State Revenue Perspectives

SUMMARY

In November 2010, the Revenue and Transportation Interim Committee met and developed the assumptions and the resulting revenue estimates for general fund and related state special revenues. Throughout the 2011 legislative session, economic conditions improved and a few methodology changes were made for selected revenue sources. The result of these changes was presented to the House Tax Committee in March, and the committee voted to accept each of the revised assumptions. Further changes were recommended by the Legislative Fiscal Division (LFD) in April, but the committee did not take action. Although the Sixty-second Legislature failed to adopt the revenue estimate resolution, the HJ 2 estimates 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 62ND 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 2010	Estimated FY 2011	Estimated FY 2012	Estimated FY 2013	2011 Biennium	2013 Biennium	Biennial $ Change	Biennial % Change
Individual Income Tax	$717.834	$762.396	$807.075	$858.325	$1,480.230	$1,665.400	$185.170	12.5%
Property Tax	$222.510	$229.084	$237.188	$240.636	451.594	477.824	26.230	5.8%
Corporation Income Tax	$87.901	$97.360	$115.086	$128.042	185.261	243.128	57.867	31.2%
Vehicle Tax and Fees	103.862	107.004	106.716	107.150	210.866	213.866	3.000	1.4%
Oil and Gas Production Tax	95.491	104.514	102.996	97.538	200.005	200.534	0.529	0.3%
Remaining Sources	399.547	406.297	414.314	419.924	805.844	834.238	28.394	3.5%
Total	**$1,627.145**	**$1,706.655**	**$1,783.375**	**$1,851.615**	**$3,333.800**	**$3,634.990**	**$301.190**	**9.0%**

This section presents the details on five of the major general fund revenue sources that comprise 78.3% of total general fund revenue. Of these five major sources, the Sixty-second 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 2013 Biennium, Volume 2 – Revenue Estimates.*

Individual Income Tax

Background

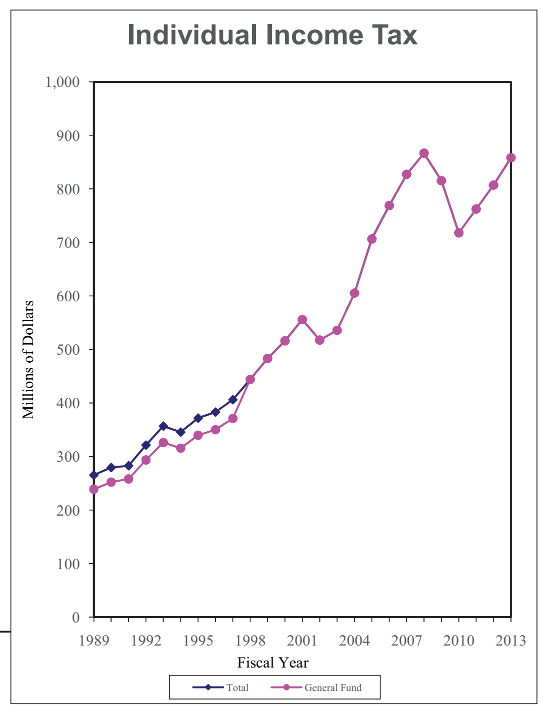
The tax is levied against taxable income, which is defined as Montana personal income adjusted for exemptions and deductions. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits. Tax rates vary from 1.0% to 6.9%, depending on the level of taxable income. 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% in tax years 2005 and 2006, and by 2% in tax year 2007 and beyond.

Percent of total general fund revenue

FY 2004 – 43.82%
FY 2005 – 46.13%
FY 2006 – 45.01%
FY 2007 – 45.04%
FY 2008 – 44.17%
FY 2009 – 45.09%
FY 2010 – 4.12%

Revenue Forecast

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	265.539814	238.963596	Not App.
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	866.658538	866.658538	4.78%
A	2009	815.138193	815.138193	-5.94%
A	2010	717.834371	717.834371	-11.94%
F	2011	762.396000	762.396000	6.21%
F	2012	807.075000	807.075000	5.86%
F	2013	858.325000	858.325000	6.35%



Forecast Factors

The income tax forecast for FY 2011 through 2013 began with obtaining actual calendar year 2009 income data from the tax returns. Calendar year growth factors were developed for each income and deduction component, applied to the base components in the 2009 income tax data, and run through the simulation model to produce a forecast of calendar year resident tax liability. After accounting for non-resident liability and credits, the calendar year data was converted to fiscal year data and subsequently adjusted for audits, legislation and other special events.

In November 2010, 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 October forecasts for wages disbursements, interest rates, corporate profits, S&P 500 stock index, oil prices, and other economic indicators.

Throughout the 2011 legislative session, economic conditions improved somewhat, and a few methodology changes were made in selected revenue forecasts, including individual income tax. The result of these changes was presented to the House Tax Committee in March, and the committee voted to accept each of the revised assumptions. Further changes were recommended by the LFD in April, but the committee did not accept them.

Assumptions used in developing the income tax forecast can be found in the LFD *Legislative Fiscal Report 2013 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 six-year reappraisal cycle. Agricultural land and timberland are valued on a productivity basis and their values are also phased in over the reappraisal cycle. The last reappraisal cycle took effect January 1, 2009.

The 2009 reappraisal showed that the market value of residential property rose 55.1%, commercial property values rose 34.5%, agricultural values rose 26.8%, and timberland values rose 51.7%. The legislature through combination of phased-in reductions in tax rates and phased-in increases in exemptions mitigated these increases over the six-year cycle, so that the only increases in the tax bases will be the addition of new property, the destruction of existing property, or reclassification of property.

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.

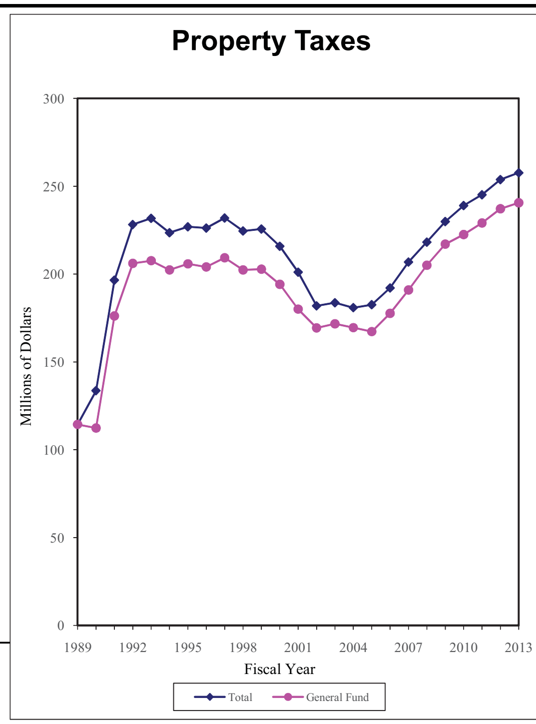
This source also includes the state's share of protested taxes paid by centrally assessed companies. Should the state fail in defense of the taxation of these companies, the protested taxes must be returned to the taxpayer.

Percent of total general fund revenue

FY 2004 – 12.27% FY 2007 – 10.74% FY 2010 – 13.68%
FY 2005 – 10.93% FY 2008 – 11.53%
FY 2006 – 10.40% FY 2009 – 12.01%

Revenue Forecast

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	114.444609	114.444609	Not App.
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%
A	2009	229.945033	217.042057	5.85%
A	2010	239.055986	222.509767	2.52%
F	2011	245.193000	229.084000	2.95%
F	2012	253.832000	237.188000	3.54%
F	2013	257.721000	240.636000	1.45%



Forecast Factors

The property tax forecast for FY 2011 through 2013 is comprised of five steps: 1) collect the latest base year data, in this case FY 2011 taxable values, 2) apply taxable value growth rates to the base data for FY 2012 and 2013 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.

Corporation Income Tax

Background

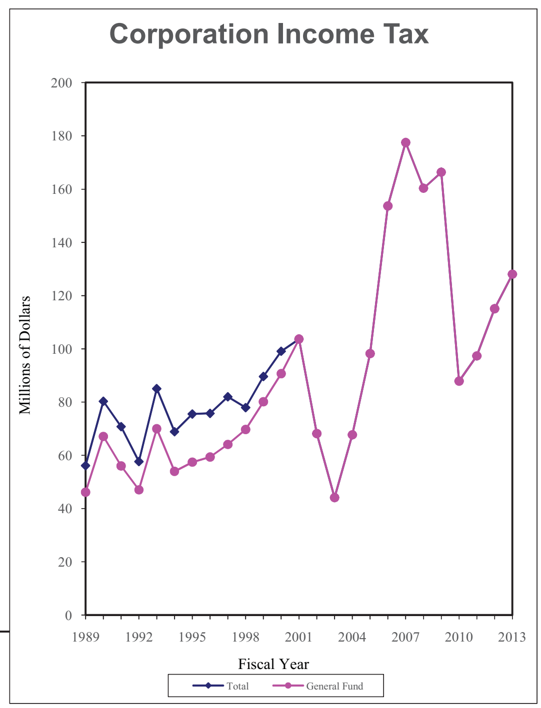
The corporation income tax is a license fee levied against a corporation's net income earned in Montana. The corporation income tax is imposed on corporations that, for reasons of jurisdiction, are not taxable under a license tax. Factors that affect corporation income tax receipts include tax credits 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%, except for corporations making a "water's edge" election (see 15-31-322, MCA), who pay a 7.0% tax on their net income.

Percent of total general fund revenue

FY 2004 – 4.90% FY 2007 – 9.67% FY 2010 – 5.40%
FY 2005 – 6.42% FY 2008 – 8.17%
FY 2006 – 9.00% FY 2009 – 9.20%

Revenue Forecast

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	56.139749	46.152627	Not App.
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%
A	2009	166.354514	166.354514	3.75%
A	2010	87.900911	87.900911	-47.16%
F	2011	97.360000	97.360000	10.76%
F	2012	115.086000	115.086000	18.21%
F	2013	128.042000	128.042000	11.26%



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. In FY 2010, with a national economy in the midst of "the great recession", corporation tax revenues experienced a significant decline of 47.2%. Although the economy is showing signs of recovery, many economists urge constraint, as this recovery is not anticipated to take the course of high and rapid growth experienced in past recoveries.

To estimate corporation tax collections, corporation tax payment data provided by the Department of Revenue is disaggregated based on the corporate industrial sector, allowing analysis of specific components of the corporate landscape. Then, each sector can be analyzed, measured, and forecast individually. Through this methodology, the profitability changes inherent in highly volatile sectors can be 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, 2008. 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 three years are distributed between two fiscal years, at a ratio of 5:53:42, to obtain the fiscal year liability ($0.05 \times TY1 + 0.53 \times TY2 + 0.42 \times TY3 = FY3$).

Vehicle Tax

Background

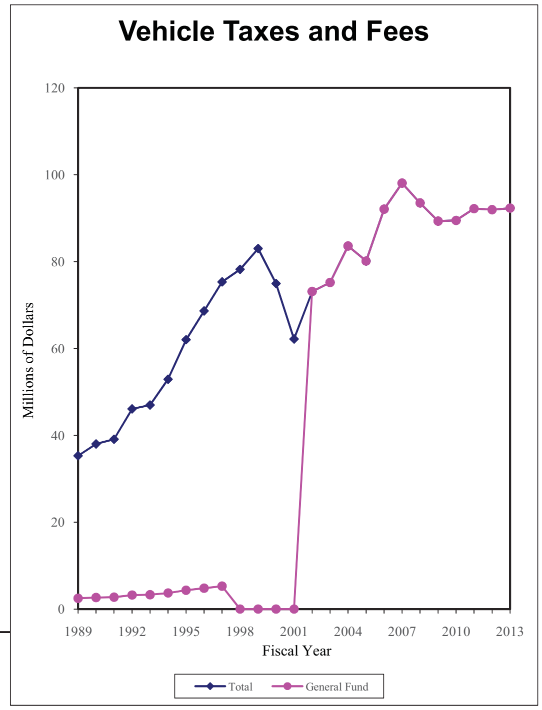
Light vehicles, motorcycles and quadricycles, snowmobiles, buses, trucks, and truck tractors having a manufacturer's rated capacity of more than 1 ton, motor homes, and certain trailers and travel trailers are taxed under a fee schedule that varies by age and weight. The fee for light vehicles is $195 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, off-highway vehicles are one-time payments, except upon change of ownership.

Percent of total general fund revenue

FY 2004 – 8.27% FY 2007 – 6.54% FY 2010 – 6.38%
FY 2005 – 7.23% FY 2008 – 6.33%
FY 2006 – 6.63% FY 2009 – 5.79%

Revenue Forecast

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	40.139702	2.471472	Not App.
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%
A	2009	105.240081	104.679977	-6.94%
A	2010	104.401578	103.861549	-0.78%
F	2011	107.566000	107.004000	3.03%
F	2012	107.766000	106.716000	-0.27%
F	2013	108.634000	107.150000	0.41%



Forecast Factors

With constant tax rates, the future change in vehicle tax revenue results from changes 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 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, revenue is expected to increase in FY 2011, decline slightly in FY 2012, and increase slightly in FY 2013. The growth rate is applied to the base year (FY 2010) 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.

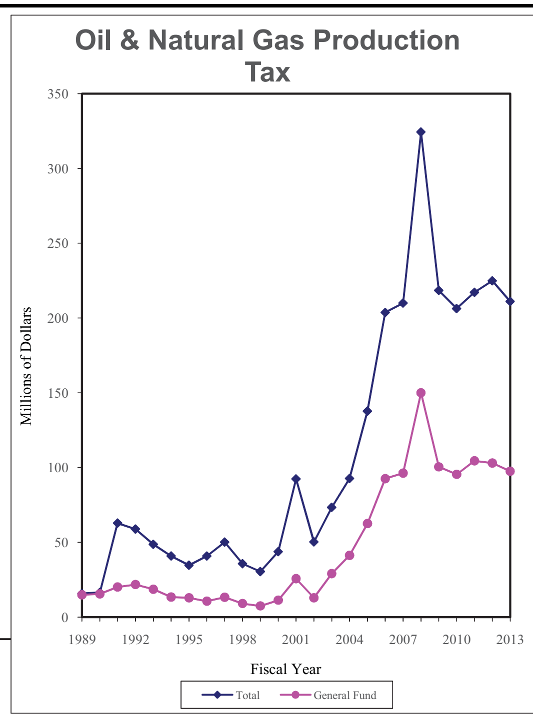
The oil and natural gas production tax has numerous tax rates depending on several factors. These factors include whether the oil or gas is produced from a stripper well, a stripper incentive well, from a well initially drilled before 1999 or after, from a well newly drilled within the last year or 18 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%. Based on this rate, HB 758 enacted by the 2005 legislature allows an additional tax rate of 0.17% to generate revenue for local impacts for local governments. The two taxes may not exceed 0.3%.

Percent of total general fund revenue

FY 2004 – 2.99%
FY 2005 – 4.09%
FY 2006 – 5.42%
FY 2007 – 5.25%
FY 2008 – 7.64%
FY 2009 – 5.56%
FY 2010 – 5.87%

Revenue Forecast

	Fiscal Year	Total Collections Millions	General Fund Collections Millions	GF Percent Change
A	1989	15.748241	14.959251	Not App.
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%
A	2009	218.425215	100.490971	-33.00%
A	2010	206.286267	95.490812	-4.98%
F	2011	217.121000	104.513616	9.45%
F	2012	224.854000	102.995629	-1.45%
F	2013	211.047000	97.537505	-5.30%



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 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 significance of the Elm Coulee oil field to Montana's revenue has decline considerably since 2006. Declining production and the increase in the type of production no longer subject to the tax holiday has put this field more on par with most other fields in Montana. Accordingly, the revenue estimate methodology for this revenue source has been changed from previous years. Historical production from nine of the greatest producing fields, including Elm Coulee, was estimated separately and either a production decline or growth curve developed for each one. Production from all other fields was combined into a single "field" and a production curve developed. For each of the 10 fields, future production was projected based on the production curve for each one. Forecast production from each field was summed to obtain total forecast production. An applied tax rate was developed to capture the effects of the various tax rates from various production types and applied to total production to derive the forecast revenue.

The price for each quarter is estimated by adjusting the IHS 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 price.

Forecast Factors - Natural Gas

The revenue estimate methodology for natural gas is similar to that of oil. Accordingly, the revenue estimate methodology for this revenue source has been changed from previous years. Historical production from 17 of the greatest producing fields, including Elm Coulee, was estimated separately and either a production decline or growth curve developed for each one. Production from all other fields was combined into a single "field" and a production curve developed. For each of the 18 fields, future production was projected based on the production curve for each one. Forecast produce from each field was summed to obtain total forecast production. An applied tax rate was developed to capture the effects of the various tax rates from various production types and applied to total production to derive the forecast revenue.

The price for each quarter is estimated by adjusting the IHS 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 price.

All Remaining General Fund Revenue

The remaining 2013 biennium general fund revenue sources constitute 24.5% of the total. For detailed information on all the remaining general fund and selected state special revenue sources, see the LFD *Legislative Fiscal Analysis 2013 Biennium, Volume 2 – Revenue Estimates.*

Revenue and Tax Policy Initiatives

Revenue and Tax Policy Changes

Figure 2 shows the general fund revenue impacts of legislation enacted by the Sixty-second 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 2

Revenue Legislation Impacts of 62nd Legislature
Total General Fund
In Millions

	Source of Revenue	Estimated Fiscal 2011	Estimated Fiscal 2012	Estimated Fiscal 2013	Estimated Fiscal 10-11	Estimated Fiscal 12-13	Estimated 11,12,13
1	Individual Income Tax	$0.000	($2.361)	($1.145)	$0.000	($3.506)	($3.506)
2	Property Tax	-	(1.270)	(2.942)	-	(4.212)	(4.212)
3	Corporation Income Tax	-	-	0.067	-	0.067	0.067
4	Vehicle Tax	-	-	-	-	-	-
5	Common School Interest and Income	-	-	-	-	-	-
6	Insurance Tax & License Fees	-	(0.494)	(0.523)	-	(1.017)	(1.017)
7	Coal Trust Interest	-	0.007	(0.014)	-	(0.007)	(0.007)
8	US Mineral Royalty	-	-	-	-	-	-
9	All Other Revenue	15.973	15.225	0.454	15.973	15.679	31.652
10	Tobacco Settlement	-	-	-	-	-	-
11	Telecommunications Excise Tax	-	-	-	-	-	-
12	Video Gambling Tax	-	1.500	4.700	-	6.200	6.200
13	Treasury Cash Account Interest	-	-	-	-	-	-
14	Estate Tax	-	-	-	-	-	-
15	Oil & Natural Gas Production Tax	-	-	-	-	-	-
16	Motor Vehicle Fee	-	(0.002)	(0.002)	-	(0.004)	(0.004)
17	Public Institution Reimbursements	-	(0.047)	(0.348)	-	(0.395)	(0.395)
18	Lodging Facility Use Tax	-	-	-	-	-	-
19	Coal Severance Tax	-	-	-	-	-	-
20	Liquor Excise & License Tax	-	(0.050)	(0.051)	-	(0.101)	(0.101)
21	Cigarette Tax	-	(0.822)	(0.796)	-	(1.618)	(1.618)
22	Investment License Fee	-	-	-	-	-	-
23	Lottery Profits	(0.950)	0.012	0.012	(0.950)	0.024	(0.926)
24	Liquor Profits	-	0.031	0.035	-	0.066	0.066
25	Nursing Facilities Fee	-	-	-	-	-	-
26	Foreign Capital Depository Tax	-	-	-	-	-	-
27	Electrical Energy Tax	-	-	-	-	-	-
28	Metalliferous Mines Tax	-	-	-	-	-	-
29	Highway Patrol Fines	0.006	0.040	0.040	0.006	0.080	0.086
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	-	-	(0.006)	-	(0.006)	(0.006)
36	Wine Tax	-	-	-	-	-	-
37	Beer Tax	-	-	-	-	-	-
38	Telephone License Tax	-	-	-	-	-	-
39	Long Range Bond Excess	-	-	-	-	-	-
	Total General Fund	$15.029	$11.769	($0.519)	$15.029	$11.250	$26.279

Figure 3 shows the revenue impacts of legislation enacted by the Sixty-second Legislature summarized by bill number. For the three-year period, FY 2011 through 2013, total general fund revenues were increased by a net $26.3 million. There were numerous bills that decreased revenue as well as others that increased revenue. Figure 3 also summarizes the total revenue impacts for all funds for the same period.

Figure 3

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

Bill Number and Short Description	General Fund Impact Fiscal 2011	General Fund Impact Fiscal 2012	General Fund Impact Fiscal 2013	General Fund Impact 11,12,13	Total Funds Impact 11,12,13
Regular Session Legislation					
HB0002 General Appropriations Act	-	167,382	(331,994)	(164,612)	397,343
HB0003 Supplemental appropriations	(950,000)	-	-	(950,000)	(950,000)
HB0005 Long-range building appropriations	11,185,622	-	-	11,185,622	11,185,622
HB0010 Long-range information technology appropriations	4,762,033	-	-	4,762,033	4,762,033
HB0025 Revise law related to medical assistance programs	-	-	-	-	33,795
HB0049 Authorize the sale of bonds to fund Blackfeet water compact	-	-	-	-	-
HB0051 Revise laws related to state building energy conservation programs	-	-	-	-	(97,000)
HB0080 Revise unemployment insurance law	-	-	-	-	165,738
HB0081 Create a securities restitution fund	-	-	-	-	382,000
HB0083 Create prescription drug registry	-	-	-	-	260,945
HB0090 Amend Montana mortgage broker and mortgage lender licensing act	-	-	-	-	80,934
HB0096 Allow recovery of public defender costs in certain cases	-	-	-	-	28,000
HB0098 Direct proceeds from sale of state parks; deposit in state parks spec. rev. fund	-	-	-	-	-
HB0110 Generally revise workers' compensation laws	-	-	-	-	9,000
HB0111 Improving tax administration by depositing state agency lodging tax in gen fund	-	104,804	106,901	211,705	(143,325)
HB0116 Tighten actuarial controls to improve actuarial funding of Teachers Retirement	-	-	-	-	-
HB0135 Provide benefit and funding changes to sheriffs retirement system	-	-	-	-	-
HB0159 Restrict authority of FWP to regulate ammo or firearms for hunting	-	-	-	-	-
HB0165 Deposit certain trust land and river bed income to guarantee account	-	-	-	-	(300,323)
HB0176 Provide antelope tag for certain persons with terminal illness	-	-	-	-	2,188
HB0188 Provide licensure and regulation of real estate appraisal management companies	-	-	-	-	60,871
HB0252 Prohibit dept. of transportation from recovering indirect costs for fed grants	-	-	-	-	(26,716)
HB0287 Collection of wolf hides for benefit of livestock loss reduction & mitigation	-	-	-	-	15,000
HB0293 Provide tax exempt status for certain land owned by veterans' organizations	-	(3,713)	(3,713)	(7,426)	(7,894)
HB0296 Authorize the construction of the Southwest Montana Veterans' Home in Butte	-	(821,721)	(795,911)	(1,617,632)	-
HB0334 Generally revise workers' compensation	-	(494,372)	(522,650)	(1,017,022)	(1,120,475)
HB0336 Revise penalties for waste of game	-	-	-	-	28,366
HB0339 Eliminate limit on sale of Class B-13 youth nonresident big game combo licenses	-	-	-	-	183,400
HB0351 Treasure state endowment appropriations and transfers to the general fund	-	1,285,000	1,285,000	2,570,000	2,570,000
HB0363 Provide for use of wolf license money	-	-	-	-	325,935
HB0370 Increase motor vehicle fee for state parks and Virginia & Nevada Cities	-	-	-	-	1,460,075
HB0372 Clarify preference system laws for nonresident permits and licenses	-	-	-	-	964,600
HB0375 Reduce certain general fund transfers	-	-	-	-	(294,788)
HB0377 Revise laws to allow medication aides in nursing homes	-	-	-	-	30,904
HB0449 Revise penalties for unlawful introduction of fish	-	750	750	1,500	1,500
HB0458 Revise laws related to outfitting and net client hunter use	-	-	-	-	(10,000)
HB0477 Revise lodging facility use tax allocation to Montana historical society	-	-	-	-	-
HB0565 Clarify requirements for providing services to high-risk children	-	-	-	-	225,524
HB0604 Provide for fund transfers to various accounts	-	10,850,000	-	10,850,000	41,416,502
HB0607 Clarifying procedure for sale of B10 nonresident big game combo licenses	-	-	-	-	271,096
HB0618 Exempt certain tribally owned property from taxation	-	-	(2,556)	(2,556)	(2,717)
HB0622 Revising funding for livestock mitigation and control of predatory animals	-	-	-	-	1,100,000
HB0638 Referendum to require proof of citizenship to receive state service	-	-	-	-	17,404
SB0011 Reduce withholding tax rate for lottery winnings	-	(113,668)	-	(113,668)	(113,668)
SB0015 Create misdemeanor crime of aggravated DUI	5,500	33,000	33,000	71,500	71,500
SB0016 Revise authority of board of horse racing and requirements regarding simulcasts	-	-	-	-	1,980,000
SB0027 Provide for acupuncturist on board of medical examiners	-	-	-	-	7,670
SB0029 Mandatory alcohol server and sales training	-	996	4,581	5,577	185,577
SB0035 Revise laws related to navigable river beds	-	-	-	-	231,236
SB0043 Revise the primitive parks act	-	-	-	-	-
SB0051 Eliminate req for physical observation of lottery by Legislative Auditors	-	12,000	12,000	24,000	24,000
SB0067 Temporarily suspend juvenile delinquency intervention program annual evaluation	25,000	25,000	-	50,000	50,000
SB0092 Revise falconry law to allow capture by nonresidents	-	-	-	-	3,500
SB0126 Revise fees & licensing for plant nurseries & vendors; revise D of Ag inspection	-	-	-	-	(55,566)
SB0132 Allow audiologist to sell hearing aid without hearing aid dispenser license	-	-	-	-	(32,700)
SB0136 Revise residency requirements for hunting	-	-	-	-	701,962
SB0166 Revise income tax filing extension law	-	-	(22,000)	(22,000)	(22,000)

Figure 3 continues on the next page

Figure 3

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

SB0187	Generally revise public defender laws	-	-	-	-	184,671
SB0195	Revise laws related to Montana seed laboratory	-	-	-	-	5,826
SB0199	Revise administration of income taxes and certain penalty & interest provisions	-	(2,247,000)	(1,524,000)	(3,771,000)	(4,236,000)
SB0206	Generally revise laws related to energy transmission siting	-	-	-	-	1,215,772
SB0207	Clarify regulation of bison	-	-	-	-	1,900
SB0211	Revise salvage title law	-	(1,512)	(2,016)	(3,528)	(52,528)
SB0215	Reduce state mark up on liquor based upon percent of Montana ingredients	-	(49,755)	(50,750)	(100,505)	(101,980)
SB0242	Revising workers' compensation law on agricultural workers	-	-	-	-	-
SB0265	Reduce property taxes on new construction for use of gray water systems	-	-	(450)	(450)	(480)
SB0266	Revise local coal tax gross proceeds tax abatement	-	-	-	-	-
SB0319	Generally revise transportation laws on child safety restraints	-	7,350	7,350	14,700	14,700
SB0326	Provide for a veterans home loan program	-	6,986	(14,347)	(7,361)	95,689
SB0329	Generally revise K-12 laws	-	-	-	-	19,452,495
SB0331	Generally revise surplus lines insurance law	-	-	-	-	-
SB0335	Revise laws related to stale-dated warrants	-	2,775,000	(925,000)	1,850,000	1,850,000
SB0361	Generally revise gambling laws	-	1,500,000	4,700,000	6,200,000	6,281,000
SB0372	Lower business equipment tax -- phase more reduction on state economic growth	-	(1,262,587)	(2,670,984)	(3,933,571)	(3,933,571)
SB0409	Revise methods to establish rental fees and sale of state land cabin sites	-	-	-	-	(1,693,997)
SB0410	Expend PPL v. MT proceeds on higher producing land to benefit public schools	-	-	-	-	57,316,430
SB0411	Revise administration of tax interest, penalties and delinquencies	-	-	199,500	199,500	199,500
SB0412	Revise laws to temporarily exempt tribal fee land in trust land process	-	(3,059)	(3,059)	(6,118)	(6,504)
SB0420	Revise local government audit laws	-	-	-	-	9,000
SB0423	Generally revise laws relating to use of marijuana	-	-	-	-	916,008
Total Impact of Legislation Listed Above		$15,028,155	$11,770,881	($520,348)	$26,278,688	$143,574,979

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 2013 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: "Liquor Profits", "All Other", and "Public Institution Reimbursements", and state special revenue source "Common School Interest and Income". 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 HJ 2, final appropriations set by the legislature (such as those in HB 2) may differ and, thus, may affect revenue. Revenue changes due to changes in appropriations occur in the following accounts: 1) liquor enterprise fund (Department of Revenue (DOR) and Department of Justice (DOJ)); 2) securities fee account (State Auditor's Office); 3) captive account (State Auditor's Office); 4) cigarette tax revenue account (Department of Public Health and Human Services (DPHHS)); and 5) liquor division account (DOR).

In addition, the legislature appropriated less from the liquor enterprise fund, thereby increasing liquor profits deposited to the general fund; appropriated less federal funds for Medicaid (due to reduction in the licensed bed capacity at the Montana Developmental Center), thereby decreasing general fund revenue from institutional reimbursements; and appropriated less from the trust land administration account (Department of Natural Resources and Conservation (DNRC)), thereby increasing income from the common school trust deposited to the guarantee account. These changes increase general fund revenue by $167,382 in FY 2012 and reduce it by $331,994 in FY 2013. Changes to state special revenue result in increases of $280,441 in FY 2012 and $281,514 in FY 2013.

<u>House Bill 3</u> – Affected general fund revenue source: "Lottery 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 HJ 2, final appropriations set by the legislature (such as those in HB 3) may differ and, thus, may affect revenue. Because the legislature appropriated $950,000 from the lottery enterprise fund in FY 2011, lottery profits deposited to the general fund are reduced $950,000 in FY 2011.

<u>House Bill 5</u> – Affected general fund revenue source: "All Other". The legislation directs the transfer of $11,185,622 from the long-range building program account to the general fund by June 30, 2011.

<u>House Bill 10</u> – Affected general fund revenue source: "All Other". The legislation directs the transfer of $4,762,033 from the long-range information technology program account to the general fund by June 30, 2011.

<u>House Bill 111</u> – Affected general fund revenue sources: "Lodging Taxes" and "All Other". Changes the allocation of the lodging facility use taxes collected from state agencies for in-state lodging. The Department of Administration will deposit to the general fund 30% of the total amount plus the amount paid by federal funds. The amount paid by federal funds will be reimbursed to the federal government from the general fund through the statutory appropriation in 17-3-106, MCA. The remainder of the tax revenue collected from state employees will be distributed under current allocations, including the new allocation to the historical interpretation account. General fund revenue increases $104,804 in FY 2012 and $106,901 in FY 2013. State special revenue decreases $36,446 in FY 2012 and $37,175 in FY 2013.

<u>House Bill 165</u> – Affected state special revenue source: "Common School Interest and Income". The legislation directs that income from abandoned stream or lake beds, islands of navigable streams or lakes, or land that in the past constituted an island or

part of an island in a navigable stream or lake; state-owned riverbeds held in the public land trust for the people; and rental payments for power sites, must be deposited to:

- The guarantee account from FY 2012 through FY 2014; and
- The school facility and technology account beginning FY 2015

The previous requirement that 95% of income from rental payments for power sites be deposited to the school facility and technology account and 5% to the public school permanent fund was removed. Revenue to the guarantee account increases \$68,530 in FY 2012 and \$69,677 in FY 2013.

House Bill 293 - Affected general fund revenue source: "Property Tax". Under current law, buildings owned by veteran's organizations are exempt from property taxation. The buildings must be used for educational, fraternal, benevolent, or other charitable purpose to qualify for the exemption.

Effective January 1, 2011, this bill extends the exemption to the land owned by the same veteran's organizations. The land must have been owned since 1960. There are expected to be 91 properties that will qualify which add a total taxable value in TY 2010 of \$39,074. The expected revenue reduction to the general fund (95 mills and the 1.5 mills) is expected to be \$3,712 in FY 2012 and FY 2013. The 6 mill revenue reduction is expected to be \$234 in each year of the 2013 biennium.

House Bill 296 – Affected general fund revenue source: "Cigarette Tax". This legislation authorizes, as part of the Long Range Building Program, the construction of a new veterans' home in southwestern Montana using \$4,812,500 appropriated in the bill from the state special revenue from cigarette tax collections authorized in 16-11-119(1)(b), MCA, and \$8,937,500 appropriated in the bill from the DPHHS federal special revenue fund.

Once completed, the veterans' home will have an ongoing operations and maintenance impact on DPHHS. This bill diverts 1.2% of cigarette tax revenue from the state general fund to a special state revenue account for fiscal years 2012, 2013, 2014, and 2015. General fund revenue is reduced by \$821,721 in FY 2012 and \$795,911 for FY 2013.

House Bill 334 – Affected general fund revenue source: "Insurance Tax and License Fees". This legislation reduces the cost of the overall Montana workers compensation system through the following provisions:

- Expands certain benefits while reducing other benefits
- Allows insurers to approve or designate the treating physician
- Alters fee schedule rates for treating physicians and health care providers
- Creates a Stay at Work / Return to Work assistance policy, fund, and policyholder assessment
- Accepted medical benefits may be settled upon agreement of the insurer and the claimant, and the approval of the Department of Labor and Industry (DOLI). This provision applies to any date of injury.

- Terminates medical benefits, except for PPD's and prosthetics, after 60 months with provisions for re-opening.

The estimated impact of this bill will be a 20% reduction on workers compensation loss costs, rates, and premiums. The tax is allocated to the general fund and 16.67% to state special revenue; therefore, the decrease in the premium tax collections will be similarly allocated. General fund revenue decreases $494,372 in FY 2012 and $522,650 in FY 2013.

House Bill 351 – Affected general fund revenue source: "All Other". The legislation directs the transfer of $1,570,000 from the treasure state endowment state special revenue account to the general fund and $1,000,000 from the treasure state endowment regional water system state special revenue account to the general fund. The transfers are to occur prior to July 1, 2013. General fund revenue is increased $2,570,000 in the 2013 biennium.

In addition, the legislation extends the distribution of coal severance tax revenue to the Regional Water System Fund and the Treasure State Endowment Fund from June 30, 2016 to June 30, 2020.

House Bill 370 – Affected state special revenue source: "Motor Vehicle Fees". This bill changes the optional light vehicle registration fees for state parks, fishing access sites, and the Montana Heritage Commission from a $4.00 fee to $6.00 fee. The change is expected to increase state special revenue by approximately $0.5 million in the FY 2012 and $0.9 million in subsequent years.

House Bill 449 – Affected general fund revenue source: "All Other". The legislation increases the fine for illegal introduction of fish from $500 to $2,000. Half of the fine is deposited to the county general fund and half to the state general fund. General fund increases $750 in each year of the FY 2013 biennium.

House Bill 477 – Revenue is not affected. The bill reduces the allocation of lodging facility use tax revenue to the Department of Commerce from 67.5% to 64.9% and creates a new allocation of 2.6% to the Montana historical interpretation state special revenue account. Money in this account is to be used to pay costs associated with historical interpretation and the Robert Scriver collection. Although previous allocations of the revenue were statutorily appropriated, the allocation to the historical interpretation account is not. There are no changes in revenue due to the changes in allocations.

House Bill 604 – Affected general fund revenue source: "All Other". The legislation directs the transfer of money from and to various accounts within the state treasury (see the following table). Transfers to the general fund in FY 2012 are $10.85 million.

House Bill 604 - Transfers
2011 Session - Includes Governor's Amendments
In Millions

From	To	2011 Amount	2012 Amount	2013 Amount
Telecom.	General Fund	$0.000	$1.850	$0.000
Fire Suppression	General Fund	0.000	3.000	0.000
Old Mt Trust	General Fund	0.000	6.000	0.000
Total:		$0.000	$10.850	$0.000
Junk vehicle	Guarantee Acct	$0.000	$2.500	$0.000
Coal bed methane	Guarantee Acct	0.000	8.500	0.000
Orphan share	Guarantee Acct	0.000	4.400	0.000
Bd. Oil & Gas	Guarantee Acct	0.000	12.000	0.000
Total:		$0.000	$27.400	$0.000
Old Mt Trust	Health/Medicaid	$0.000	$3.167	$0.000

Revenues	2011	2012	2013
Guarantee Acct	$0.000	$27.400	$0.000
General Fund	0.000	10.850	0.000
Health/Medicaid	0.000	3.167	0.000

House Bill 618 – Affected general fund revenue source: "Property Tax". Effective January 1, 2012, HB 618 exempts property owned by a federally recognized Indian tribe used for essential government services, educational purposes, exclusively for non-profit healthcare facilities, exclusively for use in connection with a cemetery, or is designated as sacred land used exclusively for religious purposes. If the property is designated as a park, it must be open to the general public and be less than 15 acres. There was approximately $25,263 in taxable value statewide in these properties in TY 2010. The impact on the general fund (the 95 mills and the 1.5 mills) is a reduction of $2,556 in FY 2013. The 6-mill revenue reduction is expected to be $161 in each year of the 2013 biennium.

Senate Bill 11 – Affected general fund revenue source: "Individual Income Tax". Under current law, 10% of lottery winnings over $5,000 are withheld to cover income tax. With the maximum income tax rate being 6.9%, most lottery winners receive a refund of part of the tax withheld. This bill would reduce withholding and refunds by about the same amount, resulting in no change in net income tax revenue over time. However, because less revenue would be collected and later refunded at the time of implementation of the change, there would be a shift of revenue from one fiscal year to the next fiscal year. This reduces general fund revenue by $56,834 in FY 2011 and by $113,668 in FY 2012 until the transition is fully implemented.

Senate Bill 15 – Affected general fund revenue source: "Highway Patrol Fines". The legislation establishes the offense of aggravated driving under the influence. Upon conviction and in addition to imprisonment, monetary fines range from $300 to $10,000. A first offense with a blood alcohol concentration of 0.20 would result in a fine of $650. Revenue from these fines is distributed 50% to the state general fund and 50% to the county in which the violation occurred. General fund revenue increases $5,500 in FY 2011, $33,000 in FY 2012 and 2013.

Senate Bill 29 – Affected general fund revenue source: "Liquor Profits". This bill requires retail establishments licensed to serve or sell alcoholic beverages to train their employees on prohibiting the sale to minors or intoxicated persons and imposes a penalty for those establishments deemed out of compliance. The penalty proceeds are to be deposited in the liquor enterprise fund for administration of this act, thus increasing the transfers to the general fund by $30,996 in FY 2012 and $34,581 in FY 2013.

Senate Bill 35 – Affected state special revenue source: "Common School Interest and Income". The legislation requires a person using a navigable river below the low-water mark to obtain a lease, license, or easement from the Department of Natural Resources and Conservation by July 15, 2014. The Board of Land Commissioners is required to adopt rules to determine the full market value for the use of the navigable river bed and establish a minimum payment for leases and easements. Income from public school trust land easements would generate $100,140 in FY 2012 and $100,628 in FY 2013 for the school trust permanent fund. Additional earnings from the public school trust deposited to the guarantee account are $1,130 in FY 2012 and $7,798 in FY 2013.

Senate Bill 51 – Affected general fund revenue source: "Lottery Profits". The Legislative Audit Division is no longer required to witness lottery drawings for a savings of $12,000 annually. Since net revenue is deposited to the state general fund, revenue increases $12,000 in FY 2012 and $12,000 in FY 2013.

Senate Bill 67 – Affected general fund revenue source: "All Other". The legislation directs the transfer of $25,000 from the youth court intervention and prevention account to the general fund in FY 2011 and FY 2012.

Senate Bill 166 – Affected general fund revenue source: "Individual Income Tax". This legislation exempts taxpayers who have income tax liability of less than $200 and file their return by the extension deadline from penalty and interest for late filing, late payment, and underpayment through withholding or estimated payments. This would reduce income tax revenue by about $87,000 per year.

Senate Bill 199 – Affected general fund revenue source: "Individual Income Tax". This bill reduces late payment penalties for many taxes and removes the floor on interest rates on late income tax payments. This will reduce general fund revenue by $2 million in FY 2012 and by $1 million per year thereafter.

Senate Bill 211 – Affected general fund revenue source: "Motor Vehicle Fees". This legislation revises the salvage motor vehicle title law by changing the vehicle age restriction. State special revenue decreases $21,000 in FY 2012 and $28,000 in FY 2013. General fund revenue decreases $1, 512 in FY 2012 and $2,016 in FY 2013.

Senate Bill 215 – Affected general fund revenue source: "Liquor Excise and License Tax". This bill requires that the DOR reduce the liquor markup used in determining the wholesale price of liquor sold in Montana for liquor containing certain percentages of "Montana-produced" ingredients. The bill would apply to distilleries producing 25,000 proof gallons or less of liquor annually. The reduced markup would come into effect for liquor produced using at least 50% Montana-produced ingredients, with greater reductions for liquor containing greater percentages of Montana-produced ingredients. A Montana-produced ingredient is an agricultural product grown in Montana or, if processed, both processed and grown in Montana, and does not include water. This bill decreases general fund revenue by about $50,000 per year beginning in FY 2012.

Senate Bill 265 - Affected general fund revenue source "Property Tax" and state special revenue source "Property Tax: 6-mill Levy." This bill allows for an abatement equal to 15% of the taxable value of class 4 residential property with gray water systems built after June 30, 2011. This abatement will last 10 years. Under previous law, class 4 residential property with a gray water system is be taxed like other residential property. The abatement is assumed to apply to property assessed beginning January 1, 2012, and paying property taxes in FY 2013.

There are expected to be up to 10 applications for property tax abatements for gray water systems each year. The 15% abatement will reduce taxable value for the average household by $475. This will reduce general fund revenue (the 95 mills and the 1.5 mills) by $450 in FY 2013, by $900 in FY 2014 and by $1,350 in FY 2015. The abatements would reduce 6-mill special revenue by $30 in FY 2013, $60 in FY 2014, and $90 in FY 2015.

Senate Bill 266 – Affected general fund revenue source: "Property Tax". Effective January 1, 2011, the tax rate for the coal gross proceeds tax on existing underground mines will be 2.5%, half of the previous law rate. This reduced rate will apply through tax year 2010. The underground mine must have had production in tax year 2010 to qualify for the reduced rate. Tax abatements conferred by locals will not be allowed until the end of the ten-year period in which the reduced tax rate is effective. The expected reduction in 55 mill tax revenues will be approximately $344,000 in FY 2014 and $343,000 in FY 2015.

Senate Bill 319 – Affected general fund revenue source: "Highway Patrol Fines". The legislation allows the DOJ or its agent to stop a driver if a person under six years of age and less than 60 pounds is not properly restrained in the vehicle. Such an offense is punishable by a fine of up to $100. Revenue from these fines is distributed 50% to the state general fund and 50% to the county in which the violation occurred. General fund revenue increases $7,350 in FY 2012, and $7,350 in FY 2012.

Senate Bill 326 – Affected general fund revenue source: "Coal Trust Interest". This legislation creates the Montana Veteran's Home Loan Mortgage Program with $15 million invested by the Board of Investments (BOI) from the permanent coal tax trust fund to be administered by the Board of Housing (BOH). Implementation of the program is modeled after the existing arrangement between BOI and BOH for residential mortgage loans financed by state pension funds. BOI handles the fiduciary responsibility for all cash flow in and out of the permanent coal tax trust fund and BOH administers the program portion. All funds remain at all times under the control of BOI.

Program costs are paid from interest earned on the mortgage loans with the remaining interest and all principal going into the permanent coal tax trust fund. This bill decreases general fund revenue by $6,986 in FY 2012 and $14,347 in FY 2013.

Senate Bill 329 – Affected state special revenue source: "Oil and Natural Gas Production Tax". SB 329 places a limit on receipts of oil and natural gas revenue beginning in FY 2012. Under current law, each school receives an allocation of oil and gas revenues produced within its borders as controlled by 15-36-332, MCA. This money is sent by producers to the state DOR and is sent back to receiving jurisdictions on a quarterly basis, with receipts by jurisdictions occurring 6 months after the end of the quarter in which the oil is produced.

The limit on school district oil and gas revenues will be 130% of a district's maximum general fund budget. That is, a district will be able to maintain oil and gas revenues equivalent to 130% of it district general fund budget. Any excess will be retained by the state.

The department will be supplied by Office of Public Instruction (OPI) with the maximum budgets of all the school districts in whose jurisdiction oil and gas production takes place. The department will send oil and gas revenues to the district until those revenues reach the 130% limit, after which the department will retain the remainder for the fiscal year.

In FY 2012, excess oil and gas revenues retained by the state will be deposited 100% in the guarantee account. Beginning in FY 2013, the excess oil and gas revenues retained by the state will be deposited 70% in the guarantee account, 25% in a new local impact account, and 5% in a state impact account. However, the bill does not create these accounts until FY 2014. The fate of the dollars that are supposed to go into these accounts in FY 2013 is unclear.

The state impact account is to be used for those school districts that experience growth problems related to schools during boom periods. The cap on the account is $7.5 million, with any excess above that amount deposited in the state general fund.

The county impact account is to be distributed to school districts in a county that experiences declining revenues as a result of either declining prices or production.

It is expected that revenues into the guarantee account will be $10,906,000. In FY 2013, it is expected that revenues deposited in the guarantee account will $7,980,000. The revenue available for deposit in the county impact account will be $2,850,000 and in the state impact account, $570,000.

Senate Bill 331 – Affected general fund revenue source: "Insurance Tax and License Fees". This legislation addresses recent changes in the federal law that reallocates the attribution of surplus lines insurance premiums and fees for taxation purposes to the domiciliary state of the insurer. Under certain conditions, the taxes on these premiums can be shared with the state of origin of the premiums. This bill amended current statute to allow the State Auditor's Office to enter into reciprocal agreements with other states to share surplus lines premium taxes and fees.

As these reciprocal agreements were already in place unofficially and the continuation of these agreements was assumed in the revenue estimate, SB 331 maintains HJR 2 estimates. Failure to pass SB 331 would have result in a decrease of surplus lines premium taxes which are deposited in the general fund of approximately $1.3 million per year.

Senate Bill 335 – Affected general fund revenue source: "All Other". The legislation reduces the time for which the owner of a stale-dated warrant can claim payment from four years to one year. A one-time transfer to the general fund of $3.7 million is anticipated in FY 2012. However, since HJ 2 revenue estimates already anticipates this revenue, general fund reductions of $925,000 in each year of the 2013 and 2015 biennia will occur.

Senate Bill 361 – Affected general fund revenue source: "Video Gambling Tax". This legislation allows video line games in licensed establishments and provides conditions for the operation of the video line games. General fund revenue increases $1.5 million in FY 2012 and $4.7 million in FY 2013.

Senate Bill 372 – Affected general fund revenue sources "Corporation Income Tax", "Individual Income Tax", "Railroad Car Tax", and "Property Tax", and state special revenue source "Property Tax: 6-mill Levy." This bill provides for the reduction of the class 8 property tax rate from 3.0% to 2.0% for the first $2 million of market value of class 8 property owned by an individual or business. Because the class 12 rate is a weighted average of classes 8, 9, 13, 14, 15, and 16, a reduction in the class 8 rate will also reduce the class 12 rate. The $2 million tax bracket threshold is raised to $3 million and the tax rate is reduced to 1.5% the first tax year after corporation license and individual income tax collections exceed the prior year's collection by more than 4.0%, starting in FY 2013. Owners of class 8 business equipment that is in excess of the $2 million threshold (or $3 million threshold if the trigger is hit) would continue to pay the current law tax rate of 3%. The bill reimburses county governments, school districts, countywide school accounts and tax increment financing districts at 100% of their losses calculated at levies existing in mid 2012.

With lower property taxes, businesses will have lower property tax expenses to deduct in calculating taxable net revenue, thereby increasing their tax obligation. Based on available corporate tax information, it is estimated that ¼ of the increase in revenues will flow through corporation income tax, while the other ¾ of the increase will flow through individual income tax.

The reduction in taxable value for class 8 business equipment reduces the tax rate on class 12 railroad and airline property because the class 12 tax rate is dependent on the effective tax rate of class 8 property. The railcar tax rate is the class 12 tax rate, so railcar taxes will also be impacted.

Senate Bill 372 reduces revenue to the general fund (95 mills and the 1.5 mills) and the university 6 mills by reducing the taxable value for class 8 property and reducing the value of class 12 (railroad and airline property). The taxable value of class 12 property is reduced because the tax rate for class 12 property is dependent on the effective tax rate of class 8 property.

These changes increase general fund revenue by $1,262,587 in FY 2012 and $2,670,984 in FY 2013. Changes to state special revenue result in increases of $79,060 in FY 2012 and $183,635 in FY 2013.

Senate Bill 409 – Affected state special revenue sources: "Capital Land Grant Interest and Income", "Common School Interest and Income", "Deaf and Blind Trust Interest and Income", and "Pine Hills Interest and Income". The legislation allows current cabin site lessees of trust land to put their cabin sites out for bid at a minimum bid of 2.0% of the current appraised values. Revenue reductions of distributable revenue plus reductions due to additional DNRC administration costs to implement the new program reduce state special revenue by $32,781 in FY 2012 and $731,668 in FY 2013.

Senate Bill 410 – Affected state special revenue source: "Common School Interest and Income". The legislation directs money recovered as the result of the claim that PPL Montana, LLC, owes compensation for using state-owned riverbeds from 2000 through 2007, plus accumulated interest, be deposited in the public land trust acquisition state special revenue account (although the case is still before the United States Supreme Court at the time this was written, the total amount owed would be $52,707,855 by July 1, 2011).

Earnings on the account are deposited in the guarantee account. Money in the public land trust acquisition account is to be used by the DNRC to evaluate potential purchases and to purchase real property. Transactional costs cannot exceed 7% of the purchase price. Interest and income (net of administration costs) earned from the purchased properties are deposited to the guarantee account. The Board of Land Commissioners, to the extent possible, is to offset the property purchases by selling an equal amount of land. Revenue from the sale of public school trust land increases the monetary balance of the trust by $3,696,562 in FY 2013, $3,704,140 in FY 2014, and $3,711,734 in FY 2015. Revenue to the guarantee account increases $149,100 in FY 2012 and $614,468 in FY 2013.

Senate Bill 411 – Affected general fund revenue source: "Individual Income Tax". bill revises several provisions relating to interest and penalties for late tax payments, late filing, not filing a return, and filing a false return. It would first apply to returns and late payments for tax year 2012.

Senate Bill 412 - Affected general fund revenue source: "Property Tax" and state special revenue source "Property Tax: 6-mill Levy." SB 412 creates a temporary property tax exemption for tribal fee land that has an application to be held in trust by the U.S. Department of the Interior. Trust land is tax exempt. If the application is denied by the U.S. Department of the Interior, then the property loses the property tax exemption. There are expected to be approximately 100 properties with a pending application with the U.S. Department of the Interior. These properties would qualify for the exemption.

It is estimated that the average taxable value for the properties with a pending application for trust status equals $322. If this bill passes, statewide taxable value is estimated to be reduced by $32,200 in FY 2012 through FY 2015. The reduction in revenue to the general fund (the 95 mills and 1.5 mills) is $3,059 in each year of the 2013 biennium. The reduction in revenue to the 6 mill account is expected to be $193 per year in the 2013 biennium.