property. In fiscal 2008, the class 4 taxable value was 60.6 percent of the total property tax base, while class 8 was only 6.8 percent of the base.



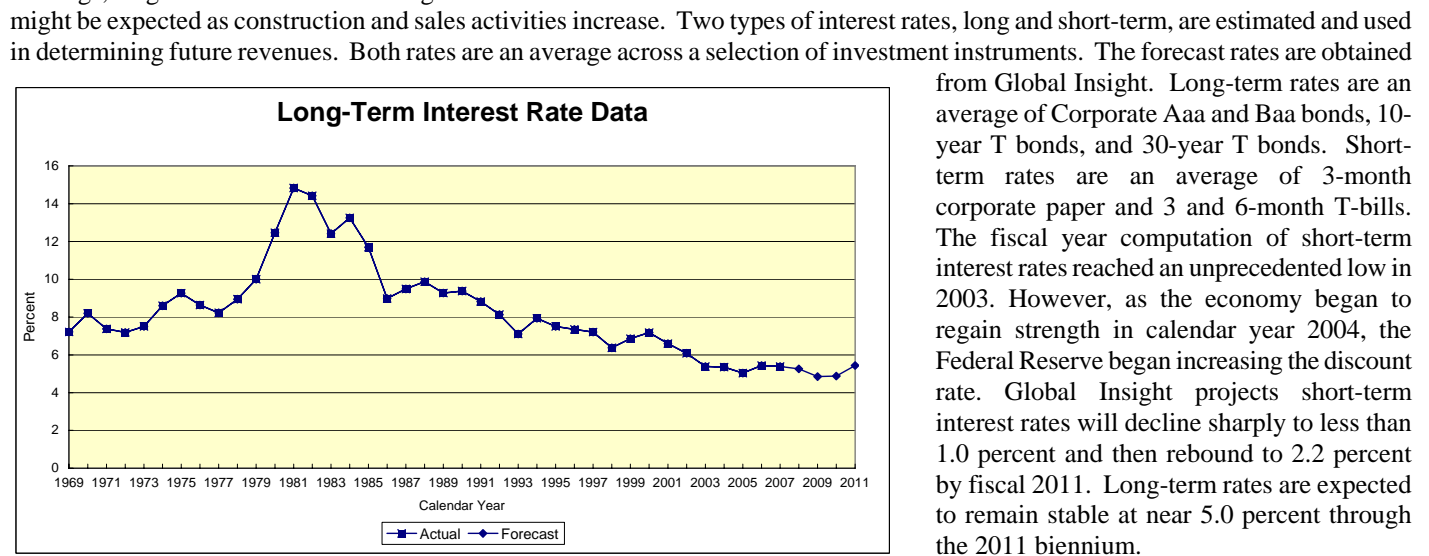
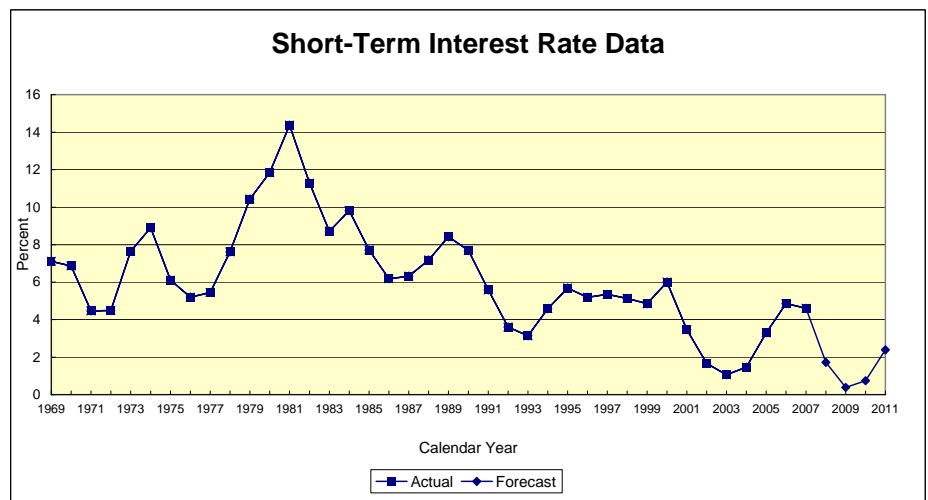
Taxable values for the FY 2009 and the 2011 biennium will be influenced by the impacts of reappraisal and reappraisal mitigation in HB 658, passed by the 2009 Legislature. Reappraisal occurs every six years and new values are derived for all residential and commercial property, agricultural land and timber land. These values are phased-in over the six year cycle. For the 2009 reappraisal values compared with 2003 values, average residential property rose by 55.1 percent, commercial property by 34.5 percent, agricultural land by 26.8 percent, and timberland by 51.7 percent. HB 658 mitigated these increases by phasing-in higher homestead and comstead exemptions, and by phasing-down tax rates. These parameters were set so as to erase the impact of reappraisal on taxable values on average statewide. Taxable value is expected to grow during the 2011 biennium by an average of 3.4 percent per year, its historical average since FY 2003.



## Interest Rates

A large portion of Montana's revenues is derived from investment earnings from trust accounts and daily invested cash. Interest rates also affect the amount of investment income that is reported on individual income tax returns. As such, interest rates are a significant assumption when estimating future state revenues.

In addition to the state revenue impact, interest rates are fundamental in understanding the climate in which consumers and businesses are likely to make investments and large purchases. While low interest rates produce less revenue for Montana's trust and interest holdings, higher income tax earnings might be expected as construction and sales activities increase. Two types of interest rates, long and short-term, are estimated and used in determining future revenues. Both rates are an average across a selection of investment instruments. The forecast rates are obtained



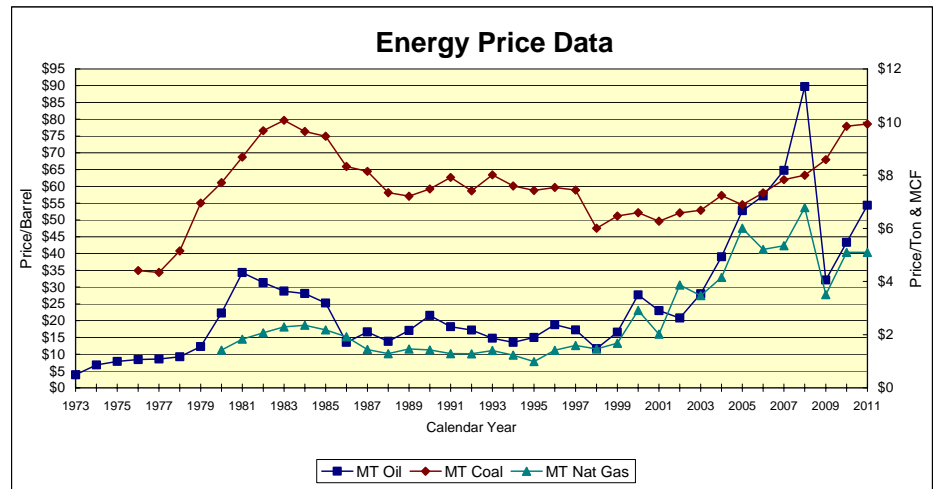
from Global Insight. Long-term rates are an average of Corporate Aaa and Baa bonds, 10-year T bonds, and 30-year T bonds. Short-term rates are an average of 3-month corporate paper and 3 and 6-month T-bills. The fiscal year computation of short-term interest rates reached an unprecedented low in 2003. However, as the economy began to regain strength in calendar year 2004, the Federal Reserve began increasing the discount rate. Global Insight projects short-term interest rates will decline sharply to less than 1.0 percent and then rebound to 2.2 percent by fiscal 2011. Long-term rates are expected to remain stable at near 5.0 percent through the 2011 biennium.

## Energy Prices

West Texas Intermediate (WTI) spot oil prices averaged \$25.96 per barrel in calendar 2001 and increased every year through 2007. Global Insight forecasts WTI oil prices to increase to \$101.36 in calendar 2008, and then drop to \$52.75 in calendar 2009. WTI prices are expected to increase to \$61.75 and \$65.00 per barrel for calendar 2010 and 2011, respectively. While Montana wellhead prices are considerably lower than the WTI price, Montana prices are expected to follow a similar trend.

Natural gas prices at the wellhead in the US averaged \$4.00 per MCF in calendar 2001 and have increased to \$6.22 by calendar 2007. Global Insight is forecasting average well head natural gas prices at \$7.81 in calendar 2008, \$6.45 in calendar 2009, \$7.49 in calendar 2010, and \$7.76 in calendar 2016. While Montana wellhead prices are usually lower than the US average well head price, Montana prices are expected to follow a similar trend.

After a period of decline in oil production – from a peak in 1973 of 34 million barrels to a trough in 1999 of 15 million barrels – recent Montana production has increased. New drilling activity increased 75 percent in 2003, and increased nearly the same amount in 2004. In calendar 2006, production was over 36 million barrels and is estimated to be near 32 million barrels in calendar 2008. Montana oil production is expected to decline further to 29 million barrels in calendar 2009, 26 million barrels in calendar 2010 and to 25 million barrels in calendar 2011.



Natural gas production in Montana almost tripled between 1981 and 2007, from 40 million MCF to 119 million MCF. Newly drilled wells have contributed around 20 percent to total production since calendar 2000. As in the oil market, new drilling activity was up substantially in calendar 2003 and 2004. Montana natural gas production is expected to be 122 million MCF in calendar 2008, 123 million MCF in calendar 2009, 124 million MCF in calendar 2010, and 120 million MCF in calendar 2011.

## Summary

A complete summary of each general fund and selected non-general fund revenue sources follows. Each summary provides information on the particular source of revenue including a description, the applicable tax or fee rates, and distribution mechanisms. A legislation impact table (if applicable) is shown summarizing all bills enacted by the 2009 Legislature that impact the particular source of revenue.

It should be noted that the revenue projection table and graph are based on HJR2 estimates plus the impacts, if any, of enacted legislation. The corresponding revenue estimate assumption tables reflect only assumptions pertinent to the HJR 2 revenue estimates and have not been updated for the impacts of enacted legislation.