



Legislative Fiscal Report

2013 Biennium

Volume 2 – Revenue Estimates

Presented to the Sixty-Second Legislature

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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 2011 Legislature for the 2013 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 62nd 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 2011 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.

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 2011 Legislature that may affect future estimates of the revenue source. The tables also show the revenue estimates for fiscal years 2011, 2012, and 2013, 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 2011, 2012, and 2013. 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 2011, 2012, and 2013; 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 2010, prior to the convening of the 62nd Legislature, the Revenue and Transportation Interim Committee (RTIC) formally adopted economic assumptions and the associated revenue estimates for fiscal years 2011, 2012 and 2013. 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-second Legislature. During the legislative process, the legislature amended certain assumptions that had been 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, FY 2011 through 2013, total general fund revenue estimates were increased by \$63.5 million from the recommendations of the RTIC.

Figure 1

Revenue Estimate Adjustments by the 62nd Legislature General Fund In Millions				
Revenue Issue	Fiscal 2011	Fiscal 2012	Fiscal 2013	3-Year Total
Revenue and Transportation Committee	\$1,672.133	\$1,753.767	\$1,825.963	\$5,251.863
House Taxation Committee Adjustments	19.494	17.838	26.171	63.503
Senate Taxation Committee Adjustments	0.000	0.000	0.000	0.000
Revised HJR2 Revenue Estimates	\$1,691.626	\$1,771.606	\$1,852.134	\$5,315.366

Figure 2 shows the amended current law general fund estimates by revenue category as contained in HJR 2. Actual FY 2010 collections are shown, along with projections for FY 2011 through 2013.

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

Source of Revenue	Percent of 2010	Actual Fiscal 2010	Estimated Fiscal 2011	Estimated Fiscal 2012	Estimated Fiscal 2013	Estimated Fiscal 10-11	Estimated Fiscal 12-13	Cumulative % of Total
1 Individual Income Tax	44.12%	\$717.834	\$762.396	\$809.436	\$859.470	\$1,480.230	\$1,668.906	46.05%
2 Property Tax	13.67%	222.510	229.084	238.458	243.578	451.594	482.036	59.36%
3 Corporation Income Tax	5.40%	87.901	97.360	115.086	127.975	185.261	243.061	66.06%
4 Vehicle Tax	5.50%	89.485	92.192	91.945	92.320	181.677	184.265	71.15%
5 Common School Interest and Income	0.00%	-	-	-	-	-	-	71.15%
6 Insurance Tax & License Fees	3.37%	54.892	55.445	57.866	61.073	110.337	118.939	74.43%
7 Coal Trust Interest	1.65%	26.914	26.514	27.077	27.432	53.428	54.509	75.94%
8 US Mineral Royalty	1.86%	30.288	31.136	29.400	27.446	61.424	56.846	77.50%
9 All Other Revenue	2.17%	35.360	29.848	27.425	27.997	65.208	55.422	79.03%
10 Tobacco Settlement	0.21%	3.469	3.565	3.564	3.559	7.034	7.123	79.23%
11 Telecommunications Excise Tax	1.45%	23.523	21.772	21.759	21.887	45.295	43.646	80.43%
12 Video Gambling Tax	3.22%	52.396	49.333	51.276	52.976	101.729	104.252	83.31%
13 Treasury Cash Account Interest	0.17%	2.692	2.215	6.717	17.716	4.907	24.433	83.99%
14 Estate Tax	0.01%	0.091	0.005	-	-	0.096	-	83.99%
15 Oil & Natural Gas Production Tax	5.87%	95.491	104.514	102.996	97.538	200.004	200.533	89.52%
16 Motor Vehicle Fee	0.88%	14.377	14.812	14.773	14.832	29.189	29.605	90.34%
17 Public Institution Reimbursements	1.35%	22.000	17.555	17.172	17.374	39.555	34.546	91.29%
18 Lodging Facility Use Tax	0.76%	12.331	13.209	13.952	14.544	25.540	28.496	92.08%
19 Coal Severance Tax	0.63%	10.322	12.494	12.257	12.465	22.816	24.722	92.76%
20 Liquor Excise & License Tax	0.96%	15.626	16.151	16.872	17.578	31.777	34.450	93.71%
21 Cigarette Tax	1.98%	32.218	31.554	31.585	30.416	63.772	62.001	95.42%
22 Investment License Fee	0.38%	6.225	6.375	6.838	7.097	12.600	13.935	95.81%
23 Lottery Profits	0.65%	10.631	11.036	10.938	11.778	21.667	22.716	96.43%
24 Liquor Profits	0.55%	9.000	9.499	9.702	9.982	18.499	19.684	96.98%
25 Nursing Facilities Fee	0.33%	5.300	4.984	4.876	4.768	10.284	9.644	97.24%
26 Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.24%
27 Electrical Energy Tax	0.29%	4.713	4.452	4.480	4.535	9.165	9.015	97.49%
28 Metalliferous Mines Tax	0.40%	6.541	8.931	10.037	10.373	15.472	20.410	98.05%
29 Highway Patrol Fines	0.29%	4.646	4.666	4.685	4.704	9.312	9.389	98.31%
30 Public Contractors Tax	0.43%	6.969	7.262	5.716	5.705	14.231	11.421	98.63%
31 Wholesale Energy Tax	0.22%	3.556	3.657	3.738	3.818	7.213	7.556	98.84%
32 Tobacco Tax	0.33%	5.334	5.680	6.016	6.378	11.014	12.394	99.18%
33 Driver's License Fee	0.26%	4.156	3.567	4.173	3.623	7.723	7.796	99.39%
34 Rental Car Sales Tax	0.17%	2.807	3.118	3.326	3.475	5.925	6.801	99.58%
35 Railroad Car Tax	0.16%	2.579	2.031	2.095	2.217	4.610	4.312	99.70%
36 Wine Tax	0.12%	1.933	2.058	2.131	2.204	3.991	4.335	99.82%
37 Beer Tax	0.19%	3.032	3.157	3.239	3.302	6.189	6.541	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>\$1,627.145</u>	<u>\$1,691.626</u>	<u>\$1,771.606</u>	<u>\$1,852.134</u>	<u>\$3,318.771</u>	<u>\$3,623.740</u>	100.00%

Revenue Impacts of Legislation

Figure 3 shows the revenue impacts of legislation enacted by the 62nd 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 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	<u>\$15.029</u>	<u>\$11.769</u>	<u>(\$0.519)</u>	<u>\$15.029</u>	<u>\$11.250</u>	<u>\$26.279</u>

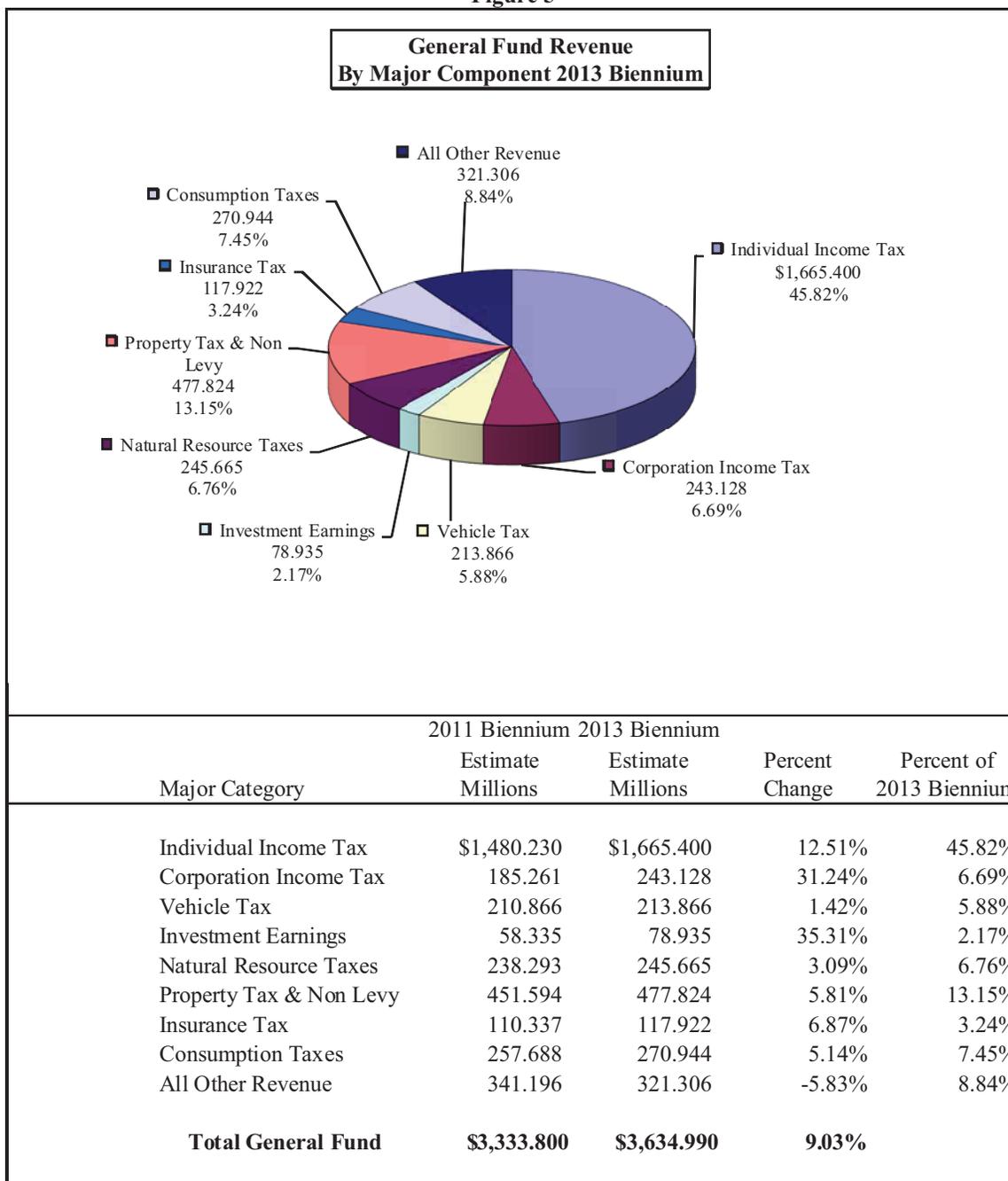
Figure 4 shows the revised general fund revenue estimates by source which is the sum of HJR 2 estimates and all enacted legislation impacts. These revised estimates are used in “Volume 1 – Statewide Perspectives” to determine the overall financial condition of the general fund for the 2013 biennium.

Figure 4

House Joint Resolution 2 Plus Legislation Impacts General Fund Revenue Estimates In Millions								
Source of Revenue	Percent of 2010	Actual Fiscal 2010	Estimated Fiscal 2011	Estimated Fiscal 2012	Estimated Fiscal 2013	Estimated Fiscal 10-11	Estimated Fiscal 12-13	Cumulative % of Total
1 Individual Income Tax	44.12%	\$717.834	\$762.396	\$807.075	\$858.325	\$1,480.230	\$1,665.400	45.82%
2 Property Tax	13.67%	222.510	229.084	237.188	240.636	451.594	477.824	58.96%
3 Corporation Income Tax	5.40%	87.901	97.360	115.086	128.042	185.261	243.128	65.65%
4 Vehicle Tax	5.50%	89.485	92.192	91.945	92.320	181.677	184.265	70.72%
5 Common School Interest and Income	0.00%	-	-	-	-	-	-	70.72%
6 Insurance Tax & License Fees	3.37%	54.892	55.445	57.372	60.550	110.337	117.922	73.96%
7 Coal Trust Interest	1.65%	26.914	26.514	27.084	27.418	53.428	54.502	75.46%
8 US Mineral Royalty	1.86%	30.288	31.136	29.400	27.446	61.424	56.846	77.03%
9 All Other Revenue	2.17%	35.360	45.821	42.650	28.451	81.181	71.101	78.98%
10 Tobacco Settlement	0.21%	3.469	3.565	3.564	3.559	7.034	7.123	79.18%
11 Telecommunications Excise Tax	1.45%	23.523	21.772	21.759	21.887	45.295	43.646	80.38%
12 Video Gambling Tax	3.22%	52.396	49.333	52.776	57.676	101.729	110.452	83.42%
13 Treasury Cash Account Interest	0.17%	2.692	2.215	6.717	17.716	4.907	24.433	84.09%
14 Estate Tax	0.01%	0.091	0.005	-	-	0.096	-	84.09%
15 Oil & Natural Gas Production Tax	5.87%	95.491	104.514	102.996	97.538	200.004	200.533	89.61%
16 Motor Vehicle Fee	0.88%	14.377	14.812	14.771	14.830	29.189	29.601	90.42%
17 Public Institution Reimbursements	1.35%	22.000	17.555	17.125	17.026	39.555	34.151	91.36%
18 Lodging Facility Use Tax	0.76%	12.331	13.209	13.952	14.544	25.540	28.496	92.14%
19 Coal Severance Tax	0.63%	10.322	12.494	12.257	12.465	22.816	24.722	92.82%
20 Liquor Excise & License Tax	0.96%	15.626	16.151	16.822	17.527	31.777	34.349	93.77%
21 Cigarette Tax	1.98%	32.218	31.554	30.763	29.620	63.772	60.383	95.43%
22 Investment License Fee	0.38%	6.225	6.375	6.838	7.097	12.600	13.935	95.81%
23 Lottery Profits	0.65%	10.631	10.086	10.950	11.790	20.717	22.740	96.44%
24 Liquor Profits	0.55%	9.000	9.499	9.733	10.017	18.499	19.750	96.98%
25 Nursing Facilities Fee	0.33%	5.300	4.984	4.876	4.768	10.284	9.644	97.25%
26 Foreign Capital Depository Tax	0.00%	-	-	-	-	-	-	97.25%
27 Electrical Energy Tax	0.29%	4.713	4.452	4.480	4.535	9.165	9.015	97.50%
28 Metalliferous Mines Tax	0.40%	6.541	8.931	10.037	10.373	15.472	20.410	98.06%
29 Highway Patrol Fines	0.29%	4.646	4.672	4.725	4.744	9.318	9.469	98.32%
30 Public Contractors Tax	0.43%	6.969	7.262	5.716	5.705	14.231	11.421	98.63%
31 Wholesale Energy Tax	0.22%	3.556	3.657	3.738	3.818	7.213	7.556	98.84%
32 Tobacco Tax	0.33%	5.334	5.680	6.016	6.378	11.014	12.394	99.18%
33 Driver's License Fee	0.26%	4.156	3.567	4.173	3.623	7.723	7.796	99.40%
34 Rental Car Sales Tax	0.17%	2.807	3.118	3.326	3.475	5.925	6.801	99.58%
35 Railroad Car Tax	0.16%	2.579	2.031	2.095	2.211	4.610	4.306	99.70%
36 Wine Tax	0.12%	1.933	2.058	2.131	2.204	3.991	4.335	99.82%
37 Beer Tax	0.19%	3.032	3.157	3.239	3.302	6.189	6.541	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>\$1,627.145</u>	<u>\$1,706.655</u>	<u>\$1,783.375</u>	<u>\$1,851.615</u>	<u>\$3,333.800</u>	<u>\$3,634.990</u>	100.00%

Figure 5 shows the revenue contribution to the general fund account by the most significant revenue components. During the 2013 biennium, over 72% of total general fund revenue comes from income, property, and vehicle taxes, while about 2% is generated from investment earnings. Natural resource taxes are estimated to produce about 7% of total general fund revenue during the 2013 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 \$79 million in the 2013 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 2013 biennium are projected to increase 9.0% over the 2011 biennium projections. The comparative changes by major revenue category are shown at the bottom of Figure 5. Included in these amounts is \$11.3 million of additional revenue in the 2013 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 FY 2011, 2012, and 2013 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 2010	Actual Fiscal 2010	Estimated Fiscal 2011	Estimated Fiscal 2012	Estimated Fiscal 2013	Estimated Fiscal 10-11	Estimated Fiscal 12-13	Cumulative % of Total
1 Diesel Tax	15.38%	\$66.896	\$69.333	\$70.026	\$70.726	\$136.229	\$140.752	19.98%
2 Federal Forest Receipts	5.66%	24.619	22.908	20.625	3.012	47.527	23.637	23.33%
3 Gasoline Tax	31.27%	136.036	138.613	141.239	143.914	274.649	285.153	63.81%
4 GVW and Other Fees	6.81%	29.630	30.220	30.886	31.611	59.850	62.497	72.68%
5 Resource Indemnity Tax	0.39%	1.712	2.067	2.224	2.373	3.779	4.597	73.33%
6 Arts Trust Interest	0.13%	0.553	0.530	0.547	0.566	1.083	1.113	73.49%
7 Capital Land Grant Interest and Income	0.38%	1.635	0.144	0.466	0.436	1.779	0.902	73.62%
8 Deaf & Blind Interest and Income	0.06%	0.265	0.256	0.261	0.241	0.521	0.502	73.69%
9 Parks Trust Interest	0.23%	0.989	0.950	0.985	1.026	1.939	2.011	73.98%
10 Pine Hills Interest and Income	0.06%	0.263	0.258	0.262	0.228	0.521	0.490	74.04%
11 RIT Trust Interest	1.20%	5.213	4.743	4.747	4.756	9.956	9.503	75.39%
12 TSE Trust Interest	2.05%	8.940	8.956	9.605	10.407	17.896	20.012	78.23%
13 Economic Development Trust	0.50%	2.196	2.356	2.681	3.082	4.552	5.763	79.05%
14 Tobacco Trust Interest	1.29%	5.599	5.863	6.522	7.235	11.462	13.757	81.00%
15 Regional Water Trust Interest	0.56%	2.419	2.809	3.154	3.605	5.228	6.759	81.96%
16 Property Tax: 6 Mill	3.40%	14.771	14.926	15.461	15.902	29.697	31.363	86.42%
17 Common School Interest and Income	30.64%	<u>133.315</u>	<u>47.078</u>	<u>45.485</u>	<u>50.215</u>	<u>180.393</u>	<u>95.700</u>	100.00%
Total Non-General Fund	100.00%	\$435.052	\$352.010	\$355.176	\$349.335	\$787.062	\$704.511	100.00%

Summary of Tax Policy and Revenue Initiatives

Figure 7 shows the revenue impacts of legislation enacted by the 62nd Legislature summarized by bill number. For the three-year period—FY 2011 through 2013—total general fund revenues increase a net \$26.2 million.

Figure 7

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 7 continues on the next page

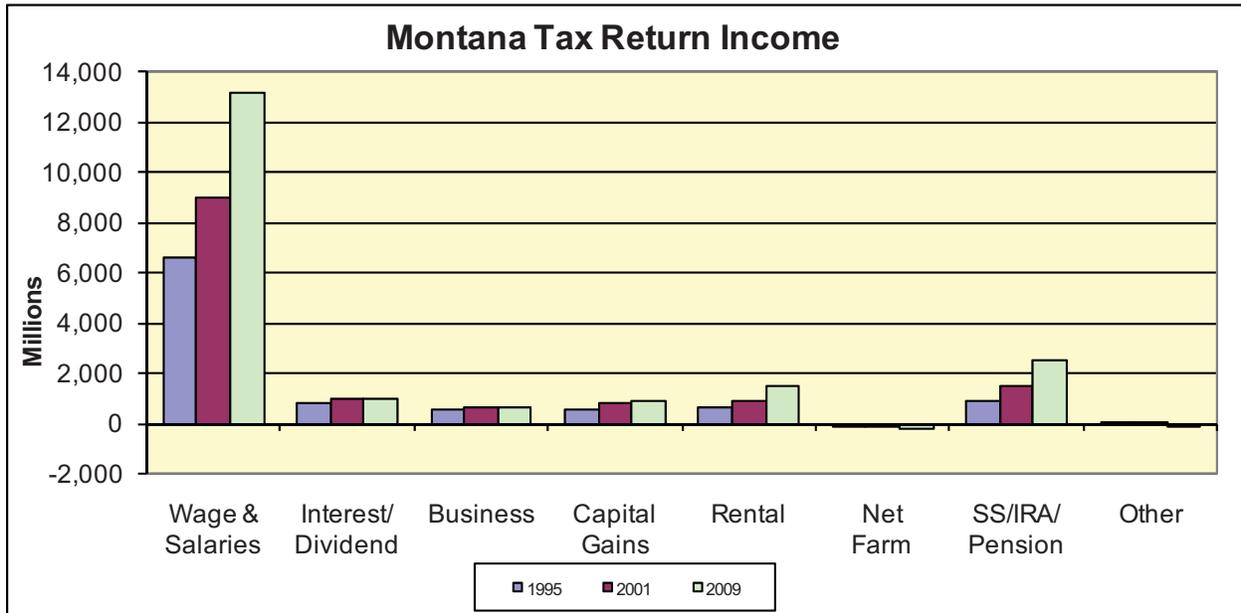
Figure 7 (continued)**Impact of Enacted Legislation By Bill Number
General Fund and Total Funds**

Bill Number and Short Description	General Fund	General Fund	General Fund	General Fund	Total Funds
	Impact Fiscal 2011	Impact Fiscal 2012	Impact Fiscal 2013	Impact 11,12,13	Impact 11,12,13
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

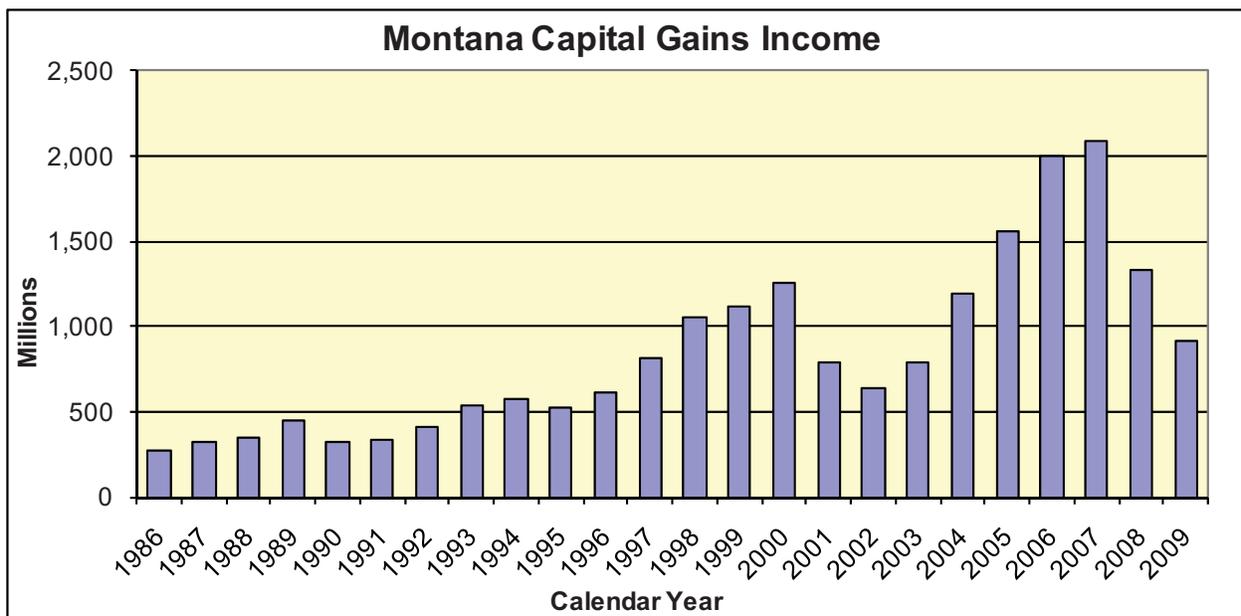
Economic Outlook for Montana

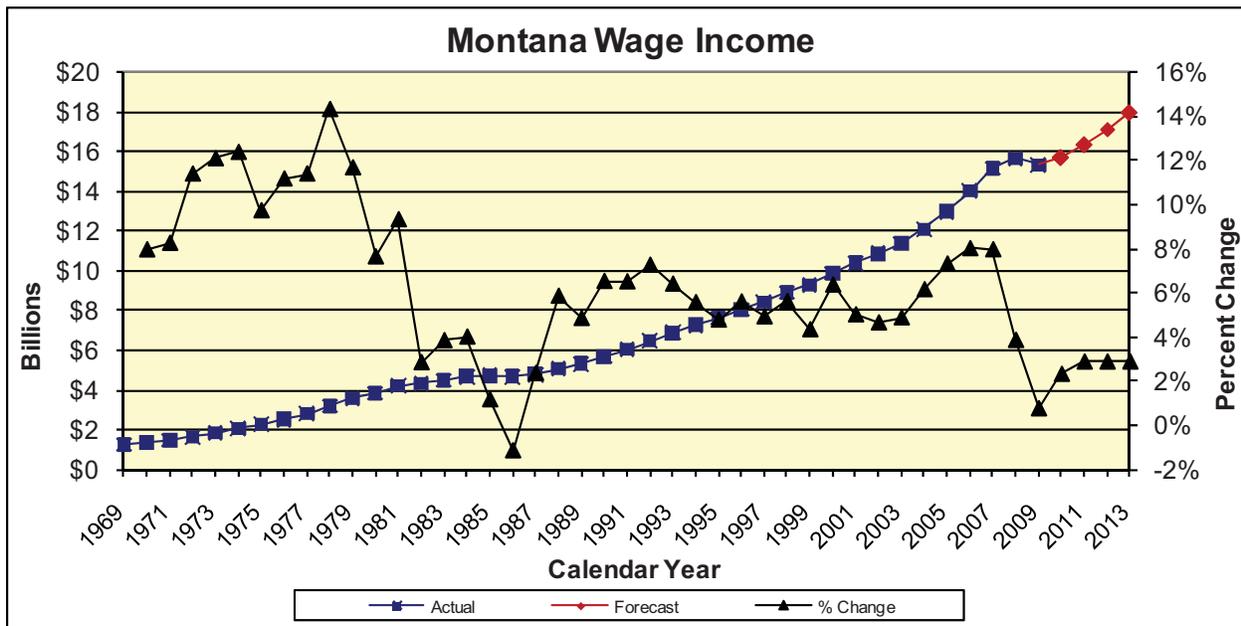
Montana Total Income

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 65.1% of total income. In 2009, it contributed 67.3%, or \$13.1 billion. The average compounded growth from 1990 to 2009 has been 5.2%.



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% of total income, with reported income of \$318 million. Capital gains income grew moderately through the decade, when in 2001 a significant decline occurred, coinciding with the recession. Rapid growth followed in the later part of the 2000 decade, and by 2007 capital gains had grown to 9.7% of total income, with income at \$2,088.6 million. However, in 2008 capital gains income was again influenced by a recession and declined by over 35%. In 2009, capital gains income declined by almost 32% reaching the amount of \$912 million. Projections of IHS indicate that capital gains income will increase by 26% annually between 2010 and 2013.





Montana Wages

The average annual growth in Montana Wages and Salaries has been 5.4% between 1990 and 2009. Wage growth exceeding this average occurred in the early nineties and again in 2004-2007. In both these periods inflation was relatively high, i.e. greater than 2.5%, and employment growth was relatively high.

The following table displays the data considered in developing the forecast for the individual income tax. The Montana inflation forecast for 2010 through 2013, as provided by IHS in the March 2011 issue of forecasts, shows the rate of inflation remaining relatively low through the period of analysis. The state rate is expected to be 2.6% in 2011, 1.8% in 2012, and 1.0% in 2013.

The growth in wages between 2010 though 2013 is provided through the LFD wage and salary projections. From 2005 through 2007, wages on average grew at a rate of 7.6%. However in 2008 and 2009, wages grew at a rate of only 5.4% and -1.6% respectively. The state wages are expected to assume a slower rate of growth in the forecast period with growth of 3.9% in 2011, 4.9% in 2012, and 4.6% in 2013.

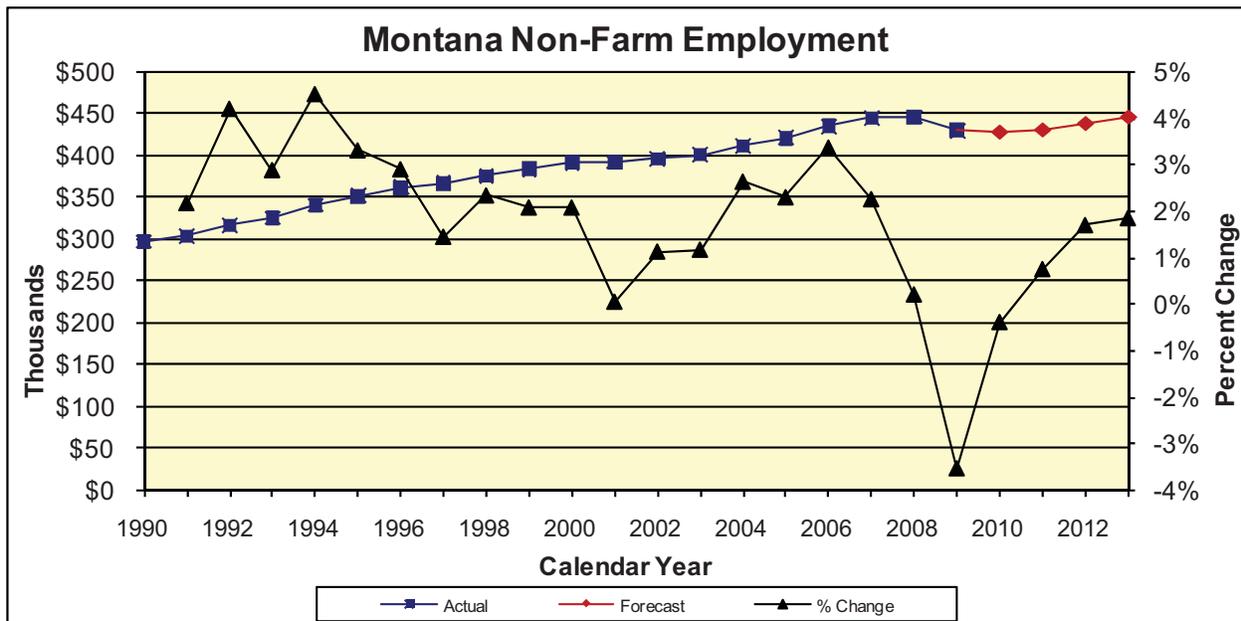
Employment is also expected to slow down in 2010 through 2013. Employment growth between 2003 and 2007 averaged 2.4%. However since the beginning of the recession in 2008, employment has slowed dramatically. In 2008 employment grew at only 0.2% and in 2009 Montana's employment growth turned negative. Future estimates for 2010 through 2013 project average growth of 1.0% annually.

Growth in real wages per worker is defined as wages per worker adjusted for inflation, was low in the early nineties but has been above the 1991-2007 average of 0.6% growth since 1997. Considering the assumptions on growth in wages, employment, and inflation, real wages are expected to increase at a slow rate through the forecast period.

Wage and Salary Income Growth					
	Calendar Year	Employment Growth	State Inflation	Real Wage Per Worker	Wage Growth
A	1991	2.3%	4.7%	-0.7%	6.4%
A	1992	4.2%	3.1%	-0.1%	7.3%
A	1993	2.9%	3.0%	0.5%	6.5%
A	1994	4.5%	2.5%	-1.5%	5.5%
A	1995	3.3%	3.0%	-1.5%	4.8%
A	1996	2.9%	2.8%	-0.1%	5.6%
A	1997	1.5%	2.3%	1.0%	4.8%
A	1998	2.3%	1.7%	1.5%	5.7%
A	1999	2.1%	2.0%	0.4%	4.5%
A	2000	2.1%	3.7%	0.4%	6.3%
A	2001	0.1%	3.2%	1.6%	5.0%
A	2002	1.1%	1.1%	2.4%	4.7%
A	2003	1.2%	2.1%	1.6%	5.0%
A	2004	2.6%	3.3%	0.1%	6.1%
A	2005	2.3%	2.5%	2.3%	7.3%
A	2006	3.4%	4.3%	0.0%	7.9%
A	2007	2.3%	2.7%	2.4%	7.6%
A	2008	0.2%	5.0%	0.1%	5.4%
A	2009	-3.5%	-1.4%	3.5%	-1.6%
F	2010	-0.4%	1.1%	1.6%	2.2%
F	2011	0.8%	2.6%	0.5%	3.9%
F	2012	1.7%	1.8%	1.3%	4.9%
F	2013	1.9%	2.0%	0.6%	4.6%

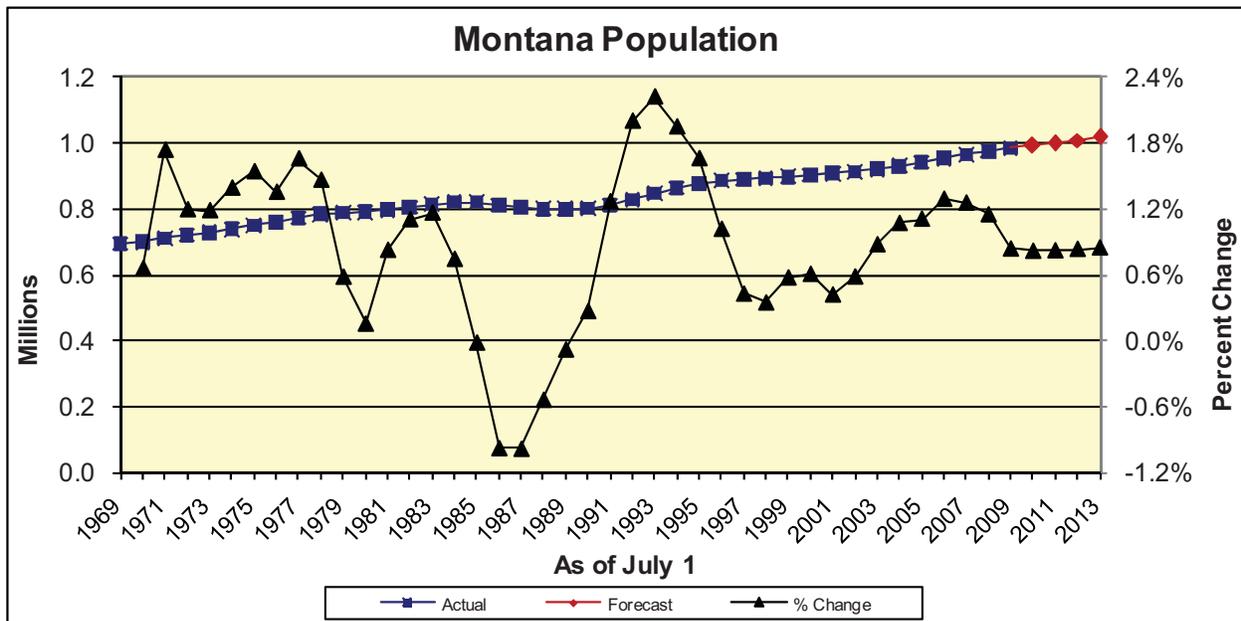
Montana Employment

Average annual growth in total employment between 1990 and 2009 has been 1.2%. It is expected that employment growth through 2010 will be -0.8% and grow by about 0.5% in 2010. In 2009, the fastest growing sector in terms of employment has been health and education sector, which experienced a 2.0% annual increase in employment. At the same time, all other employment sectors except the government sector experienced negative growth. Experiencing the greatest drop, the construction sector lost 19% of the sector employment and future negative growth of 0.5% per year is projected between 2010 and 2013. However, most sectors will see increasing employment with the business and professional sector expecting annual average growth of 2.5% between 2010 and 2013. Total non-farm employment is expected to increase by 0.5% in 2011, 1.8% in 2012, and 1.6% in 2013.



Montana Population

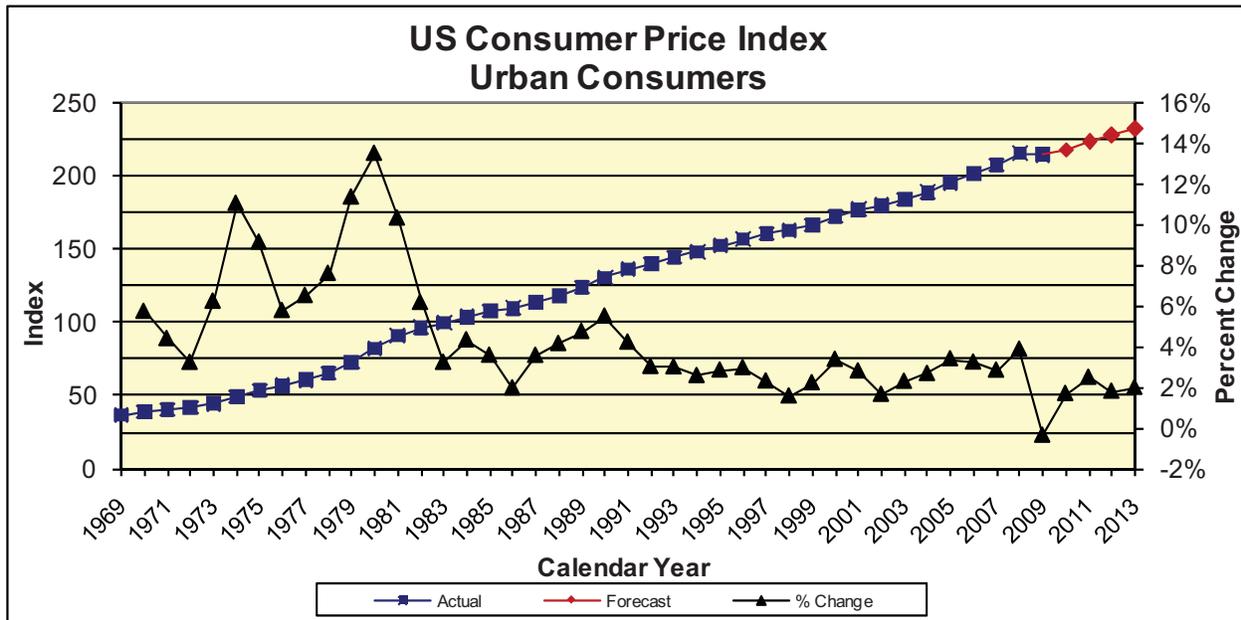
Population statistics are used to develop estimates for many of the revenue sources including beer, wine, liquor, and cigarette taxes. In addition to those sources where population has a direct effect, the size of the population indirectly affects the profitability of all businesses and the employment levels statewide. Accurate population estimates are especially important when determining the changes expected in overall and per capita income for the state. Historic population data is gathered from the U.S. Census department while projections are obtained from IHS. Since the early 1990's, Montana has experienced positive growth in total population varying between 0.1% in 1998 to 2.3% in 1994. Growth in recent years has been slow, averaging 0.8% growth annually from 2007 to 2010. Growth through the next biennium is estimated at about 0.5% annually.



Inflation Rates

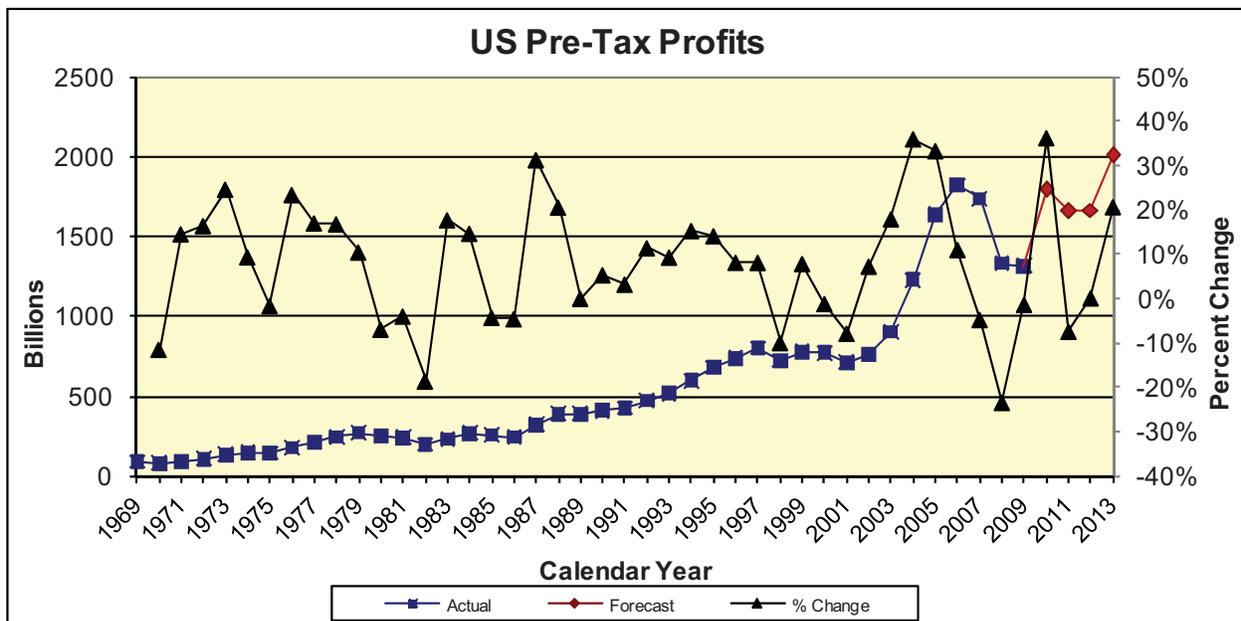
The inflation rate is measured by the price change of the Consumer Price Index (CPI) "shopping basket" of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a 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 historical CPI data for the all-urban customers data set. Since 1990, the average annual rate of inflation has been 2.8%. IHS forecasts inflation at 1.7% for 2010, 2.5% for 2011, 1.8% for 2012, and 2.0% in 2013.



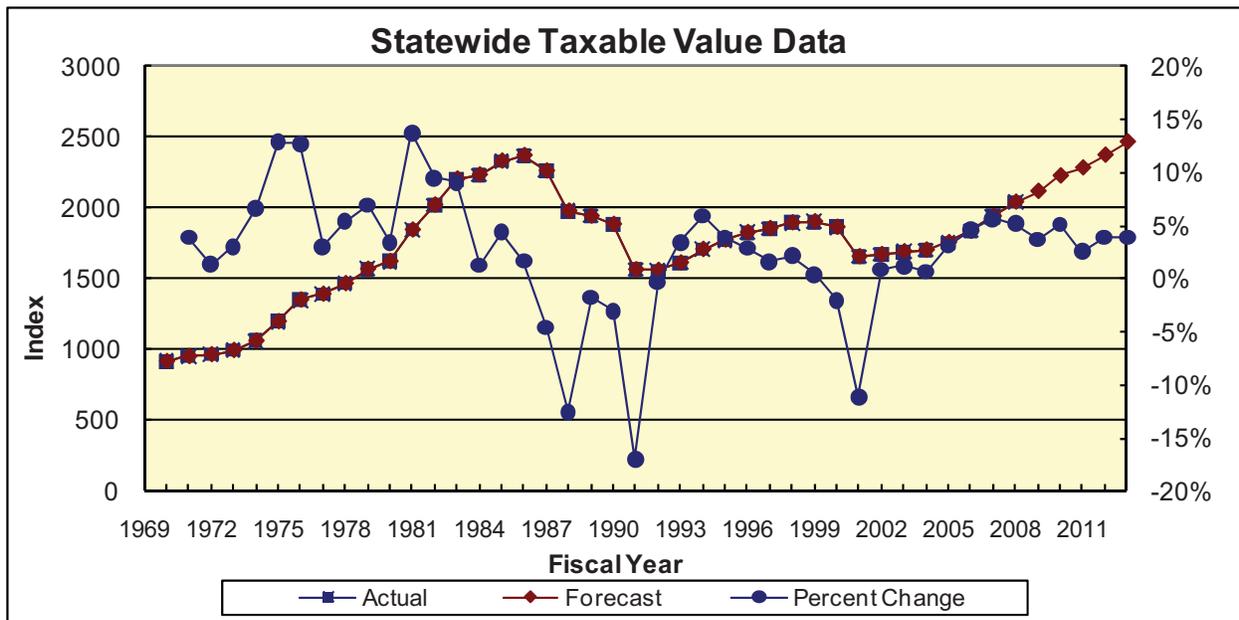
Corporate Profits

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 IHS, between 1990 and 1997, U.S. corporation pre-tax profits increased by an annual average of 10.3%. However, from 1997 through 2001, profits decreased by an average of 3.0%, the greatest decrease of 8.5% occurring in 2001. Between 2006 and 2010, corporate profitability decreased at an average annual rate of 0.7%. During the forecast period, corporation profits are expected to grow at a rate of 12.0% annually.

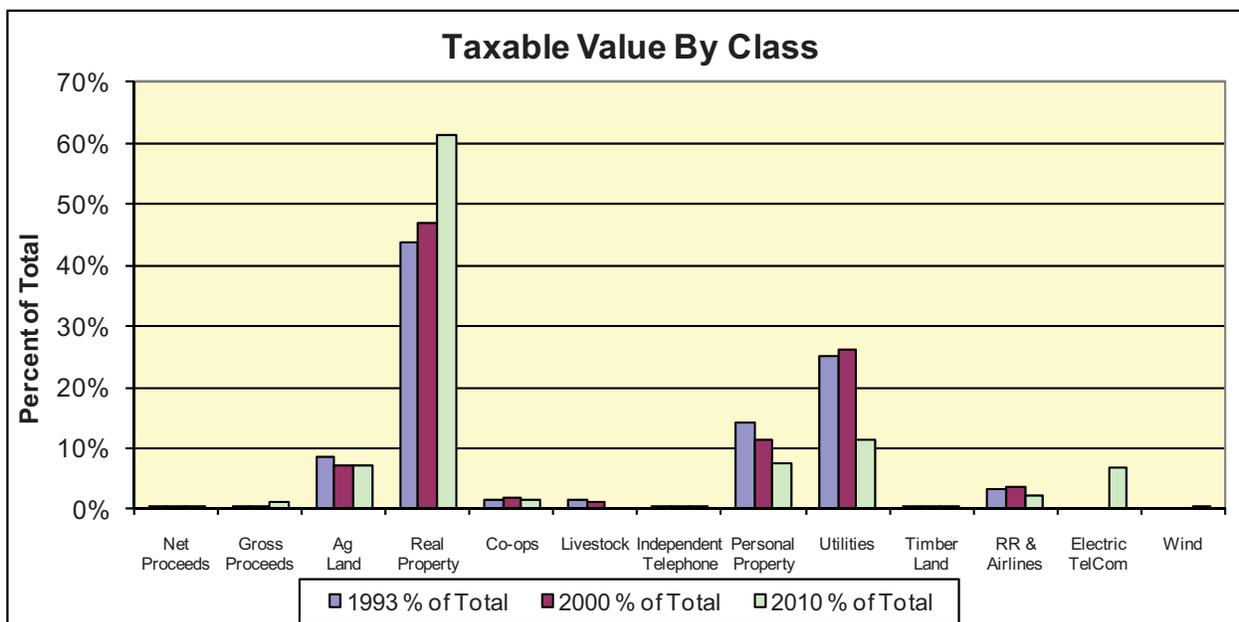


Property Values

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 FY 2000. This decline was primarily due to business equipment tax changes enacted by previous legislatures. Other reductions occurred in electrical generating and telecommunication property. Property values resumed an upward trend in 2001 and have increased every year since that time. On January 1, 2009, new reappraisal values were placed on residential, commercial, agricultural land and timber land. The 2009 legislature mitigated these increases by continuing to phase in assessed values and providing a schedule over the following six years by which tax rates are decreased and homestead and comstead exemptions are increased. Taxable values are expected to increase at an annual average of 3.3% between FY 2010 and FY 2013, compared with 4.5% per year between FY 2004 through FY 2010.



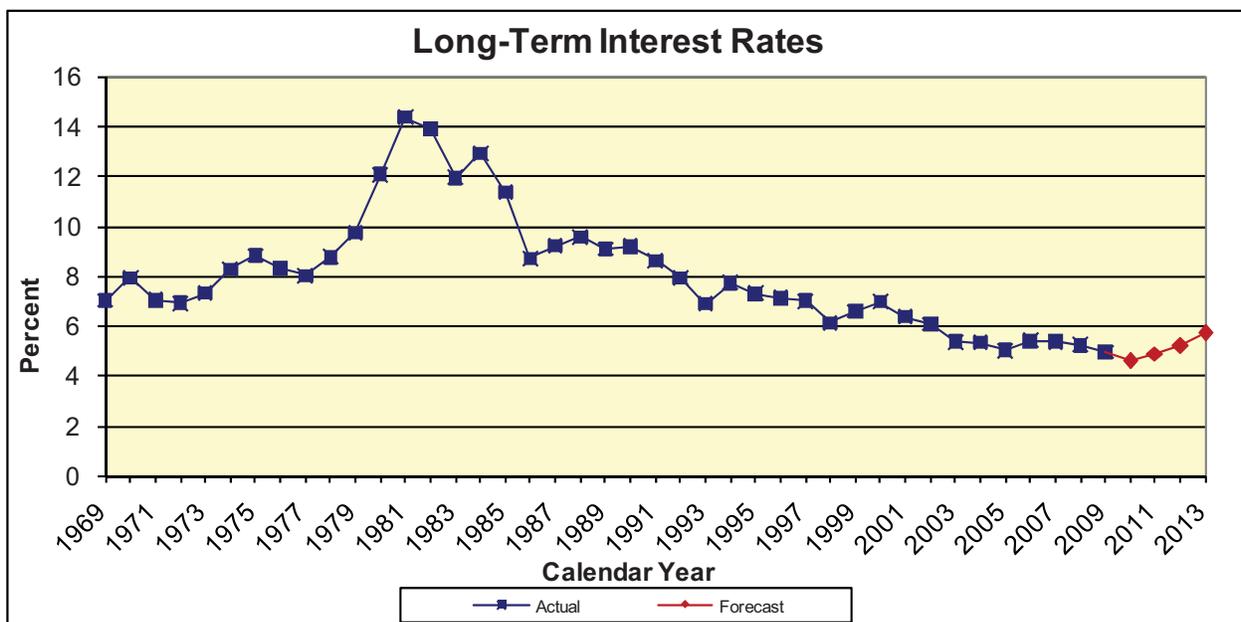
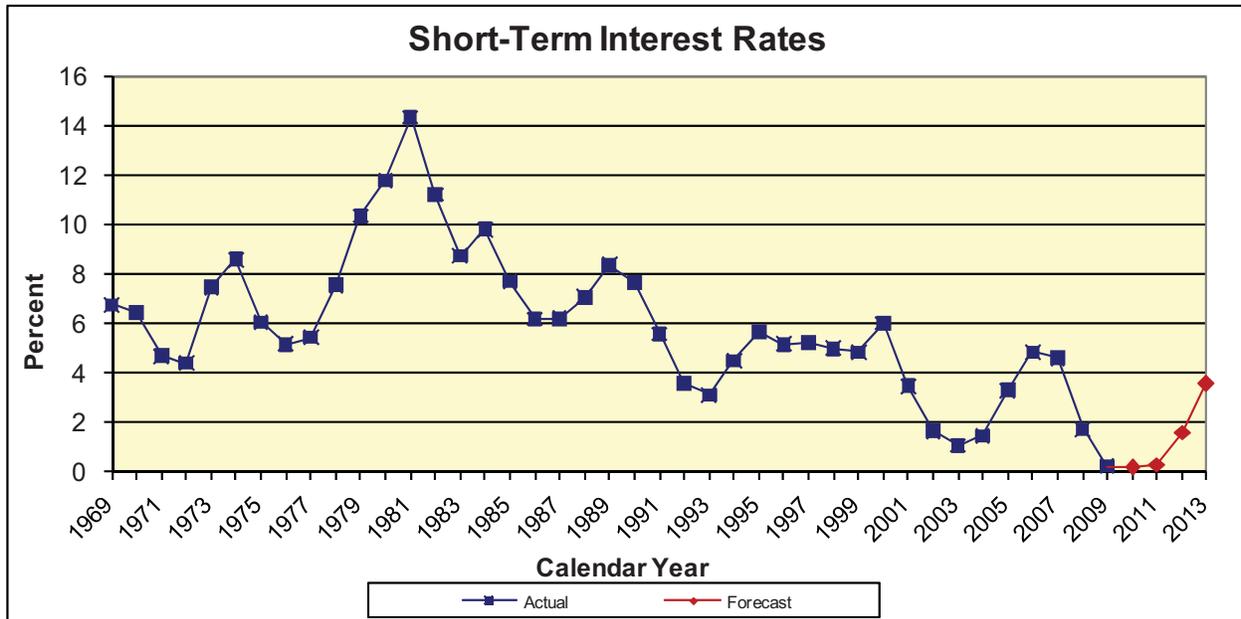
Significant changes have taken place in statewide property values since FY 1998. In that year, 48.0% of total statewide value was in class 4, residential and commercial property, and 11.5% of total value was in class 8, business equipment personal property. In FY 2010, the class 4 taxable value was 60.0% of the total property tax base, while class 8 was only 7.8% of the base.



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 IHS. Short-term rates are an average of 3-month corporate paper and 3 and 6-month T-bills. Long-term rates are an average of Corporate Aaa and Baa bonds, 10-year T bonds, and 30-year T bonds. The fiscal year computation of short-term interest rates reached unprecedented low rates of 1.1% in 2009 and 0.3% in 2010. The future short-term interest rates are expected to remain low at a rate of 0.3% in 2011 and will increase to 1.6% and 3.6% by 2012 and 2013 respectively. Long-term rates are expected to be 4.9% in 2011, 5.2% in 2012, and 5.7% in 2013.



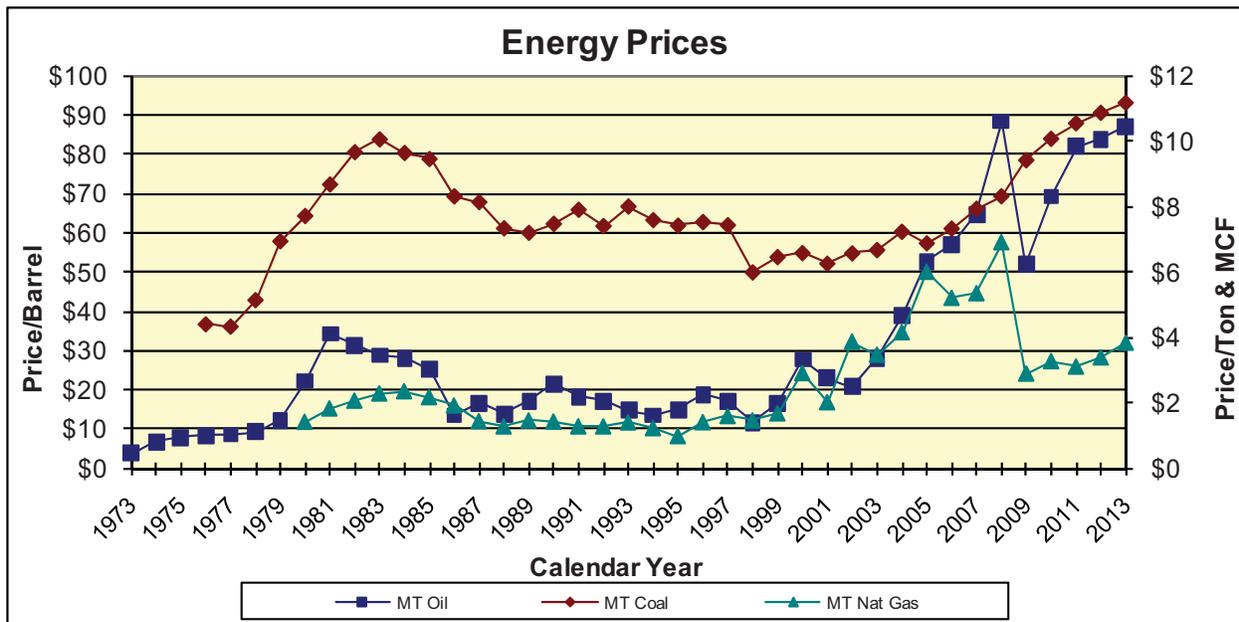
Energy Prices

West Texas Intermediate (WTI) spot oil prices averaged \$25.96 per barrel in 2001 and increased every year through 2008. In 2009, the WTI price dropped by 38.1% to \$61.77 per barrel, and has subsequently increased to an estimated \$79.45 per barrel in 2010. IHS forecasts WTI oil prices to increase to \$93.07 in 2011, \$95.16 in 2012, and \$99.02 in 2013. Montana prices are expected to follow a similar trend.

Natural gas prices at the wellhead in the US reached as high as \$8.84 per MCF in 2008, but the prices have declined significantly in the past two years. The average price in 2010 is expected to be \$4.40 per MCF. IHS is forecasting average well head natural gas prices at \$4.14 in 2011, \$4.45 in 2012, and \$4.49 in 2013. While Montana wellhead prices are usually lower than the US average well head price, Montana prices are expected to follow a similar trend.

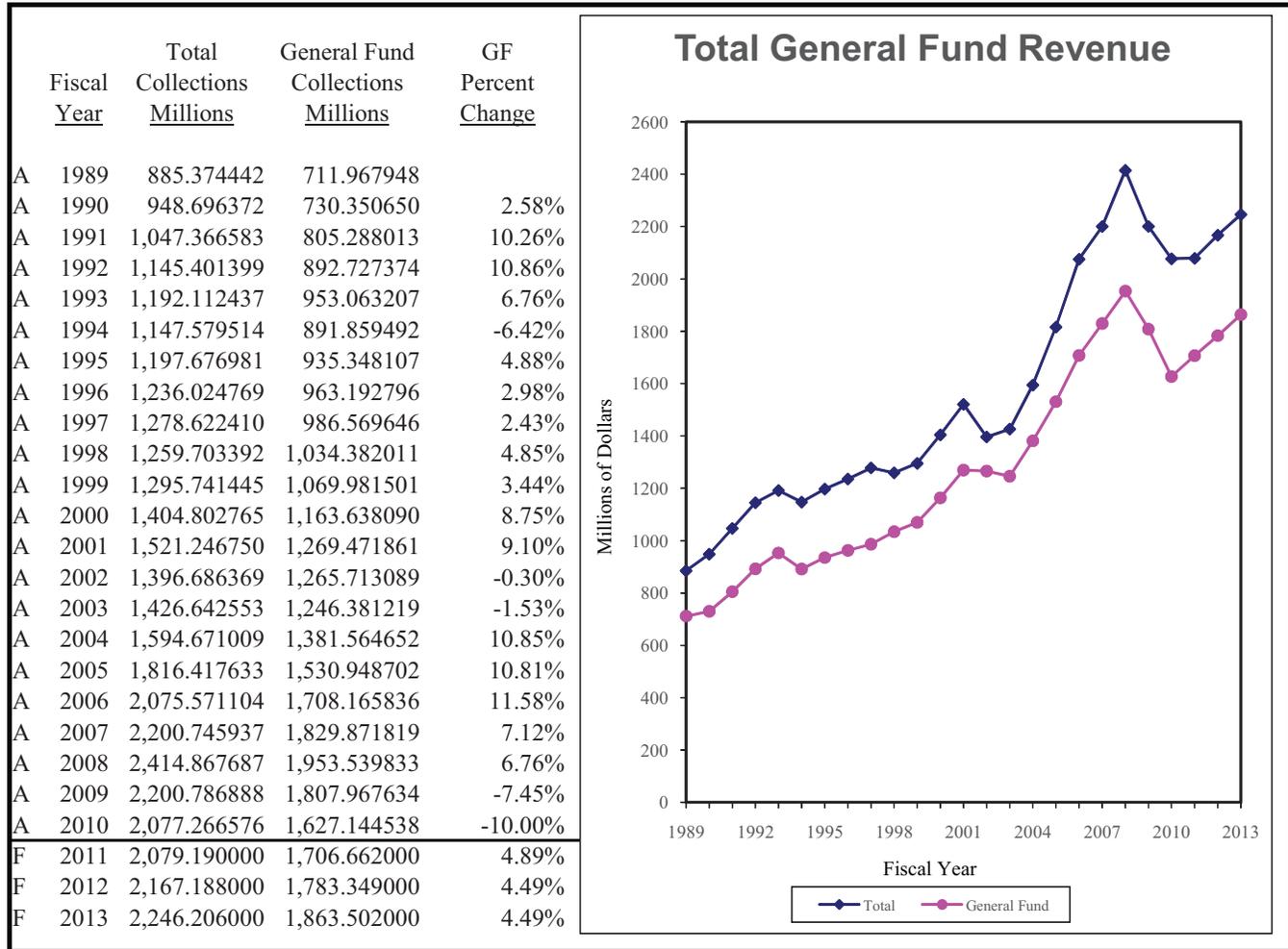
After a period of decline in oil production, from a peak in 1974 of 34 million barrels to a trough in 1999 of 15 million barrels, the discovery of new oil fields and advances in technologies increased oil production in Montana. New drilling activity increased 75% in 2003, and increased nearly the same amount in 2004. In 2006, the new production hit a peak, with production of over 36 million barrels. Since 2006, oil production has declined and that trend is expected to continue through 2013. Montana oil production is expected to decline at an annual rate of 2.6 million barrels per year to 24 million barrels in 2011, 21 million barrels in 2012, and to 18 million barrels in 2013.

Natural gas production in Montana almost tripled between 1981 and 2007, from 40 million MCF to 119 million MCF. Production has increased around 70% since 2000. As in the oil market, new drilling activity was up substantially in 2003 and 2004, but production has started to drop and is expected to remain at reduced levels through 2013. Montana natural gas production is expected to be 100 million MCF in 2010, 107 million MCF in 2011, 104 million MCF in 2012, and 101 million MCF in 2013.



Total General Fund History

The graph below shows actual total general fund collections from FY 1989 to FY 2010 and includes FY 2011 through FY 2013 projected collections as adopted by the 62nd Legislature.



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 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 HJR2 revenue estimates and have not been updated for the impacts of enacted legislation.