

RTIC Discussion of Revenue Estimating Process, April 29, 2010--**2:31:48-2:54:18** time stamps
 Recap: 25 Comments

Legislative Process –	12	48%
Revenue Estimate Methods	5	20%
Economic Forecasts –	5	20%
Observation & Comment	3	12%

Legislative Process - Gillan: Based on conversation with Sen. Williams, suggested creating an ad hoc committee to work with Finance Committee and Legislative Council to resolve revenue estimating process to ensure HJR 2 moves through the Legislature.

Legislative Process - Peterson: Started late in the past. Process to take input from people forecasting economic activity--state economists (UM and MSU), Global Insights, [fiscal division], executive branch--to evaluate where we are "economy-wise". Consensus with other committees (Leg. Council and Finance) as suggested by Gillan.

Legislative Process - Tutvedt: Work on rules and legislation for July meeting. Get solutions from committee.

Legislative Process - Erickson: Some other states revise estimates 6 times a year--impossible task here for 31 months. Lucky to get something done in March or April (of session). Can't know something in November.

Legislative Process - Hollandsworth: Education for legislators in legislative appropriations and revenue by November. Come up with amount needed that both sides can live with. Talk with Finance [and Council].

Observation & Comment - Essmann: Get early start, but concerned revenue estimates are **based on trend lines**. In October-December taxpayers will engage in tax strategies that may show up as temporary bumps in revenue because of changes in federal tax law--previous tax cuts expiring.

Legislative Process - Barrett: Can't know when turning points occur from trend lines. Wait as long as can for turning points. (Misapprehension about purpose of July meeting.)

Legislative Process - Peterson: Said not make decision until November but accelerate information gathering--look at starting revenue estimate in Senate. Everything bottled up in House. Starting resolution in Senate may help.

Gillan: Three proposals for committee to consider:

- **Legislative Process** - Two members from RTIC on ad hoc committee to work with LFC and LC--Peterson, Barrett.
- **Revenue Estimate Methods** - Panel discussion on how (economic (revenue estimating)) models put together and process--mechanics of modeling--**Barrett:** extent to which errors are due to bad data v. model error--decompose error. **Peterson:** Montana lags nation in and out of recessions-- in other states when consumer spending changes get quicker revenue response.
- **Legislative Process** - Invite MSU, UM, Global Insights (rely on one vendor) to meeting, 4-5 people--**prepare questions in advance.**

RTIC Discussion of Revenue Estimating Process (cont'), April 30, 2010--**3:25:57-3:47:08** time stamps

Revenue Estimate Methods - Gillan: Ask how mechanics and analytical tools of models work

Legislative Process - Peterson: Include people doing this on regular basis--UM, MSU, Global Insights, ask about modeling by executive to validate projections, and LFD. Wants to have more transparency and accountability of others.

Revenue Estimate Methods - Barrett: Extent of revenue estimating errors from bad data (Global Insights) v. modeling errors. What sources of estimation errors-- Talked to Terry Johnson and Amy Carlson-- for individual income tax and corporation taxes. Compare actual collections and estimates for first 11 months of fiscal year (is full fiscal year possible?). Upside and downside errors--concentrate on 3 or 4 revenue sources.

Economic Forecasts - Tutvedt: Global Insights--Optimistic, middle, pessimistic--how does Global Insights decide which one to favor--should have taken more pessimistic outlook--critique of Global Insights by Barkey or MSU

Revenue Estimate Methods - Erickson: Look at different models--estimate always wrong particularly for corporation tax--ideas for doing something different. **Gillan:** need person to critique new model ideas.

Observation & Comment - Hollandsworth: Talks to young people starting new businesses, existing businesses, retirees to develop perception of economy--see whose model is closest to perception: Solicit comments from committee members on their perspectives on direction of economy. Economy different throughout state.

Economic Forecasts - Tutvedt: What is Global Insights model and should the model be more or less negative or positive.

Economic Forecasts - Essmann: Voted for revenue estimates last interim, but believed too rosy. **Repeat request:** Wants to know full range of Global Insights projections--best, median, and worst case and compare with what happened.

Economic Forecasts - Gillan: Compare with Federal Reserve or other entity forecasts?

Observation & Comment - Hoven: Why spend the time if use fiscal division numbers.

Legislative Process - Gillan: work with Legislative Council and Finance Committee--rule or statute to guarantee full discussion of estimate by Legislature. Committee needs to understand what voting on.

Revenue Estimate Methods - Peterson: Background and history of models that give credibility to estimates--LFD and executive growing further apart on revenue estimates

Economic Forecasts - Tutvedt: Compare economic forecasts with tax revenue--compare with Global Insights and bias the other way if believe Global Insights wrong.

Legislative Process - Gillan: Panel discussion first day--morning--subcommittees in afternoon?

How Do We Do Revenue Estimates

- Constitutional/Statutory/Accounting/Rules Research
 - Tax/Revenue Type
 - Tax/Revenue Base
 - Tax/Revenue Rates
 - Tax/Revenue Exemptions/Credits/Deductions/Allowances
 - Tax/Revenue Due Dates and Payable
 - Tax/Revenue Taxpayer
 - Tax/Revenue Distribution
- Financial Research
 - Responsible Agency
 - Fund Distribution
 - Account Identification
 - Monthly Flow
 - Accrual Process
 - Expenditure Relationship
 - Fund Balance Relationship
 - Local Government Interface
- Agency Research
 - Audit/Settlement Activities
 - Litigation
 - Internal Accounting Processes
 - Internal Calculation Methods
- Economic Research
 - Availability of Economic Data
 - Availability of Tax Base Data
 - Proxy Tax Base Data Development
 - Tax Base Relationship with Economic Variables
 - State/World Economic Relationships
- Process
 - Model Development
 - Apply Distribution
 - Apply Reasonable Tests
 - Apply Consistency Tests
 - Judgment, Intuition “gut feel”

Sources of Revenue Impacted by Agency Budgets

- Liquor Profits
- Lottery Profits
- CS Interest and Income
- All Other Revenue
- Lodging Facilities
- Investment Fees
- TCA Interest
- Public Contractors



Revenue Source	Major Assumption	Technique	Data Source	Comments
GF1300 Individual Income Tax	Wage and Salary Income	Model	DOR Tax Returns;IHS	Significant data lag.
	Business Income	Model	DOR Tax Returns;IHS	Significant data lag.
	Rent,Royalty,Partnership Income	Model	DOR Tax Returns;IHS	Significant data lag.
	Interest and Dividend Income	Model	DOR Tax Returns;IHS	Significant data lag.
	Capital Gains Income	Model	DOR Tax Returns;IHS	Significant data lag.
	Social Security Income	Model	DOR Tax Returns;IHS	Significant data lag.
	IRA, Pension Income	Model	DOR Tax Returns;IHS	Significant data lag.
	Farm Income	Model	DOR Tax Returns;IHS	Significant data lag.
	Non_resident Payments	Ratio Analysis	DOR Tax Returns;IHS	Significant data lag.
	Credits	Trend	DOR Tax Returns;IHS	Significant data lag.
	Deductions	Model	DOR Tax Returns;IHS	Significant data lag.
	Calendar to Fiscal Conversion	Model	DOR Tax Returns	Significant data lag.
	DOR Audit Efforts	Ratio Analysis	SABHRS	
US Consumer Price Index		IHS		
GFxxxx Property Tax	Property Tax Classes	Trend	DOR Tax Returns	
	Tax Increments	Survey	DOR Tax Returns	
	Tax Abatements	Survey	DOR Tax Returns	
GF1000 Corporation Tax	Industrial Sectors		DOR Tax Returns;IHS	Significant data lag and manual process.
	DOR Audit Efforts	Ratio Analysis	SABHRS	
GF1700 Oil & Gas Severance Tax	Oil Production	Model	BO&G	
	Oil Price	Model	IHS	
	Gas Production	Model	BO&G	
	Gas Price	Model	IHS	
GF0400 Vehicle License Fee	Tax By Vehicle Type	Model	SABHRS;IHS	Unreliable data.
GF2400 Video Gaming Tax	MT Population		IHS	
	Per Capita Consumption	Trend	Computed	
GF0200 Insurance Tax	Gross Premiums	Model	SA;IHS	
	Offsets	Contact	SA	
	Refunds	Contact	SA	
GF0800 Cigarette Tax	MT Population		IHS	
	Per Capita Consumption	Trend	Computed	



Revenue Source	Major Assumption	Technique	Data Source	Comments
GF3600 All Other Revenue				
GF3500 U.S. Mineral Leasing	Oil Production	Trend	FMMS	Unreliable data from FMMS.
	Oil Price	Model	IHS	Unreliable data from FMMS.
	Gas Production	Trend	FMMS	Unreliable data from FMMS.
	Gas Price	Model	IHS	Unreliable data from FMMS.
	Coal Production on Federal Lands	Survey	Companies	Company reluctance to submit information
	Coal Price	Trend	FMMS	Unreliable data from FMMS.
	Other Production	Trend	FMMS	Unreliable data from FMMS.
	Other Price	Trend	FMMS	Unreliable data from FMMS.
	Lease Payments	Trend	FMMS	Unreliable data from FMMS.
Bonus Payments	Trend	FMMS	Unreliable data from FMMS.	
GF3100 Coal Trust Interest Earnings	Investable Balance		SABHRS	
	Interest Rate		BOI;IHS	
GF2250 Retail Telecom Excise Tax	Gross Sales	Survey	Companies	
	DOR Audit Efforts	Trend	SABHRS	
GF2700 TCA Interest Earnings	Investable Balance	Model	SABHRS	
	Interest Rate	Model	IHS	
GF0500 Vehicle Registration Fee	Fees By Type	Model	SABHRS;IHS	Unreliable data.
GF2600 Institution Reimbursements	Medicaid Payments	Contact	DPHHS	
	Private Payments	Contact	DPHHS	
	Medicare Payments	Contact	DPHHS	
	Insurance Payments	Contact	DPHHS	
	Debt Service	Contact	DPHHS	
GF0900 Coal Severance Tax	Coal Production	Survey	Companies	Company reluctance to submit information
	Coal Price	Trend	DOR Tax Returns	
GF2900 Liquor Excise Tax	Gross Sales	Model	DOR Tax Returns	
GF2150 Lodging Facilities Sales Tax	Gross Sales	Model	DOR Tax Returns	



Revenue Source	Major Assumption	Technique	Data Source	Comments
GF3300 Lottery Profits	MT Population Per Capita Sales Commissions/Prizes Lottery Budget	Trend Ratio Analysis Present Law	IHS Computed Computed DOA	
GF3000 Liquor Profits	Gross Sales Cost of Goods Sold Commissions/Discounts Liquor Budget	Model Model Ratio Analysis Present Law	DOR Tax Returns DOR Tax Returns Computed DOR	
GF0300 Investment Licenses	License Revenue	Trend	SA	
GF1500 Metal Mines Tax	Metal Production Metal Prices	Survey Futures	Companies Economic Literature	Company reluctance to submit information
GF1800 Public Contractor's Tax	Base Gross Contracts Future Gross Contracts Income Tax Credits Property Tax Credits	Computed DOT;Other Trend Trend	SABHRS SABHRS SABHRS SABHRS	
GF0600 Nursing Facilities Fee	Bed Days	Trend	DOR Tax Returns	
GF2300 Tobacco Tax	MT Population Tobacco Per Capita Consumption Other Products Sales	Trend Model	IHS Computed DOR Tax Returns	
GF1100 Electrical Energy Tax	Energy Production	Survey	Companies	Company reluctance to submit information
GF2650 Highway Patrol Fines	Historical Collections	Trend	SABHRS	
GF3450 Tobacco Settlement	National Cigarette Shipments US Consumer Price Index		Price/Waterhouse IHS	
GF1150 Wholesale Energy Trans Tax	Energy Production	Survey	Companies	Company reluctance to submit information
GF0100 Drivers License Fee	MT Population Licenses Issued By Type	Computed	IHS SABHRS	Limited data availability.



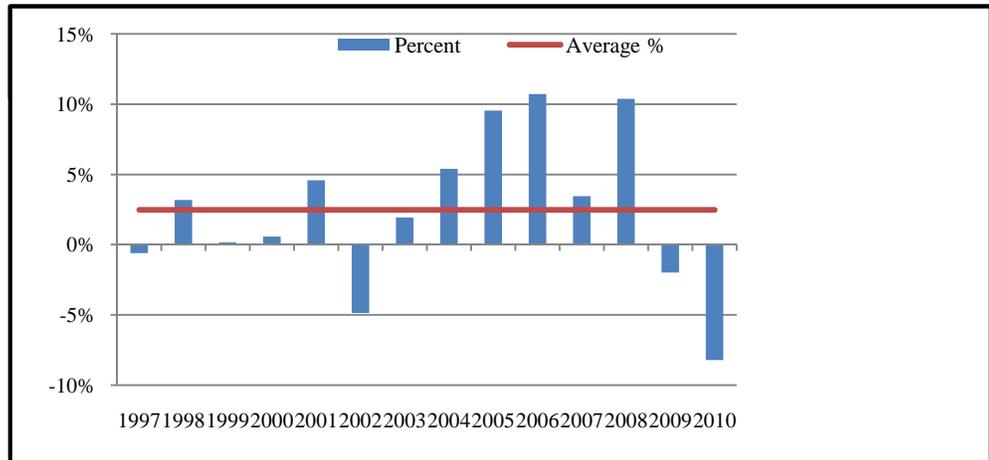
Revenue Source	Major Assumption	Technique	Data Source	Comments
GF0700 Beer Tax	MT Population Per Capita Consumption	Trend	IHS Computed	
GF1850 Rental Car Sales Tax	Gross Sales	Model	DOR Tax Returns	Limited data availability.
GF1200 Railroad Car Tax	Fleet Value Property Tax Rate Mills Levied	Model Computed Trend	DOR Tax Returns DOR Tax Returns DOR Tax Returns	
GF2500 Wine Tax	MT Population Per Capita Consumption	Trend	IHS Computed	
GF1400 Inheritance Tax	Tax Elliminated			
GF2200 Telephone Tax	Tax Elliminated			

General Fund Revenue Estimates vs. Actual Revenue

Fiscal Year	Estimate	Actual	Difference	Percent	Note
1997	992,450,000	986,569,644	(5,880,356)	-0.59%	
1998	1,002,384,000	1,034,382,011	31,998,011	3.19%	*
1999	1,068,111,000	1,069,981,501	1,870,501	0.18%	
2000	1,156,942,000	1,163,638,090	6,696,090	0.58%	**
2001	1,213,719,000	1,269,471,848	55,752,848	4.59%	
2002	1,330,530,000	1,265,713,089	(64,816,911)	-4.87%	*
2003	1,222,723,000	1,246,381,221	23,658,221	1.93%	
2004	1,310,839,000	1,381,564,648	70,725,648	5.40%	
2005	1,397,596,000	1,530,948,704	133,352,704	9.54%	
2006	1,542,615,000	1,708,165,835	165,550,835	10.73%	
2007	1,768,657,000	1,829,871,817	61,214,817	3.46%	
2008	1,769,903,000	1,953,539,835	183,636,835	10.38%	
2009	1,844,604,000	1,807,967,633	(36,636,367)	-1.99%	
2010	<u>1,772,915,000</u>	<u>1,627,144,539</u>	<u>(145,770,461)</u>	-8.22%	
	19,393,988,000	19,875,340,415	481,352,415	2.48%	

* Not from year end report

** May SS HJR1



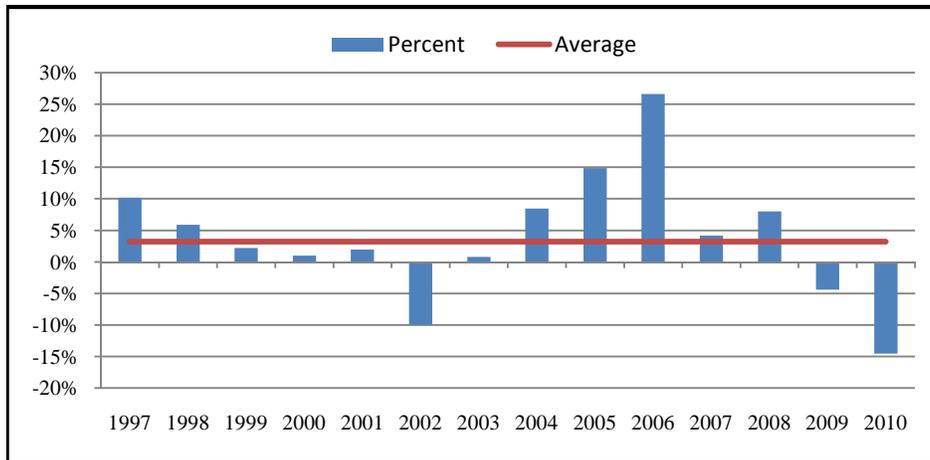


Individual Income Tax Revenue Estimates vs. Actual Revenue

Fiscal Year	Estimate	Actual	Difference	Percent	Note
1997	368,736,000	406,267,340	37,531,340	10.18%	
1998	419,538,000	444,160,729	24,622,729	5.87%	
1999	472,703,000	483,031,571	10,328,571	2.19%	
2000	511,099,000	516,261,912	5,162,912	1.01%	*
2001	545,356,000	556,014,554	10,658,554	1.95%	
2002	574,995,000	517,567,691	(57,427,309)	-9.99%	
2003	531,620,000	535,830,664	4,210,664	0.79%	**
2004	558,059,000	605,348,420	47,289,420	8.47%	
2005	614,736,000	706,234,579	91,498,579	14.88%	
2006	607,178,000	768,922,343	161,744,343	26.64%	
2007	793,847,000	827,145,498	33,298,498	4.19%	
2008	802,566,000	866,658,538	64,092,538	7.99%	
2009	852,615,000	815,138,193	(37,476,807)	-4.40%	
2010	<u>840,263,000</u>	<u>717,834,371</u>	<u>(122,428,629)</u>	<u>-14.57%</u>	
	8,493,311,000	8,766,416,403	273,105,403	3.22%	

* May 2000 SS

** August 2003 SS



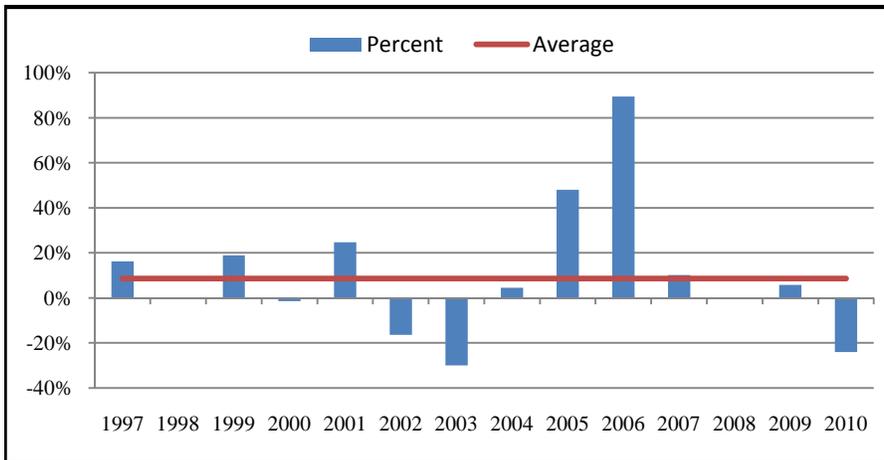


Corporation Tax Revenue Estimates vs. Actual Revenue

Fiscal Year	Estimate	Actual	Difference	Percent	Note
1997	61,350,000	71,290,534	9,940,534	16.20%	
1998	69,973,000	69,724,680	(248,320)	-0.35%	
1999	67,380,000	80,142,416	12,762,416	18.94%	
2000	91,939,000	90,682,672	(1,256,328)	-1.37%	*
2001	83,149,000	103,670,487	20,521,487	24.68%	
2002	81,543,000	68,173,253	(13,369,747)	-16.40%	
2003	63,095,000	44,137,518	(18,957,482)	-30.05%	**
2004	64,762,000	67,722,940	2,960,940	4.57%	
2005	66,332,000	98,213,716	31,881,716	48.06%	
2006	81,148,000	153,675,068	72,527,068	89.38%	
2007	161,057,000	177,503,707	16,446,707	10.21%	
2008	161,271,000	160,341,786	(929,214)	-0.58%	
2009	157,284,000	166,354,514	9,070,514	5.77%	
2010	<u>115,638,000</u>	<u>87,900,911</u>	<u>(27,737,089)</u>	<u>-23.99%</u>	
	1,325,921,000	1,439,534,203	113,613,203	8.57%	

* May 2000 SS

** August 2003 SS





Revenue Source		HJ2 Estimated FY 2009	Actual FY 2009	Difference FY 2009	Cumulative Dollars	Percent of Total	Cumulative Percent
GF1300 Individual Income Tax	1	852,615,000	815,138,193	(37,476,807)	815,138,193	45.09%	45.09%
GFxxxx Property Tax	2	214,615,000	217,042,057	2,427,057	1,032,180,250	12.00%	57.09%
GF1000 Corporation Tax	3	157,284,000	166,354,514	9,070,514	1,198,534,764	9.20%	66.29%
GF1700 Oil Severance Tax	4	94,769,000	100,490,971	5,721,971	1,299,025,735	5.56%	71.85%
GF0400 Vehicle License Fee	5	93,493,000	89,334,878	(4,158,122)	1,388,360,613	4.94%	76.79%
GF2400 Video Gaming Tax	6	66,554,000	62,458,106	(4,095,894)	1,450,818,719	3.45%	80.24%
GF0200 Insurance Tax	7	49,878,000	50,038,468	160,468	1,500,857,187	2.77%	83.01%
GF0800 Cigarette Tax	8	34,564,000	34,320,412	(243,588)	1,535,177,599	1.90%	84.91%
GF3600 All Other Revenue	9	35,850,000	31,921,805	(3,928,195)	1,567,099,404	1.77%	86.68%
GF3500 U.S. Mineral Leasing	10	24,885,000	31,573,364	6,688,364	1,598,672,768	1.75%	88.43%
GF3100 Coal Trust Interest Earnings	11	29,312,000	26,958,378	(2,353,622)	1,625,631,146	1.49%	89.92%
GF2250 Retail Telecom Excise Tax	12	21,597,000	22,250,383	653,383	1,647,881,529	1.23%	91.15%
GF2700 TCA Interest Earnings	13	16,507,000	15,506,889	(1,000,111)	1,663,388,418	0.86%	92.01%
GF0500 Vehicle Registration Fee	14	18,926,000	15,345,099	(3,580,901)	1,678,733,517	0.85%	92.86%
GF2600 Institution Reimbursements	15	14,782,000	14,100,804	(681,196)	1,692,834,321	0.78%	93.64%
GF0900 Coal Severance Tax	16	12,410,000	13,028,228	618,228	1,705,862,549	0.72%	94.36%
GF2900 Liquor Excise Tax	17	15,787,000	12,650,902	(3,136,098)	1,718,513,451	0.70%	95.06%
GF2150 Lodging Facilities Sales Tax	18	13,109,000	12,477,461	(631,539)	1,730,990,912	0.69%	95.75%
GF3300 Lottery Profits	19	10,275,000	10,136,213	(138,787)	1,741,127,125	0.56%	96.31%
GF3000 Liquor Profits	20	8,651,000	7,250,000	(1,401,000)	1,748,377,125	0.40%	96.71%
GF0300 Investment Licenses	21	6,127,000	6,461,446	334,446	1,754,838,571	0.36%	97.07%
GF1500 Metal Mines Tax	22	6,777,000	5,992,923	(784,077)	1,760,831,494	0.33%	97.40%
GF1800 Public Contractor's Tax	23	4,058,000	5,929,999	1,871,999	1,766,761,493	0.33%	97.73%
GF0600 Nursing Facilities Fee	24	5,318,000	5,468,766	150,766	1,772,230,259	0.30%	98.03%
GF2300 Tobacco Tax	25	4,710,000	4,990,497	280,497	1,777,220,756	0.28%	98.31%
GF1100 Electrical Energy Tax	26	4,707,000	4,824,659	117,659	1,782,045,415	0.27%	98.58%
GF2650 Highway Patrol Fines	27	4,052,000	4,179,882	127,882	1,786,225,297	0.23%	98.81%
GF3450 Tobacco Settlement	28	3,956,000	4,127,609	171,609	1,790,352,906	0.23%	99.04%
GF1150 Wholesale Energy Trans Tax	29	3,870,000	3,864,771	(5,229)	1,794,217,677	0.21%	99.25%
GF0100 Drivers License Fee	30	4,667,000	3,478,285	(1,188,715)	1,797,695,962	0.19%	99.44%
GF0700 Beer Tax	31	3,160,000	3,114,729	(45,271)	1,800,810,691	0.17%	99.61%
GF1850 Rental Car Sales Tax	32	3,118,000	2,904,340	(213,660)	1,803,715,031	0.16%	99.77%
GF1200 Railroad Car Tax	33	2,166,000	2,099,454	(66,546)	1,805,814,485	0.12%	99.89%
GF2500 Wine Tax	34	1,942,000	1,936,052	(5,948)	1,807,750,537	0.11%	100.00%
GF1400 Inheritance Tax	35	113,000	217,097	104,097	1,807,967,634	0.01%	100.01%
GF2200 Telephone Tax	36	-	-	-	1,807,967,634	0.00%	100.01%
Totals		1,844,604,000	1,807,967,634	(36,636,366)		100.00%	
Individual Income Tax	1	852,615,000	815,138,193	(37,476,807)	815,138,193	45.09%	45.09%
Property Tax	2	214,615,000	217,042,057	2,427,057	1,032,180,250	12.00%	57.09%
Corporation Tax	3	157,284,000	166,354,514	9,070,514	1,198,534,764	9.20%	66.29%
Oil Severance Tax	4	94,769,000	100,490,971	5,721,971	1,299,025,735	5.56%	71.85%
Vehicle License Fee	5	93,493,000	89,334,878	(4,158,122)	1,388,360,613	4.94%	76.79%
Video Gaming Tax	6	66,554,000	62,458,106	(4,095,894)	1,450,818,719	3.45%	80.24%
All Other Sources		365,274,000	357,148,915	(8,125,085)	1,807,967,634	19.75%	99.99%
Totals		1,844,604,000	1,807,967,634	(36,636,366)			



Revenue Source		HJ2 Estimated FY 2010	Actual FY 2010	Difference FY 2010	Cumulative Dollars	Percent of Total	Cumulative Percent
GF1300 Individual Income Tax	1	840,263,000	717,834,371	(122,428,629)	717,834,371	44.12%	44.12%
GFxxxx Property Tax	2	228,853,000	222,509,767	(6,343,233)	940,344,138	13.67%	57.79%
GF1700 Oil Severance Tax	3	66,930,000	95,490,812	28,560,812	1,035,834,950	5.87%	63.66%
GF0400 Vehicle License Fee	4	92,247,000	89,484,621	(2,762,379)	1,125,319,571	5.50%	69.16%
GF1000 Corporation Tax	5	115,638,000	87,900,911	(27,737,089)	1,213,220,483	5.40%	74.56%
GF0200 Insurance Tax	6	58,762,000	54,892,354	(3,869,646)	1,268,112,837	3.37%	77.93%
GF2400 Video Gaming Tax	7	69,003,000	52,395,999	(16,607,001)	1,320,508,835	3.22%	81.15%
GF3600 All Other Revenue	8	35,247,000	35,360,264	113,264	1,355,869,100	2.17%	83.32%
GF0800 Cigarette Tax	9	32,007,000	32,217,914	210,914	1,388,087,014	1.98%	85.30%
GF3500 U.S. Mineral Leasing	10	27,796,000	30,287,794	2,491,794	1,418,374,808	1.86%	87.16%
GF3100 Coal Trust Interest Earnings	11	28,574,000	26,914,102	(1,659,898)	1,445,288,909	1.65%	88.81%
GF2250 Retail Telecom Excise Tax	12	21,672,000	23,523,474	1,851,474	1,468,812,383	1.45%	90.26%
GF2600 Institution Reimbursements	13	16,047,000	22,000,354	5,953,354	1,490,812,738	1.35%	91.61%
GF0500 Vehicle Registration Fee	14	17,970,000	14,376,928	(3,593,072)	1,505,189,665	0.88%	92.49%
GF2900 Liquor Excise Tax	15	16,581,000	15,626,091	(954,909)	1,520,815,757	0.96%	93.45%
GF2150 Lodging Facilities Sales Tax	16	13,376,000	12,330,846	(1,045,154)	1,533,146,602	0.76%	94.21%
GF0900 Coal Severance Tax	17	10,846,000	10,321,853	(524,147)	1,543,468,455	0.63%	94.84%
GF3300 Lottery Profits	18	10,969,000	10,631,304	(337,696)	1,554,099,760	0.65%	95.49%
GF1800 Public Contractor's Tax	19	4,322,000	6,969,395	2,647,395	1,561,069,155	0.43%	95.92%
GF1500 Metal Mines Tax	20	3,248,000	6,541,391	3,293,391	1,567,610,546	0.40%	96.32%
GF0300 Investment Licenses	21	6,210,000	6,224,662	14,662	1,573,835,208	0.38%	96.70%
GF2300 Tobacco Tax	22	4,738,000	5,334,499	596,499	1,579,169,708	0.33%	97.03%
GF0600 Nursing Facilities Fee	23	5,213,000	5,300,229	87,229	1,584,469,937	0.33%	97.36%
GF1100 Electrical Energy Tax	24	4,717,000	4,713,429	(3,571)	1,589,183,366	0.29%	97.65%
GF2650 Highway Patrol Fines	25	4,055,000	4,646,462	591,462	1,593,829,827	0.29%	97.94%
GF0100 Drivers License Fee	26	3,920,000	4,156,003	236,003	1,597,985,831	0.26%	98.20%
GF1150 Wholesale Energy Trans Tax	27	3,931,000	3,556,056	(374,944)	1,601,541,886	0.22%	98.42%
GF3450 Tobacco Settlement	28	4,007,000	3,468,623	(538,377)	1,605,010,510	0.21%	98.63%
GF0700 Beer Tax	29	3,218,000	3,031,854	(186,146)	1,608,042,363	0.19%	98.82%
GF1850 Rental Car Sales Tax	30	3,182,000	2,807,415	(374,585)	1,610,849,778	0.17%	98.99%
GF2700 TCA Interest Earnings	31	7,967,000	2,692,285	(5,274,715)	1,613,542,063	0.17%	99.16%
GF1200 Railroad Car Tax	32	2,295,000	2,579,263	284,263	1,616,121,326	0.16%	99.32%
GF2500 Wine Tax	33	2,043,000	1,932,669	(110,331)	1,618,053,995	0.12%	99.44%
GF1400 Inheritance Tax	34	29,000	90,544	61,544	1,618,144,539	0.01%	99.45%
GF3000 Liquor Profits	35	7,039,000	9,000,000	1,961,000	1,627,144,539	0.55%	100.00%
GF2200 Telephone Tax	36	-	-	-	1,627,144,539	0.00%	100.00%
Totals		1,772,915,000	1,627,144,539	(145,770,461)		100.00%	
Individual Income Tax	1	840,263,000	717,834,371	(122,428,629)	717,834,371	44.12%	44.12%
Property Tax	2	228,853,000	222,509,767	(6,343,233)	940,344,138	13.67%	57.79%
Oil Severance Tax	3	66,930,000	95,490,812	28,560,812	1,035,834,950	5.87%	63.66%
Vehicle License Fee	4	92,247,000	89,484,621	(2,762,379)	1,125,319,571	5.50%	69.16%
Corporation Tax	5	115,638,000	87,900,911	(27,737,089)	1,213,220,483	5.40%	74.56%
Insurance Tax	6	58,762,000	54,892,354	(3,869,646)	1,268,112,837	3.37%	77.93%
All Other Sources		370,222,000	359,031,703	(11,190,297)	1,627,144,539	22.07%	100.00%
Totals		1,772,915,000	1,627,144,539	(145,770,461)			

US Economic Variables	2007	2008	2009	2010	to 2008	to 2009	to 2010
GDP							
Aug-08	13,909.975	14,451.395	14,838.875	15,542.273	3.89%	2.68%	4.74%
Sep-08	13,909.975	14,500.993	14,933.303	15,606.560	4.25%	2.98%	4.51%
Oct-08	13,909.975	14,449.145	14,694.333	15,258.893	3.88%	1.70%	3.84%
Nov-08	13,909.975	14,418.785	14,494.955	14,937.903	3.66%	0.53%	3.06%
Dec-08	13,909.975	14,405.318	14,348.998	14,790.180	3.56%	-0.39%	3.07%
Jan-09	13,909.975	14,398.093	14,187.920	14,623.033	3.51%	-1.46%	3.07%
Feb-09	13,909.975	14,402.025	14,132.195	14,488.650	3.54%	-1.87%	2.52%
Mar-09	13,909.975	14,385.950	13,979.165	14,258.133	3.42%	-2.83%	2.00%
Apr-09	13,909.975	14,397.800	14,103.695	14,416.415	3.51%	-2.04%	2.22%
May-09	13,909.975	14,397.800	14,141.988	14,441.995	3.51%	-1.78%	2.12%
Jun-09	13,909.975	14,397.800	14,172.495	14,455.833	3.51%	-1.56%	2.00%
Jul-09	13,909.975	14,397.800	14,225.745	14,561.003	3.51%	-1.20%	2.36%
Aug-09	14,077.650	14,441.425	14,242.260	14,650.110	2.58%	-1.38%	2.86%
Sep-09	14,077.650	14,441.425	14,263.660	14,710.103	2.58%	-1.23%	3.13%
Oct-09	14,077.650	14,441.425	14,267.058	14,723.268	2.58%	-1.21%	3.20%
Nov-09	14,077.650	14,441.425	14,267.030	14,754.450	2.58%	-1.21%	3.42%
Dec-09	14,077.650	14,441.425	14,239.155	14,723.413	2.58%	-1.40%	3.40%
Jan-10	14,077.650	14,441.425	14,253.243	14,777.980	2.58%	-1.30%	3.68%
Feb-10	14,077.650	14,441.425	14,258.250	14,815.420	2.58%	-1.27%	3.91%
Mar-10	14,077.650	14,441.425	14,256.275	14,830.208	2.58%	-1.28%	4.03%
Apr-10	14,077.650	14,441.425	14,256.275	14,903.900	2.58%	-1.28%	4.54%
May-10	14,077.650	14,441.425	14,256.275	14,880.540	2.58%	-1.28%	4.38%

West Texas Intermediate Spot

Aug-08	72.183	120.794	130.500	121.500	67.34%	8.04%	-6.90%
Sep-08	72.183	114.444	109.750	108.250	58.55%	-4.10%	-1.37%
Oct-08	72.183	108.166	90.083	92.292	49.85%	-16.72%	2.45%
Nov-08	72.183	101.365	52.750	63.250	40.43%	-47.96%	19.91%
Dec-08	72.183	100.222	43.083	56.750	38.84%	-57.01%	31.72%
Jan-09	72.183	99.590	34.250	51.250	37.97%	-65.61%	49.64%
Feb-09	72.183	99.763	37.478	51.125	38.21%	-62.43%	36.41%
Mar-09	72.183	99.763	37.823	48.543	38.21%	-62.09%	28.34%
Apr-09	72.183	99.763	45.115	54.460	38.21%	-54.78%	20.71%
May-09	72.183	99.763	46.008	54.458	38.21%	-53.88%	18.37%
Jun-09	72.183	99.763	50.777	55.542	38.21%	-49.10%	9.38%
Jul-09	72.183	99.763	55.444	64.250	38.21%	-44.42%	15.88%
Aug-09	72.183	99.763	59.982	66.500	38.21%	-39.88%	10.87%
Sep-09	72.183	99.763	60.333	66.500	38.21%	-39.52%	10.22%
Oct-09	72.183	99.763	60.317	66.500	38.21%	-39.54%	10.25%
Nov-09	72.183	99.763	62.052	68.250	38.21%	-37.80%	9.99%
Dec-09	72.183	99.763	61.979	68.250	38.21%	-37.87%	10.12%
Jan-10	72.183	99.763	61.759	68.126	38.21%	-38.09%	10.31%
Feb-10	72.183	99.763	61.767	74.491	38.21%	-38.09%	20.60%
Mar-10	72.183	99.763	61.767	77.947	38.21%	-38.09%	26.20%
Apr-10	72.183	99.763	61.767	78.344	38.21%	-38.09%	26.84%
May-10	72.183	99.763	61.767	74.830	38.21%	-38.09%	21.15%

US Economic Variables	2007	2008	2009	2010	to 2008	to 2009	to 2010
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Before Tax Book Profits

Aug-08	1,886.275	1,755.985	1,827.764	1,869.984	-6.91%	4.09%	2.31%
Sep-08	1,886.275	1,728.910	1,785.495	1,809.796	-8.34%	3.27%	1.36%
Oct-08	1,886.275	1,667.094	1,749.928	1,841.120	-11.62%	4.97%	5.21%
Nov-08	1,886.275	1,623.916	1,671.302	1,833.482	-13.91%	2.92%	9.70%
Dec-08	1,886.275	1,594.855	1,606.621	1,784.463	-15.45%	0.74%	11.07%
Jan-09	1,886.275	1,593.054	1,527.653	1,709.040	-15.54%	-4.11%	11.87%
Feb-09	1,886.275	1,613.391	1,372.566	1,625.569	-14.47%	-14.93%	18.43%
Mar-09	1,886.275	1,595.138	1,284.025	1,568.709	-15.43%	-19.50%	22.17%
Apr-09	1,886.275	1,597.275	1,334.199	1,594.985	-15.32%	-16.47%	19.55%
May-09	1,886.275	1,597.275	1,294.613	1,508.334	-15.32%	-18.95%	16.51%
Jun-09	1,886.275	1,597.275	1,397.118	1,580.059	-15.32%	-12.53%	13.09%
Jul-09	1,886.275	1,597.275	1,415.022	1,607.821	-15.32%	-11.41%	13.63%
Aug-09	1,774.375	1,462.750	1,384.067	1,555.333	-17.56%	-5.38%	12.37%
Sep-09	1,774.375	1,462.750	1,389.769	1,540.557	-17.56%	-4.99%	10.85%
Oct-09	1,774.375	1,462.750	1,397.210	1,560.751	-17.56%	-4.48%	11.70%
Nov-09	1,774.375	1,462.750	1,430.819	1,631.636	-17.56%	-2.18%	14.04%
Dec-09	1,774.375	1,462.750	1,396.163	1,584.249	-17.56%	-4.55%	13.47%
Jan-10	1,774.375	1,462.750	1,419.998	1,606.633	-17.56%	-2.92%	13.14%
Feb-10	1,774.375	1,462.750	1,423.837	1,652.171	-17.56%	-2.66%	16.04%
Mar-10	1,774.375	1,462.750	1,427.650	1,690.736	-17.56%	-2.40%	18.43%
Apr-10	1,774.375	1,462.750	1,427.650	1,851.295	-17.56%	-2.40%	29.67%
May-10	1,774.375	1,462.750	1,427.650	1,831.661	-17.56%	-2.40%	28.30%

3 Month T-Bill

Aug-08	4.380	1.815	2.391	4.219	-58.57%	31.73%	76.49%
Sep-08	4.380	1.808	2.391	4.219	-58.72%	32.21%	76.49%
Oct-08	4.380	1.585	1.493	3.162	-63.82%	-5.81%	111.85%
Nov-08	4.380	1.464	0.866	1.829	-66.59%	-40.80%	111.07%
Dec-08	4.380	1.400	0.404	1.825	-68.04%	-71.13%	351.69%
Jan-09	4.380	1.393	0.168	1.514	-68.20%	-87.97%	803.17%
Feb-09	4.380	1.402	0.227	0.534	-67.99%	-83.80%	135.19%
Mar-09	4.380	1.402	0.250	0.612	-67.99%	-82.14%	144.53%
Apr-09	4.380	1.402	0.253	0.612	-67.99%	-81.97%	142.26%
May-09	4.380	1.402	0.219	0.612	-67.99%	-84.35%	179.03%
Jun-09	4.380	1.402	0.240	0.612	-67.99%	-82.86%	154.84%
Jul-09	4.380	1.402	0.230	0.632	-67.99%	-83.61%	174.95%
Aug-09	4.380	1.402	0.229	0.632	-67.99%	-83.67%	175.89%
Sep-09	4.380	1.402	0.195	0.571	-67.99%	-86.08%	192.55%
Oct-09	4.380	1.402	0.174	0.524	-67.99%	-87.60%	201.46%
Nov-09	4.380	1.402	0.160	0.483	-67.99%	-88.60%	202.32%
Dec-09	4.380	1.402	0.149	0.461	-67.99%	-89.34%	208.51%
Jan-10	4.380	1.402	0.150	0.461	-67.99%	-89.30%	207.41%
Feb-10	4.380	1.402	0.151	0.387	-67.99%	-89.20%	155.37%
Mar-10	4.380	1.402	0.151	0.385	-67.99%	-89.20%	154.38%
Apr-10	4.380	1.402	0.151	0.317	-67.99%	-89.20%	109.24%
May-10	4.380	1.402	0.151	0.220	-67.99%	-89.20%	45.01%

US Economic Variables	2007	2008	2009	2010	to 2008	to 2009	to 2010
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10 Year Note Yield

Aug-08	4.629	3.786	3.933	5.189	-18.22%	3.89%	31.94%
Sep-08	4.629	3.798	3.942	5.189	-17.95%	3.79%	31.63%
Oct-08	4.629	3.783	3.675	4.610	-18.29%	-2.83%	25.43%
Nov-08	4.629	3.800	3.635	3.884	-17.92%	-4.35%	6.87%
Dec-08	4.629	3.709	3.200	3.887	-19.89%	-13.71%	21.47%
Jan-09	4.629	3.667	2.327	3.356	-20.77%	-36.56%	44.24%
Feb-09	4.629	3.667	2.647	3.096	-20.79%	-27.80%	16.96%
Mar-09	4.629	3.667	2.768	2.889	-20.79%	-24.51%	4.38%
Apr-09	4.629	3.667	2.776	2.894	-20.79%	-24.30%	4.27%
May-09	4.629	3.667	2.950	3.053	-20.79%	-19.54%	3.47%
Jun-09	4.629	3.667	3.260	3.585	-20.79%	-11.09%	9.97%
Jul-09	4.629	3.667	3.317	3.717	-20.79%	-9.54%	12.06%
Aug-09	4.629	3.667	3.344	3.791	-20.79%	-8.79%	13.36%
Sep-09	4.629	3.667	3.309	3.707	-20.79%	-9.76%	12.03%
Oct-09	4.629	3.667	3.233	3.510	-20.79%	-11.82%	8.56%
Nov-09	4.629	3.667	3.249	3.531	-20.79%	-11.39%	8.68%
Dec-09	4.629	3.667	3.237	3.498	-20.79%	-11.70%	8.03%
Jan-10	4.629	3.667	3.256	3.685	-20.79%	-11.20%	13.17%
Feb-10	4.629	3.667	3.257	3.720	-20.79%	-11.18%	14.21%
Mar-10	4.629	3.667	3.257	3.879	-20.79%	-11.18%	19.11%
Apr-10	4.629	3.667	3.257	3.675	-20.79%	-11.18%	12.85%
May-10	4.629	3.667	3.257	3.547	-20.79%	-11.18%	8.91%

S&P Stock Index

Aug-08	1,476.658	1,320.648	1,399.020	1,530.749	-10.57%	5.93%	9.42%
Sep-08	1,476.658	1,321.244	1,398.974	1,527.565	-10.52%	5.88%	9.19%
Oct-08	1,476.658	1,258.445	1,256.250	1,465.327	-14.78%	-0.17%	16.64%
Nov-08	1,476.658	1,235.636	1,021.249	1,140.000	-16.32%	-17.35%	11.63%
Dec-08	1,476.658	1,216.514	980.000	1,124.999	-17.62%	-19.44%	14.80%
Jan-09	1,476.658	1,220.724	954.999	1,099.998	-17.33%	-21.77%	15.18%
Feb-09	1,476.658	1,220.894	916.908	1,100.015	-17.32%	-24.90%	19.97%
Mar-09	1,476.658	1,220.894	774.665	941.238	-17.32%	-36.55%	21.50%
Apr-09	1,476.658	1,220.894	792.325	941.235	-17.32%	-35.10%	18.79%
May-09	1,476.658	1,220.894	843.172	969.001	-17.32%	-30.94%	14.92%
Jun-09	1,476.658	1,220.894	872.790	986.851	-17.32%	-28.51%	13.07%
Jul-09	1,476.658	1,220.894	872.950	988.933	-17.32%	-28.50%	13.29%
Aug-09	1,476.658	1,220.894	922.979	1,071.433	-17.32%	-24.40%	16.08%
Sep-09	1,476.658	1,220.894	923.434	1,071.434	-17.32%	-24.36%	16.03%
Oct-09	1,476.658	1,220.894	932.059	1,071.435	-17.32%	-23.66%	14.95%
Nov-09	1,476.658	1,220.894	937.344	1,083.641	-17.32%	-23.22%	15.61%
Dec-09	1,476.658	1,220.894	946.704	1,145.080	-17.32%	-22.46%	20.95%
Jan-10	1,476.658	1,220.894	946.774	1,157.644	-17.32%	-22.45%	22.27%
Feb-10	1,476.658	1,220.894	946.734	1,159.827	-17.32%	-22.46%	22.51%
Mar-10	1,476.658	1,220.894	946.734	1,192.240	-17.32%	-22.46%	25.93%
Apr-10	1,476.658	1,220.894	946.734	1,153.782	-17.32%	-22.46%	21.87%
May-10	1,476.658	1,220.894	946.734	1,147.253	-17.32%	-22.46%	21.18%

US Economic Variables	2007	2008	2009	2010	to 2008	to 2009	to 2010
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CPI (1984=1.0) Urban

Aug-08	2.073	2.173	2.238	2.273	4.80%	3.00%	1.56%
Sep-08	2.073	2.169	2.224	2.269	4.60%	2.53%	2.02%
Oct-08	2.073	2.164	2.192	2.237	4.34%	1.31%	2.06%
Nov-08	2.073	2.155	2.136	2.187	3.93%	-0.86%	2.38%
Dec-08	2.073	2.153	2.119	2.170	3.81%	-1.55%	2.38%
Jan-09	2.073	2.152	2.104	2.154	3.80%	-2.24%	2.39%
Feb-09	2.073	2.152	2.112	2.149	3.80%	-1.88%	1.74%
Mar-09	2.073	2.152	2.112	2.144	3.80%	-1.85%	1.49%
Apr-09	2.073	2.152	2.123	2.156	3.80%	-1.36%	1.55%
May-09	2.073	2.152	2.127	2.159	3.80%	-1.17%	1.52%
Jun-09	2.073	2.152	2.134	2.162	3.80%	-0.86%	1.31%
Jul-09	2.073	2.152	2.138	2.176	3.80%	-0.65%	1.79%
Aug-09	2.073	2.152	2.143	2.174	3.80%	-0.44%	1.48%
Sep-09	2.073	2.152	2.141	2.170	3.80%	-0.51%	1.31%
Oct-09	2.073	2.152	2.144	2.174	3.80%	-0.39%	1.40%
Nov-09	2.073	2.152	2.145	2.178	3.80%	-0.32%	1.54%
Dec-09	2.073	2.152	2.145	2.182	3.80%	-0.32%	1.69%
Jan-10	2.073	2.152	2.146	2.183	3.80%	-0.31%	1.74%
Feb-10	2.073	2.152	2.145	2.183	3.82%	-0.32%	1.75%
Mar-10	2.073	2.152	2.145	2.186	3.82%	-0.32%	1.88%
Apr-10	2.073	2.152	2.145	2.185	3.82%	-0.32%	1.82%
May-10	2.073	2.152	2.145	2.177	3.82%	-0.32%	1.48%

Henry Hub (NG)

Aug-08	6.939	9.878	9.850	10.200	42.35%	-0.28%	3.55%
Sep-08	6.939	9.546	9.548	9.682	37.57%	0.02%	1.41%
Oct-08	6.939	9.317	8.739	8.968	34.27%	-6.20%	2.61%
Nov-08	6.939	9.018	7.345	8.118	29.96%	-18.55%	10.53%
Dec-08	6.939	8.919	6.612	7.403	28.53%	-25.87%	11.97%
Jan-09	6.939	8.860	5.831	7.059	27.68%	-34.19%	21.07%
Feb-09	6.939	8.814	5.212	7.049	27.01%	-40.87%	35.25%
Mar-09	6.939	8.814	5.009	6.848	27.01%	-43.17%	36.72%
Apr-09	6.939	8.814	4.377	6.212	27.01%	-50.34%	41.91%
May-09	6.939	8.814	4.258	5.725	27.01%	-51.69%	34.46%
Jun-09	6.939	8.814	4.198	5.200	27.01%	-52.37%	23.88%
Jul-09	6.939	8.814	4.224	5.199	27.01%	-52.07%	23.08%
Aug-09	6.939	8.814	3.783	3.837	27.01%	-57.08%	1.42%
Sep-09	6.939	8.814	3.712	3.837	27.01%	-57.88%	3.36%
Oct-09	6.939	8.814	3.625	3.741	27.01%	-58.87%	3.20%
Nov-09	6.939	8.814	3.765	4.061	27.01%	-57.28%	7.86%
Dec-09	6.939	8.814	3.790	4.377	27.01%	-57.00%	15.49%
Jan-10	6.939	8.814	3.935	3.966	27.01%	-55.35%	0.80%
Feb-10	6.940	8.816	3.906	3.841	27.03%	-55.70%	-1.66%
Mar-10	6.939	8.814	3.906	4.043	27.01%	-55.68%	3.52%
Apr-10	6.939	8.814	3.906	3.960	27.01%	-55.68%	1.38%
May-10	6.939	8.814	3.906	3.993	27.01%	-55.68%	2.23%

US Economic Variables	2007	2008	2009	2010	to 2008	to 2009	to 2010
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Personal Income

Aug-08	11,663.250	12,165.235	12,567.933	13,179.380	4.30%	3.31%	4.87%
Sep-08	11,663.250	12,166.383	12,609.800	13,203.363	4.31%	3.64%	4.71%
Oct-08	11,663.250	12,173.990	12,502.913	12,966.490	4.38%	2.70%	3.71%
Nov-08	11,663.250	12,155.125	12,414.638	12,709.503	4.22%	2.14%	2.38%
Dec-08	11,663.250	12,121.510	12,315.425	12,631.988	3.93%	1.60%	2.57%
Jan-09	11,663.250	12,108.945	12,204.295	12,513.775	3.82%	0.79%	2.54%
Feb-09	11,663.250	12,099.050	12,180.660	12,459.118	3.74%	0.67%	2.29%
Mar-09	11,663.250	12,106.875	12,152.630	12,318.535	3.80%	0.38%	1.37%
Apr-09	11,663.250	12,102.650	12,120.495	12,339.543	3.77%	0.15%	1.81%
May-09	11,663.250	12,102.650	12,078.335	12,294.685	3.77%	-0.20%	1.79%
Jun-09	11,663.250	12,100.650	12,093.303	12,332.078	3.75%	-0.06%	1.97%
Jul-09	11,663.250	12,100.650	12,108.148	12,375.063	3.75%	0.06%	2.20%
Aug-09	11,894.050	12,238.800	11,995.295	12,292.303	2.90%	-1.99%	2.48%
Sep-09	11,894.050	12,238.800	11,991.008	12,306.603	2.90%	-2.02%	2.63%
Oct-09	11,894.050	12,238.800	11,976.438	12,310.018	2.90%	-2.14%	2.79%
Nov-09	11,894.050	12,238.800	11,972.805	12,291.083	2.90%	-2.17%	2.66%
Dec-09	11,894.050	12,238.800	12,065.953	12,464.410	2.90%	-1.41%	3.30%
Jan-10	11,894.050	12,238.800	12,070.353	12,533.233	2.90%	-1.38%	3.83%
Feb-10	11,894.050	12,238.800	12,030.250	12,412.435	2.90%	-1.70%	3.18%
Mar-10	11,894.050	12,238.800	12,026.100	12,418.943	2.90%	-1.74%	3.27%
Apr-10	11,894.050	12,238.800	12,026.100	12,437.238	2.90%	-1.74%	3.42%
May-10	11,894.050	12,238.800	12,019.025	12,402.210	2.90%	-1.80%	3.19%

Wages and Salaries (Total)

Aug-08	6,361.975	6,612.503	6,828.584	7,135.332	3.94%	3.27%	4.49%
Sep-08	6,361.975	6,594.220	6,814.778	7,122.152	3.65%	3.34%	4.51%
Oct-08	6,361.975	6,587.845	6,735.702	6,982.708	3.55%	2.24%	3.67%
Nov-08	6,361.975	6,585.417	6,667.420	6,829.739	3.51%	1.25%	2.43%
Dec-08	6,361.975	6,550.061	6,579.013	6,734.223	2.96%	0.44%	2.36%
Jan-09	6,361.975	6,546.670	6,525.552	6,668.095	2.90%	-0.32%	2.18%
Feb-09	6,361.975	6,543.175	6,514.227	6,651.570	2.85%	-0.44%	2.11%
Mar-09	6,361.975	6,550.800	6,495.340	6,565.244	2.97%	-0.85%	1.08%
Apr-09	6,361.975	6,550.125	6,492.602	6,579.718	2.96%	-0.88%	1.34%
May-09	6,361.975	6,550.125	6,479.211	6,573.824	2.96%	-1.08%	1.46%
Jun-09	6,361.975	6,547.975	6,454.040	6,550.622	2.92%	-1.43%	1.50%
Jul-09	6,361.975	6,547.975	6,467.795	6,581.537	2.92%	-1.22%	1.76%
Aug-09	6,408.900	6,545.850	6,284.493	6,397.788	2.14%	-3.99%	1.80%
Sep-09	6,408.900	6,545.850	6,259.531	6,385.825	2.14%	-4.37%	2.02%
Oct-09	6,408.900	6,545.850	6,253.428	6,378.075	2.14%	-4.47%	1.99%
Nov-09	6,408.900	6,545.850	6,253.909	6,376.201	2.14%	-4.46%	1.96%
Dec-09	6,408.900	6,545.850	6,324.072	6,474.474	2.14%	-3.39%	2.38%
Jan-10	6,408.900	6,545.850	6,329.846	6,503.987	2.14%	-3.30%	2.75%
Feb-10	6,408.900	6,545.850	6,284.350	6,416.789	2.14%	-3.99%	2.11%
Mar-10	6,408.900	6,545.850	6,284.100	6,416.314	2.14%	-4.00%	2.10%
Apr-10	6,408.900	6,545.850	6,284.100	6,418.603	2.14%	-4.00%	2.14%
May-10	6,408.900	6,545.850	6,276.525	6,385.974	2.14%	-4.11%	1.74%



Montana Economic Variables	2007	2008	2009	2010	to 2008	to 2009	to 2010
Personal Income							
May-08	31,090.250	32,444.372	33,667.955	35,270.536	4.36%	3.77%	4.76%
Jul-08	31,032.750	32,542.580	33,946.700	35,699.622	4.87%	4.31%	5.16%
Aug-08	31,032.750	32,542.580	33,946.700	35,699.622	4.87%	4.31%	5.16%
Oct-08	31,748.500	33,475.065	34,700.768	35,979.176	5.44%	3.66%	3.68%
Jan-09	31,748.500	33,121.450	33,737.697	34,779.292	4.32%	1.86%	3.09%
Apr-09	31,783.500	33,140.250	33,605.342	34,451.897	4.27%	1.40%	2.52%
Jul-09	31,783.500	33,091.000	33,531.259	34,551.335	4.11%	1.33%	3.04%
Sep-09	31,783.500	33,091.000	33,406.796	34,340.163	4.11%	0.95%	2.79%
Oct-09	31,783.500	33,091.000	33,505.168	34,616.630	4.11%	1.25%	3.32%
Nov-09	32,475.250	33,515.500	33,082.124	34,116.995	3.20%	-1.29%	3.13%
Jan-10	32,475.250	33,515.500	33,189.432	34,412.697	3.20%	-0.97%	3.69%
Feb-10	32,475.250	33,515.500	33,177.576	34,227.207	3.20%	-1.01%	3.16%
Mar-10	32,475.250	33,515.500	33,153.750	34,261.140	3.20%	-1.08%	3.34%
Apr-10	32,475.250	33,515.500	33,153.750	34,635.907	3.20%	-1.08%	4.47%
May-10	32,475.250	33,515.500	33,153.750	34,619.789	3.20%	-1.08%	4.42%
Jun-10	32,475.250	33,515.500	33,119.000	34,124.111	3.20%	-1.18%	3.03%
Wages and Salaries							
May-08	15,192.000	15,855.206	16,382.961	17,069.251	4.37%	3.33%	4.19%
Jul-08	15,147.750	15,985.321	16,544.522	17,229.851	5.53%	3.50%	4.14%
Aug-08	15,147.750	15,985.321	16,544.522	17,229.851	5.53%	3.50%	4.14%
Oct-08	15,195.500	15,883.158	16,247.201	16,749.130	4.53%	2.29%	3.09%
Jan-09	15,195.500	15,780.746	15,899.412	16,266.153	3.85%	0.75%	2.31%
Apr-09	15,202.750	15,857.500	16,082.970	16,453.563	4.31%	1.42%	2.30%
Jul-09	15,202.750	15,834.250	15,939.618	16,361.013	4.15%	0.67%	2.64%
Sep-09	15,202.750	15,834.250	15,856.754	16,300.804	4.15%	0.14%	2.80%
Oct-09	15,202.750	15,834.250	15,981.867	16,559.275	4.15%	0.93%	3.61%
Nov-09	15,087.000	15,604.500	15,267.135	15,681.688	3.43%	-2.16%	2.72%
Jan-10	15,087.000	15,604.500	15,329.518	15,784.065	3.43%	-1.76%	2.97%
Feb-10	15,087.000	15,604.500	15,308.943	15,711.771	3.43%	-1.89%	2.63%
Mar-10	15,087.000	15,604.500	15,314.250	15,632.720	3.43%	-1.86%	2.08%
Apr-10	15,087.000	15,604.500	15,314.250	15,696.459	3.43%	-1.86%	2.50%
May-10	15,087.000	15,604.500	15,314.250	15,703.303	3.43%	-1.86%	2.54%
Jun-10	15,087.000	15,604.500	15,270.250	15,559.990	3.43%	-2.14%	1.90%
Non Farm Employment							
May-08	444.583	448.088	450.254	456.596	0.79%	0.48%	1.41%
Jul-08	444.583	451.386	453.789	460.812	1.53%	0.53%	1.55%
Aug-08	444.583	451.386	453.789	460.812	1.53%	0.53%	1.55%
Oct-08	444.583	449.764	446.942	450.899	1.17%	-0.63%	0.89%
Jan-09	444.583	448.883	442.206	444.692	0.97%	-1.49%	0.56%
Apr-09	444.842	446.308	439.611	440.099	0.33%	-1.50%	0.11%
Jul-09	444.842	446.308	439.334	440.769	0.33%	-1.56%	0.33%
Sep-09	444.842	446.308	438.328	439.367	0.33%	-1.79%	0.24%
Oct-09	444.842	446.308	441.674	445.547	0.33%	-1.04%	0.88%
Nov-09	444.842	446.308	439.164	438.462	0.33%	-1.60%	-0.16%
Jan-10	444.842	446.308	439.215	439.322	0.33%	-1.59%	0.02%
Feb-10	444.783	445.725	429.200	426.887	0.21%	-3.71%	-0.54%
Mar-10	444.783	445.725	429.200	424.717	0.21%	-3.71%	-1.04%
Apr-10	444.783	445.725	429.200	427.142	0.21%	-3.71%	-0.48%
May-10	444.783	445.725	429.200	427.231	0.21%	-3.71%	-0.46%
Jun-10	444.783	445.725	429.200	425.826	0.21%	-3.71%	-0.79%

ECONOMIC FORECASTS AND FORECASTING SERVICES

Company	Type of Service	Offerings	Comments & Contacts
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Current Provider: IHS Global Insight</p>	<p>Subscriber Service</p>	<p>Montana’s current subscription with IHS Global Insight provides long-term (currently to 2020) quarterly and annual projections of more than 1,700 variables in national data sets (sample):</p> <ul style="list-style-type: none"> ○ Summary Tables, Baseline Forecast, Optimistic Alternative, Pessimistic Alternatives (of national) ○ Composition of Real and Nominal GDP ○ Contributions to Real GDP Growth ○ GDP, GNP and National Income (Components & Distribution) ○ Real and Nominal Consumer Spending and Percent Changes ○ Personal Income ○ Household Finances ○ Light Vehicles ○ Residential Construction ○ Housing Market Indicators ○ Interest Rates, Money and Financial Variables ○ Gross Saving and Investment ○ Prices and Wages ○ Producer Prices By Commodity ○ Population, Labor Force and Potential GDP ○ Energy ○ Industrial Production Indexes and Percent Changes ○ Employment Detail – Levels & Percent Changes ○ Productivity and Costs <p>The current subscription also provides long-term (2040) quarterly and annual projections for a series of Montana variables which includes (sample):</p> <ul style="list-style-type: none"> ○ Population ○ Housing starts, permits, price ○ Employment by industrial sector ○ Industrial production by sector ○ New Passenger Car & Light Truck Registrations ○ Real Retail Sales ○ Shipments of Manufactured Goods, SAAR ○ Personal Tax Payments (excluding Sales Tax) ○ State Motor Vehicle Sales and Excise Taxes, % of market value paid at time of sales or titling ○ Average and Relative Electricity Prices, Residential, Commercial, Industrial, Business ○ Average and Relative Natural Gas Prices, Residential, Commercial, Industrial, Business <p>The following variables are provided in nominal and real terms:</p> <ul style="list-style-type: none"> ○ Average annual wage by industrial sector ○ Wage disbursements by industrial sector ○ Personal and Disposable Income (total and per capita) ○ Total Nonwage Personal Income (Proprietors’ and Farm) ○ Income, Transfers less Soc. Ins. Payments 	<p>Subscriber Cost:</p> <p>Entered into a 3 year contract on June 30</p> <p>Subscriber costs are paid in OBPP budget</p>

		<ul style="list-style-type: none"> ○ Nonfarm Proprietors' Income ○ Property Income ○ Transfer Payments ○ Average Household Income ○ Median Household Income ○ GSP by sector 	
Bureau of Labor Statistics	Public (Government)	<p>Percent change in total employment, 2008-2018</p> <ul style="list-style-type: none"> ○ Numeric change in total employment, 2008-2018 ○ Job openings due to growth and replacement needs, 2008-2018 	Only for decade, not annual
Census and Economic Information Center, Montana Department of Commerce	Public (Government)	<ul style="list-style-type: none"> ○ Population Projections <ul style="list-style-type: none"> ● Census Bureau ● NPA ● Woods&Poole (historic back to 1970) ● 5 yr forecasts 2010-2030 ○ Population by <ul style="list-style-type: none"> ● MSAs ● Counties ● Age group ● Race (total populations) ○ Other projections include <ul style="list-style-type: none"> ● Anticipated housing needs ● Job projections ● Occupational projections ● Employment by industrial sector ● Personal income by components ● Number of households by income distribution ● Retail sales by major categories 	Mary Craigle - (406) 841-2739
Congressional Budget Office,	Public (Government)	<p>CBO baseline budget projections-2009 through 2020</p> <ul style="list-style-type: none"> ○ National individual income tax ○ National corporation income tax ○ National social security tax ○ Other tax revenues 	<p>All figures stated in billions with no places</p> <p>www.cbo.gov/Spreadsheets.cfm</p>
Energy Information Administration	Public (Government)	<p>EIA provides monthly updated short-term (two years (steo series)) and long-term (to 2035 (aio series)) forecasts of price, consumption, and supply/demand of:</p> <ul style="list-style-type: none"> ○ Global Crude Oil and Liquid Fuels ○ U.S. Crude Oil and Liquid Fuels ○ Natural Gas ○ Electricity ○ Coal ○ Carbon Dioxide Emissions 	No state specific projections eia.doe.gov
Federal Reserve 9 th District	Public	<p>The 9th Fed District provides one year forecasts several economic factors, updated twice/year (Jan. and July), for the state of Montana, including:</p> <ul style="list-style-type: none"> ○ Nonfarm Employment ○ Unemployment Rate ○ Personal Income ○ Housing Units 	<p>Data is found at:</p> <p>http://www.minneapolisfed.org/research/data/district/forecast/#track</p> <p>See Appendix B for forecast accuracy tests</p>

Financial Forecast Center	Public & Subscriber	<p>Producing and publishing economic and financial market forecasts since 1997. Forecasts published exclusively on the internet. Forecasts are generated in-house, are 100% quantitative and use a global, long-range economic dataset. The Financial Forecast Center has no ties to other companies or institutions; products and services are completely independent. Short-term forecasts (6 months) are provided free, while long-term forecasts (36 months) are available to subscribers. Forecasts include:</p> <ul style="list-style-type: none"> ○ Stock Indexes ○ Money Rates (including prime, treasury, and mortgage rates) ○ U.S. General Economy <ul style="list-style-type: none"> ● Real GDP Growth Rate ● Inflation Rate ● Gold Prices ● Oil Prices ● Unemployment ● Jobs Growth ● Housing Starts ● Retail Sales Growth ○ Currency Exchange Rates 	<p>Subscriber cost: \$29.95/yr</p> <p>The Financial Forecast Center is a service of Financial Forecast Center, LLC, a small, privately owned Texas corporation located in Houston, Texas.</p> <p>www.forecasts.org</p>
Housing Economics.com	Subscriber	<p>Short-term (2 yr) and long-term (2017) housing statistics, including national stats of:</p> <ul style="list-style-type: none"> ○ GDP ○ CSI ○ PPI ○ Unemployment rate ○ Payroll employment ○ Treasury yields ○ Housing starts ○ Home sales (new & existing) <p>And state stats of:</p> <ul style="list-style-type: none"> ○ Total housing starts ○ Single-family housing starts ○ Multi-family housing starts 	<p>Non-member single user subscription cost: \$1,095</p>
Microeconomic Advisors	Subscriber	<p>Macro Service: provides access to the Washington University Macro Model (WUMM) and frequently updated solution files</p> <ul style="list-style-type: none"> ○ Tables with forecast detail on interest rates, inflation, profits, income, and growth are included ○ Nominal and real expenditure components of GDP and the corresponding prices; productivity, hours, employment and labor force; components of national and personal income; government expenditures and revenue; foreign transactions and related series; value-added by sector; housing and construction; key interest rates and other financial indicators; and other key indicators of production and prices ○ provides WUMM (system of over 500 equations integrates the key elements of modern macroeconomics with a thorough treatment of monetary and fiscal policy) 	<p><u>No state forecasts</u> (only macro-nation)</p> <p>Debbie Cason - (314) 721-4747</p>
Moody's/Economy.com	Subscriber	<p>Models for all 50 states via Web-based (no software to download or purchase) point and click. Easily viewed equations, residuals and add factors. Monthly data updates for both history and forecast. Statistical tables include:</p>	<p>Subscription Cost for 3 series of data: \$13,030 to \$14,670/yr for</p>

		<ul style="list-style-type: none"> ○ Top employers ○ Location quotients ○ Migration flows ○ Industry structure ○ House prices ○ Merchandise trade ○ Income trends. ○ Cost of doing business ○ Risk-adjusted return ○ Short and long-term employment growth ○ 5 Year forecasts for: <ul style="list-style-type: none"> ● Gross State Product ● Employment ● Housing Activity ● Income ● Migration Flows ● Personal Bankruptcies ● Population ● Vehicle Registrations <p>Moody's Economy.com Recent Performance Reports contain the most recent pertinent economic data for states and metropolitan areas. Data are shown monthly (where available), quarterly (where available), and annually. Each report is delivered in spreadsheet format. Concepts Include</p> <ul style="list-style-type: none"> ○ Employment ○ Unemployment ○ Housing Activity ○ Income ○ Bankruptcies ○ Population ○ Migration <p>*****</p> <p>Subscriber forecasts delivered monthly in spreadsheet format, are updated monthly, have a quarterly periodicity and 30-year forecast horizon. Subscriber services include the following data sets.</p> <p>U.S. Macro Financial Forecast, with alternative scenarios, over 1,500 variables, and includes (\$7,790/yr):</p> <ul style="list-style-type: none"> ○ GDP ○ Employment ○ Prices ○ Interest rates ○ Banking ○ Credit quality ○ Construction ○ Industry ○ Real estate ○ Demographics <p>Single-State Forecast database for Montana only, over 100 variables available and includes (baseline only \$3,790/yr or \$5,430/yr with alternative scenarios):</p> <ul style="list-style-type: none"> ○ Employment ○ Income 	<p>comparable service</p> <p>Apparently the only service other than GI that offers the large number of forecasts across the many economic sectors and that are able to offer state specific forecasts</p> <p>See Appendix A for forecast accuracy tests</p>
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		<ul style="list-style-type: none"> ○ Demographics ○ Construction activity ○ Home prices ○ Banking ○ Real estate and credit quality <p>Detailed Employment, Output & Wages Database for Montana only, with U.S. and includes (\$1,450/yr):</p> <ul style="list-style-type: none"> ○ Payroll employment ○ Real/nominal output ○ Complete coverage of government, military personnel and farm sector ○ Provides one-digit manufacturing aggregates and totals <p>History begins in 1970 Updated monthly, quarterly periodicity and 30-year forecast horizon</p>	
OECD – Organization for Economic Co-operation and	Public/Subscriber	<p>The "Reference Series": data series that are the most frequently used as denominators for the calculation of ratios and indicators. The series contains the following statistics:</p> <ul style="list-style-type: none"> ○ Main aggregates of national accounts (with history and forecasts) ○ Labor market population ○ Exchange rates ○ Purchasing power parities ○ Price indices. 	Multi-national Data Short term forecasts Mainly comparative between US and other countries
US Department of Census	Public	Population projections-2004 through 2030	Annual, currently based on 2000 census
Wachovia/Wells Fargo	Publicly Published	<p>Publish monthly economic updates for the U.S. (national) with projections out to 6 quarters (1.5 years). Projections include:</p> <ul style="list-style-type: none"> ○ Real Gross Domestic Product ○ Personal Consumption ○ Business Fixed Investment <ul style="list-style-type: none"> ● Equipment and Software ● Structures ○ Residential Construction ○ Government Purchases ○ Net Exports ○ Inventory Change ○ Nominal GDP ○ Real Final Sales ○ Retail Sales ○ Inflation Indicators ○ CPI ○ PPI ○ Employment Cost Index ○ Real Disposable Income ○ Nominal Personal Income ○ Industry Production ○ Capacity Utilization ○ Pre/Post Tax Corporation Income ○ Federal Budget Balance ○ Current Accounts Balance ○ Trade Weighted Dollar Index ○ Non-Farm Payroll Change 	Wells Fargo Securities, LLC Economics Group Quarterly projections www.wachovia.com

		<ul style="list-style-type: none"> ○ Unemployment Rate ○ Housing Starts ○ Light Vehicle Sales ○ Crude Oil (WTI)-Front Contract ○ Various Interest Rates (including prime and mortgage) 	
WTRG Economics	Subscriber	Forecasts for oil and natural gas production <ul style="list-style-type: none"> ○ Could provide forecasts for Montana production and price on a “consulting” basis 	Subscriber cost: \$200/yr James L. Williams www.wtrg.com

Attached are three appendices that provide accuracy measures of some of the forecasts included in the forecaster matrix. Because of space limitations, information pertaining to the appendices is included here.

Appendix A:

Appendix A contains forecast accuracy measures provided by Moody’s Economy.com. The information is copied from the April 2010 (Volume XX, Number 10) publication of Regional Financial Review. The copied sections are from the chapter entitled “Forecast Accuracy: U.S. Macro” and includes the tables which can be seen on pages 14-18. A full copy of the report is available upon request.

Appendix B:

Appendix B contains forecast accuracy comparisons for IHS Global Insight and Moody’s Economy.com. The accuracy measures for the Moody’s and the “Actual” factors are taken from the tables in Appendix A, while the comparative IHS Global Insight factors are taken from the designated data sets as received through the state’s subscription.

The green dots included in the first two tables indicate when IHS Global Insight, as the state’s current forecasting service provides a more accurate forecast than Moody’s Economy.com. In the comparison, each of the forecasting services provided an equal number of forecasts which were closer to the actual values.

Appendix C:

Appendix C contains forecast accuracy measures provided by the 9th District Federal Reserve Bank. The measures were developed by the 9th District FED and can be found at their website under the link titled: “Tracking the Models Forecasts and are included in the 2009 tab.

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Appendix A

Forecast Accuracy Measures - Moody's Economy.com:

Macroeconomic Near-Term Forecast Accuracy	12/08 Forecast of	
	2009	Actual 2009
Real Gross domestic product (% change)	-1.5	-2.4
Employment: Total nonfarm (% change)	-2.3	-4.3
Household survey: Unemployment rate (% , SA)	8.0	9.3
CPI: Urban Consumer - All items (% change)	0.9	-0.3
CPI: Urban Consumer - Excluding food and energy (% change)	1.5	1.7
Oil Price: Domestic West Texas Intermediate crude (\$ per barrel)	53.4	61.7
Vehicle Sales: Autos and light trucks (mil, SAAR)	10.8	10.4
Housing starts: Total privately owned (ths, SAAR)	756	553
Median Sales Price Existing Single-Family Homes (% change)	-14.5	-11.9
Federal funds target rate (%)	0.3	0.2
Interest Rates: 10-Year Treasury Constant Maturity (%)	3.6	3.3
Weighted Average Exchange Value of U.S. Dollar: Broad Index - Nominal (% change)	-3.1	6.1
S&P Stock Price Index: 500 Composite (% change)	-12.4	-22.5

Source: Moody's Economy.com

Macroeconomic Long-Term Forecast Accuracy	12/04 Forecast of	
	2005-2009	Actual
Real Gross domestic product (% change)	3.3	1.2
Employment: Total nonfarm (% change)	1.4	-0.1
Household survey: Unemployment rate (% , SA)	5.1	5.9
CPI: Urban Customers-All items (% change)	2.2	2.6
CPI: Urban Customers-Excluding food and energy (% change)	2.4	2.2
Oil Price: Domestic West Texas Intermediate crude (\$ per barrel)	33.9	71.2
Vehicle Sales: Autos and light trucks (mil, SA)	16.2	14.6
Housing starts: Total privately owned (mil, SAAR)	1.6	1.3
Median Sales Price Existing Single-Family Homes (% change)	3.7	-2.2
Federal funds target rate (%)	4.2	3.1
Interest Rates: 10-Year Treasury Constant Maturity (%)	5.5	4.1
Weighted Average Exchange Value of U.S. Dollar: Broad Index-Nominal (% change)	-1.2	-1.4
S&P Stock Price Index: 500 Composite (% change)	9	-3.5

Source: Moody's Economy.com

Note: Compound annual growth rates

Macroeconomic Forecast Consistency	12/08	12/09	4/10 Forecast
	Forecast	Forecast	
Real Gross domestic product (% change)	2.1	2.3	2.9
Employment: Total nonfarm (% change)	0.4	-0.8	-0.7
Household survey: Unemployment rate (% , SA)	8.7	10.5	10
CPI: Urban Customers-All items (% change)	2.7	1.7	2
CPI: Urban Customers-Excluding food and energy (% change)	2	0.7	0.9
Oil Price: Domestic West Texas Intermediate crude (\$ per barrel)	77.6	77.1	79.5
Vehicle Sales: Autos and light trucks (mil, SA)	13.2	11.5	11.7
Housing starts: Total privately owned (mil, SAAR)	0.9	0.7	0.7
Median Sales Price Existing Single-Family Homes (% change)	-2.7	-10	-2.3
Federal funds target rate (%)	2	0.3	0.2
Interest Rates: 10-Year Treasury Constant Maturity (%)	4.8	4.3	3.9
Weighted Average Exchange Value of U.S. Dollar: Broad Index-Nominal (% change)	-0.7	-5	-3.3
S&P Stock Price Index: 500 Composite (% change)	30.8	22.4	20.9

Source: Moody's Economy.com

Appendix B

Forecast Accuracy Comparisons, IHS Global Insight and Moody's Economy.com:

	GI: 12/08 Forecast of 2009	Moody's: 12/08 Forecast of 2009	Actual 2009	
Macroeconomic Near-Term Forecast Accuracy				
Real Gross domestic product (% change)	-1.8	-1.5	-2.4	●
Employment: Total nonfarm (% change)	-1.9	-2.3	-4.3	
Household survey: Unemployment rate (% , SA)	8.2	8.0	9.3	●
CPI: Urban Consumer - All items (% change)	2.2	0.9	-0.3	
CPI: Urban Consumer - Excluding food and energy (% change)	0.7	1.5	1.7	
Oil Price: Domestic West Texas Intermediate crude (\$ per barrel)	43.1	53.4	61.7	
Vehicle Sales: Autos and light trucks (mil, SAAR)	11.2	10.8	10.4	
Housing starts: Total privately owned (ths, SAAR)	661.9	756	553	●
Median Sales Price Existing Single-Family Homes (% change)	-11.8	-14.5	-11.9	●
Federal funds target rate (%)	0.1	0.3	0.2	
Interest Rates: 10-Year Treasury Constant Maturity (%)	3.2	3.6	3.3	●
S&P Stock Price Index: 500 Composite (% change)	-19.4	-12.4	-22.5	●
Macroeconomic Long-Term Forecast Accuracy				
	GI: 12/04 Forecast of 2005-2009	Moody's: 12/04 Forecast of 2005-2009	Actual 2005-2009	
Real Gross domestic product (% change)	3.3	3.3	1.2	●
Employment: Total nonfarm (% change)	1.1	1.4	-0.1	●
Household survey: Unemployment rate (% , SA)	5.3	5.1	5.9	●
CPI: Urban Customers-All items (% change)	1.9	2.2	2.6	
CPI: Urban Customers-Excluding food and energy (% change)	0.9	2.4	2.2	
Oil Price: Domestic West Texas Intermediate crude (\$ per barrel)	34.2	33.9	71.2	●
Vehicle Sales: Autos and light trucks (mil, SA)	17.7	16.2	14.6	
Housing starts: Total privately owned (mil, SAAR)	1.6	1.6	1.3	
Median Sales Price Existing Single-Family Homes (% change) ¹	3.6	3.7	-2.2	●
Federal funds target rate (%)	4.7	4.2	3.1	
Interest Rates: 10-Year Treasury Constant Maturity (%)	6.3	5.5	4.1	
S&P Stock Price Index: 500 Composite (% change)	4.3	9	-3.5	●
Source: Moody's Economy.com				
Note: Compound annual growth rates				
¹ GI data is mean average				
IHS Global Insight - Consistency of 2010 Forecasts				
	12/08 Forecast	12/09 Forecast	4/10 Forecast	
Real Gross domestic product (% change)	2.1	2.2	3.5	
Employment: Total nonfarm (% change)	0.1	-0.9	-0.3	
Household survey: Unemployment rate (% , SA)	8.6	10.2	9.6	
CPI: Urban Customers-All items (% change)	2.4	1.7	1.8	
CPI: Urban Customers-Excluding food and energy (% change)	1.4	1.4	1.0	
Oil Price: Domestic West Texas Intermediate crude (\$ per barrel)	56.8	68.3	78.3	
Vehicle Sales: Autos and light trucks (mil, SA)	16.3	11.2	11.8	
Housing starts: Total privately owned (mil, SAAR)	1.0	0.8	0.7	
Median Sales Price Existing Single-Family Homes (% change)	-3.8	1.2	1.0	
Federal funds target rate (%)	1.2	0.2	0.2	
Interest Rates: 10-Year Treasury Constant Maturity (%)	3.9	3.5	3.7	
S&P Stock Price Index: 500 Composite (% change)	14.8	21.0	21.9	
Moody's - Consistency of 2010 Forecasts				
	12/08 Forecast	12/09 Forecast	4/10 Forecast	
Real Gross domestic product (% change)	2.1	2.3	2.9	
Employment: Total nonfarm (% change)	0.4	-0.8	-0.7	
Household survey: Unemployment rate (% , SA)	8.7	10.5	10.0	
CPI: Urban Customers-All items (% change)	2.7	1.7	2.0	
CPI: Urban Customers-Excluding food and energy (% change)	2.0	0.7	0.9	
Oil Price: Domestic West Texas Intermediate crude (\$ per barrel)	77.6	77.1	79.5	
Vehicle Sales: Autos and light trucks (mil, SA)	13.2	11.5	11.7	
Housing starts: Total privately owned (mil, SAAR)	0.9	0.7	0.7	
Median Sales Price Existing Single-Family Homes (% change)	-2.7	-10.0	-2.3	
Federal funds target rate (%)	2.0	0.3	0.2	
Interest Rates: 10-Year Treasury Constant Maturity (%)	4.8	4.3	3.9	
S&P Stock Price Index: 500 Composite (% change)	30.8	22.4	20.9	

Appendix C

Forecast Accuracy Measures - Federal Reserve:

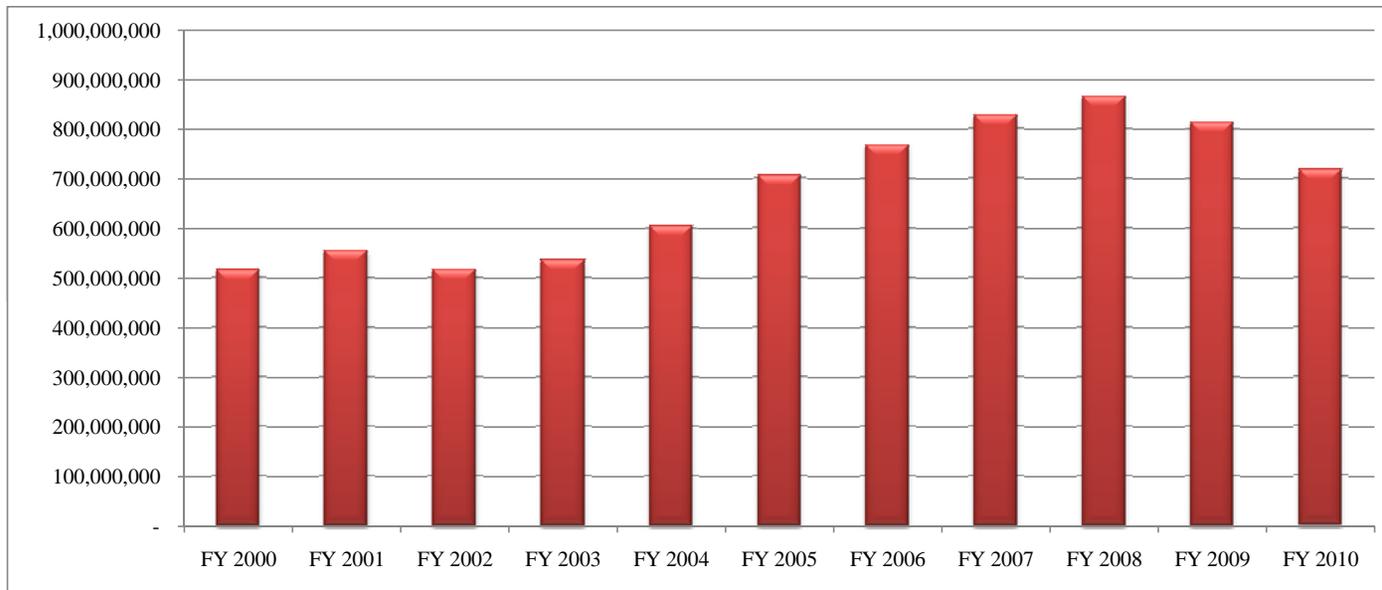
	1st	2nd	3rd		
	Forecast	Forecast	Forecast	Estimate	Final
	Jul. 08	Jan. 09	Jul. 09	Jan. 10	Jul. 10
Nonfarm Employment					
Minnesota	-0.1	-0.4	-4.9	-3.4	-4.3
Montana	1.4	1.6	-2.7	-0.5	-3.6
North Dakota	2.2	1.5	-1.0	0.7	-0.5
South Dakota	-0.2	0.4	-4.5	-1.3	-2.2
Wisconsin	-1.3	-0.6	-5.8	-3.6	-5.2
Upper Peninsula of Mich.	-2.0	-2.4	-5.4	-1.7	-4.5
Average Variance from Final	3.6	3.7	1.0	1.5	
Historical Average Variance	1.3	1.3	0.9		
Avg Var - Historical Avg Var	2.3	2.3	0.1		
Unemployment Rate					
Minnesota	5.6	7.0	10.3	7.9	7.6
Montana	3.1	4.3	8.3	7.0	6.6
North Dakota	3.8	4.1	5.0	4.2	4.3
South Dakota	2.9	3.4	5.6	4.8	4.7
Wisconsin	6.1	5.6	9.8	8.2	8.6
Upper Peninsula of Mich.	9.3	11.4	14.2	13.4	13.4
Average Variance from Final	2.1	1.5	1.4	0.3	
Historical Average Variance	0.0	0.0	0.0		
Avg Var - Historical Avg Var	2.1	1.5	1.4		
Personal Income					
Minnesota	4.6	5.0	-0.3	-2.3	-2.1
Montana	6.9	7.0	-1.2	-0.5	-0.1
North Dakota	-5.3	-6.1	-7.6	-14.7	2.8
South Dakota	4.8	6.3	0.7	0.4	-0.7
Wisconsin	3.7	4.0	1.2	-1.5	-1.8
Average Variance from Final	5.4	6.0	2.9	3.8	
Historical Average Variance	0.0	0.0	0.0		
Avg Var - Historical Avg Var	5.4	6.0	2.9		
Housing Units Authorized					
Minnesota	3.8	-17.0	155.0	-14.0	6.31
Montana	9.2	7.4	-41.7	-4.4	-15.24
North Dakota	-1.3	-2.4	-14.2	2.9	13.03
South Dakota	-3.5	-0.2	-4.4	-11.5	-11.98
Wisconsin	-10.7	-10.8	-10.5	-32.6	-13.9
Average Variance from Final	10.0	14.6	42.0	8.3	
Historical Average Variance	0.0	0.0	0.0		
Avg Var - Historical Avg Var	10.0	14.6	42.0		

**Legislative
Fiscal Division**



<http://leg.mt.gov/css/fiscal>

Income Tax Category	Actual FY 2000	Actual FY 2001	Actual FY 2002	Actual FY 2003	Actual FY 2004	Actual FY 2005	Actual FY 2006	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010
Withholding	379,278,152	407,667,659	419,218,373	444,334,855	474,851,498	501,230,798	542,603,278	596,403,244	645,532,405	646,910,709	644,991,064
Estimated	141,080,856	161,146,071	140,025,136	143,850,708	152,143,813	199,884,809	219,621,962	232,430,480	250,705,012	247,228,513	180,497,517
Current Year	130,367,459	126,124,760	94,508,391	87,541,037	103,283,894	134,284,267	172,823,728	181,338,054	182,219,743	131,893,651	112,312,664
Audits	5,066,088	-	21,812,031	23,626,679	29,922,459	37,240,151	22,743,591	25,475,125	30,636,653	34,743,381	35,293,432
Mineral Withholding	-	-	-	-	-	-	-	-	12,426,153	17,574,261	15,703,393
Refunds	(139,530,643)	(138,923,936)	(157,996,240)	(163,522,615)	(154,853,244)	(166,405,445)	(188,870,217)	(208,501,405)	(254,861,428)	(263,212,323)	(270,963,699)
Totals	516,261,912	556,014,554	517,567,691	535,830,664	605,348,420	706,234,579	768,922,343	827,145,498	866,658,538	815,138,193	717,834,371



Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Revenue Description: 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.

Statutory Reference:

Tax Rate (MCA) – 15-30-103, 15-30-105, 15-30-106

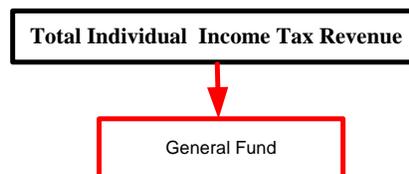
Tax Distribution (MCA) – 17-2-124(2)

Date Due – 15th day of the fourth month of the filer’s fiscal year (15-30-144). Withholding taxes due monthly, quarterly, or on an accelerated schedule depending on income (15-30-204). Estimated taxes due on the 15th day of the 4th, 6th, and 9th month and the month following the close of the tax year.

Applicable Tax Rate(s): 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 percent in tax years 2005 and 2006, and by 2 percent in tax year 2007 and beyond.

Distribution: All proceeds are deposited into the general fund.

Distribution Chart:



Collection Frequency: Withholding and estimated taxes are collected monthly, bi-weekly, and weekly.

% of Total General Fund Revenue:

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

Revenue Estimate Methodology:

Data

There are three kinds of data required to make forecasts of individual income tax revenue. First is historical individual income tax return data, second is state and national historic data on income, inflation, employment, and other economic variables, and third is forecasts of economic activity that determine income and deductions.

Actual individual income tax return data are supplied annually by the Department of Revenue (DOR). This data are usually available in November and are for the prior tax year. The data include line-by-line tax return information for each state income taxpayer (except those that have been removed because of the existence of certain federal information).

The second set of data required is historical information on Montana incomes by type of income, inflation rates, employment, and other economic variables. These data are available from individual income tax returns, Bureau of Economic Analysis, Bureau of Labor Statistics, and Global Insight, a forecasting firm that provides forecasts of national and Montana economic activity.

The third set of data includes forecasts of economic conditions that determine income and deductions. These data are used to produce future growth rates for each income and deduction item, as explained in the methodology section below. Global Insight forecasts a myriad of state and national economic variables that are used to assess overall state and national economic activity.

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Analysis

An individual income tax simulation model is used to forecast future Montana calendar year individual income tax liability for all residents. These forecasts are converted to fiscal year liability and are adjusted for audits and possibly one-time events. The individual income tax simulation model reflects the effects of SB 407, the legislation that changed the individual income tax system in Montana and was passed by the 2003 legislature. This legislation collapsed the tax brackets (with a top tax rate of 11 percent in the old system) into a system with 7 tax brackets (with a top rate of 6.9 percent). The model also limits deductibility of federal taxes paid to \$5,000 for single taxpayers and \$10,000 for married taxpayers.

The calendar year state tax liability forecasts are derived by applying growth rates to each resident taxpayer's income and deduction item. Since the latest year for which tax return data are available is tax year 2007, growth rates must be formulated for tax years 2008 through 2011. These growth rates are applied to each taxpayer's tax return data for each year. A sub-model within the simulation model also forecasts the federal individual income tax liability for each resident taxpayer. The result is a forecast of calendar year state individual income tax liability for each resident, the sum of which results in a statewide forecast of state individual income tax liability for each year.

The individual income tax data for tax year 2007 were adjusted when grown to 2008 by the amount of the federal rebate of \$600 per adult taxpayer, and \$300 per child. This reflects the one-time infusion of taxable income in 2008.

	Credit Assumptions (Millions)			
	Calendar year			
	2008	2009	2010	2011
Homeowner/Renter Credits	9.81	9.81	9.81	9.81
Endowment Credit	2.87	3.02	3.17	3.33
Insurance Credits	3.80	3.80	3.80	3.80
Capital Gains Credit	34.95	28.89	32.25	36.63
Other Credits	33.29	33.60	34.31	35.36
Total Credits	84.73	79.12	83.34	88.93

The statewide forecast of resident individual income tax liability is multiplied by an all-filers percentage. This step is required so the estimates include the tax liability for non-residents. In tax year 2007, nonresidents and part-time residents were 6.0 percent of resident filers. The next step is to adjust the all-filers calendar year tax liability by the expected future growth in the number of taxpayers. This results in a forecast of total calendar year individual income tax liability before credits. From this amount, an estimate of allowable credits are deducted. The credits are shown in the table above. The result is a calendar year individual income tax liability for each future year.

Fiscal Year Conversion

The calendar year liabilities are then converted to fiscal year liabilities by summing an allocation of the prior calendar year's liabilities with an allocation of the current calendar year tax liability. A prior analysis indicated that the percentage to apply to the prior year is 47.9 percent and to the current year is 52.1 percent.

Audits and Other Assumptions

Once fiscal year liabilities are determined, a calculation of the growth rates between fiscal years is developed. These growth rates are then applied to the latest fiscal year (FY 2008) collections of individual income tax by the state. Before the growth rates are applied, however, the latest collection of individual income tax revenue is adjusted by subtracting out audit and other unusual collections. For instance, in FY 2008, total individual income tax collections were \$866.6 million, of which \$30.6 million was audit collections. This amount was adjusted further by an estimate of excess payments made by taxpayers in FY 2009 made in October 2008. It is believed that in calendar 2007, taxpayers overpaid \$14.4 million in taxes, the refunds for which were made in October 2008. Current refund activity in October 2008 supports this supposition. It is possible this was due to tax payers not adjusting their withholding when the capital gains credit rose to 2 percent in tax year 2007.

	Audit and Other Assumptions (Millions)		
	Fiscal Year		
	2009	2010	2011
Audits, Penalties and Interest	30.84	31.32	32.15
Excess Reunds in FY 2009	(14.45)	-	-
Other Adjustments to FY 2008 Base Year Collections	9.02	-	-
Legislation Impacts	5.10	5.11	5.11
Depreciation Bonus	(0.52)	(0.72)	0.14

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Another adjustment was made for the net effect of several impacts on FY 2008 collections as a result of legislation in 2007. First, the collection data in FY 2008 reflects a reduction in normal revenue due to the \$140 residential property tax credit available for tax year 2007. Thus \$25.0 million was added to the collections in FY 2008. Second, an amount of \$10.1 million was subtracted from FY 2008 collections that reflects the net effect of the new program by the department to collect natural resource taxes by withholding. This amount represents an acceleration of revenue that will not be repeated in the future. Third, \$2.8 million was subtracted to reflect the taxes associated with the one-time \$400 state property tax rebate for residential property taxes that was made in late 2007. Fourth, \$3.1 million is subtracted from FY 2008 collections to reflect insurance credits. Thus, the growth rates for the estimates in fiscal years 2009 through 2011 are applied to an adjusted base number of \$836.2 million. Once the amount of anticipated revenue before audits has been forecast, an estimate of future audit receipts as provided by DOR is added. Finally the estimates of individual income tax revenue are adjusted by the effects of other legislation passed in 2007

Growth Rates

The table below contains the growth rates used to forecast calendar years 2008 through 2011 individual income and deduction items.

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	Income Tax Growth Rates 2008 - 2011			
	Calendar Year			
	2008	2009	2010	2011
Full Year Resident Returns (Annual)	0.79%	0.49%	1.40%	1.60%
Inflation State	5.02%	-1.85%	2.55%	3.01%
Inflation Federal	2.29%	4.26%	-0.36%	1.58%
All Filers Multiplier	5.99%	5.99%	5.99%	5.99%
Wages and salaries	4.53%	2.29%	3.09%	3.41%
Interest income	1.14%	-1.46%	-1.42%	8.05%
Dividend income	6.09%	-1.18%	1.33%	3.06%
Net business income	-0.24%	2.46%	4.34%	4.36%
Capital gains	-16.32%	-17.35%	11.63%	13.60%
Supplemental gains	5.32%	5.32%	5.32%	5.32%
Rents, royalties, etc.	0.00%	0.00%	0.00%	0.00%
IRA distributions	5.75%	5.75%	5.75%	5.75%
Taxable pensions	6.06%	6.06%	6.06%	6.06%
Taxable soc. sec.	10.35%	10.35%	10.35%	10.35%
Farm income	0.00%	0.00%	0.00%	0.00%
Other income	7.07%	7.07%	7.07%	7.07%
Adjustments to income	5.00%	5.00%	5.00%	5.00%
ADDITIONS:				
Interest on local govt. bonds	1.14%	-1.46%	-1.42%	8.05%
Federal income tax refunds	0.00%	0.00%	0.00%	0.00%
Other additions	0.00%	0.00%	0.00%	0.00%
REDUCTIONS:				
Farm risk management account	0.00%	0.00%	0.00%	0.00%
Elderly interest exclusion	1.14%	-1.46%	-1.42%	8.05%
Exclusion for savings bonds	1.14%	-1.46%	-1.42%	8.05%
Exempt pension income	0.00%	0.00%	0.00%	0.00%
Unemployment income	3.13%	3.13%	3.13%	3.13%
Medical savings account excl.	13.69%	13.69%	13.69%	13.69%
Family education account excl.	20.92%	20.92%	20.92%	20.92%
First-time homebuyers acct. excl.	-4.42%	-4.42%	-4.42%	-4.42%
Other reductions	5.00%	5.00%	5.00%	5.00%
Health Care Professional Loan Pmt excl	0.00%	0.00%	0.00%	0.00%
TAX ITEMS:				
Montana tax withheld	5.00%	5.00%	5.00%	5.00%
Payments of estimated tax	5.00%	5.00%	5.00%	5.00%
ITEMIZED DEDUCTIONS:				
Medical insurance premiums	6.68%	6.68%	6.68%	6.68%
Medical deduction	6.51%	6.51%	6.51%	6.51%
Long-term care insurance	8.92%	8.92%	8.92%	8.92%
Balance of federal tax	7.14%	7.14%	7.14%	7.14%
Additional federal tax	5.64%	5.64%	5.64%	5.64%
Property taxes	5.63%	5.63%	5.63%	5.63%
Other deductible taxes	5.64%	5.64%	5.64%	5.64%
Home mortgage interest	7.23%	7.23%	7.23%	7.23%
Deductible investment interest	5.90%	5.90%	5.90%	5.90%
Contributions	7.84%	7.84%	7.84%	7.84%
Child/dependent care expenses	-2.66%	-2.66%	-2.66%	-2.66%
Casualty and theft losses	-6.00%	-6.00%	-6.00%	-6.00%
Tier I - Miscellaneous	6.78%	6.78%	6.78%	6.78%
Tier II - Miscellaneous	5.16%	5.16%	5.16%	5.16%
Gambling Losses	6.62%	6.62%	6.62%	6.62%

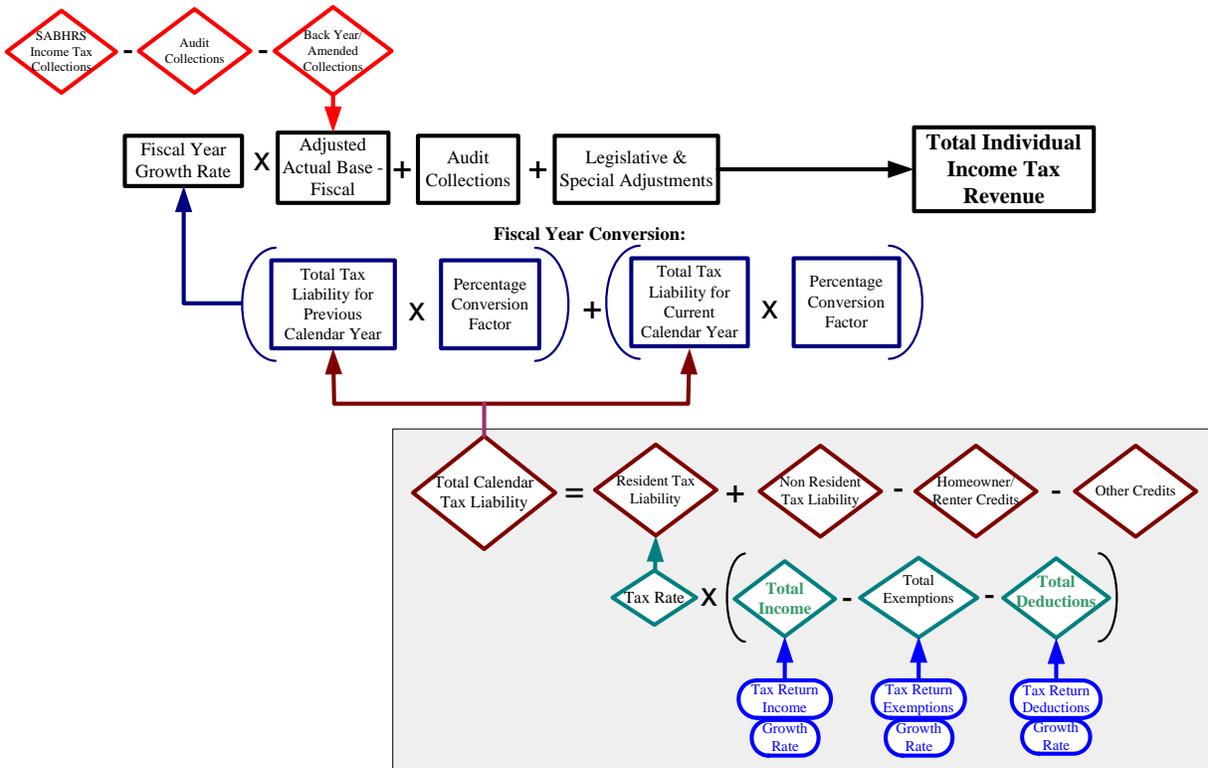
Legislative Fiscal Division

Revenue Estimate Profile Individual Income Tax

The forecasts of individual income tax collections are shown in the table below.

Fiscal Year	Amount	Change
Fiscal Year 2009	\$ 871.65	0.58%
Fiscal Year 2010	\$ 884.93	1.52%
Fiscal Year 2011	\$ 908.99	2.72%

Forecast Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Legislation	Depreciation	Other
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2004	605.348420	605.348420	0.000000	0.000000	0.0000%
Actual	2005	706.234579	706.234579	0.000000	0.000000	0.0000%
Actual	2006	768.922343	768.922343	0.000000	0.000000	0.000000
Actual	2007	827.145498	827.145498	0.000000	0.000000	0.000000
Actual	2008	866.659000	866.659000	0.000000	0.000000	0.000000
Forecast	2009	871.653000	871.653000	5.104000	-0.523603	9.020000
Forecast	2010	884.934000	884.934000	5.111000	-0.723952	0.000000
Forecast	2011	908.994000	908.994000	5.109000	0.141690	0.000000

	t	Total Tax	GF Tax	Legislation	Depreciation	Other
	<u>Fiscal</u>	<u>Annual</u>	<u>Annual</u>	<u>Percent</u>	<u>Millions</u>	<u>Adjustement</u>
		<u>Percent</u>	<u>Percent</u>			<u>Percent</u>
Actual	2004					
Actual	2005	16.6658%	16.6658%	NA	NA	NA
Actual	2006	8.8763%	8.8763%	NA	NA	NA
Actual	2007	7.5720%	7.5720%	NA	NA	NA
Actual	2008	4.7771%	4.7771%	NA	NA	NA
Forecast	2009	0.5762%	0.5762%	NA	NA	NA
Forecast	2010	1.5237%	1.5237%	NA	NA	NA
Forecast	2011	2.7188%	2.7188%	NA	NA	NA

	t	Total	Total	Collections less	Percent	Excess Refund	Audits	Audits
	<u>Fiscal</u>	<u>Liability</u>	<u>Liability</u>	<u>Aud & XS Refund</u>	<u>Percent</u>	<u>Adjustment</u>	<u>Millions</u>	<u>Percent</u>
		<u>Millions</u>	<u>Percent</u>	<u>Millions</u>		<u>Millions</u>		
Actual	2004	586.531665		577.409850		0.000000	29.922459	
Actual	2005	647.290546	10.3590%	670.640182	16.1463%	0.000000	37.240151	24.4555%
Actual	2006	702.193696	8.4820%	746.178752	11.2637%	0.000000	22.743591	-38.9272%
Actual	2007	754.024024	7.3812%	801.670373	7.4368%	0.000000	25.475125	12.0101%
Actual	2008	772.158670	2.4050%	836.021885	4.2850%	0.000000	30.636653	20.2611%
Forecast	2009	777.395256	0.6782%	836.227980	0.0247%	-14.447000	30.844423	0.6782%
Forecast	2010	789.474999	1.5539%	849.222127	1.5539%	0.000000	31.323706	1.5539%
Forecast	2011	810.272639	2.6344%	871.594035	2.6344%	0.000000	32.148886	2.6344%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	<u>t</u>	<u>Resident</u> <u>Liability</u> <u>Millions</u>	<u>Population</u> <u>Adjustment</u> <u>Percent</u>	<u>Homeowner</u> <u>Credit</u> <u>Millions</u>	<u>All Other</u> <u>Credits</u> <u>Millions</u>	<u>All Filers</u> <u>Multiplier</u> <u>Percent</u>	<u>All Filers</u> <u>Liability</u> <u>Millions</u>
Actual	2004	620.964952	1.000000	12.193124	26.948002	1.072926	627.108316
Actual	2005	652.487295	1.000000	11.580412	32.957621	1.086025	665.398807
Actual	2006	729.198022	1.000000	10.726021	39.718632	1.078537	736.022394
Actual	2007	771.627088	1.000000	9.810626	37.473260	1.059914	770.574467
Forecast	2008	770.778881	1.007872	9.810626	39.964642	1.059914	773.615163
Forecast	2009	774.200404	1.012821	9.810626	40.425332	1.059914	780.870620
Forecast	2010	779.474230	1.026991	9.810626	41.278587	1.059914	797.385743
Forecast	2011	790.666151	1.043410	9.810626	42.486062	1.059914	822.120669

	<u>t</u>	<u>Resident</u> <u>Liability</u> <u>Percent</u>	<u>Population</u> <u>Adjustment</u> <u>Percent</u>	<u>Homeowner</u> <u>Credit</u> <u>Percent</u>	<u>All Other</u> <u>Credits</u> <u>Percent</u>	<u>All Filers</u> <u>Multiplier</u> <u>Percent</u>	<u>All Filers</u> <u>Liability</u> <u>Percent</u>
Actual	2004						
Actual	2005	5.0763%	0.0000%	-5.0251%	22.3008%	1.2209%	6.1059%
Actual	2006	11.7567%	0.0000%	-7.3779%	20.5143%	-0.6895%	10.6137%
Actual	2007	5.8186%	0.0000%	-8.5343%	-5.6532%	-1.7267%	4.6944%
Forecast	2008	-0.1099%	0.7872%	0.0000%	6.6484%	0.0000%	0.3946%
Forecast	2009	0.4439%	0.4910%	0.0000%	1.1527%	0.0000%	0.9379%
Forecast	2010	0.6812%	1.3991%	0.0000%	2.1107%	0.0000%	2.1150%
Forecast	2011	1.4358%	1.5987%	0.0000%	2.9252%	0.0000%	3.1020%

	<u>t</u>	<u>Wages</u> <u>Millions</u>	<u>Annual</u> <u>Growth</u>	<u>Interest</u> <u>Millions</u>	<u>Annual</u> <u>Growth</u>	<u>Dividends</u> <u>Millions</u>	<u>Annual</u> <u>Growth</u>	<u>Federal Inflation</u> <u>Growth</u>
Actual	2004	10,209.868547		411.888867		379.386080		2.2807%
Actual	2005	10,840.673693	6.1784%	480.087683	16.5576%	463.027085	22.0464%	2.3028%
Actual	2006	11,779.591544	8.6611%	636.780024	32.6383%	521.733730	12.6789%	3.1068%
Actual	2007	12,669.893871	7.5580%	756.825601	18.8520%	619.818662	18.7998%	3.9037%
Forecast	2008	13,243.257541	4.5254%	765.438754	1.1381%	657.567598	6.0903%	2.2871%
Forecast	2009	13,546.793857	2.2920%	754.245769	-1.4623%	649.783761	-1.1837%	4.2624%
Forecast	2010	13,965.298992	3.0893%	743.505738	-1.4239%	658.421964	1.3294%	-0.3625%
Forecast	2011	14,441.603782	3.4106%	803.357941	8.0500%	678.560391	3.0586%	1.5763%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t	Business Income	Annual	Capital Gains	Annual	Supplemental Gains	Annual	State Inflation
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth	Growth
Actual	2004	680.789997		1,193.177168		69.724283		3.2662%
Actual	2005	749.587514	10.1055%	1,554.054359	30.2451%	77.631349	11.3405%	2.5303%
Actual	2006	785.303056	4.7647%	2,006.020579	29.0830%	67.793383	-12.6727%	4.3295%
Actual	2007	762.060275	-2.9597%	2,088.578896	4.1155%	66.366623	-2.1046%	2.6866%
Forecast	2008	760.232992	-0.2398%	1,747.679100	-16.3221%	69.896511	5.3188%	5.0222%
Forecast	2009	778.957273	2.4630%	1,444.450946	-17.3503%	73.614145	5.3188%	-1.8516%
Forecast	2010	812.748471	4.3380%	1,612.411268	11.6280%	77.529512	5.3188%	2.5540%
Forecast	2011	848.175585	4.3589%	1,831.644440	13.5966%	81.653128	5.3188%	3.0136%

	t	Rents, Royalties S-Corps	Annual	Farm Income Gains	Annual	Social Security	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	2004	1,283.270778		-139.623058		305.542493	
Actual	2005	1,704.629493	32.8347%	-125.935382	-9.8033%	359.184070	17.5562%
Actual	2006	1,944.998907	14.1010%	-176.145427	39.8697%	434.517972	20.9736%
Actual	2007	1,976.847413	1.6375%	-155.988767	-11.4432%	508.636749	17.0577%
Forecast	2008	1,976.847413	0.0000%	-155.988767	0.0000%	561.280653	10.3500%
Forecast	2009	1,976.847413	0.0000%	-155.988767	0.0000%	619.373200	10.3500%
Forecast	2010	1,976.847413	0.0000%	-155.988767	0.0000%	683.478326	10.3500%
Forecast	2011	1,976.847413	0.0000%	-155.988767	0.0000%	754.218333	10.3500%

	t	IRA Income	Annual	Pension Income	Annual	Other Income	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	2004	271.069295		1,146.454816		-78.401984	
Actual	2005	308.394240	13.7695%	1,216.408584	6.1017%	-70.992520	-9.4506%
Actual	2006	339.908795	10.2189%	1,317.954258	8.3480%	-49.247766	-30.6296%
Actual	2007	396.198583	16.5603%	1,416.590262	7.4840%	186.908067	-479.5260%
Forecast	2008	418.963276	5.7458%	1,502.455996	6.0614%	200.115982	7.0665%
Forecast	2009	443.035978	5.7458%	1,593.526428	6.0614%	214.257238	7.0665%
Forecast	2010	468.491844	5.7458%	1,690.117037	6.0614%	229.397790	7.0665%
Forecast	2011	495.410347	5.7458%	1,792.562426	6.0614%	245.608254	7.0665%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	<u>t</u>	<u>Total</u> <u>Income</u>	<u>Annual</u>	<u>IRA, Etc</u> <u>Reductions</u>	<u>Annual</u>	<u>Fed Adjusted</u> <u>Gross Income</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2004	15,733.147282		322.437719		15,410.709563	
Actual	2005	17,556.750168	11.5908%	367.926583	14.1078%	17,188.823585	11.5382%
Actual	2006	19,609.209055	11.6904%	389.094958	5.7534%	19,220.114097	11.8175%
Actual	2007	21,320.193697	8.7254%	427.199652	9.7932%	20,892.994045	8.7038%
Forecast	2008	21,747.747048	2.0054%	448.559635	5.0000%	21,299.187413	1.9442%
Forecast	2009	21,938.897240	0.8789%	470.987616	5.0000%	21,467.909624	0.7922%
Forecast	2010	22,762.259587	3.7530%	494.536997	5.0000%	22,267.722590	3.7256%
Forecast	2011	23,793.653274	4.5312%	519.263847	5.0000%	23,274.389427	4.5207%

	<u>t</u>	<u>Bond</u> <u>Interest</u>	<u>Annual</u>	<u>FIT</u> <u>Refunds</u>	<u>Annual</u>	<u>Other</u> <u>Additions</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2004	47.870779		271.610536		205.778955	
Actual	2005	47.838094	-0.0683%	252.492445	-7.0388%	153.779954	-25.2693%
Actual	2006	71.964993	50.4345%	147.708240	-41.4999%	326.647706	112.4124%
Actual	2007	79.868372	10.9823%	146.327719	-0.9346%	324.513661	-0.6533%
Forecast	2008	80.777324	1.1381%	146.327719	0.0000%	324.513661	0.0000%
Forecast	2009	79.596120	-1.4623%	146.327719	0.0000%	324.513661	0.0000%
Forecast	2010	78.462717	-1.4239%	146.327719	0.0000%	324.513661	0.0000%
Forecast	2011	84.778965	8.0500%	146.327719	0.0000%	324.513661	0.0000%

	<u>t</u>	<u>Farm Risk</u> <u>Mgmt Excl.</u>	<u>Annual</u>	<u>Int. Exc.</u> <u>Elderly</u>	<u>Annual</u>	<u>Savings</u> <u>Bond</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2004	0.009694	NA	37.998529		43.523775	
Actual	2005	0.000000	-100.0000%	38.040881	0.1115%	49.152173	12.9318%
Actual	2006	0.000000	NA	43.447193	14.2118%	67.566360	37.4636%
Actual	2007	0.000000	NA	47.408013	9.1164%	76.997436	13.9582%
Forecast	2008	0.000000	NA	47.947546	1.1381%	77.873715	1.1381%
Forecast	2009	0.000000	NA	47.246411	-1.4623%	76.734971	-1.4623%
Forecast	2010	0.000000	NA	46.573649	-1.4239%	75.642308	-1.4239%
Forecast	2011	0.000000	NA	50.322827	8.0500%	81.731513	8.0500%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	<u>t</u>	<u>Unemployment</u>	<u>Annual</u>	<u>Med.</u>	<u>Annual</u>	<u>Family</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Millions</u>	<u>Growth</u>	<u>Savings</u>	<u>Growth</u>	<u>Education</u>	<u>Growth</u>
				<u>Millions</u>		<u>Millions</u>	
Actual	2004	67.368156		13.876118		7.474032	
Actual	2005	56.427479	-16.2401%	14.351849	3.4284%	6.984276	-6.5528%
Actual	2006	58.694074	4.0168%	15.790740	10.0258%	7.515336	7.6037%
Actual	2007	62.871680	7.1176%	16.637763	5.3640%	8.008773	6.5657%
Forecast	2008	64.836861	3.1257%	18.915469	13.6900%	9.684424	20.9227%
Forecast	2009	66.863468	3.1257%	21.504992	13.6900%	11.710667	20.9227%
Forecast	2010	68.953421	3.1257%	24.449020	13.6900%	14.160854	20.9227%
Forecast	2011	71.108699	3.1257%	27.796084	13.6900%	17.123686	20.9227%

	<u>t</u>	<u>First Time</u>	<u>Annual</u>	<u>Doctor Student</u>	<u>Annual</u>	<u>Other</u>	<u>Annual</u>
	<u>Cal.</u>	<u>Home</u>	<u>Growth</u>	<u>Loan Excl.</u>	<u>Growth</u>	<u>Reductions</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	2004	0.866326		0.330155		585.906558	
Actual	2005	0.732091	-15.4947%	0.258197	-21.7952%	656.586579	12.0634%
Actual	2006	0.587253	-19.7842%	0.250626	-2.9323%	784.246528	19.4430%
Actual	2007	0.538547	-8.2939%	0.256554	2.3653%	855.990665	9.1482%
Forecast	2008	0.514737	-4.4212%	0.256554	0.0000%	898.790198	5.0000%
Forecast	2009	0.491979	-4.4212%	0.256554	0.0000%	943.729708	5.0000%
Forecast	2010	0.470227	-4.4212%	0.256554	0.0000%	990.916194	5.0000%
Forecast	2011	0.449437	-4.4212%	0.256554	0.0000%	1,040.462003	5.0000%

	<u>t</u>	<u>Reductions to</u>	<u>Reductions</u>	<u>Additions to</u>	<u>Additions</u>	<u>MT Adjusted</u>	<u>MAGI</u>
	<u>Cal.</u>	<u>Income</u>	<u>Annual</u>	<u>Income</u>	<u>Annual</u>	<u>Gross Income</u>	<u>Annual</u>
		<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
Actual	2004	924.792643		525.260270		15,011.177190	
Actual	2005	953.276861	3.0801%	454.110493	-13.5456%	16,689.657217	11.1815%
Actual	2006	1,107.147070	16.1412%	546.320939	20.3057%	18,659.287966	11.8015%
Actual	2007	1,195.607426	7.9899%	550.709752	0.8033%	20,248.096371	8.5148%
Forecast	2008	1,118.819504	-6.4225%	551.618704	0.1651%	20,393.774262	0.7195%
Forecast	2009	1,168.538749	4.4439%	550.437500	-0.2141%	20,416.743460	0.1126%
Forecast	2010	1,221.422226	4.5256%	549.304097	-0.2059%	20,861.305606	2.1774%
Forecast	2011	1,289.250804	5.5532%	555.620345	1.1499%	21,440.986056	2.7787%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	<u>t</u>	Medical	Annual	Medical	Annual	Long Term	Annual
	<u>Cal.</u>	<u>Premiums</u>	<u>Growth</u>	<u>Deductions</u>	<u>Growth</u>	<u>Care</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	2004	251.763151		258.564236		18.472371	
Actual	2005	266.946118	6.0307%	273.368945	5.7257%	19.124533	3.5305%
Actual	2006	304.942061	14.2336%	274.060275	0.2529%	21.552299	12.6945%
Actual	2007	314.537194	3.1465%	287.408401	4.8705%	24.551454	13.9157%
Forecast	2008	335.554299	6.6819%	306.113509	6.5082%	26.740553	8.9164%
Forecast	2009	357.975748	6.6819%	326.035983	6.5082%	29.124841	8.9164%
Forecast	2010	381.895380	6.6819%	347.255052	6.5082%	31.721720	8.9164%
Forecast	2011	407.413301	6.6819%	369.855099	6.5082%	34.550147	8.9164%

	<u>t</u>	Federal Income	Annual	Real	Annual	Other	Annual
	<u>Cal.</u>	<u>Tax Deducted</u>	<u>Growth</u>	<u>Estate</u>	<u>Growth</u>	<u>Taxes</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	2004	1,749.652428		313.019635		44.860192	
Actual	2005	915.474509	-47.6768%	313.167636	0.0473%	56.835533	26.6948%
Actual	2006	1,003.148676	9.5769%	335.796457	7.2258%	64.308000	13.1475%
Actual	2007	1,065.150406	6.1807%	351.507817	4.6788%	63.501418	-1.2542%
Forecast	2008	1,016.238133	-4.5921%	371.303491	5.6316%	67.082973	5.6401%
Forecast	2009	976.571287	-3.9033%	392.213988	5.6316%	70.866532	5.6401%
Forecast	2010	1,000.273853	2.4271%	414.302090	5.6316%	74.863488	5.6401%
Forecast	2011	1,039.915001	3.9630%	437.634115	5.6316%	79.085878	5.6401%

	<u>t</u>	Home	Annual	Deductible	Annual	Contributions	Annual
	<u>Cal.</u>	<u>Mortgage</u>	<u>Growth</u>	<u>Interest</u>	<u>Growth</u>	<u>Millions</u>	<u>Growth</u>
		<u>Millions</u>		<u>Millions</u>			
Actual	2004	775.952387		27.543815		375.309514	
Actual	2005	852.044469	9.8063%	38.056370	38.1667%	447.798065	19.3143%
Actual	2006	965.230692	13.2841%	54.142196	42.2684%	463.825892	3.5793%
Actual	2007	1,099.986447	13.9610%	59.497325	9.8909%	658.657631	42.0054%
Forecast	2008	1,179.518861	7.2303%	63.004847	5.8953%	710.320526	7.8437%
Forecast	2009	1,264.801713	7.2303%	66.719146	5.8953%	766.035686	7.8437%
Forecast	2010	1,356.250779	7.2303%	70.652413	5.8953%	826.120955	7.8437%
Forecast	2011	1,454.311895	7.2303%	74.817556	5.8953%	890.919112	7.8437%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	<u>t</u>	<u>Child</u> <u>Care</u> <u>Millions</u>	<u>Annual</u> <u>Growth</u>	<u>Casualty</u> <u>Losses</u> <u>Millions</u>	<u>Annual</u> <u>Growth</u>	<u>Miscellaneous</u> <u>Expense 1</u> <u>Millions</u>	<u>Annual</u> <u>Growth</u>
Actual	2004	1.544650		3.618700		160.407920	
Actual	2005	1.494959	-3.2170%	4.477764	23.7396%	174.095185	8.5328%
Actual	2006	1.391599	-6.9139%	7.373395	64.6669%	186.204149	6.9554%
Actual	2007	1.471368	5.7322%	4.675161	-36.5942%	204.621089	9.8907%
Forecast	2008	1.432246	-2.6589%	4.394426	-6.0048%	218.503055	6.7842%
Forecast	2009	1.394164	-2.6589%	4.130549	-6.0048%	233.326805	6.7842%
Forecast	2010	1.357094	-2.6589%	3.882518	-6.0048%	249.156233	6.7842%
Forecast	2011	1.321011	-2.6589%	3.649380	-6.0048%	266.059565	6.7842%

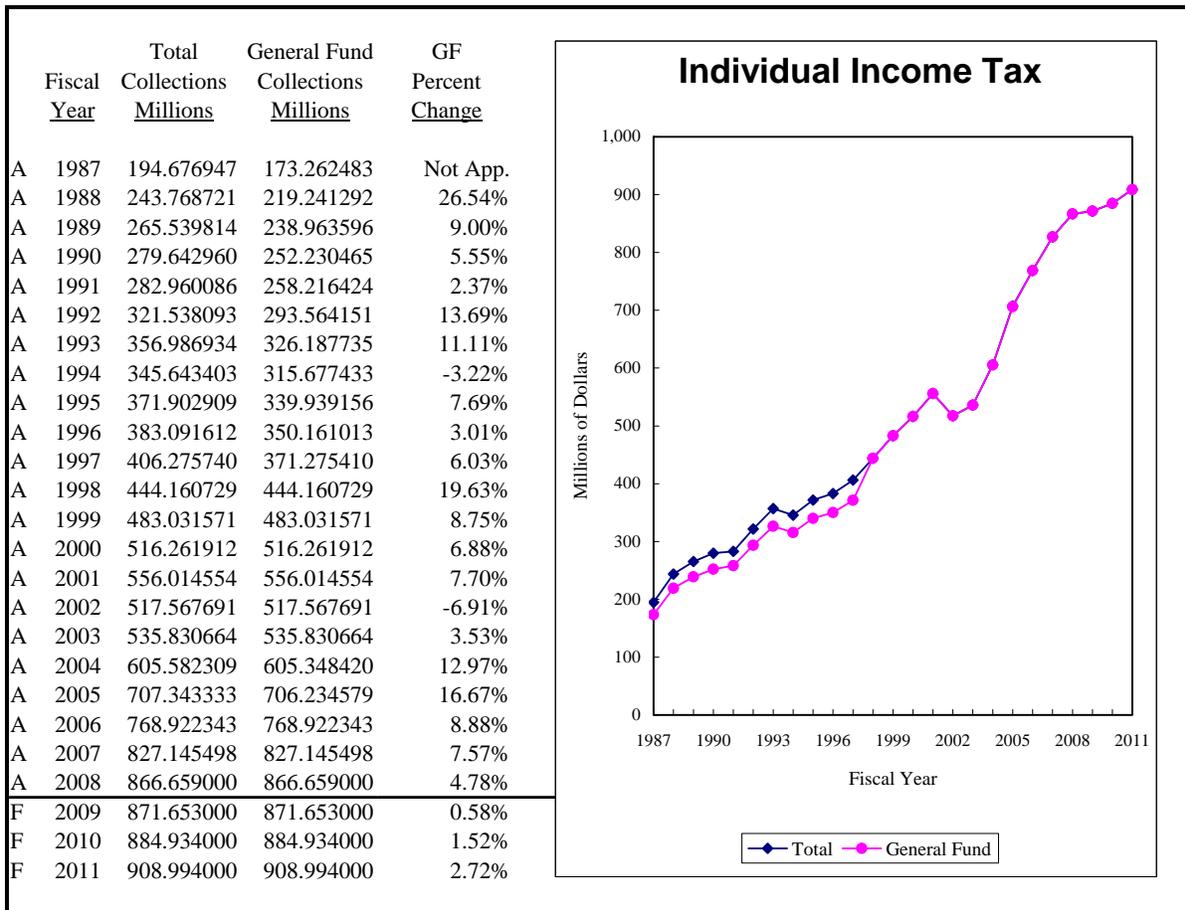
	<u>t</u>	<u>Miscellaneous</u> <u>Expense 2</u> <u>Millions</u>	<u>Annual</u> <u>Growth</u>	<u>Gambling</u> <u>Losses</u> <u>Millions</u>	<u>Annual</u> <u>Growth</u>	<u>Capital Gains</u> <u>Credit</u> <u>Millions</u>	<u>Annual</u> <u>Growth</u>
Actual	2004	4.928271		5.747520		0.000000	
Actual	2005	6.133005	24.4454%	7.371107	28.2485%	15.361935	NA
Actual	2006	8.989306	46.5726%	7.915594	7.3868%	19.599422	27.5843%
Actual	2007	5.361661	-40.3551%	8.914262	12.6165%	40.025383	104.2172%
Forecast	2008	5.638158	5.1569%	9.504206	6.62%	34.953582	-12.6715%
Forecast	2009	5.928914	5.1569%	10.133193	6.62%	28.889019	-17.3503%
Forecast	2010	6.234665	5.1569%	10.803806	6.62%	32.248225	11.6280%
Forecast	2011	6.556182	5.1569%	11.518800	6.62%	36.632889	13.5966%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Revenue Projection:



Data Source(s): SABHRS, Income Tax Returns, Labor Statistics - Departments of Commerce, Labor & Industry and Revenue; Bureau of Economic Analysis, Bureau of Labor Statistics, Global Insight, Congressional Budget Office, Industry

Contacts: Department of Revenue, Census and Economic Information



Calendar Year Liability for All Full Year Residents			
2007 Taxpayer Data & 2007 Growth Assumptions			
Year	Liability	Growth	
2007	\$769,009,971		
2008	\$770,778,881	0.23%	
2009	\$774,200,404	0.44%	
2010	\$779,474,230	0.68%	
2011	\$790,666,151	1.44%	
2012	\$813,842,752	2.93%	
2013	\$840,717,961	3.30%	
2007 Taxpayer Data & 2008 Actual Growth			
Year	Liability	Growth	Difference
2007	\$769,009,971		\$0
2008	\$728,008,083	-5.33%	-\$42,770,798
2009	\$736,887,779	1.22%	-\$37,312,625
2010	\$743,690,003	0.92%	-\$35,784,227
2011	\$751,515,021	1.05%	-\$39,151,129
2012	\$770,912,798	2.58%	-\$42,929,954
2013	\$795,224,294	3.15%	-\$45,493,667

Calendar Year Liability for Top 100 Taxpayers			
2007 Top 100 & 2007 Growth Assumptions			
Year	Liability	Growth	
2007	\$61,435,182		
2008	\$57,929,330	-5.71%	
2009	\$56,832,099	-1.89%	
2010	\$56,078,616	-1.33%	
2011	\$56,157,864	0.14%	
2012	\$56,306,044	0.26%	
2013	\$56,581,562	0.49%	
2007 Top 100 & 2008 Actual Growth			
Year	Liability	Growth	Difference
2007	\$61,435,182		\$0
2008	\$50,788,656	-17.33%	-\$7,140,674
2009	\$47,881,115	-5.72%	-\$8,950,984
2010	\$46,849,769	-2.15%	-\$9,228,847
2011	\$47,054,852	0.44%	-\$9,103,012
2012	\$47,396,504	0.73%	-\$8,909,540
2013	\$47,598,022	0.43%	-\$8,983,540

- The disparity between the estimated and actual 2008 growth results in about **\$40 million** annual reduction in liability
- The top **0.023%** of taxpayers in 2007 account for **17%-26%** of the annual difference in liability



2006 Actual versus Estimated Income

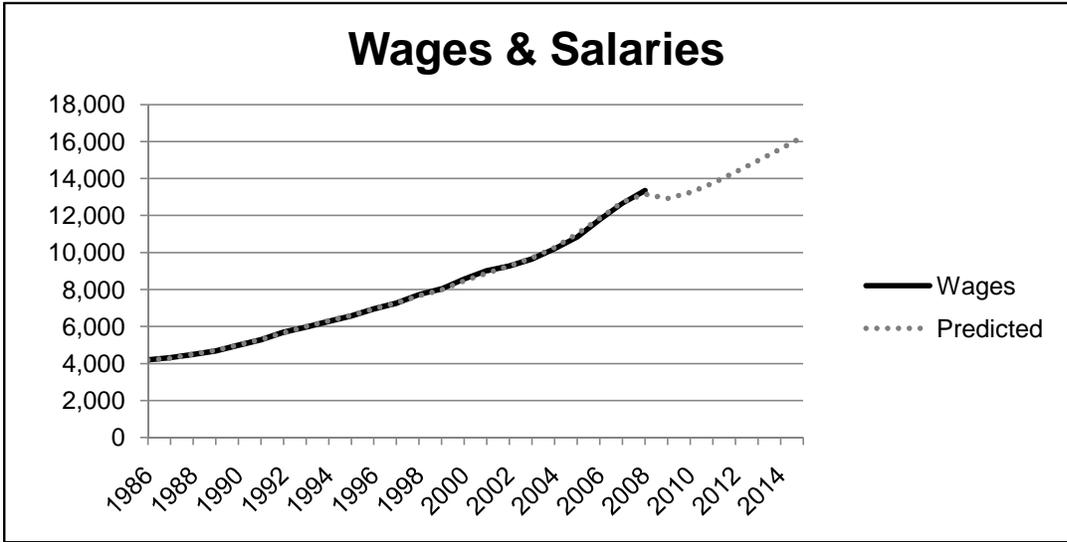
Income type	Actual	Estimated	Difference	%
Wages and salaries	\$11,779,591,544	\$11,870,074,018	-\$90,482,474	-0.8%
Interest income	\$636,780,024	\$517,789,426	\$118,990,598	23.0%
Dividend income	\$521,733,730	\$514,861,484	\$6,872,246	1.3%
Net business income	\$785,303,056	\$761,019,619	\$24,283,437	3.2%
Capital gains	\$2,006,020,579	\$1,554,054,359	\$451,966,220	29.1%
Supplemental gains	\$67,793,383	\$76,401,556	-\$8,608,173	-11.3%
Rents, royalties, etc.	\$1,944,998,907	\$1,877,179,749	\$67,819,158	3.6%
IRA distributions	\$339,908,795	\$330,669,565	\$9,239,230	2.8%
Taxable pensions	\$1,317,954,258	\$1,304,269,812	\$13,684,446	1.0%
Taxable soc. sec.	\$434,517,972	\$401,060,280	\$33,457,692	8.3%
Farm income	-\$176,145,427	-\$153,598,246	-\$22,547,181	14.7%
Other income	-\$49,247,766	-\$63,332,757	\$14,084,991	-22.2%
Total income	\$19,609,209,055	\$18,990,448,865	\$618,760,190	3.3%

2007 Actual versus Estimated Income

Income type	Actual	Estimated	Difference	%
Wages and salaries	\$12,669,893,871	\$12,452,354,242	\$217,539,629	1.7%
Interest income	\$756,825,601	\$546,338,513	\$210,487,088	38.5%
Dividend income	\$619,818,662	\$575,076,522	\$44,742,140	7.8%
Net business income	\$762,060,275	\$778,208,105	-\$16,147,830	-2.1%
Capital gains	\$2,088,578,896	\$1,554,054,359	\$534,524,537	34.4%
Supplemental gains	\$66,366,623	\$74,643,621	-\$8,276,998	-11.1%
Rents, royalties, etc.	\$1,976,847,413	\$2,041,318,926	-\$64,471,513	-3.2%
IRA distributions	\$396,198,583	\$356,374,301	\$39,824,282	11.2%
Taxable pensions	\$1,416,590,262	\$1,405,657,766	\$10,932,496	0.8%
Taxable soc. sec.	\$508,636,749	\$411,210,963	\$97,425,786	23.7%
Farm income	-\$155,988,767	-\$175,734,857	\$19,746,090	-11.2%
Other income	\$214,365,529	-\$57,164,928	\$271,530,457	-475.0%
Total income	\$21,320,193,697	\$19,962,337,533	\$1,357,856,164	6.8%

2008 Actual versus Estimated Income

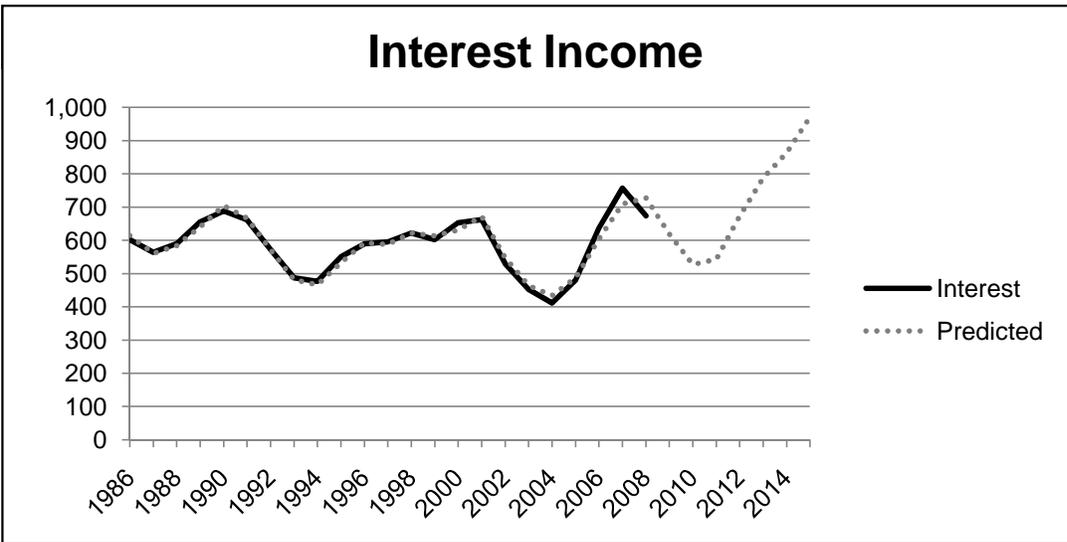
Income type	Actual	Estimated	Difference	%
Wages and salaries	\$13,352,105,062	\$13,243,257,541	\$108,847,521	0.8%
Interest income	\$674,052,607	\$765,438,754	-\$91,386,147	-11.9%
Dividend income	\$592,113,015	\$657,567,598	-\$65,454,583	-10.0%
Net business income	\$701,307,208	\$760,232,992	-\$58,925,784	-7.8%
Capital gains	\$1,337,809,696	\$1,747,679,100	-\$409,869,404	-23.5%
Supplemental gains	\$56,735,447	\$69,896,511	-\$13,161,064	-18.8%
Rents, royalties, etc.	\$1,735,147,210	\$1,976,847,413	-\$241,700,203	-12.2%
IRA distributions	\$451,708,587	\$418,963,276	\$32,745,311	7.8%
Taxable pensions	\$1,509,033,462	\$1,502,455,996	\$6,577,466	0.4%
Taxable soc. sec.	\$527,626,179	\$561,280,653	-\$33,654,474	-6.0%
Farm income	-\$210,130,661	-\$155,988,767	-\$54,141,894	34.7%
Other income	\$2,641,357	\$229,513,734	-\$226,872,377	-98.8%
Total income	\$20,730,149,169	\$21,777,144,800	-\$1,046,995,631	-4.8%



$r^2=0.9992$

Independent Variables	Variable Source & Description
DISBURS	MT GI, Total wage disbursements

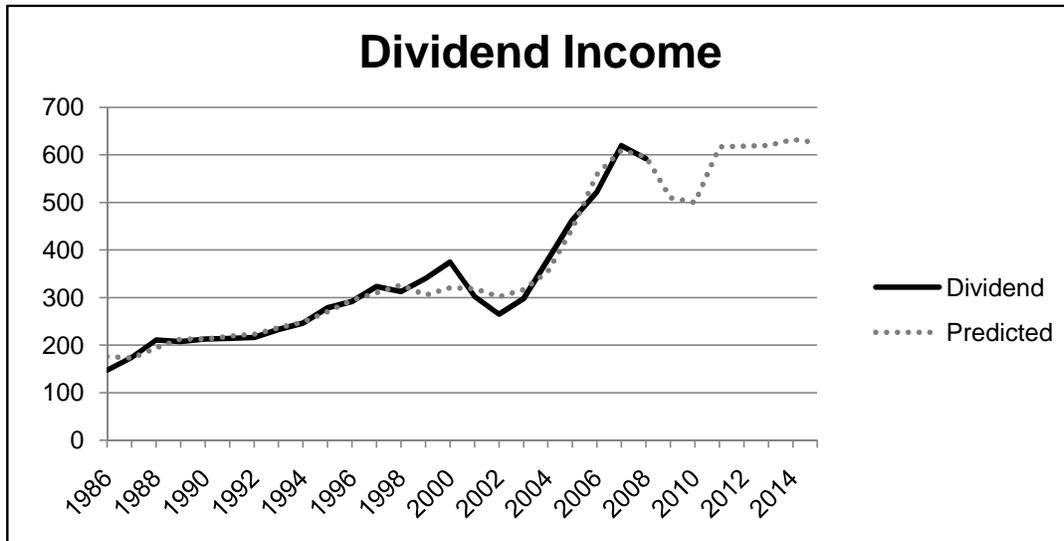
Regression Equation
 $Wages=0.82083 \times DISBURS + 348.43584$



$r^2=0.9433$

Independent Variables	Variable Source & Description
LCD3MO	GI, Rate on 3-month negotiable CDs, 1 year lag
YPAINT	GI, Personal interest income

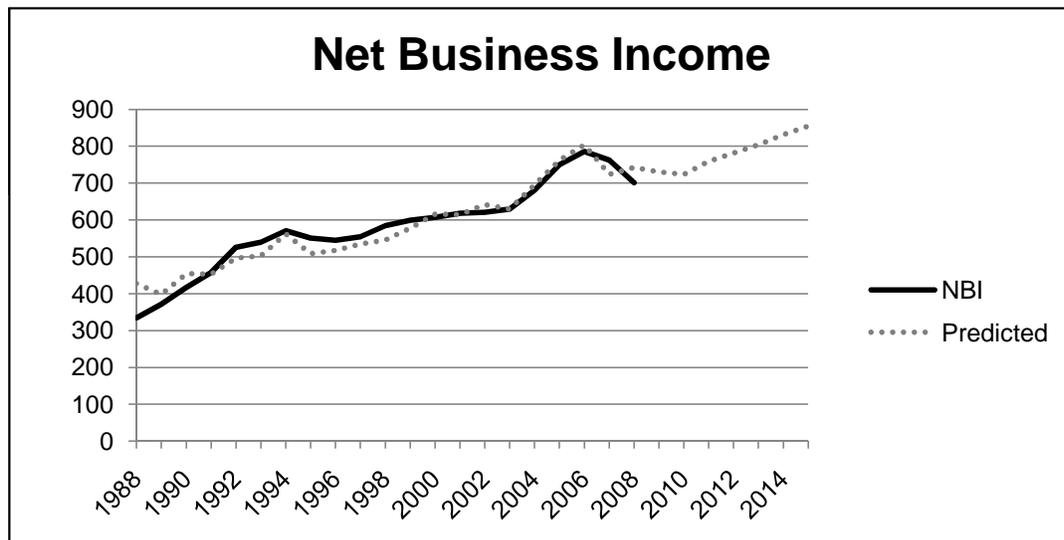
Regression Equation
 $Interest=38.29282 \times LCD3MO + 0.30452 \times YPAINT + 127.03442$



Independent Variables	Variable Source & Description
L1ZB	GI, Before-tax corporate profits excluding IVA, 1 year lag

Regression Equation

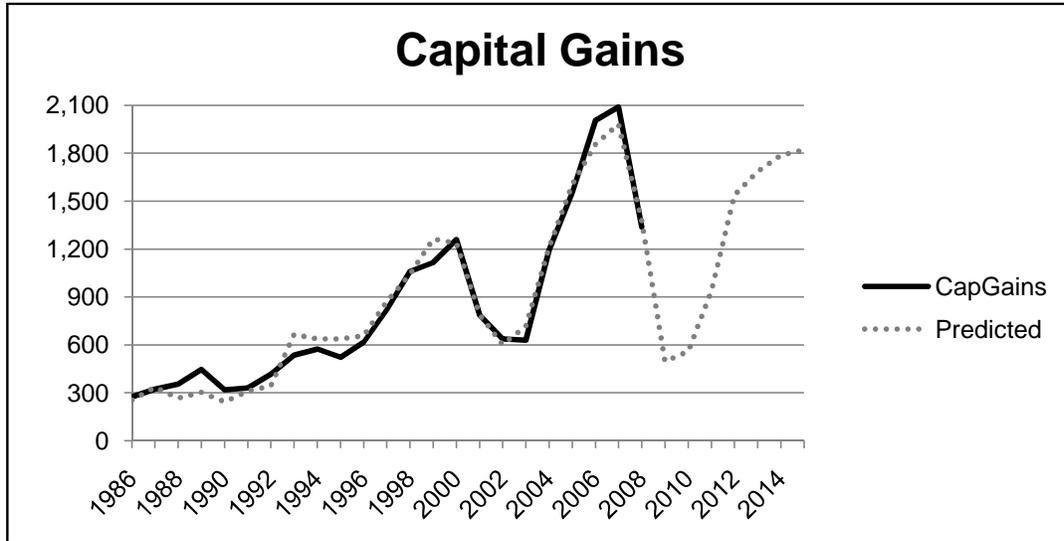
$$\text{Dividend} = 0.27677 \times \text{L1ZB} + 104.78939$$



Independent Variables	Variable Source & Description
YPPROP	GI, Nonfarm proprietors' income with inventory & capital consumption adjustment
FPROP	MT GI, Farm proprietors' income, 1 year lag
CONST	MT GI, GSP Construction

Regression Equation

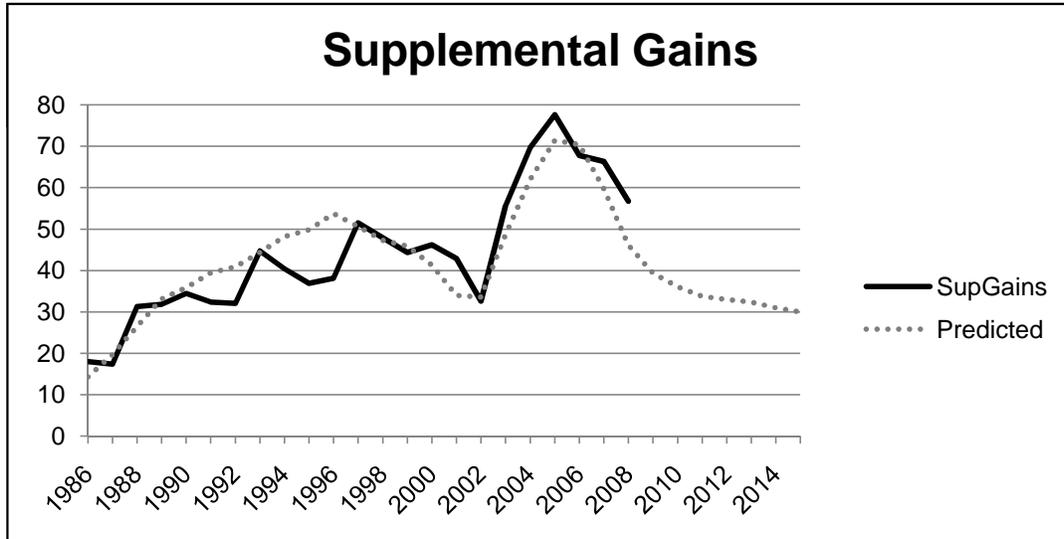
$$\text{NBI} = 0.16934 \times \text{FPROP} + 0.29802 \times \text{YPPROP} + 0.06801 \times \text{CONST} + 257.99977$$



Independent Variables	Variable Source & Description
SP5003YD	GI, S & P 500 index, 3 year difference
HOUSE3YD	MT GI, Median price of existing houses, 3 year difference
SALES	MT GI, Existing single-family houses sold

Regression Equation

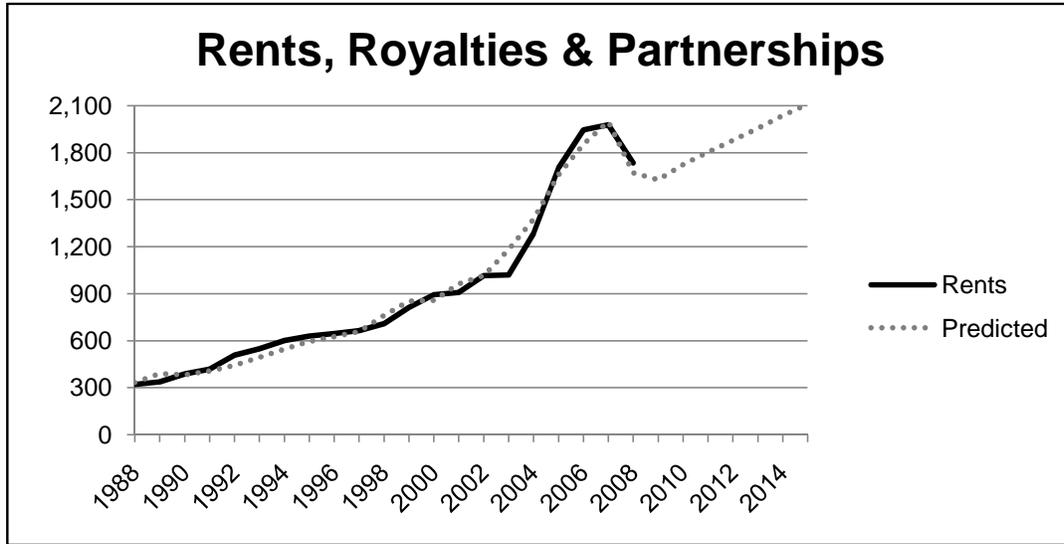
$$\text{CapGains} = 0.94054 \times \text{SP5003YD} + 0.00713 \times \text{HOUSE3YD} + 77.45921 \times \text{SALES} - 742.80933$$



Independent Variables	Variable Source & Description
L5YPRENT	GI, Rental income, 5 year lead

Regression Equation

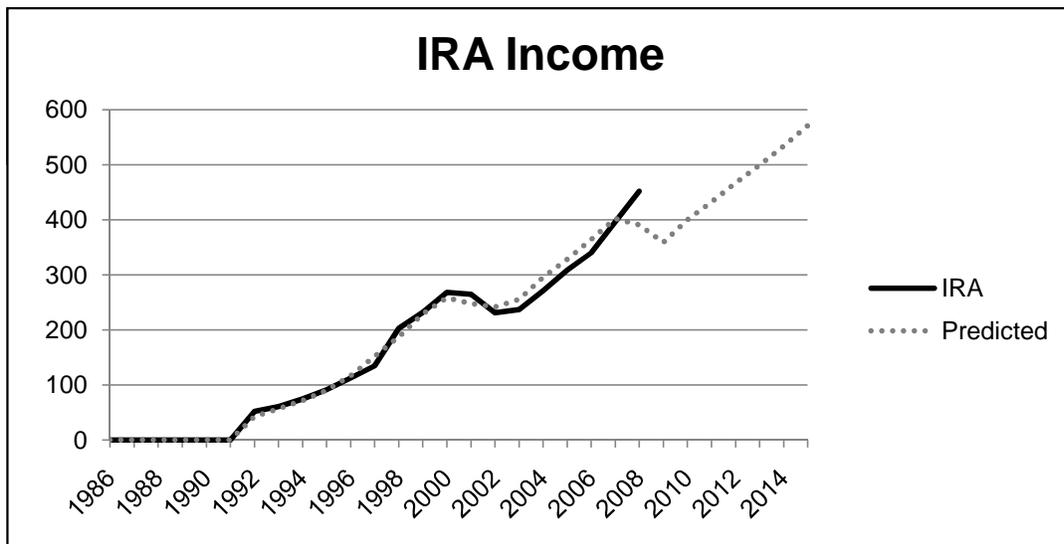
$$\text{SupGains} = 0.23085 \times \text{L5YPRENT}$$



Independent Variables	Variable Source & Description
L1WTI	GI, West Texas oil price, 1 year lead
CONST	MT GI, GSP Construction

Regression Equation

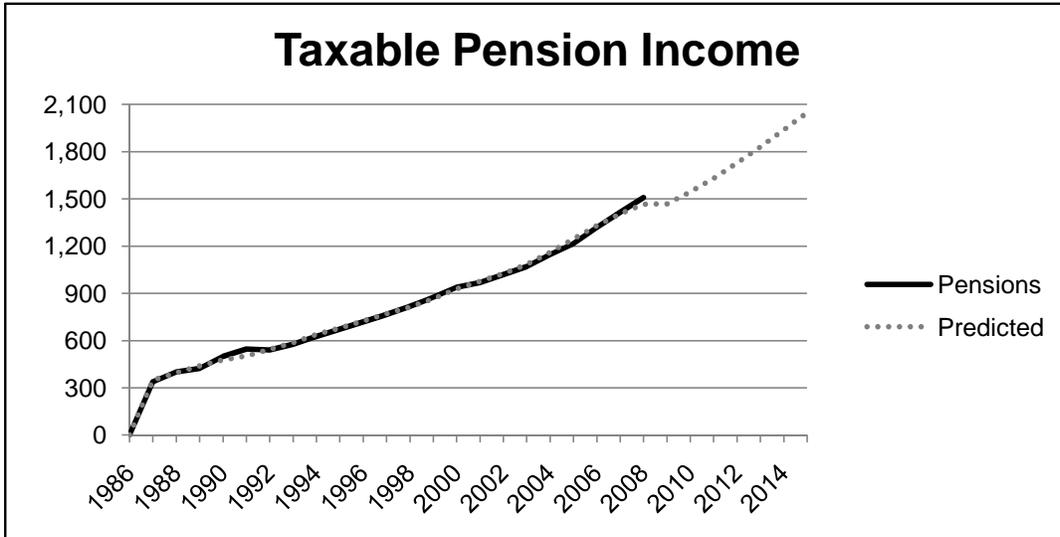
$Rents = 4.18738 \times L1WTI + 0.81128 \times CONST - 216.55844$



Independent Variables	Variable Source & Description
SP500	GI, S & P 500 index
GDP	GI, Gross domestic product

Regression Equation

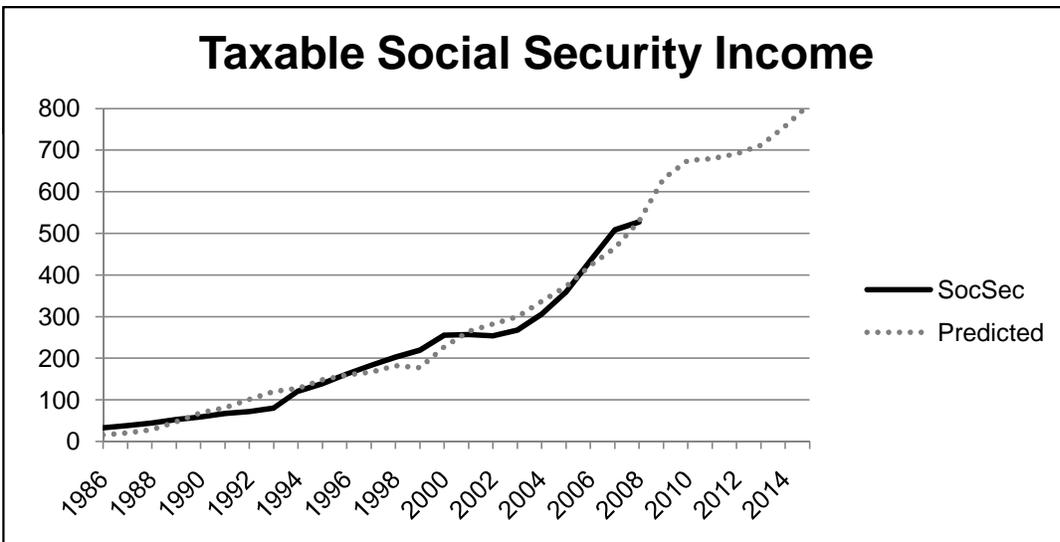
$IRA = 0.09256 \times SP500 + 0.03377 \times GDP - 209.99415$



Independent Variables	Variable Source & Description
SP500	GI, S & P 500 index
GDP	GI, Gross domestic product
POP65	MT GI, Population aged 65 or older

Regression Equation

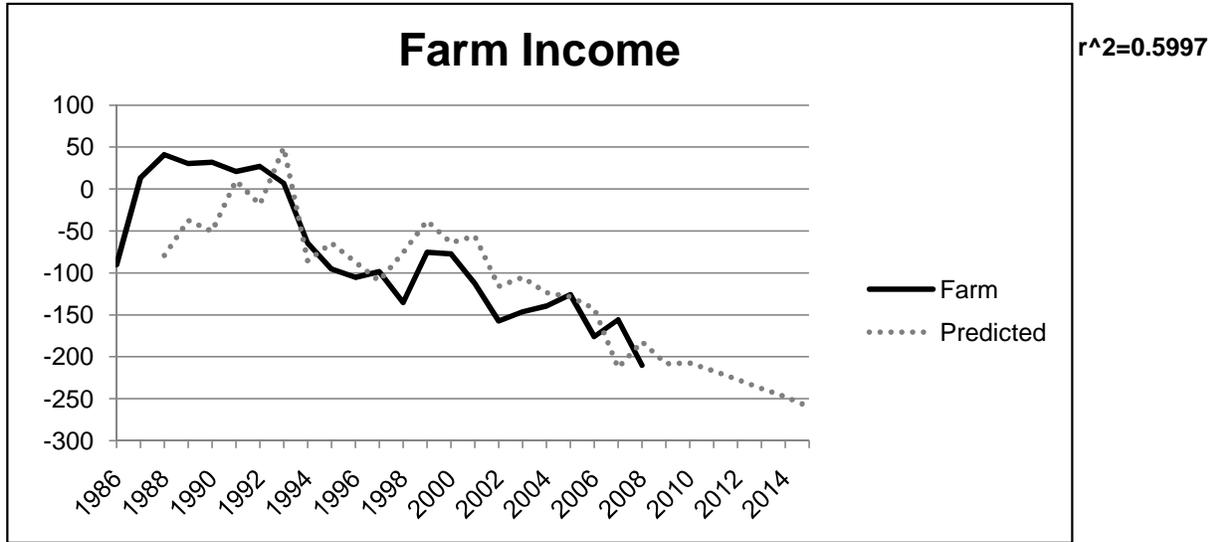
$$\text{Pensions} = -0.03335 \times \text{SP500} + 0.10376 \times \text{GDP} + 3.90679 \times \text{POP65} - 529.79941$$



Independent Variables	Variable Source & Description
PMTS	MT GI, Transfer payments
POP65	MT GI, Population aged 65 or older

Regression Equation

$$\text{SocSec} = -2.57909 \times \text{POP65} + 0.14549 \times \text{PMTS} + 49.39489$$

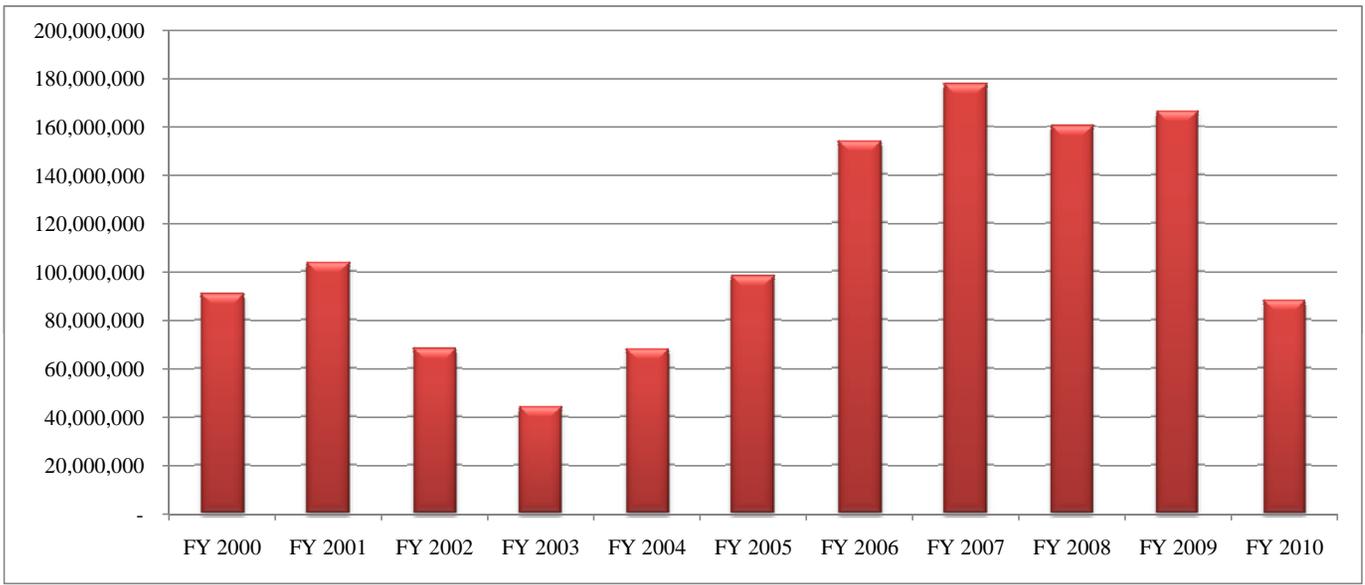


Independent Variables	Variable Source & Description
AGGSP	MT GI, GSP Agriculture
FPROP	MT GI, Farm proprietors' income

Regression Equation

$$\text{Farm} = -0.20723 \times \text{AGGSP} + 0.22799 \times \text{FPROP} + 69.48419$$

Corporation Tax Category	Actual FY 2000	Actual FY 2001	Actual FY 2002	Actual FY 2003	Actual FY 2004	Actual FY 2005	Actual FY 2006	Actual FY 2007	Actual FY 2008	Actual FY 2009	Actual FY 2010
Current Year	15,287,597	50,038,192	32,084,408	18,723,334	23,222,222	36,034,697	44,163,925	31,626,416	39,473,630	45,613,816	36,909,143
Estimated	86,070,129	62,944,708	46,985,582	46,788,220	50,442,251	61,915,933	109,666,297	141,658,487	127,433,439	109,585,667	72,732,614
Audits	1,207,528	-	5,915,903	8,077,761	14,173,762	10,596,540	10,830,003	26,812,699	16,874,022	31,036,393	15,380,337
Refunds	(11,882,581)	(9,312,413)	(16,812,641)	(29,451,797)	(20,115,295)	(10,333,454)	(10,985,157)	(22,593,895)	(23,439,305)	(19,881,362)	(37,121,182)
Totals	90,682,672	103,670,487	68,173,253	44,137,518	67,722,940	98,213,716	153,675,068	177,503,707	160,341,786	166,354,514	87,900,911



Legislative Fiscal Division

Revenue Estimate Profile

Corporation Income Tax

Revenue Description: 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.

Statutory Reference:

Tax Rate (MCA) – 15-31-121,

Tax Distribution (MCA) – 15-31-121

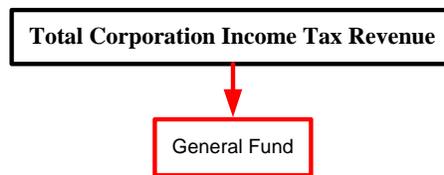
Date Due – by the 15th day of the fifth month following the close of the corporate fiscal year (15-31-111, 15-31-502).

Estimated taxes due April 15th, June 15th, September 15th, and December 15th (15-31-502).

Applicable Tax Rate(s): 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.

Distribution: Beginning fiscal 2006, all corporation tax revenue is distributed to the general fund.

Distribution Chart:



Collection Frequency: Monthly, Quarterly, and Annually

% of Total General Fund Revenue:

FY 2004 - 4.90%

FY 2007 - 9.67%

FY 2005 - 6.42%

FY 2008 - 8.17%

FY 2006 - 9.00%

Revenue Estimate Methodology:

Data

The data used to develop the estimates for the corporation income tax are provided by the Department of Revenue (DOR), the state accounting system (SABHRS), and Global Insight. The DOR provides corporation data from the corporation income tax return series that include total corporation income, Montana allocation information, and the Montana tax liability. The return series is dated information since corporations are allowed up to 10.5 months after the end of the tax year to file the return. The DOR also provides a series based on the corporation income tax payment data. This series provides more timely data and includes individual corporation payment by type (estimated, tentative, return, refund, audit). SABHRS provides historic fiscal year data of total collections, current year payments, estimated payments, audits and penalty and interest, and refunds.

Several steps must be taken prior to analysis of the corporation income tax data. The corporation tax estimate for the estimated period is calculated using the DOR payment data series. Upon receipt of the data series, the data is sorted by filing period. Next, the data is broken into three parts, taxpayers with tax liabilities greater than or equal to \$100,000 annually (based on a three year average), taxpayers with liabilities less than \$100,000, and taxpayers who pay the minimum tax of \$50. Finally, the large taxpayer data is disaggregated based on the industrial sector of the corporation. The data is then evaluated and adjusted when needed. If the data acceptably matches the SABHRS data, then the analysis process can begin.

Legislative Fiscal Division

Revenue Estimate Profile

Corporation Income Tax

In recent years, the DOR has provided more detailed corporation tax data, leading to the formulation of this new corporation tax methodology. First introduced and adopted by the 59th Legislature, this methodology has expanded with time. The concept involves measuring the growth of each individual industrial sector for the economic impacts expected in the upcoming years. Unfortunately, because of the limited number of tax year observations in the available data set, development of growth rates with economic models related to historic trends and patterns is not possible. Instead, and until enough data is available, growth rates developed by the Global Insight Economic Analysis Company and through related analysis performed by the LFD for other tax revenue sources necessarily replaces the development of growth rates.

Analysis

The corporation income tax exhibits high levels of variability in collections. Collection patterns show that current tax payments often originate in a previous year. Included in fiscal year data are late payments, audit payments, and refunds. These activities promote misinterpretation of how high, or low as the case may be, Montana corporate profitability is in any given tax year. A simple review of SABHRS data will not distinguish the many anomalies of the data, and may lead to the adoption of incorrect assumptions. The approach developed for the corporation estimate employs DOR corporation tax payment data to make future estimates as accurate as possible. By disaggregating the data based on corporate industrial sector, specific components of the corporate landscape can be analyzed, measured, and forecast individually with industrial sector projections.

Many corporate entities in Montana do not demonstrate profitability behavior like national corporations. For example, financial corporations lag the nation in profitability, and Montana’s large natural resource base is as volatile as the commodity prices, affecting the payments of oil and gas, energy, mining, and timber corporations. To reflect the peculiar corporate profitability exhibited in Montana, the estimates of corporation tax payments are created through a detailed study of tax payments by industry. To ensure that proper growth is assessed to each industrial sector, the payment data of the high liability corporate tax payers is separated by industry and growth rates are established for each of the industrial sectors. The figure below shows each of the sectors that were developed in this process, its significance to total corporation tax collections, the source of the growth rates used in the estimates, and the rates used in the estimates. The table also includes a category for each small (domestic) and minimum taxpayers.

Corporation Sector Analysis				Growth Factors			
Industrial Sectors	% Total Taxes	Source of Growth Measure	2008	2009	2010	2011	
AllOther	7.7%	GI - Pre-tax Profs. Analysis	-8.14%	-12.17%	2.50%	18.85%	
BoxStore	5.0%	GI - Change in Consumer Spending	-1.01%	-1.04%	3.11%	2.44%	
Financial	15.7%	GI - Weighted Average, Loans/Credit & S&P 500	0.52%	2.45%	3.98%	3.86%	
Food	3.7%	GI - Change in Consumer Spending	0.43%	-0.14%	2.24%	1.96%	
Health	1.9%	GI - Change in Consumer Spending	-0.70%	2.56%	5.59%	6.55%	
Minimum	0.1%	No growth projected	0.00%	0.00%	0.00%	0.00%	
Mining	2.0%	LFD - Change in MT Metals Mines Gross Value	-13.74%	-14.95%	-0.79%	1.09%	
OilGas	22.7%	LFD - Change in MT Oil Gross Value	32.91%	-42.28%	14.11%	-8.64%	
Railroad	4.3%	LFD - Growth in Railcar Activity	6.79%	5.40%	3.59%	3.47%	
Domestic	24.7%	GI - Pre-tax Profs. Analysis	-8.14%	-12.17%	2.50%	18.85%	
TelCom	2.4%	LFD - Growth in Telecommunications Activity	0.29%	-0.07%	0.18%	0.22%	
Timber	1.2%	GI - Industrial Prod. Index, Wood Products	-11.88%	-17.71%	5.87%	12.33%	
Utility	8.7%	LFD - Change in MT Energy Production	1.42%	0.20%	0.20%	0.20%	

Assumptions:

- All Other – Making up 7.7 percent of the total tax liabilities reported in the corporate tax, the all other sector includes the large corporations whose industrial sectors are varied. Included in this sector are businesses that endeavor in bar and restaurant activities, construction activities, and information technology activities, just to name a few. This sector is assumed to more closely follow the national corporation profitability model. The growth factor used to project future tax liabilities in the this sector is developed in a model that regresses SABHRS total corporation tax data against the Global Insight “pre-tax corporation profits” variable, lagged one year, and a business cycle variable, which quantifies the revenue effect of economic downturns. The regression provided an R² rating of 0.88, which means that the regression analysis explains 88.0 percent of the variability in total corporation tax payments, when all other impacts are held constant.*
- Box Store – The box store sector includes large retail stores in Montana and represents 5 percent of the total corporate

Legislative Fiscal Division

Revenue Estimate Profile

Corporation Income Tax

tax liability. Box stores have grown in relative importance in the corporate tax base, as more stores locate in the state. These businesses are assumed to follow the national trend for retail sales in the nation. To project future box store liability, a growth rate is developed by measuring the change of consumer spending for food, durable goods, and non-durable goods as historically tracked by the Bureau of Economic Analysis (BEA) and projected by Global Insight. Financial – The financial sector is the third largest sector estimated in this methodology, with 15.7 percent of the corporation tax liability. This sector includes banks, bank holding corporations, insurance corporations, and investment activities. The financial sector is not expected to continue the same double digit rates of growth, demonstrated in past years, but instead will experience a significantly slower rate of growth in the years of this analysis. The factor used to project future financial sector tax payment growth rate is weighted average of the change in the Global Insight projections of all loans and credit and the S&P 500 index.

- Food – The food sector, which accounts for 3.7 percent of corporation tax liability, includes corporations that produce and transport food products. The food sector has increased in recent years, and is expected to continue to demonstrate slow growth over the next three years. To project future food sector liability, the change in consumer spending for food items, as tracked historically by the BEA and projected by Global Insight, is applied to the tax year base.
- Health – The health sector includes primarily corporations involved in the manufacture of pharmaceuticals and is responsible for almost 2 percent of the corporation tax liability. The sector has experienced significant growth in recent years. To project future health sector liabilities, the change in consumer spending for health and pharmaceuticals is applied to the tax year base.
- Minimum – The minimum paying corporations, accounting for just 0.1 percent of corporation tax liabilities, are assumed to include corporations that are new start-ups, corporations who have experienced net operating losses, and small businesses. With consideration of the volatility of this sector, no growth rate is applied to the base year tax liabilities.
- Mining – Montana’s mining sector, consisting of 2.0 percent of large tax liability corporations, has gained new life in recent years as the price of almost all mineral commodities such as silver, gold, palladium, and copper has increased. However, the national mining industry is expected to experience declines in calendar year 2008 and 2010, followed by slow growth in the remaining year of this analysis. Consequently, mining corporations are assumed to be less profitable in the next biennium. The factor used to project future tax liability of this sector is the change mining Montana metal mine gross value, as tracked and projected by the Legislative Fiscal Division (LFD).
- Oil & Natural Gas – The oil and natural gas sector has experienced high levels of profitability as the prices for petroleum based products have increased over the past two years, however the price per barrel of crude oil experienced a sharp decline in the third quarter of 2008, and is expected to continue to decline throughout 2009. The assumption of this analysis is that lower oil and gas prices will negatively affect the profitability of corporations of this sector. The factor used to project future oil and natural gas sector tax liabilities is derived from the change in the oil and natural gas gross values projected by the LFD specifically for oil and natural gas severance taxes.
- Railroad – The railroad industry is responsible for 4.3 percent of Montana’s corporation tax liability. The industry has demonstrated significant growth between tax year 2006 and 2007, but in future years the growth in rail industry’s tax liability is expected to resume a more normal pattern. The factor used to project the future tax liability of the rail industry is the change in the Montana allocation of railcar value, as projected by the LFD for the railcar tax.
- Domestic – The domestic “sector” consists of corporate entities from all industrial sectors and have average tax liabilities between \$50 and \$100,000. This “sector” has the greatest amount of overall tax liability, 24.7 percent. Many of the corporations in this sector are thought to operate solely in Montana and may be less profitable than their larger counterparts. With the diverse grouping of industrial types in this “sector”, the growth factor used for the domestic sector is developed in a regression analysis, as discussed in the “All Other” sector discussion.
- Telecom – The telecom industry, comprising 2.4 percent of the total corporation tax liability, includes telecommunications and internet technology companies. In Montana, the total tax liability of this sector has remained relatively constant in recent years, and that trend is expected to continue in the period of analysis. The growth factor used to project the tax liability of the telecom sector is the change in the proxy of taxable telecom receipts, as developed by the LFD in the estimate for the telecom tax.
- Timber – The timber sector in Montana is highly volatile. Timber corporations come and go, as evidenced in the history of their tax liabilities. The timber sector is assumed to remain volatile and is expected to experience reduced activity in calendar year 2007 and 2008. The factor used to project future timber sector tax growth is derived from the change in the Global Insight projection for the production of wood products in the nation.
- Utility – Utility corporations include corporations that produce and transmit electric and gas utilities to consumers. In the past, utility corporations were among the largest corporations in the state. In more recent times, the tax liabilities of utility corporations have diminished. However, in the past two years, the utility sector has regained some significance, as

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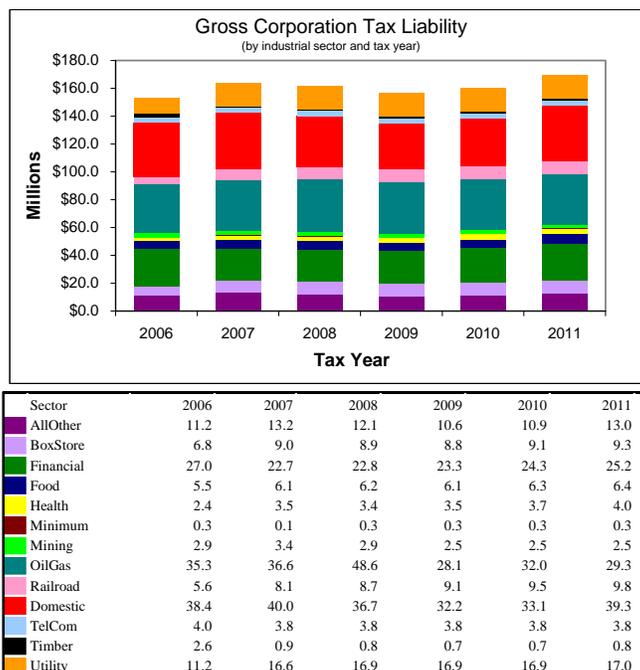
Revenue Estimate Profile

Corporation Income Tax

demonstrated by its contribution of 8.7 percent of the total corporation tax liability. The utility sector is expected to assume a rate of slow growth for the foreseeable future. The factor used to project future tax liability growth is the change in energy production, as estimated by the LFD for the electrical energy tax.

*For additional information concerning the statistics of fit for the model used for this projection, contact the Legislative Fiscal Division.

To develop the estimate for the corporation income tax, the sector growth rate is applied to the most recent tax year collections, 2007. The base year of 2007 is assumed to represent the most complete year of actual payments. 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. Analysis shows that the return payments made in the state fiscal year are made for the tax liability of the previous tax year. Estimated tax payments made in the first half of the fiscal year are assumed to be payments for the liabilities of the previous tax year and payments in the second half of the fiscal year are assumed to be liabilities of the current tax year. Audits and refunds are generally assumed to be corrections to tax liabilities of the prior year. When calculated, the analysis suggests that 60 percent of all corporation income taxes are for liabilities from the previous year and 40 percent of the taxes are from the current year. When the percentages of each tax year are combined, the resulting value is the fiscal year gross corporate tax liability.



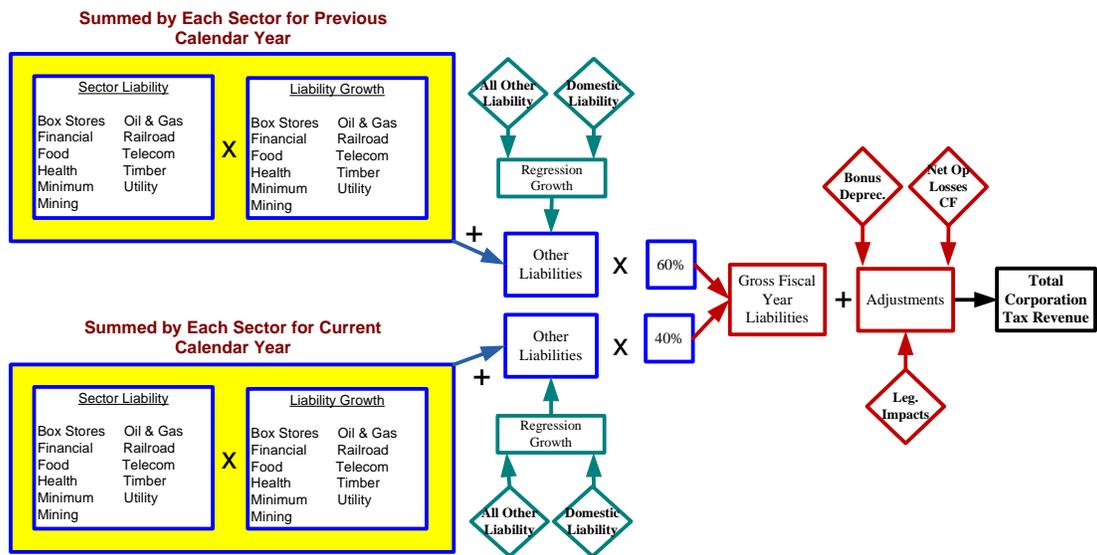
Adjustment and Distribution

After the estimate for the fiscal year gross corporation tax liability is complete, several adjustments are required. The first adjustment is for new legislation passed by the 60th Legislature but not yet included in the tax base. The next adjustment is to account for the bonus depreciation provision of the Economic Stimulus Act of 2008. As calculated by the Department of Revenue, the revenue effects of the act will cause a reduction of corporation tax revenue in fiscal years 2009 and 2010, but will increase tax revenues in fiscal years 2011 through 2014. Finally, given the recent economic downturn, an adjustment is made to account for the likelihood of unusual net operating loss (NOL) impacts. Because NOL losses may be distributed over a number of years, the effect of an economic downturn, with its associated NOL's, is expected to reduce total corporation tax liabilities in all three years of the analysis.

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Forecast Methodology



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Revenue Estimate Assumptions

	t	Total Tax	GF Tax	US Profits	Tax	Bonus	Legislation
	Fiscal	Millions	Millions	Billions	Rate	Depreciation	Impacts
						Millions	Millions
Actual	2000	99.088867	90.682672	774.600000	0.067500		
Actual	2001	103.670487	103.670487	740.700000	0.067500		
Actual	2002	68.173253	68.173253	738.200000	0.067500		
Actual	2003	44.137518	44.137518	838.300000	0.067500		
Actual	2004	67.722940	67.722940	1056.400000	0.067500		
Actual	2005	98.213716	98.213716	1412.600000	0.067500		
Actual	2006	153.675068	153.675068	1747.200000	0.067500		
Actual	2007	177.503707	177.503707	1880.000000	0.067500		
Actual	2008	160.341786	160.341786	1755.100000	0.067500		
Forecast	2009	156.132000	156.132000	1647.600000	0.067500	(2.618017)	(0.173442)
Forecast	2010	136.293000	136.293000	1752.400000	0.067500	(3.619759)	(2.221361)
Forecast	2011	149.352000	149.352000	1845.400000	0.067500	0.708452	(0.451505)

	t	AllOther	BoxStore	Financial	Food	Health	Minimum	Mining
	Cal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000							
Actual	2001							
Actual	2002							
Actual	2003							
Actual	2004							
Actual	2005							
Actual	2006							
Actual	2007							
Actual	2008	12.109538	8.937609	22.781306	6.151872	3.443864	0.086278	2.918816
Forecast	2009	10.635807	8.844658	23.339448	6.143259	3.532027	0.086278	2.482453
Forecast	2010	10.901702	9.119727	24.268358	6.280868	3.729467	0.086278	2.462842
Forecast	2011	12.956673	9.342248	25.205117	6.403973	3.973747	0.086278	2.489687

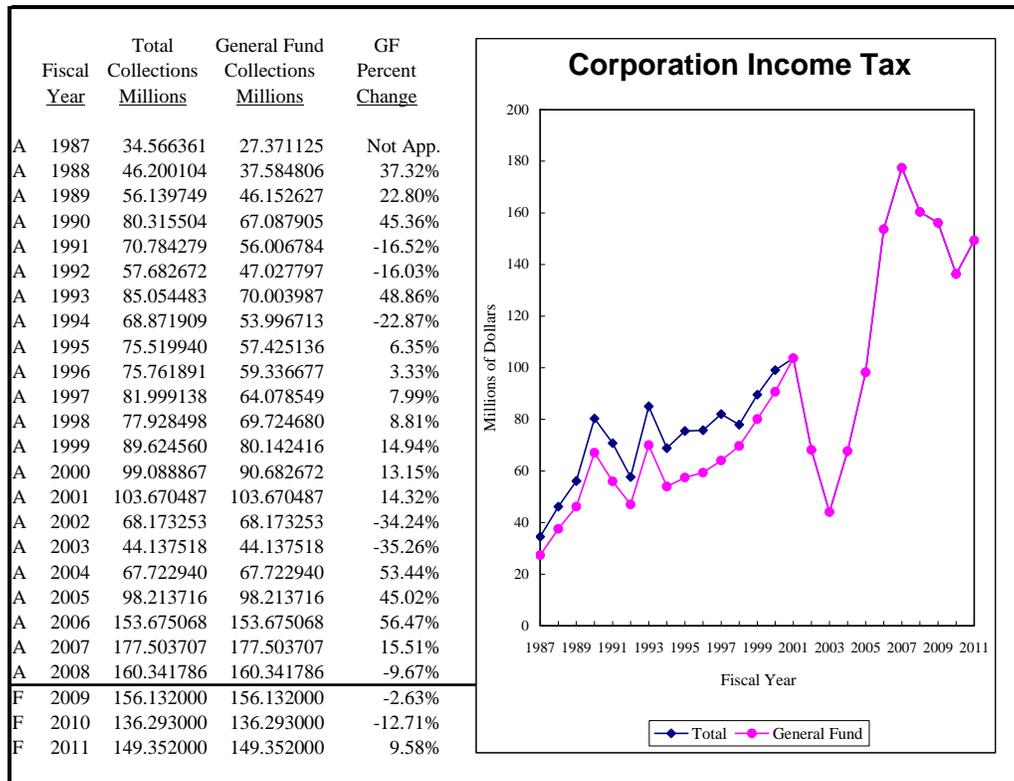
	t	OilGas	Railroad	SmallPays	TelCom	Timber	Utility	NOL
	Cal	Millions	Millions	Millions	Millions	Millions	Millions	CarryOver
								Millions
Actual	2000							
Actual	2001							
Actual	2002							
Actual	2003							
Actual	2004							
Actual	2005							
Actual	2006							
Actual	2007							
Actual	2008	48.642711	8.660669	36.713968	3.762653	0.833615	16.867791	
Forecast	2009	28.076573	9.128345	32.245878	3.760019	0.685982	16.901527	(2.568244)
Forecast	2010	32.038177	9.456053	33.052025	3.766787	0.726249	16.935330	(6.513256)
Forecast	2011	29.270079	9.784178	39.282332	3.775074	0.815796	16.969201	(6.741550)

Total Tax = AllOther + BoxStore + Financial + Food + Health + Minimum + Mining
+ OilGas + Railroad + SmallPays + TELCOM + Timber + Utility + Business Cycle + Bonus + Legislation
GF Tax = Total Tax

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Revenue Estimate Profile Corporation Income Tax

Revenue Projection:



Data Source(s): SABHRS, Global Insight, Department of Revenue

Contacts: Department of Revenue