

# Revenue Estimate Recommendations

Fiscal Years 2006 and 2007



Terry W. Johnson  
Principal Fiscal Analyst  
Legislative Fiscal Division

December 13, 2005



A report for the  
**Revenue & Transportation Interim Committee**

[www.leg.mt.gov/css/fiscal](http://www.leg.mt.gov/css/fiscal)

Legislative  
Fiscal Division



## Presentation Outline

- Committee Direction on September 30th
- Review of Fiscal 2005 Revenues
- Discussion of Recommendations
- 2007 Biennium General Fund Outlook
- 2009 Biennium General Fund Outlook



Legislative Fiscal Division  
  
[www.leg.mt.gov/css/fiscal](http://www.leg.mt.gov/css/fiscal)

Revenue & Transportation Committee Meeting  
December 13, 2005

Exhibit #1



## Committee Direction on September 30, 2005

Limit review to:

- Income tax, corporation tax, oil & gas tax
- Property tax (due to school funding)
- Residual impacts (US royalty and school I&I)

Work with the executive branch:

- To identify differences
- Prepare document highlighting differences for decision making



## What Happened in 2005?





## General Fund Fiscal 2005 Revenue: \$131.2 M

- Individual income.....\$ 91.5 M
  - ➔ Non-wage growth
  - ➔ Audits
  - ➔ SB 407 effects
- Corporation income.....\$ 31.9 M
  - ➔ Audits
  - ➔ Delayed refunds
  - ➔ Profit growth
- Oil & natural gas.....\$ 4.4 M
  - ➔ Prices and production
- Other.....\$ 3.4 M

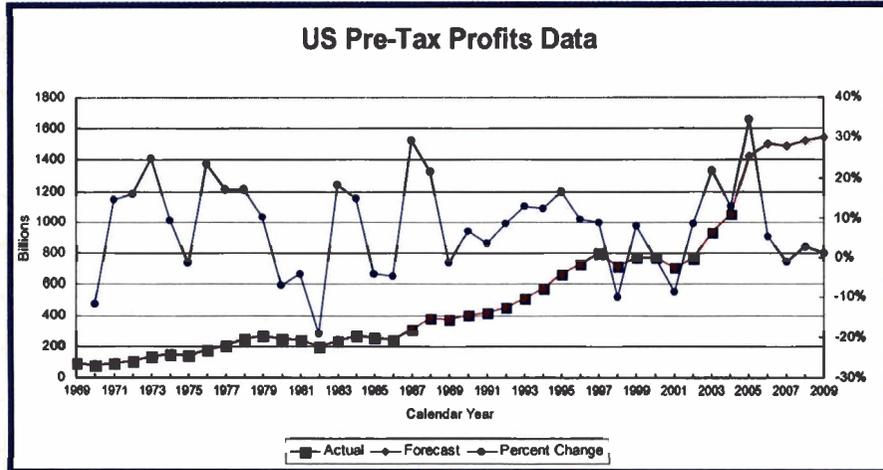


## Summary of Revenue Recommendations Corporation Tax - \$28.6 M ↑

- Percentage changes
  - FY 2005 - FY 2006: (6.9)%
  - FY 2006 - FY 2007: 6.4%
- US Profits
  - Growth: FY 2001.... \$707.9 B (8.5)%
  - Growth: FY 2005.... \$1,425.3 B 34.5%



## Summary of Revenue Recommendations Corporation Tax - \$28.6 M ↑



## Summary of Revenue Recommendations Income Tax - \$153.2 M ↑

- Percentage changes
  - FY 2005 - FY 2006: (4.0)%
  - FY 2006 - FY 2007: 5.1%
- Income components
- SB 407 impacts



## Summary of Revenue Recommendations Income Tax - \$153.2 M ↑

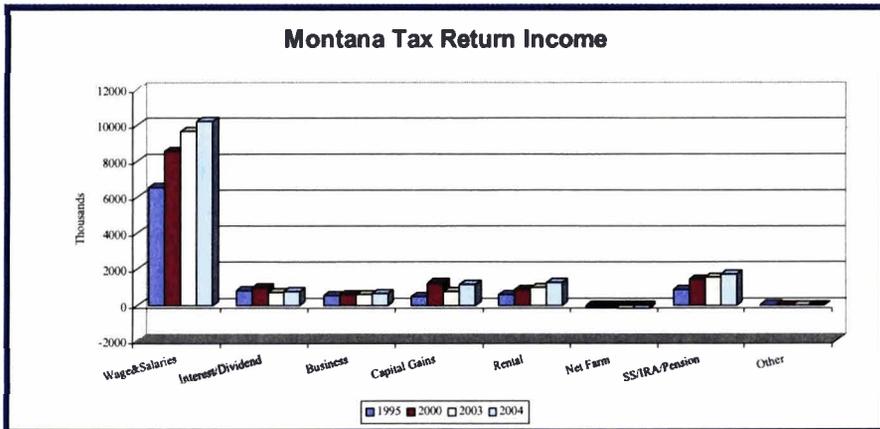


### Individual Income Tax Income Components Comparison (In Millions)

Income Components	Tax Year 2004 Estimated	Tax Year 2004 Actual	Difference	Percent Difference
Dividend Income	\$332.987	\$379.386	\$46.399	12.23%
Net Capital Gain	790.913	1,193.177	402.264	33.71%
Rent, Royalty, Partnership	1,123.657	1,283.271	159.614	12.44%
All Other Income	<u>12,858.049</u>	<u>12,877.313</u>	<u>19.264</u>	0.15%
<b>Totals</b>	<b>\$15,105.606</b>	<b>\$15,733.147</b>	<b>\$627.541</b>	<b>3.99%</b>



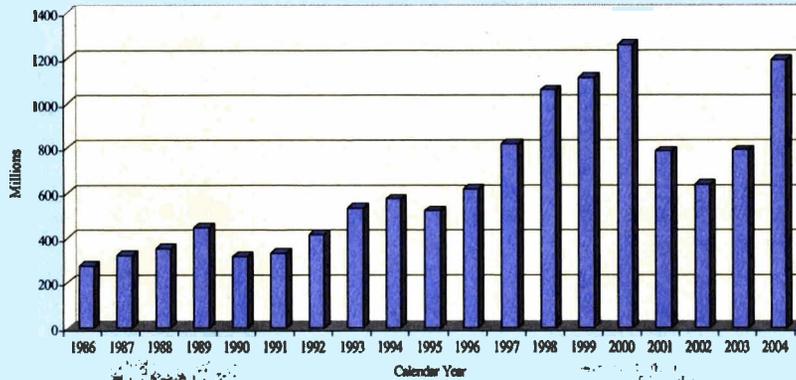
## Summary of Revenue Recommendations Income Tax - \$153.2 M ↑





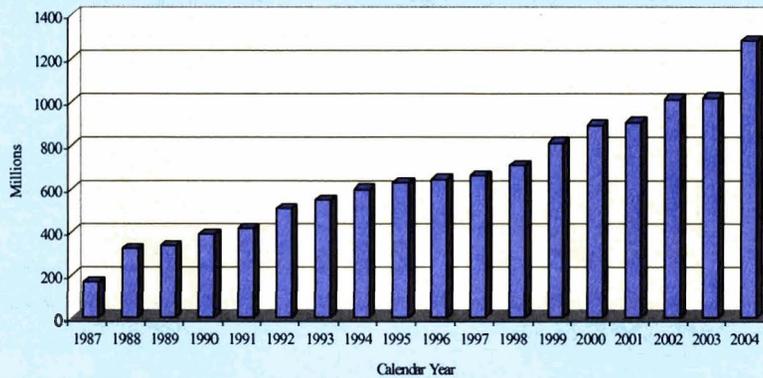
## Summary of Revenue Recommendations Income Tax - \$153.2 M ↑

### Montana Capital Gains Income



## Summary of Revenue Recommendations Income Tax - \$153.2 M ↑

### Montana Rents, Royalties, Partnership Income



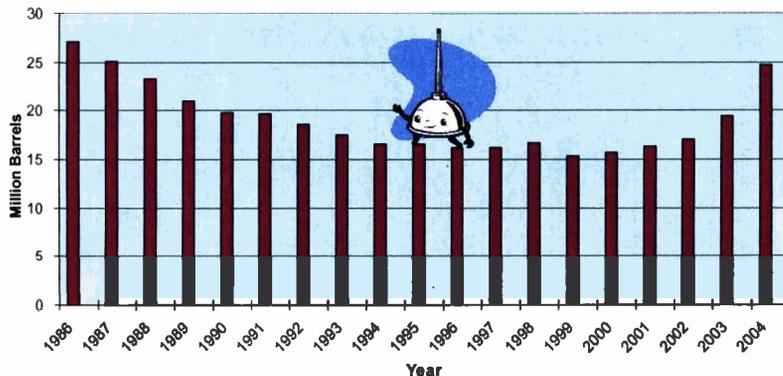


## Summary of Revenue Recommendations Oil and Natural Gas Production Tax - \$65.8 M ↑

- Percentage changes
  - FY 2005 - FY 2006: 58.7%
  - FY 2006 - FY 2007: (6.9)%
- Oil production/price:
  - FY 2006: 34.9 M barrels \$57.79/barrel
  - FY 2007: 35.5 M barrels \$50.49/barrel
- Natural gas production/price:
  - FY 2006: 102.2 million MCF \$8.35/MCF
  - FY 2007: 101.1 million MCF \$8.10/MCF

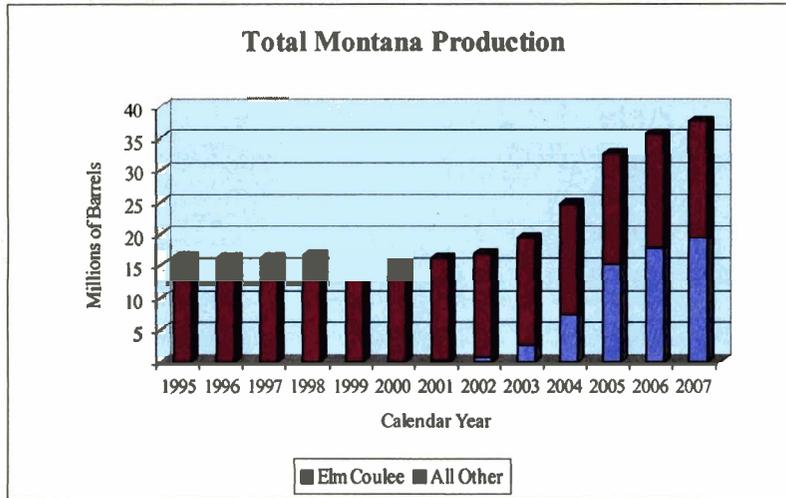
## Summary of Revenue Recommendations Oil and Natural Gas Production Tax - \$65.8 M ↑

Total Montana Oil Production

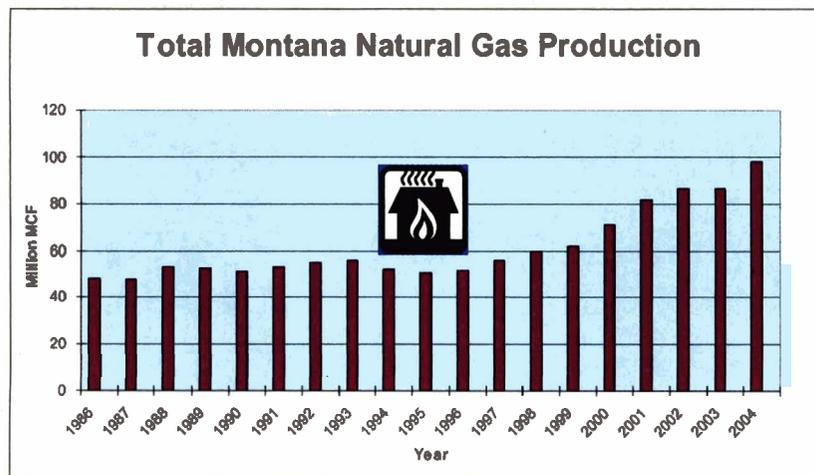




## Summary of Revenue Recommendations Oil and Natural Gas Production Tax - \$65.8 M ↑

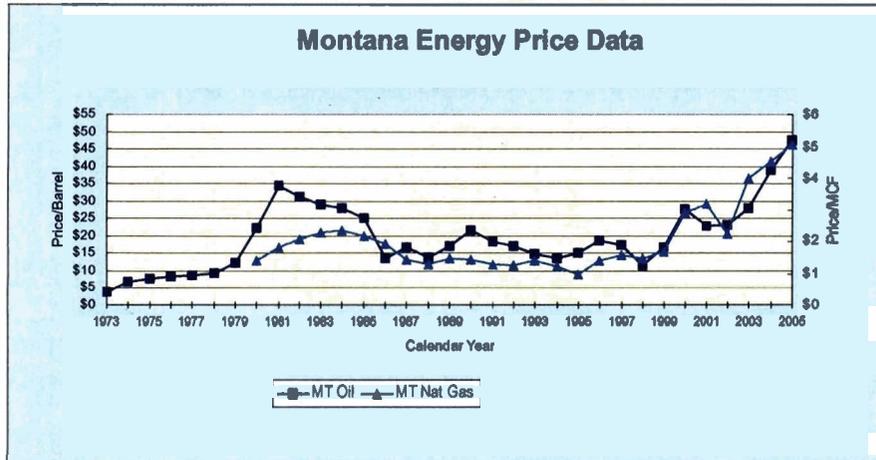


## Summary of Revenue Recommendations Oil and Natural Gas Production Tax - \$65.8 M ↑





## Summary of Revenue Recommendations Oil and Natural Gas Production Tax - \$65.8 M ↑



## Summary of Revenue Recommendations Property Tax - \$5.4 M ↑

- Percentage changes
  - FY 2005 - FY 2006: 5.5%
  - FY 2006 - FY 2007: 3.7%
- Taxable values



## Summary of Revenue Recommendations Common School Interest & Income - \$17.9 M ↑

- Residual effects due to oil and natural gas changes



**What does it all mean?**





## 2007 Biennium General Fund Outlook (without Governor's proposal)

Budgeted ending balance	\$ 76.0 M
Unanticipated 2005	\$ 135.0 M
Additional revenues (recommended)	\$ 253.0 M
Supplementals	\$ (38.3) M
Additional reversions (due to I&I)	\$ 12.2 M
Adjustments	<u>\$ (12.5) M</u>
Projected Balance (Before a Reserve)	\$ 425.4 M



## 2007 Biennium General Fund Outlook (with Governor's proposal)

Budgeted ending balance	\$ 76.0 M
Unanticipated 2005	\$ 135.0 M
Additional revenues (recommended)	\$ 253.0 M
Supplementals	\$ (38.3) M
Additional reversions (due to I&I)	\$ 12.2 M
Adjustments	\$ (12.5) M
Governor's proposal	<u>\$ (189.7) M</u>
Projected Balance (Before a Reserve)	\$ 235.7 M



## 2009 Biennium General Fund Outlook (with Governor's proposal)

Beginning balance	\$ 235.7 M
Anticipated revenue	\$ 3,293.4 M
Present law costs	\$ (3,136.6) M
Session costs	\$ (10.0) M
Governor's proposal	\$ (62.4) M
Projected balance (Before a Reserve)	\$ 320.1 M

Legislative Fiscal Division



[www.leg.mt.gov/css/fiscal](http://www.leg.mt.gov/css/fiscal)



## 2009 Biennium General Fund Outlook Structural Balance (with Governor's proposal)

Revenues	\$ 3,293.4 M
Disbursements	\$ (3,209.0) M
Structural balance	\$ 84.4 M

Legislative Fiscal Division



[www.leg.mt.gov/css/fiscal](http://www.leg.mt.gov/css/fiscal)