

Business Taxes

Corporation Income Tax

Estate Tax

Foreign Capital Depository Tax

Individual Income Tax

Insurance Tax & License Fees

Railroad Car Tax

Telecommunications Excise Tax

Telephone License Tax



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. The revenue from Montana's corporation license tax is correlated closely with profits from corporations in the rest of the country. Additional factors that affect corporation license tax receipts include tax credits and the audit efforts by the Department of Revenue. As with individual income tax, all forecasts are adjusted for allowable credits.

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: All corporation taxes are distributed to the general fund.

Summary of Legislative Action:

House Bill 124 – Previously, 80 percent of total corporation income tax revenue paid by financial institutions had been statutorily appropriated to the various taxing jurisdictions in the county from which it was collected. Under House Bill 124, this tax revenue (\$8,652,000 in fiscal 2002 and \$8,745,000 in fiscal 2003) is now deposited to the general fund and the statutory appropriation is eliminated. The state reimburses local governments for this lost revenue through a general fund statutory appropriation. However, the general fund loses \$1,185,277 in fiscal 2002 and \$1,182,850 in fiscal 2003 of associated non-levy revenue. The legislation applies to the taxes paid by financial institution retroactively to July 1, 2000. Therefore, no payments will be made to the various taxing jurisdictions in fiscal 2001 and the state general fund will receive an estimated \$8,523,000 of revenue in fiscal 2001.

House Bill 377 – Legislation allowing a credit against corporation license taxes and individual income taxes for contributions to qualified endowments was to terminate December 31, 2001. House Bill 377 extends the termination date for the credit to December 31, 2007, thus reducing general fund revenue as compared to current law. It also: 1) decreased the amount of contributions from individual taxpayers that are eligible for the credit from 50 percent to 40 percent; and 2) decreased the amount of contributions from corporate taxpayers that are eligible for the credit from 50 percent to 20 percent.

House Bill 623 – A new non-refundable credit against corporation license and individual income taxes is allowed for the amounts spent by employers for day-care facilities. The allowable credit is the lesser of: 1) \$2,500 multiplied by the number of dependents that the day-care is designed to accommodate; 2) 15 percent of the expenditure; or 3) \$50,000. One-tenth of the total credit may be claimed in the first tax year and in each of the succeeding nine tax years. The Department of Revenue estimates that one employer per year would claim \$5,000 in credits for 10 years which will be partially offset by an increase in tax liability. The legislation also: 1) expands the existing credit against personal income taxes for dependent care assistance by adding costs for referral services to costs allowable for the credit; and 2) increases the amount of eligible costs to 25% of total costs or a maximum of \$1,575. The Department of Revenue estimates this will increase credits by \$3,002 in fiscal 2002 and \$3,154 in fiscal 2003.

Senate Bill 350 – A credit against corporate license taxes or individual income taxes is allowed for donations to the affordable housing revolving loan account. The allowed amount is 10 percent of donations for corporate license tax credits and 20 percent of donations for individual income tax credits up to a maximum of \$10,000 a year. The legislation also considers contributions to the affordable housing revolving loan account as a qualified endowment and eligible for the qualified endowment tax credit. The Department of Revenue estimates that four donations of \$9,800 each will be from corporate taxpayers and two donations of \$9,800 each will be from individual taxpayers.

Legislative Fiscal Division

Revenue Estimate Profile

Corporation Income Tax

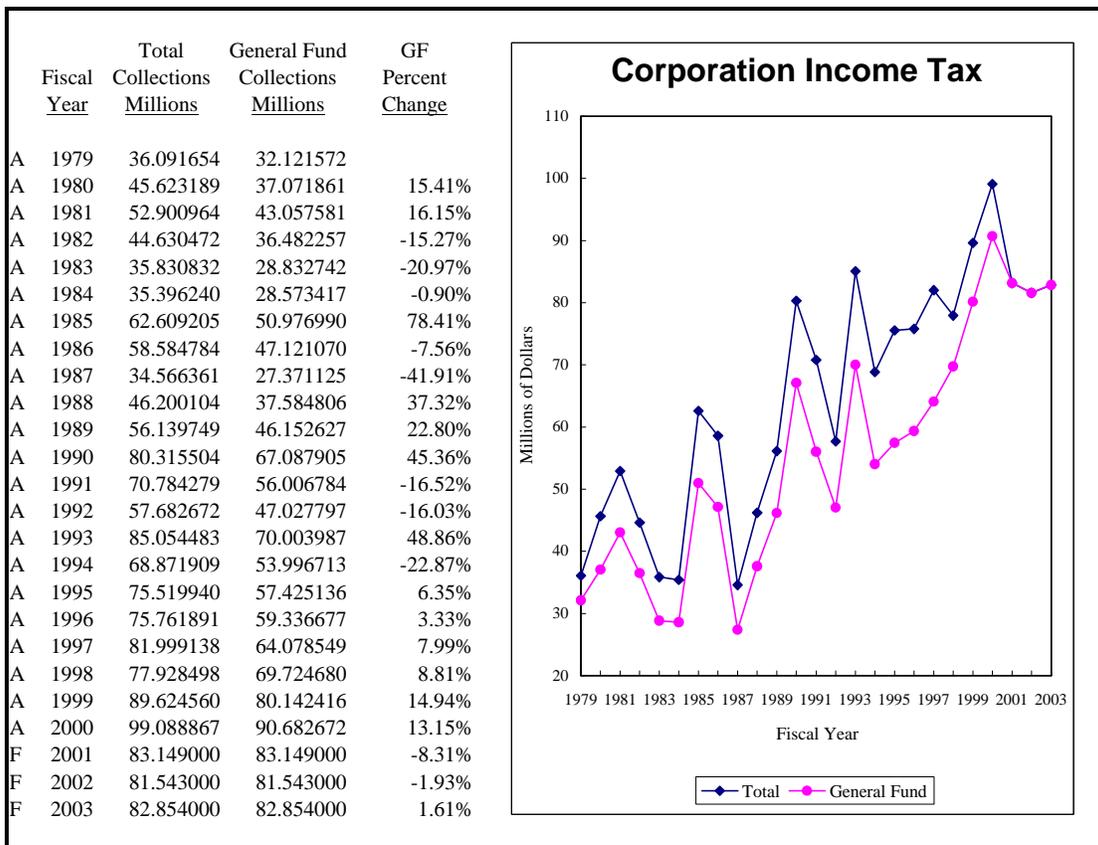
Corporation Income Tax -- Legislation Passed by 57th Legislature
Estimated General Fund Impact for the 2003 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
HB0124 Revise local government funding (a.k.a. The Big Bill)	8,523,000	8,652,000	8,745,000
HB0377 Revise qualified endowment tax credit -- 6-year extension			(269,000)
HB0623 Tax credit for business providing day care facility		(7,666)	(12,479)
SB0350 Income tax credit for contributions to housing trust fund		(3,920)	(3,920)
 Total Estimated General Fund Impact	 <u>\$8,523,000</u>	 <u>\$8,640,414</u>	 <u>\$8,459,601</u>

Statute: Title 15, Chapter 31, MCA

% of Total FY 2000 General Fund Revenue: 7.79%

Revenue Projection:



Legislative Fiscal Division

Revenue Estimate Profile Corporation Income Tax

NOTE:

Due to the transition to a new state accounting system and other factors, an unusually large number of accounting errors occurred in fiscal 2000. The errors not only impact the general fund, but other funds as well. To correct these errors and ensure an accurate Comprehensive Annual Financial Report for the state, adjustments must be made in fiscal 2001 as prior year adjustments. The actual fiscal 2000 revenue shown in the table above was adjusted for these accounting errors and has been audited by the Legislative Auditor.

The general fund adjustment to this general fund revenue source that was known as of November 10, 2000 is -\$683,283.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2001 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total</u>	<u>GF Tax</u>	<u>US Profits</u>	<u>MT Taxable</u>	<u>Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Billions</u>	<u>Millions</u>	<u>Rate</u>
Actual	2000	99.088867	90.682672	943.900000	1130.044489	0.067500
Forecast	2001	83.149000	74.626000	998.100000	1135.534790	0.067500
Forecast	2002	81.555000	72.903000	1048.400000	1152.673147	0.067500
Forecast	2003	83.139000	74.394000	1085.700000	1165.015884	0.067500

	<u>t</u>	<u>Total</u>	<u>Total</u>	<u>P&I</u>	<u>Audit</u>	<u>Legislation</u>	<u>Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Financials</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	99.088867	10.507744	0.870391	1.424267	0.000000	96.794209
Forecast	2001	83.149000	10.654234	0.000000	6.500000	0.000000	76.648598
Forecast	2002	81.555000	10.815036	0.000000	3.750000	0.000000	77.805437
Forecast	2003	83.139000	10.930843	0.000000	4.500000	0.000000	78.638572

Legislative Fiscal Division

Revenue Estimate Profile

Estate Tax

Revenue Description: An inheritance tax is imposed on the transfer of any decedent's property, interest in property, or income from property within the state, to any other person or corporation except a surviving spouse, child or lineal descendant, stepchild, or governmental or charitable organization. The tax is due 18 months after the death of the decedent. In addition to the inheritance tax an estate tax is imposed on estates transferred to heirs at death. The Montana estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

Due to passage of Legislative Referendum 116 by the electorate in November 2000, the state inheritance tax was repealed. Although the act was effective immediately, it applies to deaths occurring after December 31, 2000. Thus, inheritance tax revenue will continue to produce revenue during the 2003 biennium, but the amount of revenue will decrease each year. The estate tax remains in existence.

Since 1980, revenues from inheritance taxes have fluctuated because of federal and state law changes, changes in wealth, changes in the death rate of the population, accounting procedures, and the processing of several large estates.

Applicable Tax Rate(s): The estate tax is equal to the maximum estate tax credit allowed under federal estate tax law.

Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action: The 57th Legislature did not enact legislation that impacted this general fund revenue source.

Statute: Title 72, Chapter 16, MCA

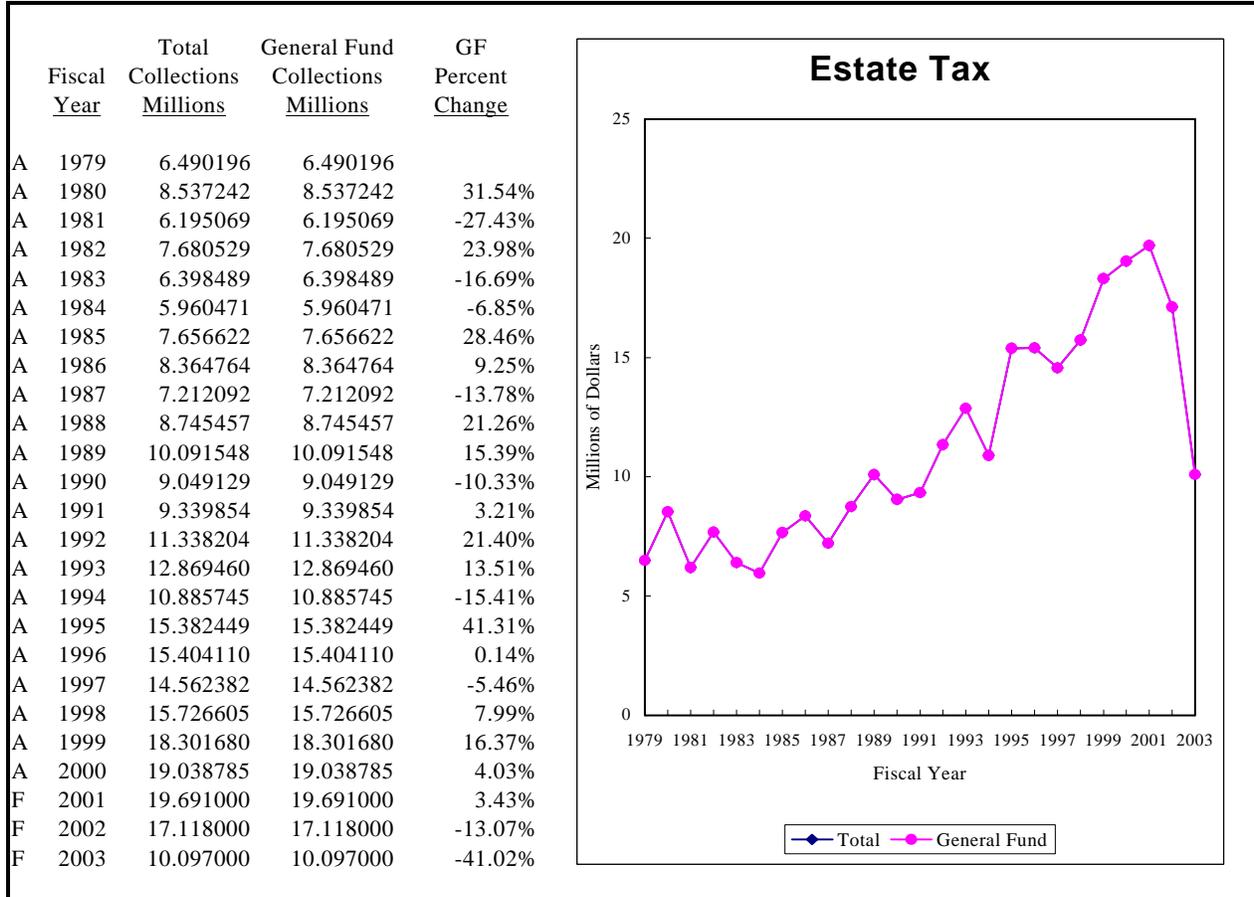
% of Total FY 2000 General Fund Revenue: 1.64%

Legislative Fiscal Division

Revenue Estimate Profile

Estate Tax

Revenue Projection:



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2001 legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Annual Growth	Legislation Impacts
Actual	2000	19.038785	19.038785	0.040275	
Forecast	2001	19.691000	19.691000	0.034254	-0.290649
Forecast	2002	17.118000	17.118000	-0.130691	-0.581298
Forecast	2003	10.097000	10.097000	-0.410157	-0.581298

Legislative Fiscal Division

Revenue Estimate Profile

Foreign Capital Depository Tax

Revenue Description: The legislature has authorized the chartering of foreign capital depositories in Montana. Only a person who is not a citizen or resident of the United States may use the services of the depository. There are no citizenship requirements imposed on the owner of the depository, but the depository must be chartered in Montana. The initial fee associated with a state charter is \$50,000, and the annual fee is \$10,000, both of which are deposited in a foreign capital depository special revenue account. A depository may accept a minimum of \$200,000 in currency, cash to exchange for precious metals, and tangible personal property. Other services may be provided such as foreign currency exchange, safe deposit boxes, storage of assets, bond sales, and performance of trust and related fiduciary services. The enabling legislation terminates September 30, 2012.

A foreign capital depository is exempt from the corporation license tax, but must pay a tax based on the average value of assets on deposit or in a safe deposit box. The tax is assessed on a six-month period and is due June 15 and December 15. The amount of tax collected on June 15 is divided equally among individual income tax payers as a tax credit.

Applicable Tax Rate(s): The tax is 0.375 percent of the average balance of assets over a six-month period. The total annual tax is 0.75 percent.

Distribution: Tax proceeds are deposited into the general fund.

Summary of Legislative Action: The 57th Legislature did not enact legislation that impacted this general fund revenue source.

Statute: Title 15, Chapters 30 and 31; Title 32, Chapters 1 and 8, MCA

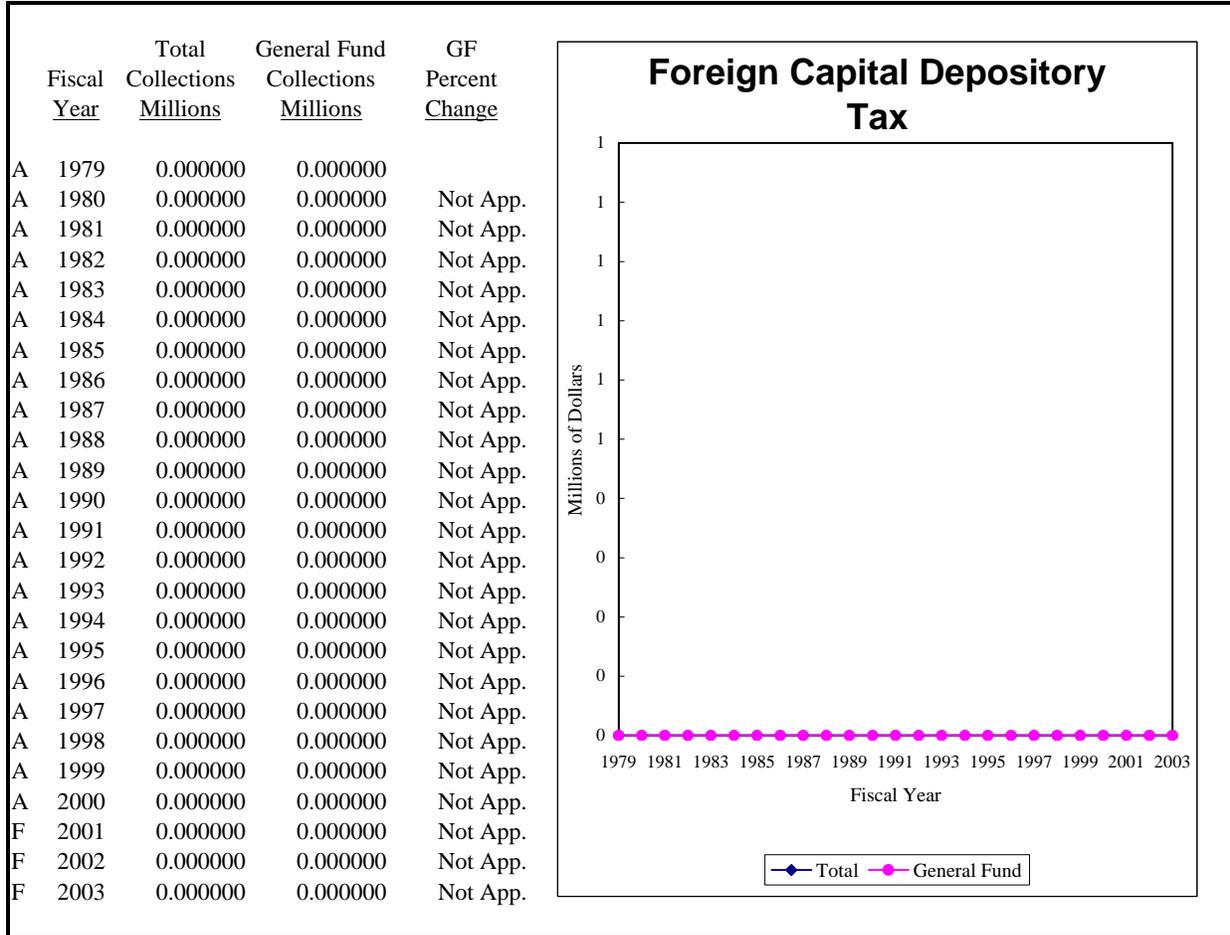
% of Total FY 2000 General Fund Revenue: 0.00%

Legislative Fiscal Division

Revenue Estimate Profile

Foreign Capital Depository Tax

Revenue Projection:



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2001 legislature that may affect future estimates of this revenue source.

	t	Total Tax Millions	GF Tax Millions	November Avg. Balance Millions	May Avg. Balance Millions	Tax Rate	Six Month Rate
Actual	2000						
Forecast	2001	0.000000	0.000000	0.000000	0.000000	0.007500	0.003750
Forecast	2002	0.000000	0.000000	0.000000	0.000000	0.007500	0.003750
Forecast	2003	0.000000	0.000000	0.000000	0.000000	0.007500	0.003750

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.

Applicable Tax Rate(s): Tax rates vary from 2.0% to 11.0%, 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.

Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action:

House Bill 143 – The legislation increases individual income taxes by requiring S. corporations, partnerships, limited liability companies, and other pass-through entities to include their distributive share of income for income tax purposes. The legislation also provides a credit to resident taxpayers for a portion of income taxes paid to another state or country by an S. corporation of which the resident is a shareholder.

House Bill 377 – Legislation establishing a credit against individual income taxes and corporation license taxes for contributions to qualified endowments was to terminate December 31, 2001. House Bill 377 extends the termination date for the credit to December 31, 2007, thus reducing general fund revenue as compared to current law. It also: 1) decreased the amount of contributions from individual taxpayers that are eligible for the credit from 50 percent to 40 percent; and 2) decreased the amount of contributions from corporate taxpayers that are eligible for the credit from 50 percent to 20 percent.

House Bill 619 – An alternative credit to rehabilitation expenditures for historic buildings is allowed against individual income taxes for 20 percent of the costs incurred in the preservation of historically significant property, including buildings. The credit is limited to \$25,000 a year with a maximum of \$150,000 for each property. The legislation is effective January 1, 2002.

Senate Bill 92 - Legislation allowing a credit against corporation license taxes and individual income taxes for certain recycling costs was to terminate December 31, 2001. Senate Bill 92 extends the termination date for the credit to December 31, 2005. Although revenue reductions are estimated to be \$186,000 in fiscal 2003, these reductions are incorporated in the revenue estimates contained in House Joint Resolution 2.

Senate Bill 245 – Farm and ranch risk management trust accounts may be established for eligible agricultural businesses as a risk management tool for an individual or family farm corporation. Deposits to the account can be excluded from adjusted gross income but, not to exceed the lesser of 20 percent of the taxpayer's net agricultural income or \$20,000 a year. Deposits to an account must be distributed within five years from the time they were made and are considered taxable income at that time. The legislation terminates when the director of the Department of Revenue certifies that a similar program is enacted at the federal level.

Senate Bill 350 – A credit against individual income taxes or corporate license taxes is allowed for donations to the affordable housing revolving loan account. The allowed amount is 20 percent of donations for individual income tax credits and 10 percent of donations for corporate license tax credits up to a maximum of \$10,000 a year. The legislation also considers contributions to the affordable housing revolving loan account as a qualified endowment and eligible for the qualified endowment tax credit. The Department of Revenue estimates that two donations of \$9,800 each will be from individual taxpayers and four donations of \$9,800 each from corporate taxpayers.

Senate Bill 506 – The legislation addresses alternative energy by offering property and income tax incentives and establishing a revolving loan account to fund alternative energy sources. An exemption from property taxes is allowed for machinery and equipment used in qualifying energy generation facilities built after July 1, 2001. The Department of Revenue estimates that \$122 million in new taxable value for equipment will be exempt from taxation in the 2003 biennium. Since this amount is an exemption for equipment not anticipated in House Joint Resolution 2, there is no reduction to current law general fund property tax revenue. The legislation also expands the following credits, thus reducing general fund revenue by the indicated amount: 1) energy-conservation credit on residential and commercial

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

buildings (\$469,000); 2) geothermal system credit (\$199,070); 3) nonfossil generation credit (\$75,500); and 4) commercial or net metering system alternative energy investment credit (\$2,594). The legislation also exempts wind turbines erected on state land from the wholesale energy tax and allows local governments to create special improvement districts to purchase and manage alternative energy production facilities. Penalties for air quality violations that previously were deposited to the general fund (\$148,819) are now deposited to the revolving loan account to fund alternative energy sources (see "All Other Revenue"). The Department of Environmental Quality administers this account to provide loans to individuals and small businesses to build alternative energy systems and to generate energy for their own use and for net metering.

Senate Bill 514 – Information agents are now required to report proceeds from real estate transactions for which no withholding tax has been deducted. These transactions are required to be reported to the federal Internal Revenue Service and include sales of condominium units or stock in a residence for \$250,000 or less. The Department of Revenue estimates that 10 additional sales will be reported each year with capital gains of \$50,000 each (for a tax liability of \$3,645) resulting in additional general fund revenue.

Individual Income Tax -- Legislation Passed by 57th Legislature			
Estimated General Fund Impact for the 2003 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
HB0143 Revise income tax laws for pass-through entities		(115,000)	1,185,000
HB0377 Revise qualified endowment tax credit -- 6-year extension			(5,196,000)
HB0619 Tax credit for preserving historically significant property			(5,000)
SB0092 Extend recycling tax credit -- revise credit			
SB0245 Montana farm and ranch risk management account			(700,000)
SB0350 Income tax credit for contributions to housing trust fund		(3,920)	(3,920)
SB0506 Encourage alternative energy and electrical generation			(746,164)
SB0514 Revise reporting of gain or loss from sale of real property		36,450	72,900
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$82,470)</u>	<u>(\$5,393,184)</u>

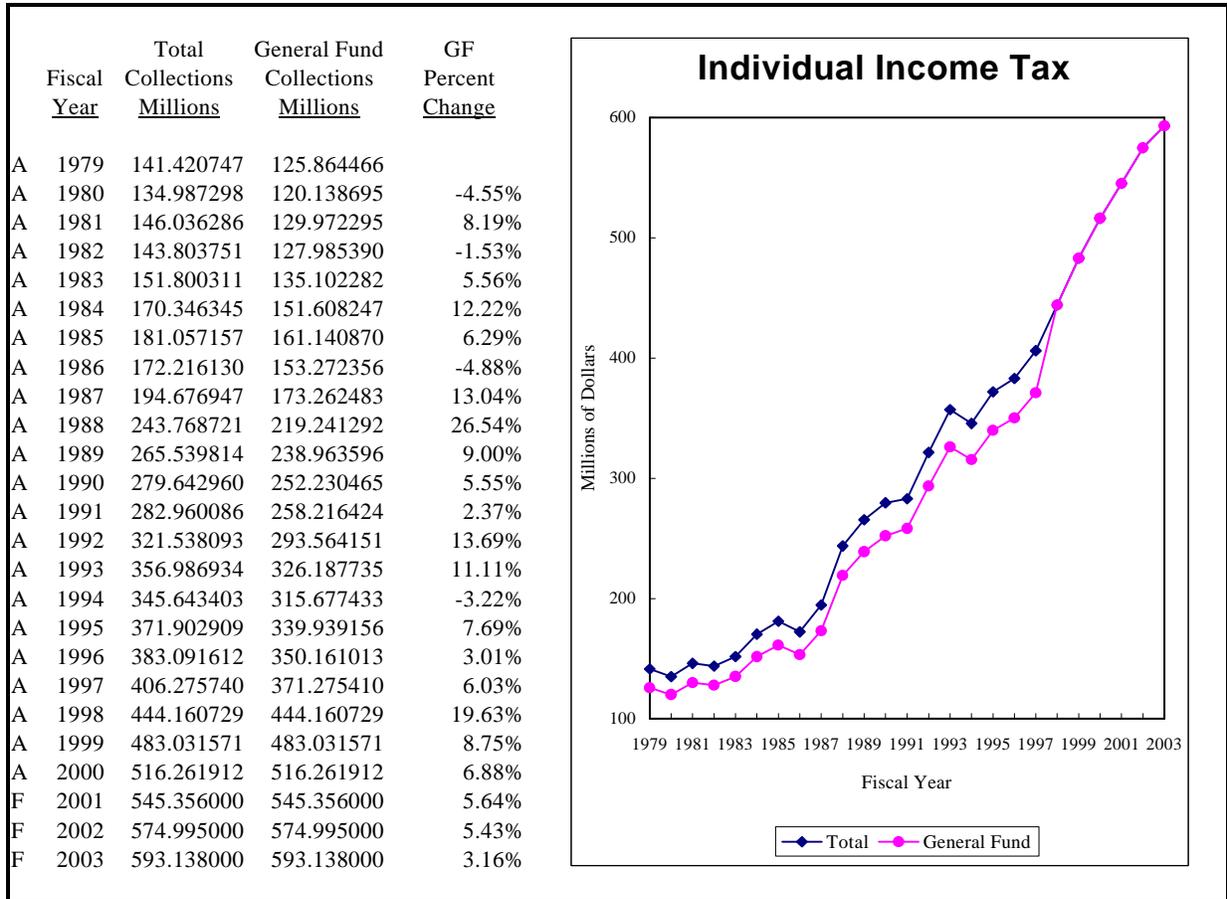
Statute: Title 15, Chapter 31, MCA

% of Total FY 2000 General Fund Revenue: 44.37%

Legislative Fiscal Division

Revenue Estimate Profile Individual Income Tax

Revenue Projection:



NOTE:

Due to the transition to a new state accounting system and other factors, an unusually large number of accounting errors occurred in fiscal 2000. The errors not only impact the general fund, but other funds as well. To correct these errors and ensure an accurate Comprehensive Annual Financial Report for the state, adjustments must be made in fiscal 2001 as prior year adjustments. The actual fiscal 2000 revenue shown in the table above was adjusted for these accounting errors and has been audited by the Legislative Auditor.

The general fund adjustments to this general fund revenue source that were known as of November 10, 2000 are: 1) -\$11,703,926; and 2) \$683,283.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2001 legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Penalty & Interest</u>	<u>Audits</u>	<u>Amd/Back Tax</u>	<u>Depository Tax Credit</u>	<u>Tax Base Growth Rate</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>
Actual	1999	483.031571	483.031571	4.018518	9.419237	0.122978	0.000000	7.4825%
Actual	2000	516.261912	516.261912	0.000000	10.500000	0.000000	0.000000	5.7245%
Forecast	2001	545.356000	545.356000	0.000000	10.500000	0.000000	0.000000	4.6896%
Forecast	2002	575.077000	575.077000	0.000000	14.000000	0.000000	0.000000	5.2906%
Forecast	2003	598.531000	598.531000	0.000000	15.000000	0.000000	0.000000	4.6706%

	<u>t</u>	<u>Total Tax Annual Change</u>	<u>GF Tax Annual Change</u>	<u>Pen & Int Annual Change</u>	<u>Audits Annual Change</u>	<u>Amd/Back Annual Change</u>	<u>Depository Annual Change</u>
	<u>Fiscal</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>
Actual	1999						
Actual	2000	6.8795%	6.8795%	-100.0000%	11.4740%	-100.0000%	
Forecast	2001	5.6355%	5.6355%		0.0000%		
Forecast	2002	5.4498%	5.4498%		33.3333%		
Forecast	2003	4.0784%	4.0784%		7.1429%		

	<u>t</u>	<u>Resident Liability</u>	<u>Non-Resident Liability</u>	<u>Home/Rent Credits</u>	<u>Total Liability</u>	<u>Taxable Income</u>	<u>CY to FY Conversion</u>	<u>CY to FY Conversion</u>
	<u>Cal.</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Percent</u>	<u>Percent</u>
Actual	1999	462.294644	31.003478	8.875760	493.298122	7,658.519166	47.9%*CY t-1	52.1%*CY t
Forecast	2000	482.839516	32.381306	8.935578	515.220822	8,069.121703	47.9%*CY t-1	52.1%*CY t
Forecast	2001	505.881139	33.926577	8.995800	539.807716	8,466.252017	47.9%*CY t-1	52.1%*CY t
Forecast	2002	534.199877	35.825754	9.056427	570.025631	8,826.124182	47.9%*CY t-1	52.1%*CY t
Forecast	2003	554.186482	37.166142	9.117463	591.352624	9,183.415515	47.9%*CY t-1	52.1%*CY t

	<u>t</u>	<u>Resident Liab Annual Growth</u>	<u>NonRes Liab Annual Growth</u>	<u>Home/Rent Annual Growth</u>	<u>Total Liab Annual Growth</u>	<u>Taxable Income Annual Growth</u>	<u>Taxpayer Pop Annual Growth</u>
	<u>Cal.</u>	<u>Growth</u>	<u>Growth</u>	<u>Growth</u>	<u>Growth</u>	<u>Growth</u>	<u>Growth</u>
Actual	1999						1.9500%
Forecast	2000	4.4441%	4.4441%	0.6739%	4.4441%	5.3614%	1.8500%
Forecast	2001	4.7721%	4.7721%	0.6740%	4.7721%	4.9216%	1.8500%
Forecast	2002	5.5979%	5.5979%	0.6739%	5.5979%	4.2507%	1.8500%
Forecast	2003	3.7414%	3.7414%	0.6740%	3.7414%	4.0481%	1.8500%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t	Wages	Annual	Interest	Annual	Dividends	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	1999	8,026.893371		602.599181		340.080522	
Forecast	2000	8,473.991332	5.5700%	598.983586	-0.6000%	361.845675	6.4000%
Forecast	2001	8,861.252736	4.5700%	666.069748	11.2000%	376.681348	4.1000%
Forecast	2002	9,260.895234	4.5100%	694.710747	4.3000%	384.968338	2.2000%
Forecast	2003	9,704.492116	4.7900%	682.900664	-1.7000%	389.972926	1.3000%

	t	Business	Annual	Capital	Annual	Supplemental	Annual
	Cal.	Income	Growth	Gains	Growth	Gains	Growth
		Millions		Millions		Millions	
Actual	1999	599.188613		1,115.780493		44.390511	
Forecast	2000	595.593481	-0.6000%	1,203.927152	7.9000%	51.537383	16.1000%
Forecast	2001	603.931790	1.4000%	1,224.393914	1.7000%	53.650416	4.1000%
Forecast	2002	612.386835	1.4000%	1,240.311034	1.3000%	55.742782	3.9000%
Forecast	2003	620.960251	1.4000%	1,239.070723	-0.1000%	57.861008	3.8000%

	t	Rents, Royalties	Annual	Farm Income	Annual	Social	Annual
	Cal.	S-Corps	Growth	Gains	Growth	Security	Growth
		Millions		Millions		Millions	
Actual	1999	813.249932		-75.241136		219.827699	
Forecast	2000	827.075181	1.7000%	-75.241136	0.0000%	241.810469	10.0000%
Forecast	2001	869.917675	5.1800%	-75.241136	0.0000%	261.880738	8.3000%
Forecast	2002	912.717625	4.9200%	-75.241136	0.0000%	282.045555	7.7000%
Forecast	2003	955.524081	4.6900%	-75.241136	0.0000%	302.070789	7.1000%

	t	IRA	Annual	Pension	Annual	Other	Annual
	Cal.	Income	Growth	Income	Growth	Income	Growth
		Millions		Millions		Millions	
Actual	1999	231.811599		875.669155		-56.774241	
Forecast	2000	257.079063	10.9000%	971.117093	10.9000%	-56.774241	0.0000%
Forecast	2001	282.529891	9.9000%	1,067.257685	9.9000%	-56.774241	0.0000%
Forecast	2002	310.500350	9.9000%	1,172.916196	9.9000%	-56.774241	0.0000%
Forecast	2003	341.239884	9.9000%	1,289.034899	9.9000%	-56.774241	0.0000%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t	Total Income	Annual Growth	IRA Deductions	Annual Growth	Fed Adjusted Gross Income	Annual Growth
	<u>Cal.</u>	<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	1999	12,737.475699		194.438545		12,543.037154	
Forecast	2000	13,450.945039	5.6013%	207.675338	6.8077%	13,243.269701	5.5826%
Forecast	2001	14,135.550563	5.0896%	221.813252	6.8077%	13,913.737311	5.0627%
Forecast	2002	14,795.179318	4.6665%	236.913633	6.8077%	14,558.265685	4.6323%
Forecast	2003	15,451.111965	4.4334%	253.042002	6.8077%	15,198.069963	4.3948%

	t	Bond Interest	Annual Growth	FIT Refunds	Annual Growth	Other Additions	Annual Growth
	<u>Cal.</u>	<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	1999	43.585248		178.192772		166.514861	
Forecast	2000	43.323737	-0.6000%	186.567832	4.7000%	166.514861	0.0000%
Forecast	2001	48.174775	11.1972%	195.334917	4.6991%	166.514861	0.0000%
Forecast	2002	50.249432	4.3065%	204.529664	4.7072%	166.514861	0.0000%
Forecast	2003	49.395162	-1.7001%	214.152073	4.7047%	166.514861	0.0000%

	t	Cap. Gains Exclusion	Annual Growth	Int. Exc. Elderly	Annual Growth	Savings Bond	Annual Growth
	<u>Cal.</u>	<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	1999	3.538351		46.033716		85.520376	
Forecast	2000	2.493306	-29.5348%	45.757514	-0.6000%	85.007254	-0.6000%
Forecast	2001	1.756913	-29.5348%	50.882355	11.2000%	94.528066	11.2000%
Forecast	2002	1.238013	-29.5348%	53.070297	4.3000%	98.592773	4.3000%
Forecast	2003	0.872368	-29.5348%	52.168101	-1.7000%	96.916696	-1.7000%

	t	Exempt Retirement	Annual Growth	Unemployment	Annual Growth	Med. Savings	Annual Growth
	<u>Cal.</u>	<u>Millions</u>		<u>Millions</u>		<u>Millions</u>	
Actual	1999	155.172531		48.969054		5.327000	
Forecast	2000	157.216829	1.3174%	51.696630	5.5700%	6.360518	19.4015%
Forecast	2001	159.288060	1.3174%	54.059166	4.5700%	7.183208	12.9343%
Forecast	2002	161.386577	1.3174%	56.497235	4.5100%	7.802608	8.6229%
Forecast	2003	163.512741	1.3174%	59.203452	4.7900%	8.475418	8.6229%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	Year	Family Education Millions	Annual Growth	First Time Home Millions	Annual Growth	Other Reductions Millions	Annual Growth
Actual	1999	1.814909		0.791828		416.855851	
Forecast	2000	2.420430	33.3637%	0.959485	21.1734%	427.791647	2.6234%
Forecast	2001	2.958793	22.2425%	1.094922	14.1156%	439.014333	2.6234%
Forecast	2002	3.397532	14.8283%	1.197958	9.4104%	450.531435	2.6234%
Forecast	2003	3.901329	14.8283%	1.310691	9.4104%	462.350677	2.6234%

	Year	Additions to Income Millions	Additions Annual Growth	Reductions to Income Millions	Reductions Annual Growth	MT Adjusted Gross Income Millions	MAGI Annual Growth
Actual	1999	388.292881		764.023616		12,167.306419	
Forecast	2000	462.563536	19.1275%	779.703613	2.0523%	12,869.912134	5.7745%
Forecast	2001	478.488457	3.4428%	810.765817	3.9838%	13,533.383026	5.1552%
Forecast	2002	492.217078	2.8692%	833.714428	2.8305%	14,174.960032	4.7407%
Forecast	2003	503.632094	2.3191%	848.711474	1.7988%	14,814.736533	4.5134%

	Year	Medical Premiums Millions	Annual Growth	Medical Deductions Millions	Annual Growth	Long Term Care Millions	Annual Growth
Actual	1999	183.340843		168.701852		11.943152	
Forecast	2000	193.974612	5.8000%	178.486559	5.8000%	12.635855	5.8000%
Forecast	2001	206.388987	6.4000%	189.909699	6.4000%	13.444550	6.4000%
Forecast	2002	218.772326	6.0000%	201.304281	6.0000%	14.251222	6.0000%
Forecast	2003	233.211300	6.6000%	214.590364	6.6000%	15.191803	6.6000%

	Year	Federal Income Tax Withheld Millions	Annual Growth	Non-current Yr Fed Deduct Millions	Annual Growth	Real Estate Millions	Annual Growth
Actual	1999	1,360.127314		184.705689		239.161553	
Forecast	2000	1,430.436379	5.1693%	190.246860	3.0000%	246.208613	2.9466%
Forecast	2001	1,512.425399	5.7317%	195.954265	3.0000%	258.394487	4.9494%
Forecast	2002	1,588.642700	5.0394%	201.827906	2.9975%	272.583499	5.4912%
Forecast	2003	1,653.719929	4.0964%	207.886253	3.0017%	287.551661	5.4912%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t	Other Taxes	Annual	Home Mortgage	Annual	Deductible Interest	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	1999	47.059216		617.656281		33.564150	
Forecast	2000	47.059216	0.0000%	669.717911	8.4289%	33.362765	-0.6000%
Forecast	2001	23.529608	-50.0000%	716.987271	7.0581%	37.099395	11.2000%
Forecast	2002	11.764804	-50.0000%	764.256808	6.5928%	38.694669	4.3000%
Forecast	2003	5.882402	-50.0000%	811.526092	6.1850%	38.036859	-1.7000%

	t	Contributions	Annual	Child Care	Annual	Casualty	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	1999	275.164610		1.618924		3.058367	
Forecast	2000	295.617871	7.4331%	1.618924	0.0000%	3.213426	5.0700%
Forecast	2001	317.591443	7.4331%	1.618924	0.0000%	3.376347	5.0700%
Forecast	2002	341.198332	7.4331%	1.618924	0.0000%	3.547528	5.0700%
Forecast	2003	366.559945	7.4331%	1.618924	0.0000%	3.727387	5.0700%

	t	Miscellaneous Expense 1	Annual	Miscellaneous Expense 2	Annual	Gambling Losses	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	1999	115.728674		3.053592		4.557932	
Forecast	2000	125.849725	8.7455%	3.053592	0.0000%	4.785829	5.0000%
Forecast	2001	136.855913	8.7455%	3.053592	0.0000%	5.025120	5.0000%
Forecast	2002	148.824647	8.7455%	3.053592	0.0000%	5.276376	5.0000%
Forecast	2003	161.840106	8.7455%	3.053592	0.0000%	5.540195	5.0000%

	t	Itemized Deductions	Annual	Standard Deductions	Annual	Exemptions	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	1999	3,249.442149		478.083016		1,370.824840	
Forecast	2000	3,433.572935	5.6665%	522.198738	9.2276%	1,448.216842	5.6457%
Forecast	2001	3,607.973183	5.0793%	545.157852	4.3966%	1,510.276893	4.2853%
Forecast	2002	3,800.284096	5.3302%	568.316038	4.2480%	1,574.213526	4.2334%
Forecast	2003	4,007.819676	5.4611%	592.906032	4.3268%	1,649.229999	4.7653%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	<u>t</u>	<u>Planned</u> <u>Gifts Credit</u>	<u>Annual</u>	<u>Other States</u> <u>Credits</u>	<u>Annual</u>	<u>All Other</u> <u>Credits</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	1999	5.547290		10.159095		1.613795	
Forecast	2000	7.594574	36.9060%	9.741140	-4.1141%	1.613795	0.0000%
Forecast	2001	8.996002	18.4530%	10.333771	6.0838%	1.613795	0.0000%
Forecast	2002	0.000000		10.926403	5.7349%	1.613795	0.0000%
Forecast	2003	0.000000		11.519029	5.4238%	1.613795	0.0000%

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Revenue Description: The insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Gross underwriting profit is essentially insurance premium income. In addition, various insurance fees and licenses are also collected.

Applicable Tax Rate(s): The current tax rate is 2.75% of net premiums on policies sold in Montana. In addition, for each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay \$0.70 to the State's Insurance Commissioner. This fee is used to fund the voluntary statewide genetics program established in statute (50-19-211, MCA).

Senate Bill 132 (passed by the 1999 legislature) eliminated many disparate fees on insurance companies, which had partially been deposited into the general fund, and replaced them with a single company annual fee of \$1,900. Revenue from this fee is deposited to the state special revenue fund for administration of insurance activities.

Distribution: The majority of insurance tax and license fee proceeds are deposited into the general fund.

Summary of Legislative Action:

Senate Bill 373 – Before conducting insurance business in the state, a captive insurance company must obtain a license from the Secretary of State and pay a \$200 fee and reasonable costs for legal, financial, and examination services. Each captive insurance company must pay insurance premium taxes based on direct premiums collected at the following rates:

1. 0.4 percent on the first \$20 million
2. 0.3 percent on the next \$20 million
3. 0.2 percent on the next \$20 million
4. 0.075 percent on each subsequent amount collected

Each captive insurance company must pay insurance premium taxes based on assumed reinsurance premiums at the following rates:

1. 0.225 percent on the first \$20 million
2. 0.15 percent on the next \$20 million
3. 0.05 percent on each subsequent amount collected

The minimum aggregate tax owed for both taxes is \$5,000. The Secretary of State estimates that two new captive insurance companies will be licensed each fiscal year and that examination fees for each company will be \$10,000 for additional state special revenue of \$20,000 each fiscal year. Increased insurance premium tax revenue deposited to the general fund is expected to be \$10,000 in fiscal 2002 and \$20,000 in fiscal 2003.

Insurance Tax & License Fees -- Legislation Passed by 57th Legislature			
Estimated General Fund Impact for the 2003 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
SB0373 Licensing and regulation of captive insurers		10,000	20,000
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$10,000</u>	<u>\$20,000</u>

Statute: Title 33, Chapter 2 and Chapter 14, MCA

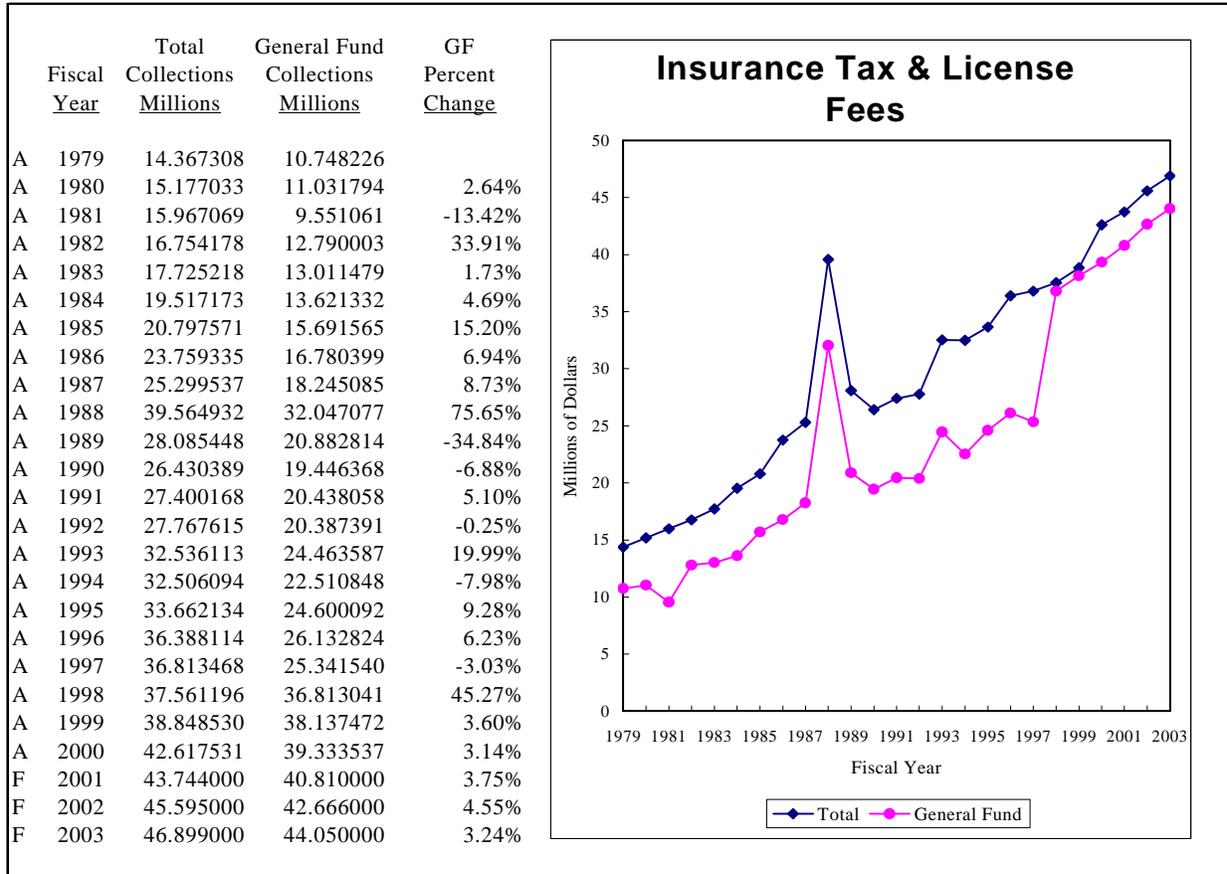
% of Total FY 2000 General Fund Revenue: 3.38%

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Revenue Projection:



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2001 legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

	<u>t</u> <u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Non-GF Fees</u> <u>Millions</u>	<u>GF Fees</u> <u>Millions</u>	<u>Unexplained</u> <u>Millions</u>
Actual	2000	42.617531	39.333537	3.283994	1.028229	1.605734
Forecast	2001	43.744000	40.810000	2.934490	0.000000	0.000000
Forecast	2002	45.565000	42.656000	2.908990	0.000000	0.000000
Forecast	2003	46.859000	44.030000	2.828990	0.000000	0.000000

	<u>t</u> <u>Fiscal</u>	<u>Genetics</u> <u>Millions</u>	<u>Premium Tax</u> <u>Millions</u>	<u>Offsets</u> <u>Millions</u>	<u>Refunds</u> <u>Millions</u>
Actual	2000	0.542398	40.121480	2.082935	1.881369
Forecast	2001	0.550000	41.397945	0.908000	0.230000
Forecast	2002	0.555000	42.715021	0.384000	0.230000
Forecast	2003	0.560000	44.073999	0.374000	0.230000

Legislative Fiscal Division

Revenue Estimate Profile

Railroad Car Tax

Revenue Description: All railroad property subject to taxation as defined in the Railroad Revitalization and Regulatory Reform Act of 1976. The tax rate for class twelve property is the lesser of 12.0% or the average statutory tax rate for commercial and industrial property. Railroad car companies, which operate in several states, pay taxes on the portion of the property value allocated to Montana, based on the ratio of the car miles traveled within Montana to the total number of car miles traveled in all states, as well as time spent in the state relative to time spent in other states.

Applicable Tax Rate(s): The tax rate is equal to the previous year's average statewide tax rate for commercial and industrial property. This is multiplied by 95.0 percent of the average statewide mill levy for commercial and industrial property. The most current tax year rates are:

?? 2000 – 4.27%

?? 2001 – 4.16%

?? 2002 – 4.07%

Distribution: All revenue from this tax is deposited into the general fund.

Summary of Legislative Action: The 57th Legislature did not enact legislation that impacted this general fund revenue source.

Statute: Title 15, Chapter 23, MCA

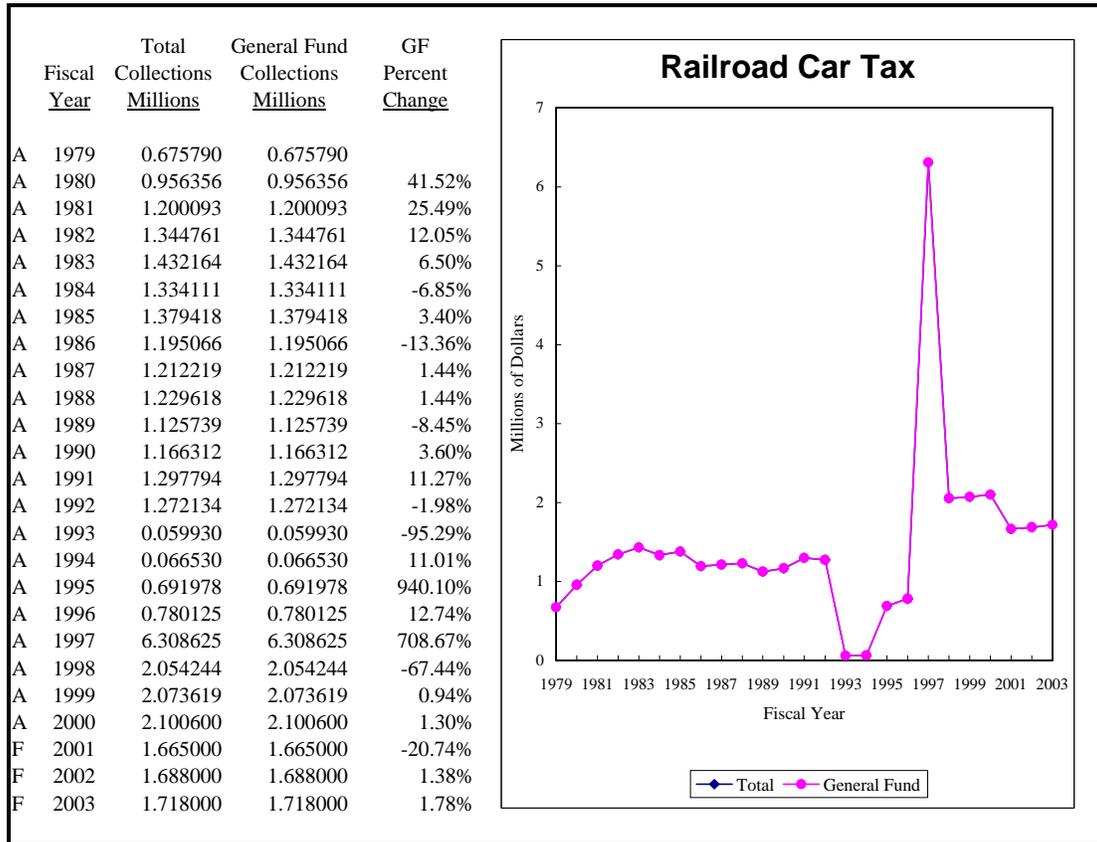
% of Total FY 2000 General Fund Revenue: 0.18%

Legislative Fiscal Division

Revenue Estimate Profile

Railroad Car Tax

Revenue Projection:



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2001 legislature that may affect future estimates of this revenue source.

	t Fiscal	Total Tax Millions	GF Tax Millions	Total MV (CY)		MT MV (CY)		Tax Rate	Mills 95 Percent
				of Fleet Millions	Allocation Percent	of Fleet Millions			
Actual	2000	2.100600	2.100600	17582.615541	0.005439	95.626964	0.060800	0.380057	
Forecast	2001	1.665000	1.665000	19335.425780	0.005021	97.074849	0.042700	0.401720	
Forecast	2002	1.688000	1.688000	21161.598739	0.004680	99.036282	0.041600	0.409755	
Forecast	2003	1.718000	1.718000	23160.248255	0.004362	101.025003	0.040700	0.417950	

Legislative Fiscal Division

Revenue Estimate Profile

Telecommunications Excise Tax

Revenue Description: The retail telecommunications excise tax is levied on the sales price of retail telecommunications services originating or terminating in the state. It is paid by the retail purchaser and collected by the provider.

Applicable Tax Rate(s): The current tax rate of 3.75% is applied to the sales price of retail telecommunications services. Sales price includes payment for services such as distribution, supply, transmission, and delivery, but excludes federal taxes, relocation of service, equipment repair, prepaid calling cards, and other items. A credit is allowed for 20 percent of the costs of advanced telecommunications infrastructure improvements in the state up to a yearly maximum credit of \$2.0 million for all providers. However, Senate Bill 494 suspended the credits for the 2003 biennium.

Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action:

Senate Bill 494 – The telecommunications excise tax credit for investments in advanced telecommunications infrastructure improvements is suspended for the 2003 biennium. In addition, the legislation clarifies certain charges that can be taxed. Although the clarification increases the Department of Revenue’s ability to fully collect the tax beginning in fiscal 2002, it lessens the ability to collect the tax through compliance efforts in fiscal 2001.

Telecommunications Excise Tax -- Legislation Passed by 57th Legislature Estimated General Fund Impact for the 2003 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2001</u>	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
SB0494 Revise retail telecommunications excise tax	(1,904,000)	1,497,000	2,000,000
Total Estimated General Fund Impact	<u>(\$1,904,000)</u>	<u>\$1,497,000</u>	<u>\$2,000,000</u>

Statute: Title 15, Chapter 53, MCA

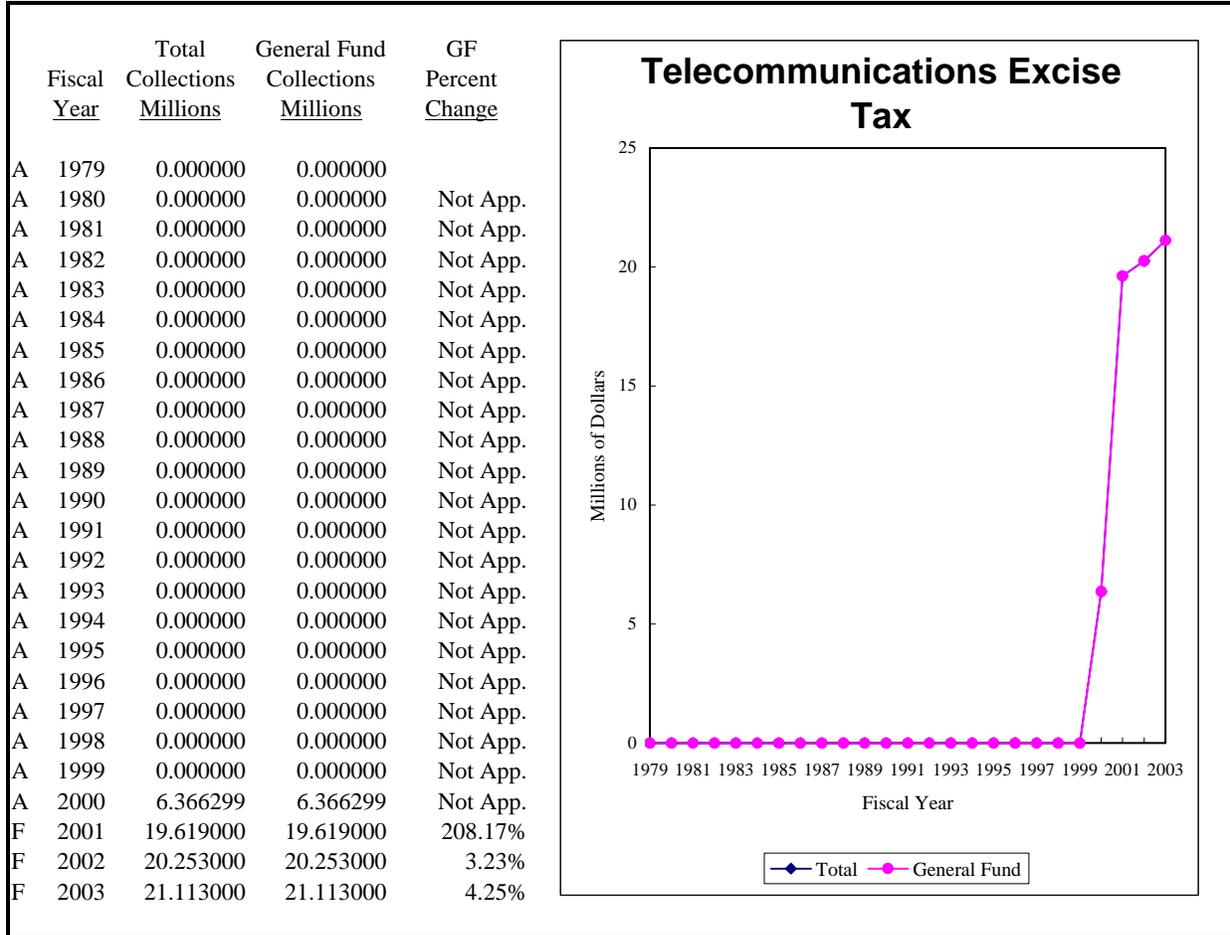
% of Total FY 2000 General Fund Revenue: 0.55%

Legislative Fiscal Division

Revenue Estimate Profile

Telecommunications Excise Tax

Revenue Projection:



NOTE:

Due to the transition to a new state accounting system and other factors, an unusually large number of accounting errors occurred in fiscal 2000. The errors not only impact the general fund, but other funds as well. To correct these errors and ensure an accurate Comprehensive Annual Financial Report for the state, adjustments must be made in fiscal 2001 as prior year adjustments. The actual fiscal 2000 revenue shown in the table above was adjusted for these accounting errors and has been audited by the Legislative Auditor.

The general fund adjustments to this general fund revenue source that were known as of November 10, 2000 are: 1) -\$1,219,535; and 2) 1,683,000.

Legislative Fiscal Division

Revenue Estimate Profile

Telecommunications Excise Tax

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2001 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Taxable</u>	<u>Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>
Actual	2000	6.366299	6.366299	190.390198	0.037500
Forecast	2001	21.523000	21.523000	552.000000	0.037500
Forecast	2002	18.756000	18.756000	558.506000	0.037500
Forecast	2003	19.113000	19.113000	563.013000	0.037500

Legislative Fiscal Division

Revenue Estimate Profile Telephone License Tax

Revenue Description: The telephone license tax was repealed by the 1999 legislature (HB 128) and replaced by a new retail telecommunications excise tax effective January 1, 2000. This new tax is estimated as a separate general fund revenue source. For the first half of fiscal 2000 (July 1999 through December 1999), the telephone license tax was levied on the gross income earned by any telephone business within the state, including the transmission of telephone messages by line or by microwave equipment.

Applicable Tax Rate(s): An exemption was allowed for the first \$250 of gross income earned each quarter. The tax rate of 1.8% was applied to the adjusted gross income level. Gross income was dependent on the quantity of services provided and the price of the services offered.

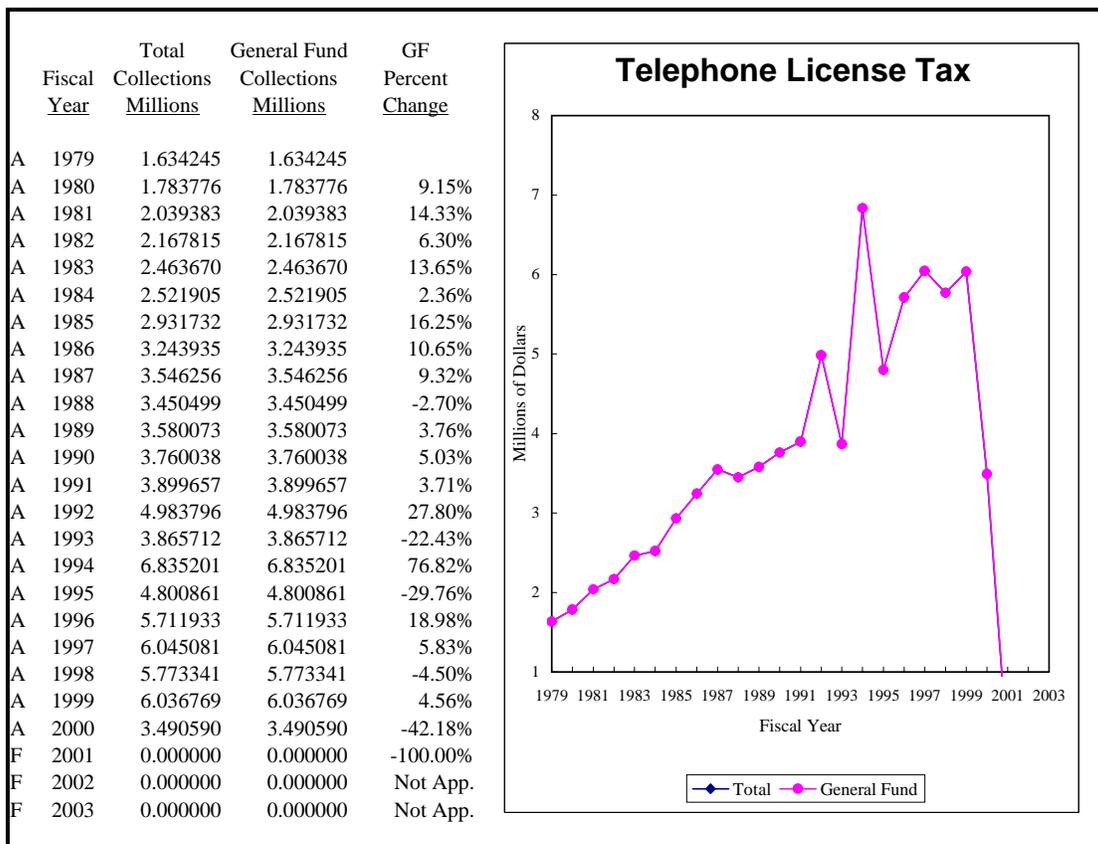
Distribution: All proceeds were deposited into the general fund.

Summary of Legislative Action: The 57th Legislature did not enact legislation that impacted this general fund revenue source.

Statute: Title 15, Chapter 53, MCA (repealed)

% of Total FY 2000 General Fund Revenue: 0.30%

Revenue Projection:



Legislative Fiscal Division

Revenue Estimate Profile

Telephone License Tax

Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Taxable</u>	<u>Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>
Actual	2000	3.490590	3.490590	193.921667	0.018000
Forecast	2001	0.000000	0.000000	0.000000	0.000000
Forecast	2002	0.000000	0.000000	0.000000	0.000000
Forecast	2003	0.000000	0.000000	0.000000	0.000000