

Business Taxes

Corporation Income Tax

Driver's License Fees

Estate Tax

Individual Income Tax

Insurance Tax & License Fees

Investment License Fees

Lodging Facility Use Tax

Motor Vehicle Fees

Public Contractors Tax

Railroad Car Tax

Telecommunications Excise Tax

Vehicle Tax



Legislative Fiscal Division



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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: Beginning fiscal 2004 through fiscal 2011, the Department of Revenue may distribute up to 0.45% of this general fund revenue source as an administrative assessment to a state special revenue account to pay debt service on the loan used to fund a POINTS replacement computer system (enacted in Senate Bill 271 by the 2003 legislature). In fiscal 2005 only, \$375,000 is distributed to the Department of Public Health and Human Services state special revenue account to match federal funds for Medicaid health services. All remaining corporation taxes are distributed to the general fund.

Summary of Legislative Action:

House Bill 721 – Although corporation tax revenue increases in fiscal 2005 by \$375,000, this amount is earmarked to a state special revenue account for use by the Department of Public Health and Human Services to match federal funds for Medicaid health services. The earmarking is only valid for fiscal 2005. Any additional revenue from the legislation after fiscal 2005 is distributed to the general fund. The legislation changes the manner in which the state taxes corporations electing to file under the “water’s edge” method of income apportionment by requiring corporations to include the income and apportionment factors for any corporation that is in a unitary relationship with the filing corporation and that also is incorporated in a “tax haven”. There are 42 tax havens identified in the legislation, including various countries and islands, and all income shifted into these tax havens, to the extent taxable, are subject to apportionment for state tax purposes. The Department of Revenue is required to update the list of tax havens biennially. The changes apply to tax periods after December 31, 2003. Because most corporations file returns based on a calendar year tax period and all of these take the automatic six-month filing extension, the earliest that returns impacted by this legislation are expected to be filed is November 2005. However, a fiscal impact occurs in fiscal 2005 because there is an expectation corporations will increase their quarterly estimated payments for that period.

Senate Bill 271 – The Department of Revenue’s POINTS revenue computer system is replaced with a new system. The legislation provides for a new computer system partially funded with a \$17.1 million loan from the Board of Investments. The loan is repaid through an assessment fee of up to 0.45 percent on selected general fund revenue sources to be determined by the Department of Revenue, the revenue from which is deposited to a state special revenue account. The department testified that the assessment would be levied on individual income taxes and corporation income taxes. Based on the amounts needed to pay debt service on the loan, the amounts of corporation income taxes deposited to the state special revenue account rather than the general fund are \$20,493 in fiscal 2004 and \$177,694 in fiscal 2005.

Corporation Income Tax -- Legislation Passed by 58th Legislature			
Estimated General Fund Impact for the 2005 Biennium			
Bill Number and Short Title	Fiscal 2003	Fiscal 2004	Fiscal 2005
HB0721 Revise water's edge election for corporate taxation			
SB0271 Eliminate POINTS system -- UI tax not under replacement system		(20,493)	(177,694)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$20,493)</u>	<u>(\$177,694)</u>

Legislative Fiscal Division

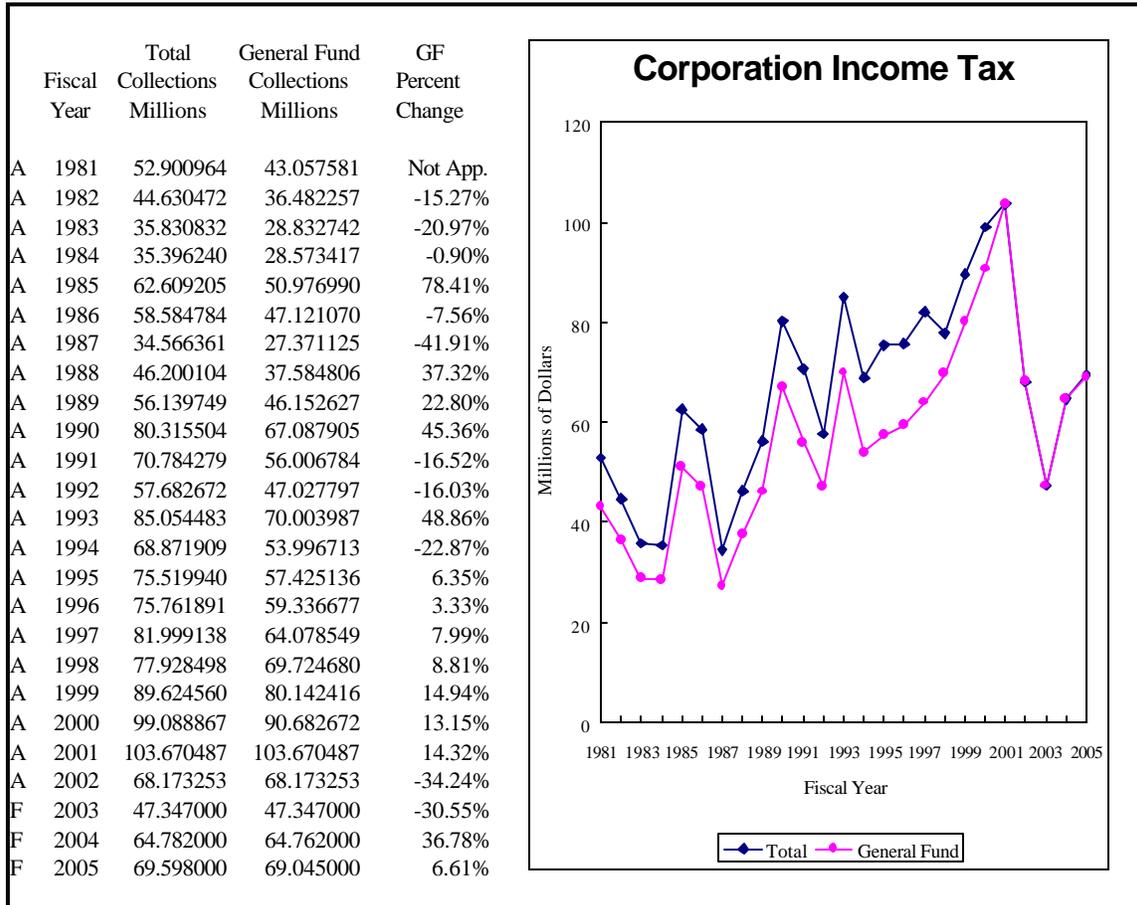
Revenue Estimate Profile

Corporation Income Tax

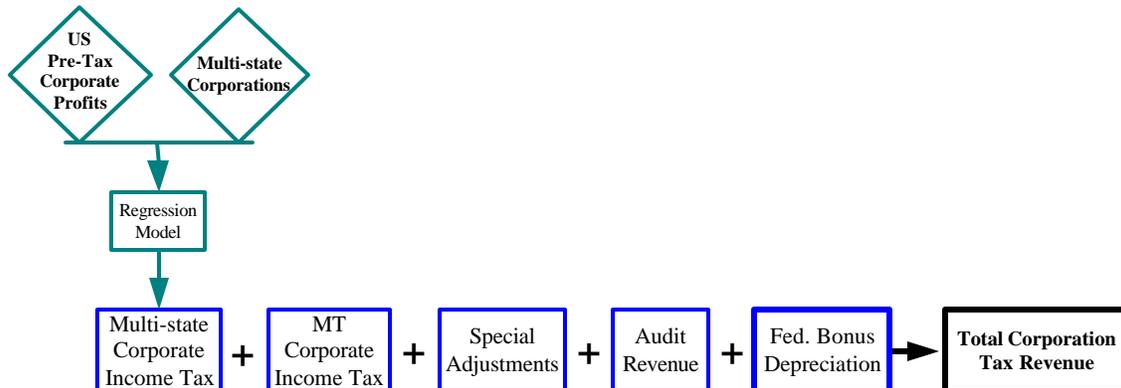
Statute: Title 15, Chapter 31, MCA

% of Total FY 2002 General Fund Revenue: 5.39%

Revenue Projection:



Forecast Methodology

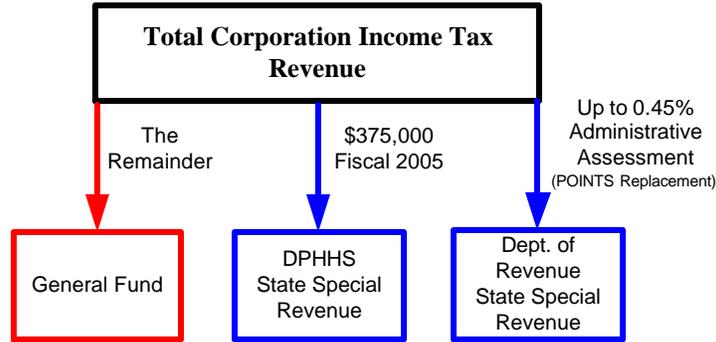


Legislative Fiscal Division

Revenue Estimate Profile

Corporation Income Tax

Distribution Methodology



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 2003 legislature that may affect future estimates of this revenue source.

	t	Total	GF Tax	US Profits	Tax	Montana	Multi-State
	Fiscal	Millions	Millions	Billions	Rate	Corporations	Corporations
						Millions	Millions
Actual	2000	99.088867	90.682672	744.200000	0.067500		
Actual	2001	103.670487	103.670487	698.300000	0.067500		
Actual	2002	68.173253	68.173253	666.200000	0.067500		
Forecast	2003	47.347000	47.347000	761.500000	0.067500	18.406801	44.907402
Forecast	2004	64.782000	64.782000	794.000000	0.067500	18.406801	45.874959
Forecast	2005	69.223000	69.223000	819.600000	0.067500	18.406801	46.635925

	t	Total	Total	P&I	Audit	Depreciation	Adjustments
	Fiscal	Millions	Financials	Millions	Millions	Millions	Millions
			Millions	Millions	Millions	Millions	Millions
Actual	2000	99.088867	10.507744	0.661232	1.424267		
Actual	2001	103.670487	0.000000	0.000000	6.500000		
Actual	2002	68.173253	0.000000	1.658539	4.257364		
Forecast	2003	47.347000	0.000000	0.000000	4.500000	-5.000000	-9.000000
Forecast	2004	64.782000	0.000000	0.000000	4.000000	-3.500000	0.000000
Forecast	2005	69.223000	0.000000	0.000000	3.500000	0.680000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

Revenue Description: A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays a fee. The fees are collected by Department of Justice, Motor Vehicle Division staff or county treasurers and are forwarded to the state treasurer for deposit. The fees included in this source are from regular driver's licenses, commercial driver's licenses, motorcycle endorsements, duplicate driver's licenses, and renewal notices.

Applicable Tax Rate(s): Driver's license fees are:

- ?? driver's license, except a commercial driver's license - \$5.00 per year or fraction of a year
- ?? motorcycle endorsement - \$0.50 per year or fraction of a year
- ?? commercial driver's licenses:
 - interstate - \$5.00 per year or fraction of a year
 - intrastate - \$3.50 per year or fraction of a year
- ?? duplicate license - \$10.00
- ?? Renewal notice - \$0.50

Distribution: The distribution of license fee revenue varies by the type of license and who collects the fee. The table below shows the current statutory distribution. Note: the portion allocated to counties applies only when the county collects the fee. Otherwise, the county allocation is added to the general fund distribution.

Recipient	Distribution of Driver's License Fees				
	Driver's License	Duplicate License	Motorcycle Endorsement	Commercial Driver's License	Renewal Notice
Montana Highway Patrol	22.30%	25.00%	0.00%	0.00%	0.00%
Counties or DOJ	2.50%	3.75%	3.34%	2.50%	0.00%
Traffic Education Account	20.70%	8.75%	63.46%	0.00%	0.00%
General Fund	54.50%	62.50%	33.20%	97.50%	100.00%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Summary of Legislative Action:

House Bill 206 – Driver's license fees are increased and the allocation of the revenue is changed. The fee for a license, other than a commercial license, is increased from \$4.00 to \$5.00 and the fee for a duplicate license is doubled from \$5.00 to \$10.00. The allocations of the driver's license fee revenue to the following accounts change: 1) the highway patrol retirement state special revenue account – from 16.7 percent to 22.3 percent; 2) the state traffic education state special revenue account – from 26.25 percent to 20.7 percent; and 3) the general fund – from 54.55 percent to 54.5 percent. The changes result in increased general fund revenue of \$437,740 each fiscal year.

House Bill 711 – A new \$0.50 renewal notice fee is imposed on each driver's license. The Department of Justice is required to mail a renewal notice 30 days prior to the expiration date of all driver licenses. Increased general fund is estimated to be \$39,375 in fiscal 2004 and \$52,500 in fiscal 2005. The legislation is effective October 1, 2003.

Driver's License Fee -- Legislation Passed by 58th Legislature Estimated General Fund Impact for the 2005 Biennium			
Bill Number and Short Title	Fiscal 2003	Fiscal 2004	Fiscal 2005
HB0206 Change driver license fee -- distribution		437,740	437,740
HB0711 Driver license expiration notification		39,375	52,500
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$477,115</u>	<u>\$490,240</u>

Legislative Fiscal Division

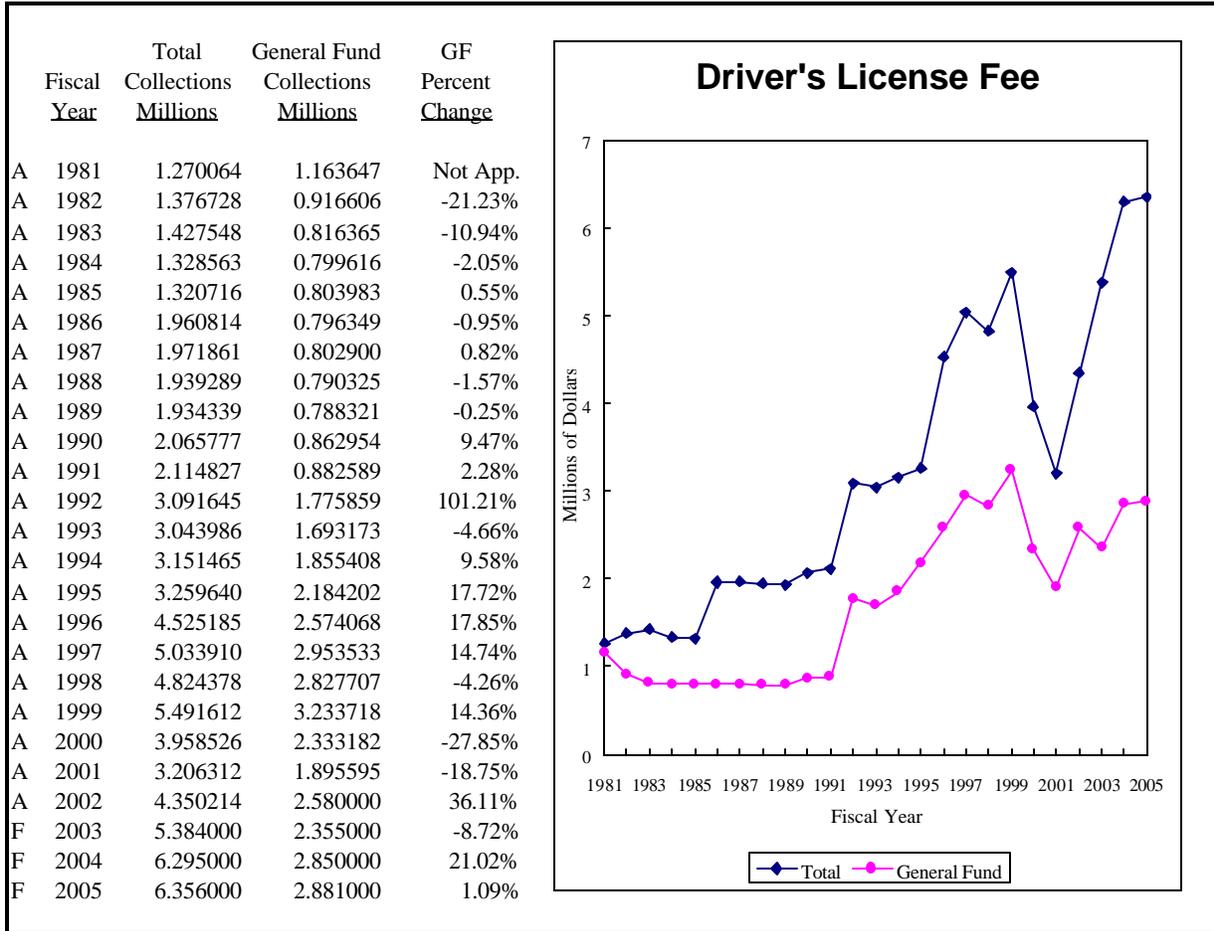
Revenue Estimate Profile

Driver's License Fees

Statute: Title 61, Chapter 5, MCA

% of Total FY 2002 General Fund Revenue: 0.20%

Revenue Projection:

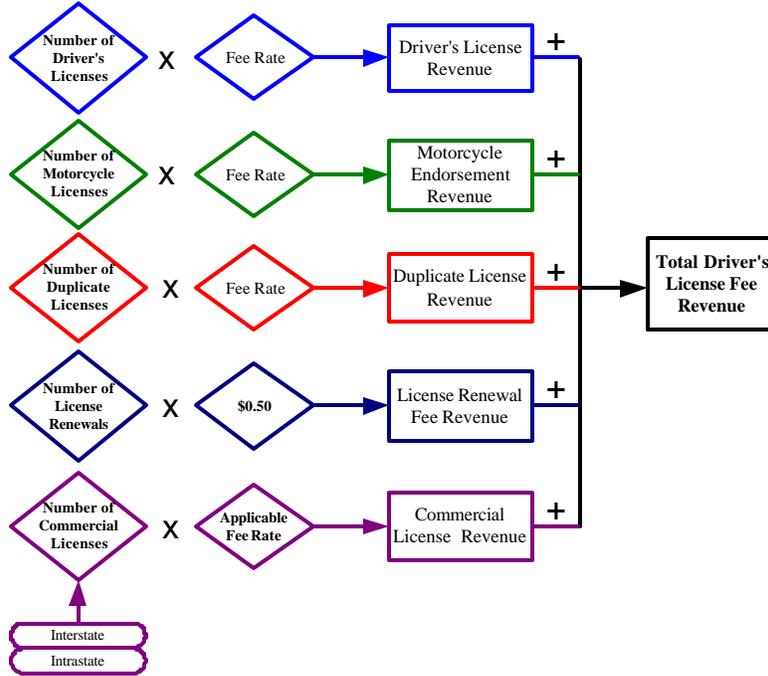


Legislative Fiscal Division

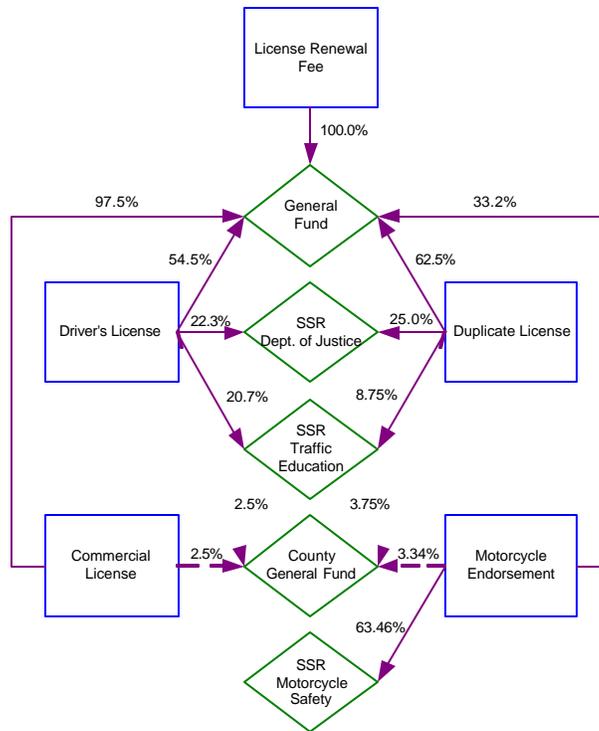
Revenue Estimate Profile

Driver's License Fees

Forecast Methodology



Distribution Methodology



Only if fees are collected by the county. To state general fund otherwise.

Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee
	Fiscal	Millions	Millions	Licenses Millions	Duplicates Millions	Cycle Millions	Interstate Millions	Intrastate Millions
Actual	2000	3.958526	2.333182	1.893082	0.032885	0.013929	0.289246	0.064534
Actual	2001	3.206312	1.895595	1.467106	0.080415	0.010062	0.276352	0.061416
Actual	2002	4.350214	2.580000	1.978721	0.095182	0.015104	0.419986	0.093347
Forecast	2003	5.384000	2.355000	1.633241	0.078563	0.129916	0.419986	0.093347
Forecast	2004	5.432000	2.373000	1.649208	0.079332	0.131187	0.419986	0.093347
Forecast	2005	5.480000	2.391000	1.665176	0.080102	0.132457	0.419986	0.093347

License							
Count	t	Proxy	Proxy	Proxy	Proxy	Proxy	Proxy
Millions	Fiscal	Licenses	Duplicates	Cycle	Interstate	Intrastate	Cycle Reg.
Actual	2000	0.110658	0.025272	0.010240	0.007801	0.002477	0.024511
Actual	2001	0.080396	0.024359	0.006932	0.006961	0.002210	0.028756
Actual	2002	0.108432	0.028832	0.010405	0.010579	0.003359	0.035482
Forecast	2003	0.089500	0.023798	0.089500	0.010579	0.003359	0.305203
Forecast	2004	0.090375	0.024031	0.090375	0.010579	0.003359	0.308187
Forecast	2005	0.091250	0.024264	0.091250	0.010579	0.003359	0.311171

GF Fee	t	Proxy	Proxy	Proxy	Proxy	Proxy	Proxy
Rate in \$	Fiscal	Licenses	Duplicates	Cycle	Interstate	Intrastate	Cycle Reg.
Actual	2000	17.107500	1.301250	1.360230	37.078125	26.053125	0.000000
Actual	2001	18.248500	3.301250	1.451580	39.700000	27.790000	0.000000
Actual	2002	18.248500	3.301250	1.451580	39.700000	27.790000	0.000000
Forecast	2003	18.248500	3.301250	1.451580	39.700000	27.790000	0.000000
Forecast	2004	18.248500	3.301250	1.451580	39.700000	27.790000	0.000000
Forecast	2005	18.248500	3.301250	1.451580	39.700000	27.790000	0.000000

Total Fee	t	Proxy	Proxy	Proxy	Proxy	Proxy	Proxy
Rate in \$	Fiscal	Licenses	Duplicates	Cycle	Interstate	Intrastate	Cycle Reg.
Actual	2000	30.0000	5.0000	3.7500	37.5000	26.2500	5.0000
Actual	2001	32.0000	5.0000	4.0000	40.0000	28.0000	5.0000
Actual	2002	32.0000	5.0000	4.0000	40.0000	28.0000	5.0000
Forecast	2003	32.0000	5.0000	4.0000	40.0000	28.0000	5.0000
Forecast	2004	32.0000	5.0000	4.0000	40.0000	28.0000	5.0000
Forecast	2005	32.0000	5.0000	4.0000	40.0000	28.0000	5.0000

Legislative Fiscal Division

Revenue Estimate Profile

Estate Tax

Revenue Description: Due to passage of Legislative Referendum 116 by the electorate in November 2000, the state inheritance tax was repealed. The tax had been imposed on the transfer of any decedent's property, in 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. Although the referendum was effective immediately, it applied 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. 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.

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.

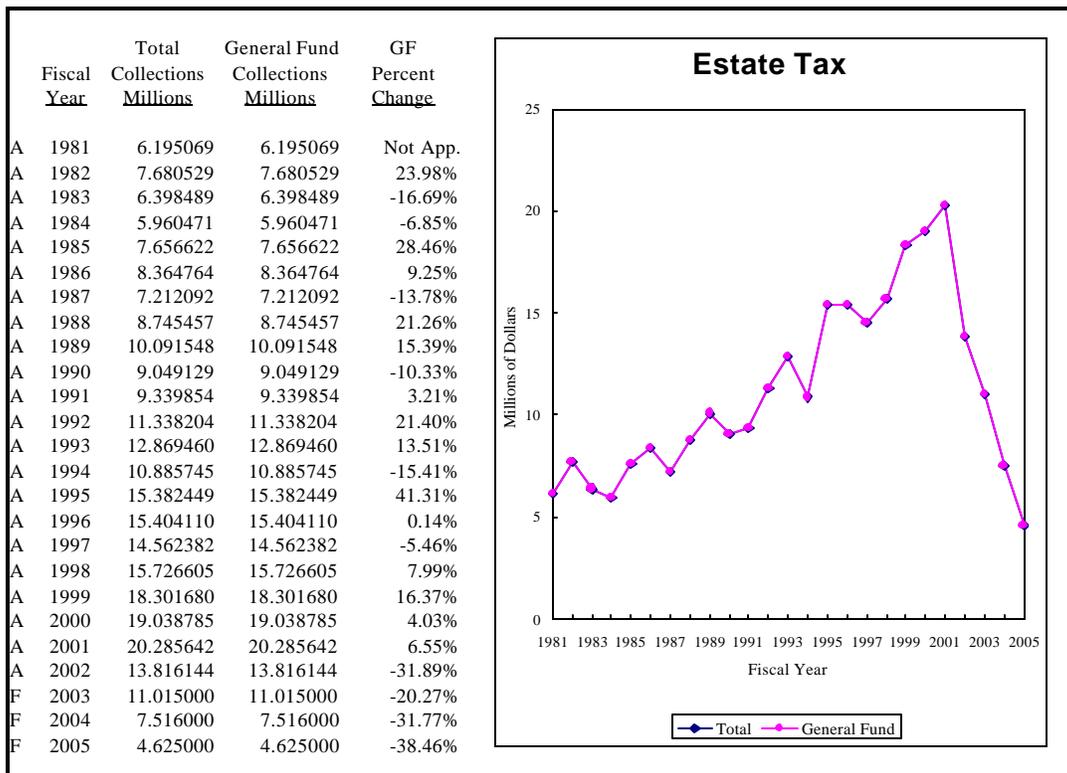
Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action: The 58th Legislature did not enact legislation that impacted this general fund revenue source.

Statute: Title 72, Chapter 16, MCA

% of Total FY 2002 General Fund Revenue: 1.09%

Revenue Projection:

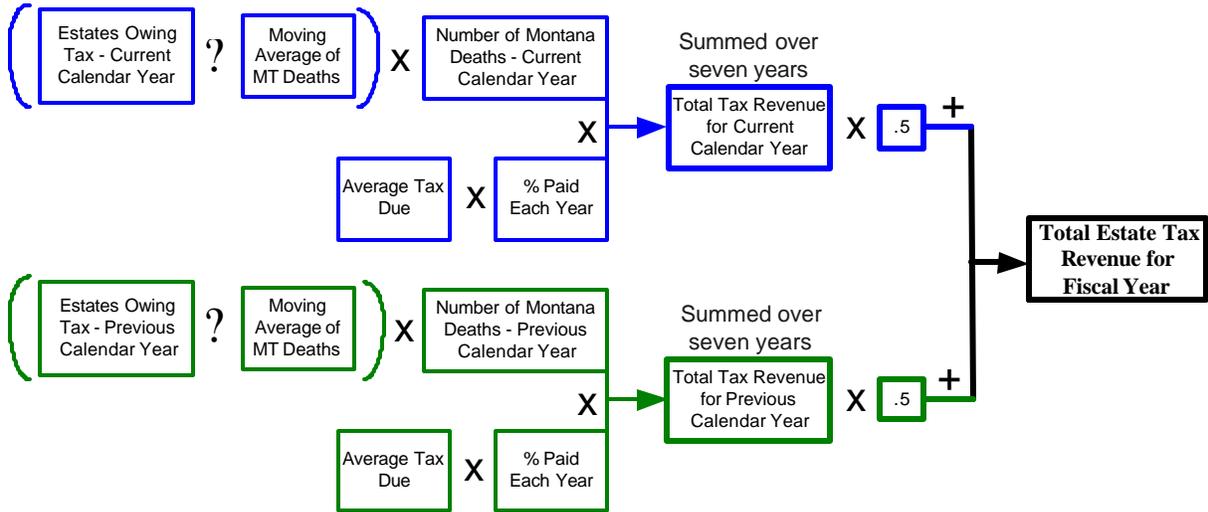


Legislative Fiscal Division

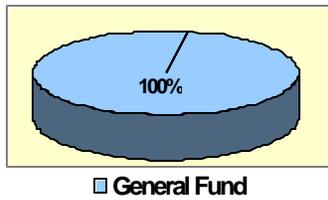
Revenue Estimate Profile

Estate Tax

Forecast Methodology



Distribution Methodology



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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Annual
	Fiscal	Millions	Millions	Growth
Actual	2000	19.038785	19.038785	0.040275
Actual	2001	20.285642	20.285642	0.065490
Actual	2002	13.816144	13.816144	-0.318920
Forecast	2003	11.015000	11.015000	-0.265138
Forecast	2004	7.516000	7.516000	-0.259773
Forecast	2005	4.625000	4.625000	-0.384663

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 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.

Distribution: Beginning fiscal 2004 through 2011, the Department of Revenue may distribute up to 0.45% of this general fund revenue source as an administrative assessment to a state special revenue account to pay debt service on the loan used to fund a POINTS replacement computer system (enacted in Senate Bill 271 by the 2003 legislature). All other proceeds are deposited into the general fund.

Summary of Legislative Action:

House Bill 452 – Beginning tax year 2003, there is a 30 percent income tax and corporation tax credit for contributions to the developmental disability services account. The nonrefundable credit is capped at \$10,000 and may not be carried backward or forward. The credit terminates January 1, 2006. The loss of general fund revenue is expected to be \$180,000 in fiscal 2004, \$279,600 in fiscal 2005, and \$330,000 in fiscal 2006. In addition, 30 percent of the money in the account for which a tax credit will be claimed must be transferred to the general fund. The estimated amounts of these transfers are \$319,800 in fiscal 2004, \$304,800 in fiscal 2005, and \$165,000 in fiscal 2006 (these fiscal impacts are shown under the “All Other” revenue source).

House Bill 564 – Beginning July 1, 2003, the Primary Business Workforce Training Program is created that provides grants up to \$5,000 to primary sector businesses to pay for worker education and training provided by eligible training providers. Initial funds of up to \$10 million for the grants are from a ten-year loan from the Board of Investments to the Office of Economic Development. Repayment of the loan is from increased income tax revenues associated with the new jobs created as a result of the worker education and training. The amount of the loan repayment is calculated by the Department of Revenue based on gross wages paid for new jobs created under the program multiplied by the statewide average effective tax rate by income bracket. This amount is then transferred to a state special revenue account to the credit of the Office of Economic Development for loan repayment. The expected numbers of new jobs that will be created are 350 in fiscal 2004 and 800 in fiscal 2005. Additional income tax revenue to the general fund as a result of these jobs is expected to be \$122,238 in fiscal 2004 and \$525,709 in fiscal 2005. These same amounts are transferred from the general fund to the Office of Economic Development. The legislation terminates June 30, 2007, but loan repayments are expected to continue until about 2017 when all loans are repaid.

House Bill 616 – In the August 2002 special session, Senate Bill 15: 1) reduced the planned gift parameters from 40 percent of the gift amount to 30 percent for planned gifts and 13.3 percent for outright gifts; 2) changed the maximum gift amount to \$6,600 from \$10,000 for the period of August 2002 through June 30, 2003; and 3) increased the planned gift credit amount to 50 percent for planned gifts (26.7 percent for outright gifts) up to a maximum of \$13,400 for the period between July 1, 2003 and April 30, 2004. Beginning July 1, 2003, these changes are repealed and the planned gift credit is reestablished at 40 percent for planned gifts (20 percent for outright gifts) up to a maximum of \$10,000. The expected increase in income tax revenues is \$1,379,000 in fiscal 2004 and \$563,000 in fiscal 2005.

Senate Bill 121 – Beginning November 1, 2003, individual owners of pass through entities that are owned by other pass through entities will be required to file and pay income taxes. Increased income tax revenue is expected to be \$50,000 in fiscal 2004 and \$200,000 in fiscal 2005.

Senate Bill 138 – The carry forward credit provision for energy conserving expenditures in 15-32-109, MCA, is eliminated. This credit may be taken against income taxes in an amount of 25 percent of the taxpayer’s expenditure in energy conservation up \$500. The elimination of the carry forward credits results in increased income tax revenues of \$27,161 in fiscal 2004 and \$28,781 in fiscal 2005.

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Senate Bill 271 – The Department of Revenue’s POINTS revenue computer system is replaced with a new system. The legislation provides for a new computer system partially funded with a \$17.1 million loan from the Board of Investments. The loan is repaid through an assessment fee of up to 0.45 percent on selected general fund revenue sources to be determined by the Department of Revenue, the revenue from which is deposited to a state special revenue account. The department testified that the assessment would be levied on individual income taxes and corporation income taxes. Based on the amounts needed to pay debt service on the loan, the amounts of individual income taxes that will be deposited to the state special revenue account rather than the general fund are \$176,157 in fiscal 2004 and \$1,525,656 in fiscal 2005.

Senate Bill 401 – Although there is no fiscal impact in the 2005 biennium, a new deduction is allowed on Montana personal income tax. The legislation allows the Board of Veterans’ Affairs to sponsor a generic patriotic license plate, with a \$15 surcharge deposited to the new state special revenue account. The surcharge and any donations to the new account or cemetery program may be taken as a deduction on the Montana personal income tax.

Senate Bill 407 – Effective January 1, 2005, the Montana’s income tax system is revised by: 1) creating a new seven-tier rate table ranging from 1 percent to 6.9 percent; 2) limiting federal deductibility to \$5,000 (\$10,000 if married and filing jointly); 3) creating a new income tax credit equal to 1 percent of net capital gains income (2 percent beginning tax year 2007); and 4) eliminating the reporting of federal tax refunds as income for that portion of the refund above the amount capped. For tax year 2005, the new tax rate table will be as follows:

Income Brackets		Tax Rate
\$0	\$2,300	1.0%
2,301	4,100	2.0%
4,101	6,200	3.0%
6,201	8,400	4.0%
8,401	10,800	5.0%
10,801	13,900	6.0%

All standard deduction amounts and personal exemption amounts remain as they are under current law. The new income brackets will be adjusted for inflation beginning tax year 2006.

Tax liability reductions in calendar year income are expected to be \$29.6 million in 2005 and \$38.9 million in 2006 for reductions in fiscal year income tax collections of \$15,752,000 in fiscal 2005 and \$38,946,000 in fiscal 2006.

Senate Bill 408 – Beginning tax year 2003, certain taxpayers are allowed to exclude up to \$5,000 from adjusted gross income. In order to be eligible, the taxpayer must: 1) be a health professional licensed in Montana as provided in Title 37; 2) be serving a significant portion of a designated geographic area, special population, or facility population in a federally designated health profession shortage area, a medically underserved area, population, or a federal nursing shortage county as determined by the Secretary of Health and Human Services or the Governor; 3) have had a student loan incurred as a result of health related education; and 4) have received a loan payment made under a qualifying loan repayment program as described in the legislation. It is estimated that 250 taxpayers will meet these criteria and that each will be in the three percent effective tax rate bracket. As a result, individual income tax revenue declines \$37,500 in each year of the 2005 biennium.

Senate Bill 480 – Although there is no fiscal impact anticipated in the 2005 biennium from the passage of the legislation, future impacts may be averted. Under prior law, Montana adjusted gross income included all dividend income included in federal adjusted gross income. The legislation ensures that Montana adjusted gross income includes dividend income even if the dividends are excluded for federal tax purposes. If federal legislation eliminates taxation of all or a portion of dividend income, Montana’s income tax revenue will not be reduced. The legislation applies to tax years beginning January 1, 2003.

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

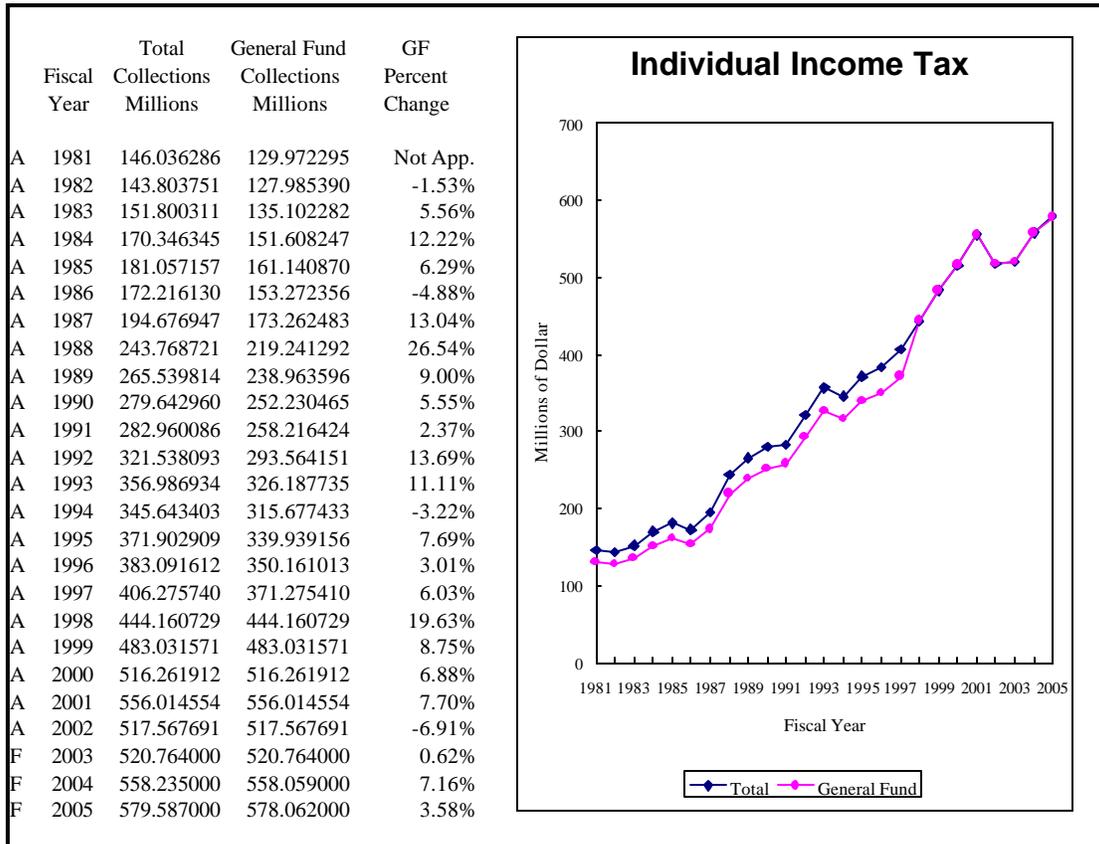
Individual Income Tax -- Legislation Passed by 58th Legislature
Estimated General Fund Impact for the 2005 Biennium

Bill Number and Short Title	Fiscal 2003	Fiscal 2004	Fiscal 2005
HB0452 Tax credit for developmentally disabled funding		(180,000)	(279,600)
HB0564 Create primary sector business workforce training act		122,238	525,709
HB0616 Revise endowed philanthropy tax credit		1,379,000	563,000
SB0121 Revise taxation of pass-through entities		50,000	200,000
SB0138 Revise tax laws on alternative energy and energy conservation		27,161	28,781
SB0271 Eliminate POINTS system -- UI tax not under replacement system		(176,157)	(1,525,656)
SB0407 Income tax reduction with revenue from limited sales tax			(15,752,000)
SB0408 Adjustment to state income tax for certain health care professionals		(37,500)	(37,500)
Total Estimated General Fund Impact	\$0	<u>\$1,184,742</u>	<u>(\$16,277,266)</u>

Statute: Title 15, Chapter 31, MCA

% of Total FY 2002 General Fund Revenue: 40.89%

Revenue Projection:

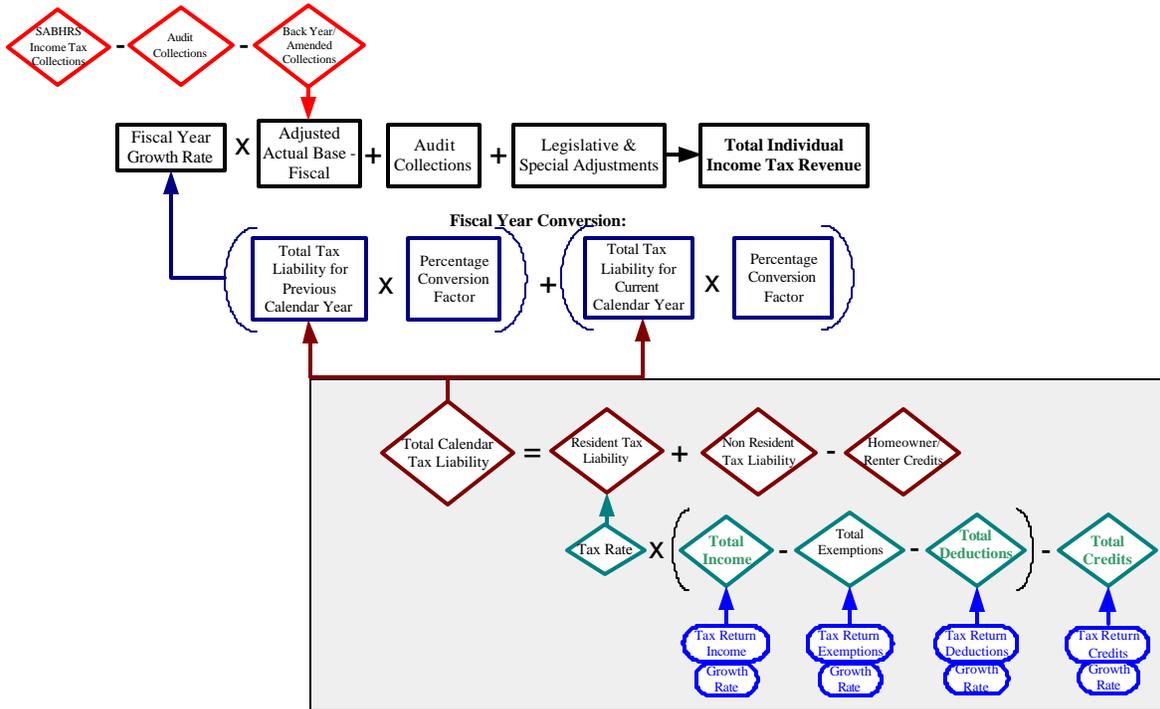


Legislative Fiscal Division

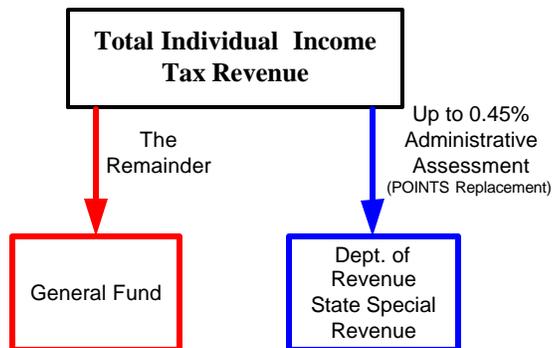
Revenue Estimate Profile

Individual Income Tax

Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Individual Income 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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Audits	30% Bonus	Total	CY to FY	CY to FY
	Fiscal	Millions	Millions	Millions	Millions	Liability	Conversion	Conversion
						Millions	Percent	Percent
Actual	2000	516.261912	516.261912	10.500000	0.000000	506.167193	47.9%*CY t-1	52.1%*CY t
Actual	2001	556.014554	556.014554	14.680000	-1.500000	510.889397	47.9%*CY t-1	52.1%*CY t
Actual	2002	517.568000	517.568000	18.573000	-3.000000	501.731037	47.9%*CY t-1	52.1%*CY t
Forecast	2003	527.409642	527.409642	16.800000	-2.500000	512.839835	47.9%*CY t-2	52.1%*CY t
Forecast	2004	556.866912	556.866912	18.700000	-1.750000	539.633009	47.9%*CY t-3	52.1%*CY t
Forecast	2005	594.318459	594.318459	18.700000	0.340000	574.975961	47.9%*CY t-4	52.1%*CY t

	t	Total Tax	GF Tax	Audits	30% bonus	Total Liability
	Fiscal	Annual	Annual	Annual	Annual	Annual
		Change	Change	Change	Change	Change
Actual	2000					
Actual	2001	7.7001%	7.7001%	39.8095%		0.9329%
Actual	2002	-6.9147%	-6.9147%	26.5191%	100.0000%	-1.7926%
Forecast	2003	1.9015%	1.9015%	-9.5461%	-16.6667%	2.2141%
Forecast	2004	5.5853%	5.5853%	11.3095%	-30.0000%	5.2245%
Forecast	2005	6.7254%	6.7254%	0.0000%	-119.4286%	6.5494%

	t	Resident	Population	Homeowner	All	All Filers	All Filers	Taxable
	Cal.	Liability	Adjustment	Credit	Credits	Multiplier	Liability	Income
		Millions	Percent	Millions	Millions	Percent	Millions	Millions
Actual	2000	518.279456		8.734000	21.404000	1.071800	525.353921	8,226.369886
Actual	2001	498.341543	1.000000	9.540000	24.151000	1.066100	497.538802	8,087.111270
Forecast	2002	497.258373	1.007334	9.640000	19.517502	1.067510	505.563989	8,138.701843
Forecast	2003	508.832814	1.016587	9.736000	23.482156	1.068580	519.529144	8,326.191331
Forecast	2004	537.715000	1.029072	9.834000	23.937709	1.069650	558.116216	8,732.891854
Forecast	2005	559.739000	1.043342	10.031000	24.792000	1.070720	590.476572	9,060.832666

	t	Resident	Population	Homeowner	All Other	All Filers	All Filers	Taxable
	Cal.	Liability	Adjustment	Credit	Credits	Multiplier	Liability	Income
		Percent	Percent	Percent	Percent	Percent	Percent	Percent
Actual	2000							
Actual	2001	-3.8469%		9.2283%	12.8340%	-0.5318%	-5.2945%	-1.692832%
Forecast	2002	-0.2174%	0.7334%	1.0482%	-19.1855%	0.1323%	1.6130%	0.637936%
Forecast	2003	2.3277%	0.9185%	0.9959%	20.3133%	0.1002%	2.7623%	2.303678%
Forecast	2004	5.6762%	1.2281%	1.0066%	1.9400%	0.1001%	7.4273%	4.884593%
Forecast	2005	4.0959%	1.3867%	2.0033%	3.5688%	0.1000%	5.7981%	3.755237%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t	Wages	Annual	Interest	Annual	Dividends	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	2000	8,569.388406		652.743511		374.794193	
Actual	2001	9,013.441387	5.1819%	662.616830	1.5126%	302.464371	-19.2985%
Forecast	2002	9,346.938718	3.7000%	511.738978	-22.7700%	313.292595	3.5800%
Forecast	2003	9,739.510144	4.2000%	454.321864	-11.2200%	328.361969	4.8100%
Forecast	2004	10,207.006631	4.8000%	577.897412	27.2000%	337.260579	2.7100%
Forecast	2005	10,717.356963	5.0000%	635.687153	10.0000%	345.152476	2.3400%

	t	Business	Annual	Capital	Annual	Supplemental	Annual
	Cal.	Income	Growth	Gains	Growth	Gains	Growth
		Millions		Millions		Millions	
Actual	2000	606.597200		1,259.719705		46.175253	
Actual	2001	617.942632	1.8703%	785.759218	-37.6243%	42.906157	-7.0798%
Forecast	2002	625.481532	1.2200%	565.746637	-28.0000%	37.770290	-11.9700%
Forecast	2003	630.860673	0.8600%	565.746637	0.0000%	36.712722	-2.8000%
Forecast	2004	640.197411	1.4800%	608.177635	7.5000%	47.498920	29.3800%
Forecast	2005	644.806833	0.7200%	653.790957	7.5000%	46.254448	-2.6200%

	t	Rents, Royalties	Annual	Farm Income	Annual	Social	Annual
	Cal.	S-Corps	Growth	Gains	Growth	Security	Growth
		Millions		Millions		Millions	
Actual	2000	894.050325		-77.472732		255.296811	
Actual	2001	907.393972	1.4925%	-112.632772	45.3838%	257.153132	0.7271%
Forecast	2002	974.359647	7.3800%	-82.897720	-26.4000%	276.336756	7.4600%
Forecast	2003	1,056.205857	8.4000%	-83.386817	0.5900%	294.989487	6.7500%
Forecast	2004	1,141.336050	8.0600%	-71.821065	-13.8700%	313.219837	6.1800%
Forecast	2005	1,223.055711	7.1600%	-76.805447	6.9400%	331.042046	5.6900%

	t	IRA	Annual	Pension	Annual	Other	Annual
	Cal.	Income	Growth	Income	Growth	Income	Growth
		Millions		Millions		Millions	
Actual	2000	267.961035		938.299938		-32.693707	
Actual	2001	264.672173	-1.2274%	969.018087	3.2738%	-22.436200	-31.3746%
Forecast	2002	265.969067	0.4900%	973.766276	0.4900%	-22.436200	0.0000%
Forecast	2003	276.262070	3.8700%	1,011.451030	3.8700%	-22.436200	0.0000%
Forecast	2004	298.473540	8.0400%	1,071.025496	5.8900%	-22.436200	0.0000%
Forecast	2005	322.470813	8.0400%	1,134.108898	5.8900%	-22.436200	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
	Cal.	Millions		Millions		Millions	
Actual	2000	13,754.859938		202.442859		13,552.417079	
Actual	2001	13,688.298987	-0.4839%	205.024224	1.2751%	13,483.274763	-0.5102%
Forecast	2002	13,786.066576	0.7142%	222.553795	8.5500%	13,563.512781	0.5951%
Forecast	2003	14,288.599438	3.6452%	234.527189	5.3800%	14,054.072249	3.6168%
Forecast	2004	15,147.836245	6.0134%	244.869838	4.4100%	14,902.966407	6.0402%
Forecast	2005	15,954.484650	5.3252%	262.916745	7.3700%	15,691.567905	5.2916%

	t	Bond Interest	Annual Growth	FIT Refunds	Annual Growth	Other Additions	Annual Growth
	Cal.	Millions		Millions		Millions	
Actual	2000	42.518667		184.885555		145.637746	
Actual	2001	44.552431	4.7832%	203.809786	10.2356%	146.694821	0.7258%
Forecast	2002	46.913710	5.3000%	235.359541	15.4800%	146.694821	0.0000%
Forecast	2003	48.907543	4.2500%	236.230371	0.3700%	146.694821	0.0000%
Forecast	2004	52.321289	6.9800%	256.782413	8.7000%	146.694821	0.0000%
Forecast	2005	56.527921	8.0400%	272.240715	6.0200%	146.694821	0.0000%

	t	Cap. Gains Exclusion	Annual Growth	Int. Exc. Elderly	Annual Growth	Savings Bond	Annual Growth
	Cal.	Millions		Millions		Millions	
Actual	2000	2.753579		46.732843		98.577472	
Actual	2001	1.792204	-34.9137%	46.773697	0.0874%	85.952848	-12.8068%
Forecast	2002	1.496490	-16.5000%	41.455528	-11.3700%	68.255157	-20.5900%
Forecast	2003	1.249569	-16.5000%	43.221533	4.2600%	62.767442	-8.0400%
Forecast	2004	1.043390	-16.5000%	44.008165	1.8200%	78.779416	25.5100%
Forecast	2005	0.871231	-16.5000%	44.760705	1.7100%	87.082767	10.5400%

	t	Exempt Retirement	Annual Growth	Unemployment	Annual Growth	Med. Savings	Annual Growth
	Cal.	Millions		Millions		Millions	
Actual	2000	156.465588		50.685840		6.777035	
Actual	2001	161.621214	3.2951%	59.504425	17.3985%	8.242749	21.6277%
Forecast	2002	142.925277	-11.5677%	50.566860	-15.0200%	9.790737	18.7800%
Forecast	2003	141.434508	-1.0430%	50.566860	0.0000%	11.338653	15.8100%
Forecast	2004	137.398388	-2.8537%	50.566860	0.0000%	12.886379	13.6500%
Forecast	2005	132.815045	-3.3358%	50.566860	0.0000%	14.434033	12.0100%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t	Family Education	Annual	First Time Home	Annual	Other Reductions	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	2000	2.118416		0.739084		442.097368	
Actual	2001	3.415825	61.2443%	0.912566	23.4726%	470.668689	6.4627%
Forecast	2002	4.098990	20.0000%	0.912566	0.0000%	495.002260	5.1700%
Forecast	2003	4.782292	16.6700%	0.912566	0.0000%	520.593877	5.1700%
Forecast	2004	5.465681	14.2900%	0.912566	0.0000%	547.508581	5.1700%
Forecast	2005	6.148891	12.5000%	0.912566	0.0000%	575.814774	5.1700%

	t	Additions to Income	Additions	Reductions to Income	Reductions	MT Adjusted Gross Income	MAGI
	Cal.	Millions	Annual Growth	Millions	Annual Growth	Millions	Annual Growth
Actual	2000	373.041968		806.947225		13,118.511822	
Actual	2001	395.057038	5.9015%	838.884217	3.9578%	13,039.447584	-0.6027%
Forecast	2002	428.968072	8.5838%	814.503865	-2.9063%	13,064.319543	0.1907%
Forecast	2003	431.832735	0.6678%	836.867300	2.7457%	13,407.828098	2.6294%
Forecast	2004	455.798523	5.5498%	878.569427	4.9831%	14,051.318642	4.7994%
Forecast	2005	475.463456	4.3144%	913.406873	3.9652%	14,599.154687	3.8988%

	t	Medical Premiums	Annual	Medical Deductions	Annual	Long Term Care	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	2000	200.002957		184.849463		13.502837	
Actual	2001	217.940463	8.9686%	203.239099	9.9484%	14.061406	4.1367%
Forecast	2002	230.733568	5.8700%	237.479941	16.8476%	14.619644	3.9700%
Forecast	2003	244.277629	5.8700%	257.684624	8.5080%	15.178114	3.8200%
Forecast	2004	258.616725	5.8700%	273.667043	6.2023%	15.736669	3.6800%
Forecast	2005	273.797527	5.8700%	292.222478	6.7803%	16.295321	3.5500%

	t	Federal Income Tax Withheld	Annual	Non-current Yr Fed Deduct	Annual	Real Estate	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	2000	1,518.673839		221.424540		239.539241	
Actual	2001	1,558.108639	2.5967%	233.916512	5.6416%	248.404235	3.7009%
Forecast	2002	1,562.753843	0.2981%	236.986252	1.3123%	255.856362	3.0000%
Forecast	2003	1,612.613212	3.1905%	244.872157	3.3276%	263.532053	3.0000%
Forecast	2004	1,675.120514	3.8761%	252.760441	3.2214%	271.438014	3.0000%
Forecast	2005	1,723.541870	2.8906%	260.656110	3.1238%	279.581155	3.0000%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t	Vehicle Taxes Cal. Millions	Vehicle Annual Growth	Home Mortgage Millions	Annual Growth	Deductible Interest Millions	Annual Growth
Actual	2000	43.249518		674.783486		39.843897	
Actual	2001	35.414255	-18.1164%	722.240324	7.0329%	36.076803	-9.4546%
Forecast	2002	36.122540	2.0000%	728.379367	0.8500%	35.117160	-2.6600%
Forecast	2003	36.844991	2.0000%	755.912107	3.7800%	38.558642	9.8000%
Forecast	2004	37.581891	2.0000%	825.985159	9.2700%	40.683223	5.5100%
Forecast	2005	38.333529	2.0000%	908.170682	9.9500%	41.460272	1.9100%

	t	Contributions Cal. Millions	Annual Growth	Child Care Millions	Annual Growth	Casualty Millions	Annual Growth
Actual	#REF!	275.164610		1.618924		3.058367	
Actual	2000	294.840519	7.1506%	1.776837	9.7542%	7.212024	135.8129%
Actual	2001	305.371553	3.5718%	1.642048	-7.5859%	3.158568	-56.2041%
Forecast	2002	329.312683	7.8400%	1.534658	-6.5400%	3.219213	1.9200%
Forecast	2003	362.112226	9.9600%	1.486930	-3.1100%	3.280056	1.8900%
Forecast	2004	389.053376	7.4400%	1.378682	-7.2800%	3.340737	1.8500%
Forecast	2005	416.209301	6.9800%	1.329876	-3.5400%	3.401538	1.8200%

	t	Miscellaneous Expense 1 Cal. Millions	Annual Growth	Miscellaneous Expense 2 Millions	Annual Growth	Gambling Losses Millions	Annual Growth
Actual	2000	129.241069		3.770804		5.692095	
Actual	2001	140.956776	9.0650%	3.760967	-0.2609%	4.839289	-14.9823%
Forecast	2002	154.071980	9.3044%	4.273587	13.6300%	4.839289	0.0000%
Forecast	2003	159.537322	3.5473%	5.160356	20.7500%	4.839289	0.0000%
Forecast	2004	163.143047	2.2601%	5.807465	12.5400%	4.839289	0.0000%
Forecast	2005	166.716298	2.1903%	6.644901	14.4200%	4.839289	0.0000%

	t	Itemized Deductions Cal. Millions	Annual Growth	Exemptions Millions	Annual Growth	Planned Gift Credit	Annual Growth
Actual	2000	4,036.333109		1,444.028900		7.121923	
Actual	2001	4,136.668940	2.4858%	1,488.611840	3.0874%	7.550411	6.0165%
Forecast	2002	4,128.466708	-0.1983%	1,505.921280	1.1628%	3.553978	-52.9300%
Forecast	2003	4,284.823325	3.7873%	1,549.194880	2.8736%	6.360911	78.9800%
Forecast	2004	4,474.967356	4.4376%	1,592.468480	2.7933%	5.699376	-10.4000%
Forecast	2005	4,662.599011	4.1929%	1,644.396800	3.2609%	5.423526	-4.8400%

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.

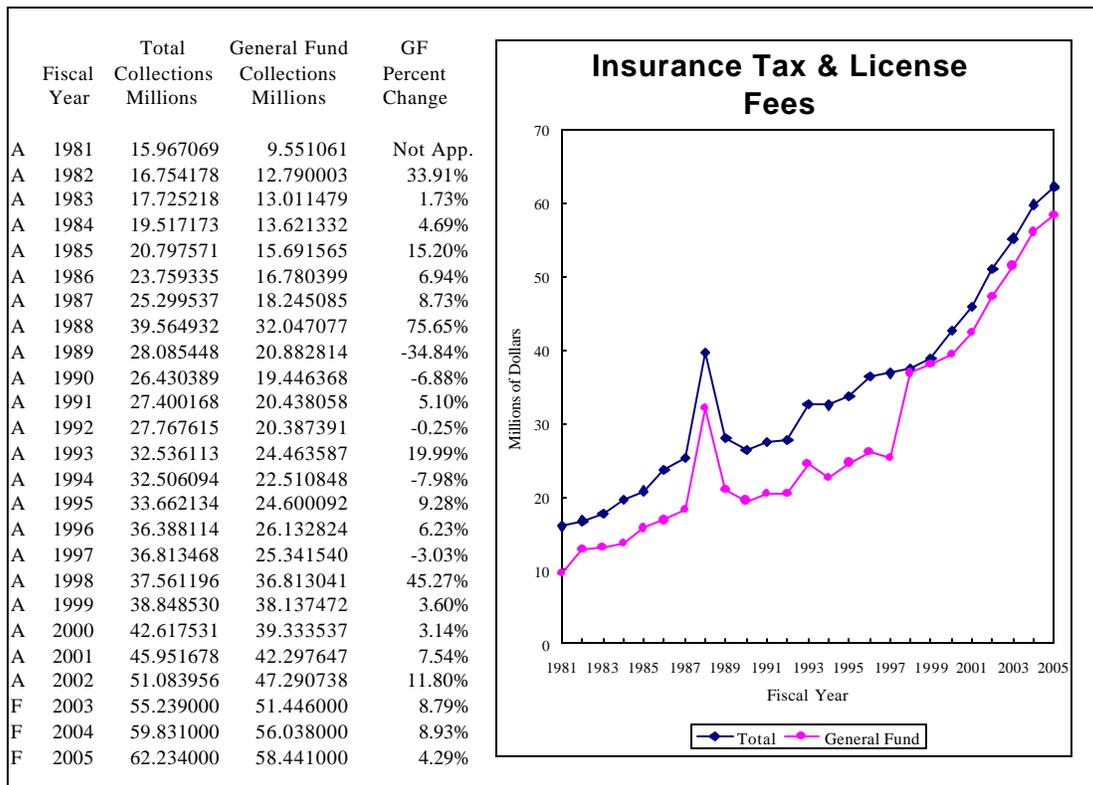
Distribution: The majority of insurance tax and license fee proceeds are deposited into the general fund.

Summary of Legislative Action: The 58th Legislature did not enact legislation that impacted this general fund revenue source.

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

% of Total FY 2002 General Fund Revenue: 3.74%

Revenue Projection:



Legislative Fiscal Division

Revenue Estimate Profile

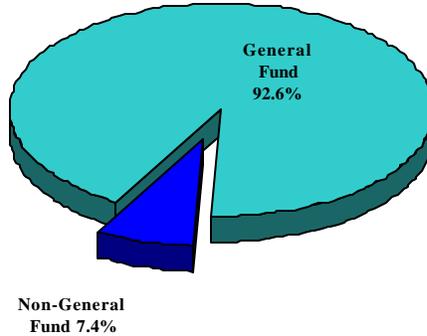
Insurance Tax & License Fees

Forecast Methodology



Distribution Methodology

Based on Actual Fiscal 2002



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 2003 legislature that may affect future estimates of this revenue source.

t	Total Tax	GF Tax	Non-GF Fees	GF Fees
<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual 2000	42.617531	39.333537	3.283994	1.028229
Actual 2001	45.951678	42.297647	3.654031	0.444540
Actual 2002	51.083956	47.290738	3.793218	0.290736
Forecast 2003	55.239000	51.446000	3.793218	0.290736
Forecast 2004	59.831000	56.038000	3.793218	0.290736
Forecast 2005	62.234000	58.441000	3.793218	0.290736

t	Genetics	Premium Tax	Offsets	Refunds
<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual 2000	0.542398	40.121480	2.082935	1.881369
Actual 2001	0.634902	42.405287	0.861069	0.326014
Actual 2002	0.569711	47.678432	0.735584	0.512557
Forecast 2003	0.575000	52.822935	1.843000	0.400000
Forecast 2004	0.575000	56.790202	1.218000	0.400000
Forecast 2005	0.575000	59.192995	1.218000	0.400000

Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

Revenue Description: Investment advisors and investment companies pay various fees to the state. These fees are for: 1) registration of securities and agents; 2) registration of securities by notification; 3) notice of a federal filing of a federally secured security; and 4) name changes.

Applicable Tax Rate(s): Initial and annual security registration fees vary, but cannot be less than \$200 or more than \$1,000. Initial and annual registration fees for a broker-dealer, investment adviser, and federal covered adviser are \$200. Initial and annual registration fees for a salesperson or investment adviser are \$50. The fee for name changes is \$50.

Distribution: All fees except portfolio notice filing fees and examination charges are deposited to the general fund. Portfolio notice filing fees and examination charges are deposited in a state special revenue account from which the State Auditor pays for expenses associated with the regulation of portfolio activities. The excess in this account is transferred to the general fund throughout the year as a non-budgeted transfer.

Summary of Legislative Action:

Senate Bill 144 – Investment companies are charged a new \$50 fee by the State Auditor’s Office for changing the name of a series, portfolio, or subdivision of an investment company, all of which is deposited to the general fund. In addition, the State Auditor’s Office is authorized to charge \$0.50 to copy each page of a public document for an estimated \$1,000 each year of general fund revenue (the revenue effects and details of this change are shown under the “All Other” revenue source). The legislation is effective October 1, 2003.

Investment License Fee -- Legislation Passed by 58th Legislature			
Estimated General Fund Impact for the 2005 Biennium			
Bill Number and Short Title	Fiscal 2003	Fiscal 2004	Fiscal 2005
SB0144 Revise securities laws		5,000	5,000
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$5,000</u>	<u>\$5,000</u>

Statute: Title 30, Chapter 10, MCA

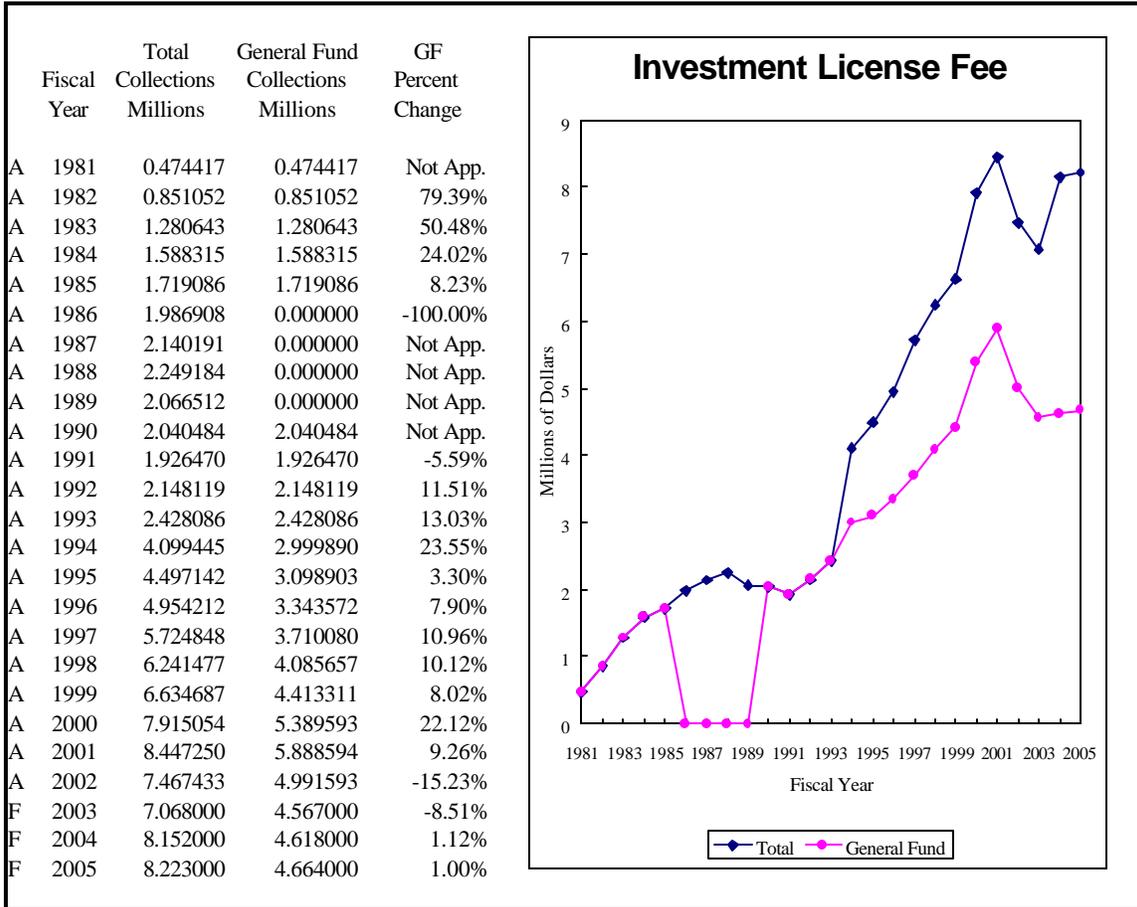
% of Total FY 2002 General Fund Revenue: 0.39%

Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

Revenue Projection:



Forecast Methodology

$$\left(\text{Base Year General Fund Fee Revenue} \times \text{Growth Rate} \right) + \left(\text{Base Year Non-general Fund Fee Revenue} \times \text{Growth Rate} \right) = \text{Total Investment License Fee Revenue}$$

Distribution Methodology

$$\text{General Fund Fees} = \text{General Fund Revenue}$$

$$\text{Total Investment License Fee Revenue} - \text{General Fund Revenue} = \text{Non-general Fund Revenue}$$

Legislative Fiscal Division

Revenue Estimate Profile

Investment License Fee

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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	GF Transfer	Licenses	Portfolio	Port. Exp.
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	7.915054	5.389593	2.296258	5.389593	2.525461	0.151983
Actual	2001	8.447250	5.888594	2.445000	5.888594	2.558656	0.135759
Actual	2002	7.467433	4.991593	2.179165	4.991593	2.475840	0.202493
Forecast	2003	7.068000	4.567000	2.292000	4.567308	2.500555	0.208568
Forecast	2004	8.147000	4.613000	3.325000	4.612981	3.533517	0.208568
Forecast	2005	8.218000	4.659000	3.350000	4.659111	3.558729	0.208568

	t	Licenses	Portfolio	Expense
	Fiscal	Growth	Growth	Growth
Actual	2000	0.221213	0.137475	0.044550
Actual	2001	0.092586	0.013144	-0.106749
Actual	2002	-0.152329	-0.034073	0.491562
Forecast	2003	-0.085000	0.010000	0.030000
Forecast	2004	0.010000	0.010000	0.000000
Forecast	2005	0.010000	0.010000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Lodging Facility Use Tax

Revenue Description: The state imposes two taxes on room charges collected by lodging facilities and campgrounds – a lodging facility use tax and a sales tax. The taxes only apply for rooms used for lodging. All Lodging Facility Use Tax collections (see below) that are distributed on a percentage basis are earmarked for specific purposes and are statutorily appropriated. All of this tax paid by state employees is returned to the fund that paid the tax. Since general fund pays a portion of the tax, a portion is returned to the general fund. This amount is accounted for in the “All Other Revenue” profile. All Sales Tax collections, less a five percent vendor allowance up to \$1,000 per quarter, are deposited to the general fund.

Applicable Tax Rate(s): The lodging facility use tax is 4.0 percent of room charges. The sales tax is 3.0 percent of the sales price.

Distribution:

1. Sales Tax: 100% general fund
2. Lodging Facility Use Tax:

Fiscal 2003, the revenue is first distributed: 1) to the Department of Revenue in the amount appropriated for collection and disbursement costs; 2) to the various funds from which payment of the tax paid by state employees were made, including the general fund; 3) \$400,000 to the Montana heritage preservation and development fund which is statutorily appropriated for restoring and maintaining historic properties; and 4) \$1,700,000 to the general fund (HB 18 August 2002 Special Session). After these distributions, the remainder is distributed and statutorily appropriated:

- ?? 67.5% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
- ?? 22.5% to regional nonprofit tourism corporations.
- ?? 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities.
- ?? 2.5% to the university system for the establishment and maintenance of a Montana travel research program.
- ?? 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites.

Fiscal 2004 - 2007, the revenue is first distributed: 1) to the Department of Revenue in the amount appropriated for collection and disbursement costs; 2) to the various funds from which payment of the tax paid by state employees were made, including the general fund; and 3) \$400,000 to the Montana heritage preservation and development fund which is statutorily appropriated for restoring and maintaining historic properties. After these distributions, the remainder is distributed and statutorily appropriated:

- ?? 67.5% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
- ?? 22.5% to regional nonprofit tourism corporations.
- ?? 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities.
- ?? 2.5% to the university system for the establishment and maintenance of a Montana travel research program.
- ?? 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites.

Fiscal 2008 and beyond, the revenue is first distributed: 1) to the Department of Revenue in the amount appropriated for collection and disbursement costs; and 2) to the various funds from which payment of the tax paid by state employees were made, including the general fund. After these distributions, the remainder is distributed and statutorily appropriated:

- ?? 67.5% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials.
- ?? 22.5% to regional nonprofit tourism corporations.
- ?? 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities.
- ?? 2.5% to the university system for the establishment and maintenance of a Montana travel research program.
- ?? 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites.

Legislative Fiscal Division

Revenue Estimate Profile

Lodging Facility Use Tax

Summary of Legislative Action:

Senate Bill 407 - In addition to imposing a three percent sales tax on accommodations and campgrounds, the legislation also affects other general fund revenue sources. It: 1) increases cigarette and tobacco taxes; 2) revises income taxes; and 3) imposes a new four percent tax on rental cars. The revenue effects and details of these changes are shown under the respective individual revenue sources. The three percent accommodation sales tax, beginning June 1, 2003, applies to hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, and bed and breakfast facilities. Exempt are facilities: 1) for health care; 2) owned by non-profit corporations for use by people under 18-years of age for camping; 3) whose average daily charge is less than 60 percent of the amount the state of Montana reimburses for lodging (currently \$35, 60 percent of which is \$21); 4) rented for 30 days or more; or 5) until October 1, 2003, which have entered into contracts prior to April 30, 2003. Sales to the U.S. government are also exempt from the sales tax. All facilities subject to the tax must obtain a seller's permit before engaging in business subject to the sales tax within Montana. The vendor must pay the tax due by the last day of the month following a calendar quarter. Vendors are allowed to claim and keep five percent of the tax as an allowance, not to exceed \$1,000 a quarter. The Department of Revenue may require a retailer to post security up to twice the average tax liability to be used to recover taxes, interest, and penalties owed. All revenue from the tax is deposited in the general fund. Projections by the Department of Revenue indicate that five percent of the taxes owed will not be paid. The remaining amount, net of the vendor allowance, is estimated to be \$710,000 in fiscal 2003, \$8,807,000 in fiscal 2004, and \$9,084,000 in fiscal 2005.

Lodging Facility Use Tax -- Legislation Passed by 58th Legislature Estimated Non-General Fund Impact for the 2005 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>
SB0407 Income tax reduction with revenue from limited sales tax	710,000	8,807,000	9,084,000
Total Estimated General Fund Impact	<u>\$710,000</u>	<u>\$8,807,000</u>	<u>\$9,084,000</u>

Statute: Title 15, Chapter 65, MCA

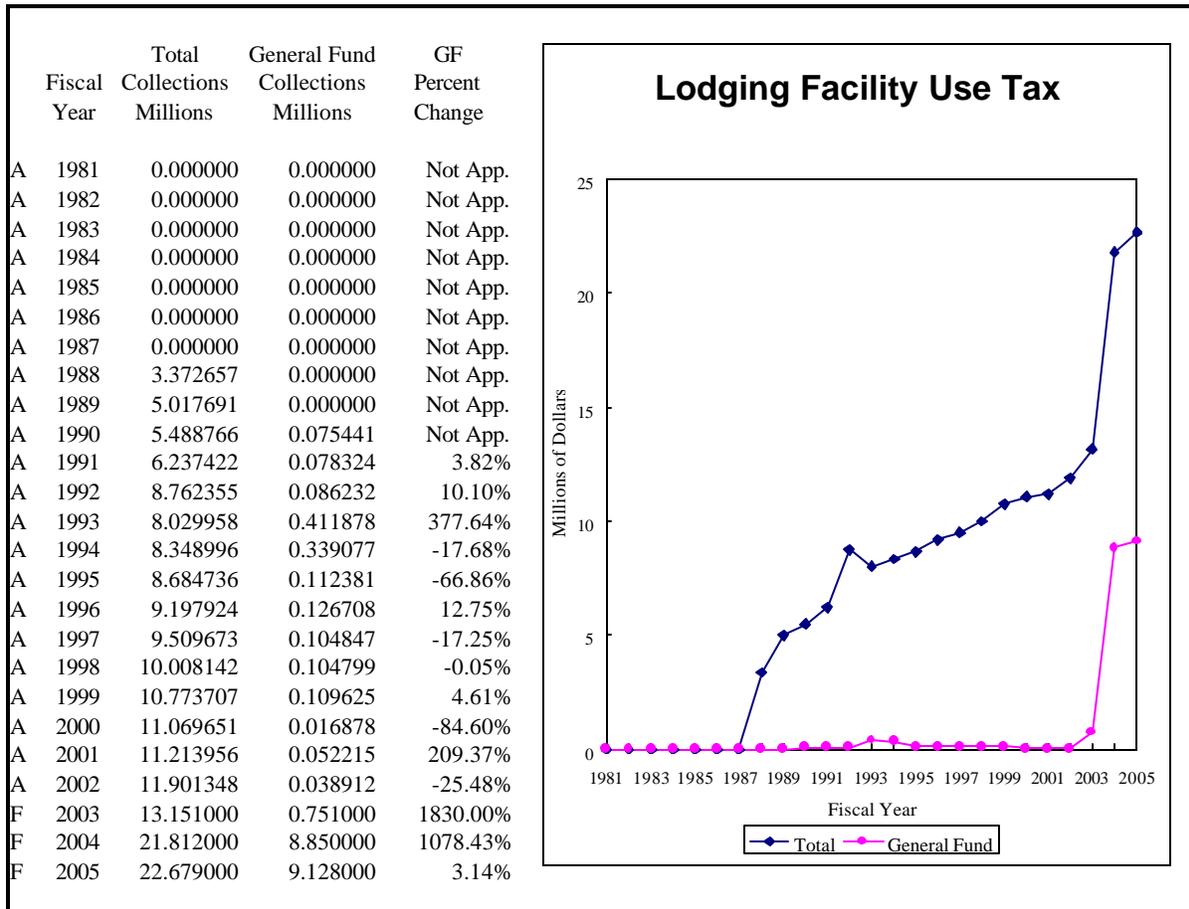
% of Total FY 2002 General Fund Revenue: 0.00% (included in "All Other General Fund Revenue")

Legislative Fiscal Division

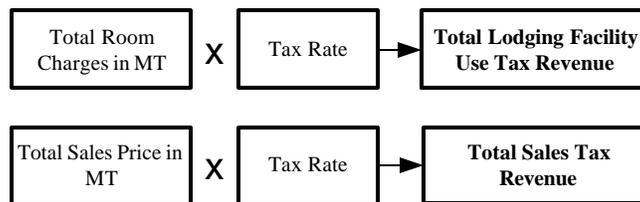
Revenue Estimate Profile

Lodging Facility Use Tax

Revenue Projection:



Forecast Methodology

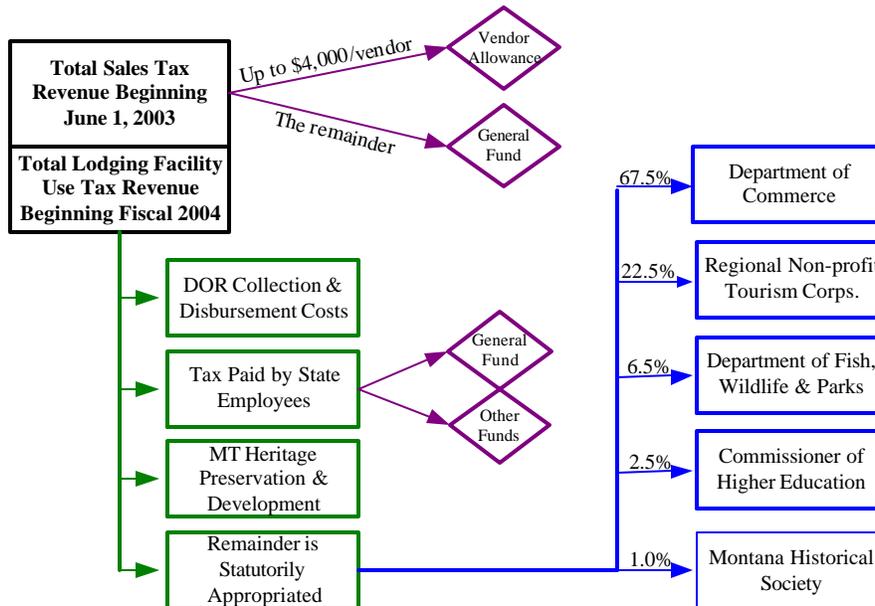


Legislative Fiscal Division

Revenue Estimate Profile

Lodging Facility Use Tax

Distribution Methodology



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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Room Charge	Tax	DOR
	Fiscal	Millions	Millions	Millions	Rate	Admin. Millions
Actual	2000	11.069651	0.016878	276.741275	4.0000%	0.114927
Actual	2001	11.213956	0.052215	280.348900	4.0000%	0.114525
Actual	2002	11.901348	0.038912	297.533700	4.0000%	0.126368
Forecast	2003	12.441000	0.040676	311.028043	4.0000%	0.133256
Forecast	2004	13.005000	0.042520	325.134409	4.0000%	0.137254
Forecast	2005	13.595000	0.044449	339.880555	4.0000%	0.141371

	t	Higher Ed.	DOC	Sites & Signs	Regional	FWP	MT. Heritage	All Other Entities
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.263447	7.113045	0.105379	2.371015	0.684960	0.400000	0.000000
Actual	2001	0.267061	7.210657	0.106824	2.403552	0.694358	0.400000	-0.035236
Actual	2002	0.283388	7.651483	0.113892	2.550494	0.736809	0.400000	0.000002
Forecast	2003	0.296677	8.010271	0.118671	2.670090	0.771359	0.400000	0.000000
Forecast	2004	0.310631	8.387028	0.124252	2.795676	0.807640	0.400000	0.000000
Forecast	2005	0.325230	8.781197	0.130092	2.927066	0.845597	0.400000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Revenue Description: In accordance with statute, the state assesses a variety of motor vehicle fees, such as fees for the filing of motor vehicle liens, fees for new license plates, and title fees. The fees vary according to the type of vehicle (i.e., motor vehicle, snowmobile, etc.) and the type of license plate (regular, personal, military, etc.). With the enactment of House Bill 124, motor vehicle fees that had been collected and retained by counties are now deposited in the state general fund.

Applicable Tax Rate(s): Various

Distribution: Most motor vehicle fees are allocated to the general fund. The following fees are distributed to the Motor Vehicle Information Technology Systems state special revenue account: 1) \$4 of the \$8 recording lien fee (including boats, snowmobiles, and off highway vehicles); 2) \$5.00 of the \$10.00 certificate of ownership fees for watercraft, snowmobiles, off-highway vehicles and all other vehicles; 3) \$5.00 of the \$10.00 duplicate certificate of ownership fee; and 4) all of the \$10.00 fee for the issuance of a new certificate of title following the release of a lien. Other distributions to other state special revenue accounts (and county general fund) are: 1) \$10 of the \$30 donation fee for collegiate license plates to the student academic scholarship fund or foundation of the named institution; 2) the annual donation fee of \$20 for motorcycle or quadricycles specialty license plates for grants to chronically or critically ill children; 3) \$5 of the \$15 administrative fee for generic specialty license plates to the county general fund; and 4) all of the \$15 surcharge for sponsoring a generic patriotic license plate for the construction, maintenance, operation, and administration of state veterans' cemeteries.

Summary of Legislative Action:

House Bill 186 – The demonstrator license plate fee for dealers and wholesalers increases from \$3.00 to \$5.00 for additional revenue of \$18,052 each fiscal year. Additionally, the purchase of at least five sets of permit and transit plates for vehicles being transported is allowed and the fee for each set of plates increases from \$1.00 to \$10.00. The total impact of the latter change increases motor vehicle revenue by \$279 annually. Other impacts of this legislation include increases in license bonds for dealers, motorcycle dealers, auto auctioneers, and vehicle wholesalers from \$35,000 to \$50,000 and the imposition of a \$25 fine on dealers and wholesalers who cannot certify the number of vehicle sales made in a year. The general fund revenue from motor vehicle fees increases \$18,331 in fiscal years 2004 and 2005. The legislation is effective January 1, 2004.

House Bill 261 – Motor vehicle fees increase a total of \$2,468,636 in fiscal 2004 and \$4,520,482 in fiscal 2005. Of these amounts, \$2,417,370 in fiscal 2004 and \$2,468,140 in fiscal 2005 are earmarked to pay debt service on the \$18.0 million increase in the loan from the Board of Investments for the Department of Justice's motor vehicle information technology system. The legislation provides for an increase from \$5.00 to \$10.00 in the certificate of ownership fees for watercraft, snowmobiles, off-highway vehicles and all other vehicles, and an increase from \$3.00 to \$10.00 (\$2.00 of the \$7.00 increase is additional revenue to the general fund) in the duplicate certificate of ownership fee, one-half of which is deposited to the general fund and one-half is deposited to the motor vehicle information technology system state special revenue account. It also levies a new \$10.00 fee for the issuance of a new certificate of title following the release of a lien, all of which is deposited to the motor vehicle information technology system state special revenue account. Increased collections resulting from this legislation are expected to exceed debt service costs by \$3,890,544 in the 2005 biennium. Senate Bill 493 transfers \$3.7 million of this excess to the general fund (for more details, see Senate Bill 493 in the "All Other" revenue source). Because an additional \$2.00 of the duplicate certificate of title fee is deposited in the general fund, general fund revenue increases \$51,266 in fiscal 2004 and \$52,343 in fiscal 2005. The fee increases begin July 1, 2003 and terminate June 30, 2013.

House Bill 280 – The legislation allows the use of original license plates on motor vehicles 25 years or older that are used for general transportation purposes and requires permanent registration for collector vehicles. Because the total fee paid when a collector vehicle is registered is greater than those fees paid annually, there will be a one-time revenue increase in fiscal 2004. However, future fee payments are reduced. The total impact to the general fund is an increase of \$23,000 in fiscal 2004 and a decrease of \$10,500 in fiscal 2005.

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

House Bill 538 –Motor vehicle fee revenue increases a total of \$46,050 in fiscal 2004 and by \$92,099 in fiscal 2005. The legislation increases lien-filing fees for boats, snowmobiles, and off highway vehicles from \$4.00 to \$8.00. Additional revenue of \$20,932 in fiscal 2004 and \$41,864 in fiscal 2005 from the \$4.00 increase is deposited in the motor vehicle information technology system state special revenue account and is used to finance the motor vehicle information technology system. Senate Bill 493 transfers \$3.7 million of excess revenue from this account to the general fund (for more details, see Senate Bill 493 under the “All Other” revenue source). House Bill 538 increases the duplicate title transaction fee from \$4.00 to \$5.00, increasing general fund revenue by \$370 in fiscal 2004 and \$739 in fiscal 2005. The legislation also increases replacement certificate fees from \$3.00 to \$5.00 for additional general fund revenue of \$24,748 in fiscal 2004 and \$40,496 in fiscal 2005. Finally, the legislation implements a \$25 daily penalty for the failure of a secured party or lien holder to file a lien within 15 days. Total general fund revenue increases \$25,118 in fiscal 2004 and \$50,235 in fiscal 2005.

House Bill 549 – This legislation is estimated to increase motor vehicle fees by \$227,850 in fiscal years 2004 and 2005. The legislation increases the donation fee for collegiate license plates from \$20 to \$30 with all of the additional revenue distributed into student academic scholarship fund or foundation of the named institution. There is no general fund revenue impact.

House Bill 559 - In addition to increasing the motor vehicle fee revenue, this legislation also increases vehicle tax revenues (the revenue effects and details of the latter change are shown under the “Vehicle Tax” revenue source). The legislation eliminates the annual registration of watercrafts, snowmobiles, motorcycles, quadricycles, off-highway vehicles, travel trailers, and trailers and replaces it with a one-time permanent registration fee. It also increases the registration fee on light vehicles (less than 2,850 pounds) from \$13.75 to \$17.00 and for light vehicles over 2,850 pounds, trucks, and busses from \$18.75 to \$24.00, beginning January 1, 2005. A one-time registration fee is also required for permanent registration of trailers. This latter fee is expected to generate \$234,213 in fiscal 2004 and \$186,762 in fiscal 2005, which is deposited to the general fund for transfer to the Highway Patrol Retirement fund. Effective January 1, 2004, the legislation reduces the number of registration decals to one month and one year expirations for motor vehicles and allows one registration decal for boats and snowmobiles. The increase in the general fund motor vehicle fee revenue is expected to be \$1,102,554 in fiscal 2004 and \$1,313,530 in fiscal 2005.

House Bill 767 –The legislation allows motorcycle or quadricycles owners to obtain a set of specialty license plates. The plates are subject to: 1) an administrative fee of \$5.00 on initial issuance for deposit to the general fund; and 2) an annual donation fee of \$20 for deposit to a new state special revenue account. Money in the new account, estimated to be \$52,912 in fiscal 2004 and \$67,404 in fiscal 2005, is statutorily appropriated to the Department of Justice to provide grants to Montana nonprofit organizations that grant wishes to critically or chronically ill children. The legislation also institutes a bulk purchase cost of \$0.08 for each driving record that is searched by the department for a change in license status or conviction activity (the revenue effects and details of this change is shown under the “All Other” revenue source). Motor vehicle fee revenue increases a total of \$66,140 in fiscal 2004 and \$71,027 in fiscal 2005 with the general fund revenue portion increasing \$13,228 in fiscal 2004 and \$3,623 in fiscal 2005.

Senate Bill 65 – In addition to decreasing motor vehicle fee revenue, the legislation decreases 6 mill property taxes revenue. The revenue effects and details of the latter change are shown under the “6 Mill Property Tax” revenue source. The legislation requires applicants for special veteran plates to pay a \$10 cemetery fee when motor vehicle license plates are issued, renewed, or transferred. Additionally, the \$5.00 fee in lieu of all other fees and taxes paid by qualified disabled veterans on motor vehicles is eliminated reducing general fund revenue from motor vehicle fees by \$6,585 in fiscal 2004 and \$7,820 in fiscal 2005.

Senate Bill 112 – A surcharge of \$0.50 is added to the fee in lieu of tax on watercrafts, nonresidential temporary snowmobile use permits, snowmobile decal registration, and off-highway vehicles. Revenue from the fee increase is deposited to the general fund for transfer to a new state special revenue account to fund search and rescue programs throughout the state. General fund motor vehicle fee revenue increases \$34,566 in fiscal 2004 and \$52,108 in fiscal 2005. The legislation also increases Department of Fish, Wildlife and Parks’ resident and nonresident conservation licenses by \$0.25 with the additional revenue used to reimburse search and rescue costs incurred by the Department of Military Affairs in rescuing hunters, anglers, and trappers.

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Senate Bill 118 – The legislation generally revises the laws governing license plates and increases the fees on license plates. Effective January 1, 2004, the fee for each new set of number plates increases from \$2.00 to \$5.00 and the initial application and manufacturing fee increases from \$2.50 to \$5.00. Revenue from the fees is deposited to the general fund. Effective January 1, 2004, the administrative fee for generic specialty license plates increases from \$10 to \$15 with \$5.00 deposited to the county general fund (an increase of \$3.00) and \$10.00 deposited to the state general fund (an increase of \$2.00). The initial sponsor fee on specialty plates is also increased from \$1,200 to \$4,000 the revenue from which is used to reimburse the Department of Correction's initial costs of producing the plates for the sponsor. General fund motor vehicle fee revenue increases by \$607,443 in fiscal 2004 and \$961,742 in fiscal 2003.

Senate Bill 336 – The legislation assesses a new \$4.00 registration fee for each light passenger car or truck less than 8,001 GVW unless the registrant certifies the intent not to use state parks and fishing access sites. If paid, the optional fee replaces the state parks access day use fee for Montana residents. Revenue from the fee is deposited in the general fund for transfer to the Department of Fish, Wildlife and Parks' state special revenue account to supplement operations at state parks, fishing access sites, and the state owned facilities at Virginia and Nevada Cities. The fee is annual and is effective January 1, 2004. General fund motor vehicle fee revenue increases \$1,092,349 in fiscal 2004 and \$2,087,182 in fiscal 2005.

Senate Bill 401 – Certain veteran vehicle registration fees are revised and a new state special revenue account is established. A new \$0.50 registration fee is assessed annually on all vehicle types except off-highway vehicles, trailers and semi trailers registered in other jurisdictions and through a proportional registration agreement, and vehicles bearing ex-prisoner of war license plates. Revenue from the fee is deposited to the general fund for transfer to the new state veterans' services state special revenue account to be used for the construction, maintenance, operation, and administration of state veterans' cemeteries. The legislation also allows the Board of Veterans' Affairs to sponsor a generic patriotic license plate, with the \$15 surcharge deposited to the new account. The surcharge and any donations to the new account or cemetery program may be taken as a deduction on the Montana personal income tax. General fund motor vehicle fee revenue increases \$433,075 in fiscal 2004 and \$731,396 in fiscal 2005.

Motor Vehicle Fee -- Legislation Passed by 58th Legislature
Estimated General Fund Impact for the 2005 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2003</u>	<u>Fiscal 2004</u>	<u>Fiscal 2005</u>
HB0186 Revise motor vehicle dealer licensing		18,331	18,331
HB0261 Increase municipal finance debt limits -increase vehicle fees to repay loan		51,266	52,343
HB0280 Authorize use of originally-issued vintage automobile license plates		23,000	(10,500)
HB0538 Revise laws on motor vehicle titling and registration		25,118	50,235
HB0549 Increase scholarship donation for collegiate license plates			
HB0559 Registration decal as evidence of fee payment for vehicles and vessels		1,102,554	1,313,530
HB0767 Revise motor vehicle and driving record laws		13,228	3,623
SB0065 Revise veteran's property tax and vehicle fee benefits		(6,585)	(7,820)
SB0112 Fund search and rescue with certain fees		34,566	52,108
SB0118 License plates -- delay new issue, change costs, generic specialty plates		607,443	961,742
SB0336 Implement recommendations of state parks future committee		1,092,349	2,087,182
SB0401 Revise membership and duties concerning veterans affairs		433,075	731,396
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$3,394,345</u>	<u>\$5,252,170</u>

Statute: Title 61, Chapter 3, MCA.

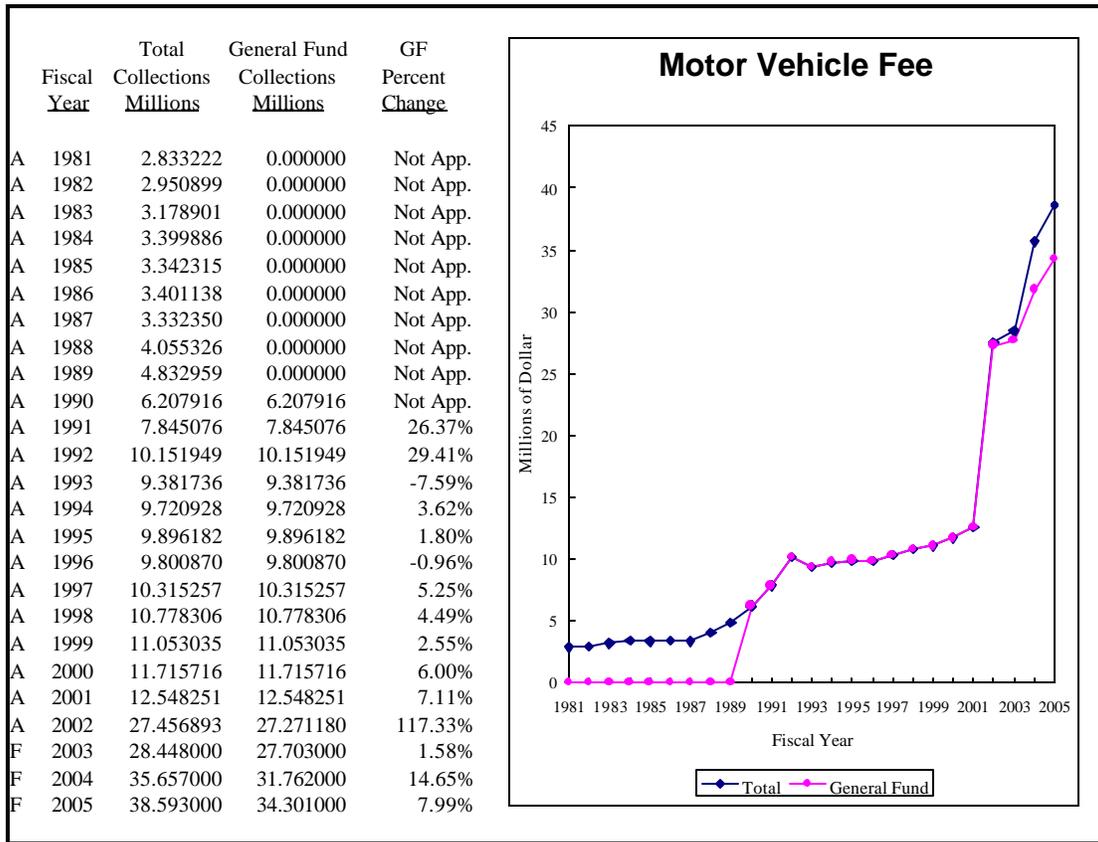
% of Total FY 2002 General Fund Revenue: 2.15%

Legislative Fiscal Division

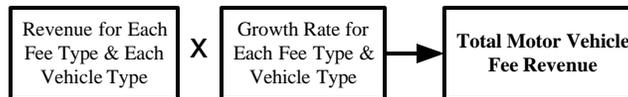
Revenue Estimate Profile

Motor Vehicle Fee

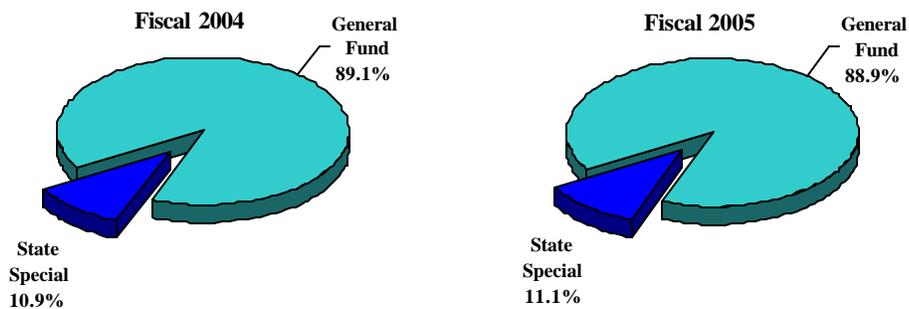
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	GF Fee	GF Fee	GF Fee	GF Fee
	Fiscal	Millions	Millions	Registration	Record	Titles	Personal
				Millions	Millions	Millions	Millions
Actual	2000	11.715716	11.715716	6.233271	0.629295	1.292338	0.727670
Actual	2001	12.548251	12.548251	6.367734	0.635889	1.290092	0.712995
Actual	2002	27.456893	27.271180	21.180491	0.727958	2.352977	1.269593
Forecast	2003	28.448000	27.703000	21.491344	0.745429	2.409448	1.300063
Forecast	2004	29.131000	28.368000	22.007136	0.763319	2.467275	1.331265
Forecast	2005	29.831000	29.049000	22.535307	0.781639	2.526490	1.363215

	t	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee	Non GF Fee
	Fiscal	New Plate	Computer	\$.25	Other	Transit	Lien
		Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	0.856821	1.304458	0.299821	0.372042		
Actual	2001	1.536103	1.335946	0.304236	0.365256		
Actual	2002	0.524575	-0.001199	0.024150	1.083974	0.108661	0.185713
Forecast	2003	0.537165	0.000000	0.000000	1.109989	0.111269	0.745429
Forecast	2004	0.550057	0.000000	0.000000	1.136629	0.113939	0.763319
Forecast	2005	0.563258	0.000000	0.000000	1.163908	0.116674	0.781639

	t	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee	GF Fee
	Fiscal	Registration	Record	Titles	Personal	New Plate	Other
		Growth Rate	Growth Rate	Growth Rate	Growth Rate	Growth Rate	Growth Rate
Actual	2000	3.2150%	-0.0519%	2.1117%	4.8659%	84.1881%	-8.5040%
Actual	2001	2.1572%	1.0478%	-0.1738%	-2.0167%	79.2793%	-1.8240%
Actual	2002	232.6221%	14.4788%	82.3883%	78.0648%	-65.8503%	196.7710%
Forecast	2003	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%
Forecast	2004	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%
Forecast	2005	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%

	t	GF Fee	Non GF Fee				
	Fiscal	New Plate	Computer	\$0.25	Other	Transit	Lien
		Growth Rate					
Actual	2000	84.1881%	2.8335%	5.4012%	-8.5040%		
Actual	2001	79.2793%	2.4139%	1.4725%	-1.8240%		
Actual	2002	-65.8503%	-100.0897%	-92.0621%	196.7710%		
Forecast	2003	2.4000%	-100.0000%	-100.0000%	2.4000%	NA	2.4000%
Forecast	2004	2.4000%			2.4000%	NA	2.4000%
Forecast	2005	2.3999%			2.4000%	NA	2.4000%

Legislative Fiscal Division

Revenue Estimate Profile

Public Contractors Tax

Revenue Description: Contractors or subcontractors submitting a proposal to perform construction work in Montana for the federal government, state government, or any political subdivision, must be licensed as a public contractor. A license is not required in order to bid on contracts in which federal aid is used for highway construction, but a license is required once the bid is awarded.

Applicable Tax Rate(s): A 1.0 percent license fee is applied to the gross receipts of each separate project let by any of the listed public entities. However, a credit (in the form of a refund) against the license fee is allowed for personal property taxes and certain motor vehicle fees paid in Montana on personal property or vehicles used in the business of the contractor. In addition, the amount of the net license fee paid (gross less the property tax refund) may be used as a credit on the contractor's corporate or individual tax return. Overpayments are also refunded.

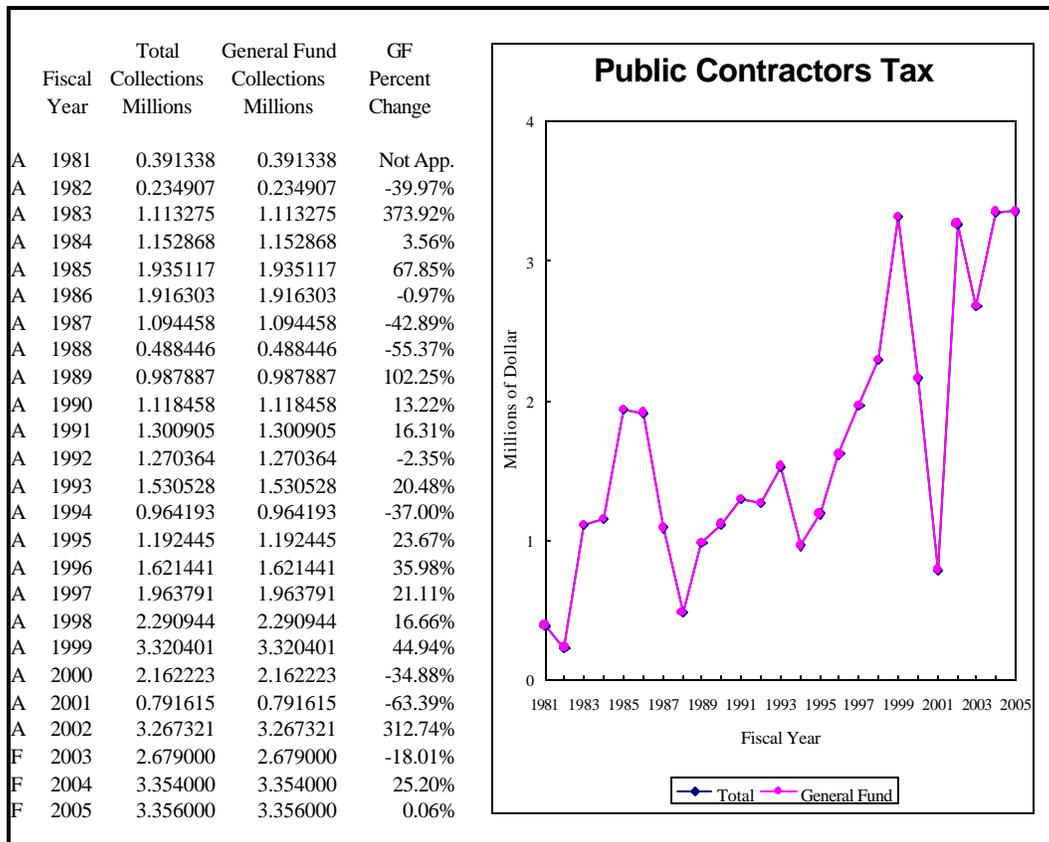
Distribution: All public contractor tax revenue is deposited into the general fund.

Summary of Legislative Action: The 58th Legislature did not enact legislation that impacted this general fund revenue source.

Statute: Title 15, Chapter 50, MCA

% of Total FY 2002 General Fund Revenue: 0.26%

Revenue Projection:

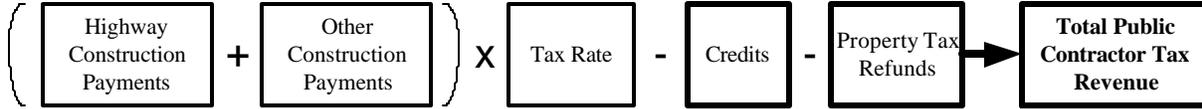


Legislative Fiscal Division

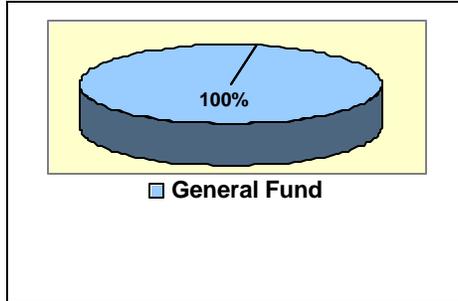
Revenue Estimate Profile

Public Contractors Tax

Forecast Methodology



Distribution Methodology



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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Gross Tax	Credits	Tax	DOT	Other
	Fiscal	Millions	Millions	Millions	& Refunds	Rate	Millions	Millions
					Millions			
Actual	2000	2.162223	2.162223	5.516069	3.444985	0.010000	234.875465	316.731435
Actual	2001	0.791615	0.791615	4.502749	3.711134	0.010000	200.507963	249.766937
Actual	2002	3.267321	3.267321	5.054973	1.787652	0.010000	217.749022	287.748278
Forecast	2003	2.679000	2.679000	5.281703	2.602623	0.010000	240.422000	287.748278
Forecast	2004	3.354000	3.354000	5.994510	2.640070	0.010000	311.702724	287.748278
Forecast	2005	3.356000	3.356000	6.037209	2.680621	0.010000	315.972588	287.748278

Legislative Fiscal Division

Revenue Estimate Profile

Railroad Car Tax

Revenue Description: All railroad property is subject to taxation as defined in the federal 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:

- ?? 2003 – 4.02%
- ?? 2004 – 4.00%
- ?? 2005 – 3.92%

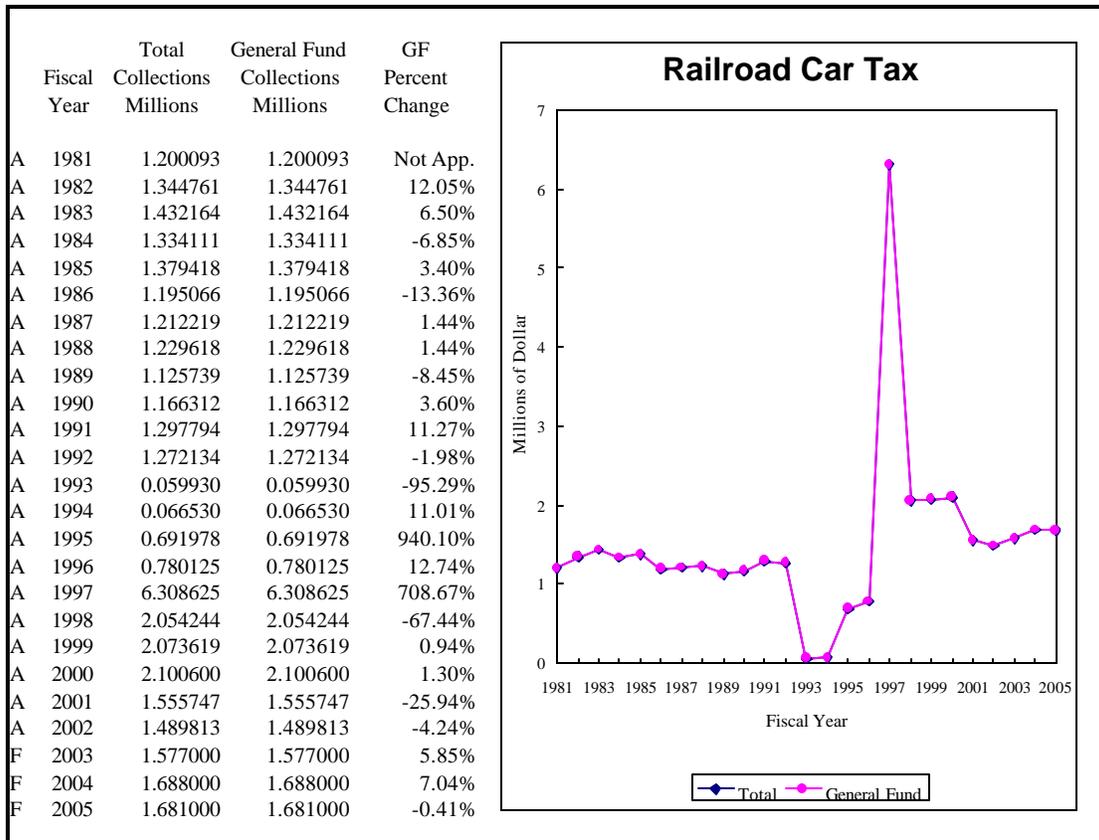
Distribution: All revenue from this tax is deposited into the general fund.

Summary of Legislative Action: The 58th Legislature did not enact legislation that impacted this general fund revenue source.

Statute: Title 15, Chapter 23, MCA

% of Total FY 2002 General Fund Revenue: 0.12%

Revenue Projection:

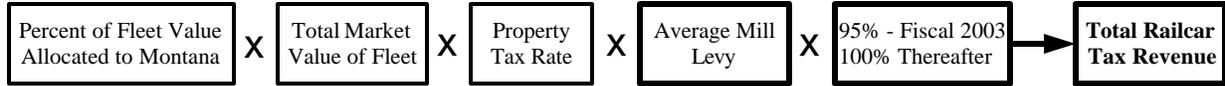


Legislative Fiscal Division

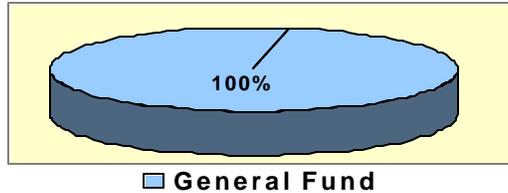
Revenue Estimate Profile

Railroad Car Tax

Forecast Methodology



Distribution Methodology



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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Total MV (CY)	Allocation	MT MV (CY)	Tax	Mills
	Fiscal	Millions	Millions	of Fleet Millions	Percent	of Fleet Millions	Rate	95 Percent
Actual	2000	2.100600	2.100600	17582.615541	0.005439	95.626964	0.060800	0.363540
Actual	2001	1.555747	1.555747	19335.425780	0.005021	97.074849	0.042700	0.380060
Actual	2002	1.489813	1.489813	20065.083606	0.004468	89.657366	0.042100	0.400980
Forecast	2003	1.577000	1.577000	19528.281944	0.004790	93.549680	0.040200	0.419250
Forecast	2004	1.688000	1.688000	20080.932323	0.004760	95.585238	0.040000	0.441320
Forecast	2005	1.681000	1.681000	20791.797327	0.004673	97.160069	0.039200	0.441320

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. Gross receipts from the provision of internet services are also exempt. Credits previously allowed for costs of advanced telecommunications infrastructure improvements were repealed in House Bill 96 by the 2003 legislature.

Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action:

House Bill 96 – The telecommunications infrastructure tax credit is repealed. Under previous law, a tax credit had been provided for 20 percent of the amount invested in infrastructure improvements in the state by a telecommunications services provider up to a total of \$2.0 million for all providers. It had been estimated that \$300,000 in each fiscal year would be claimed. Therefore, since these cannot be claimed, general fund revenue increases \$300,000 in each fiscal year. The legislation is effective on passage and approval.

Senate Bill 387 – The legislation adopts the definitions and sourcing rules in the federal Mobile Telecommunications Sourcing Act. With the changes, all mobile telecommunications charges are taxed based on customers whose place of primary use is in Montana. General fund revenue increases \$189,000 in fiscal 2004 and \$198,000 in fiscal 2005.

Telecommunications Excise Tax -- Legislation Passed by 58th Legislature			
Estimated General Fund Impact for the 2005 Biennium			
Bill Number and Short Title	Fiscal 2003	Fiscal 2004	Fiscal 2005
HB0096 Eliminate advanced telecommunications infrastructure tax credit		300,000	300,000
SB0387 Conform retail telecommunication excise tax to federal mobile sourcing act		189,000	198,000
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$489,000</u>	<u>\$498,000</u>

Statute: Title 15, Chapter 53, MCA

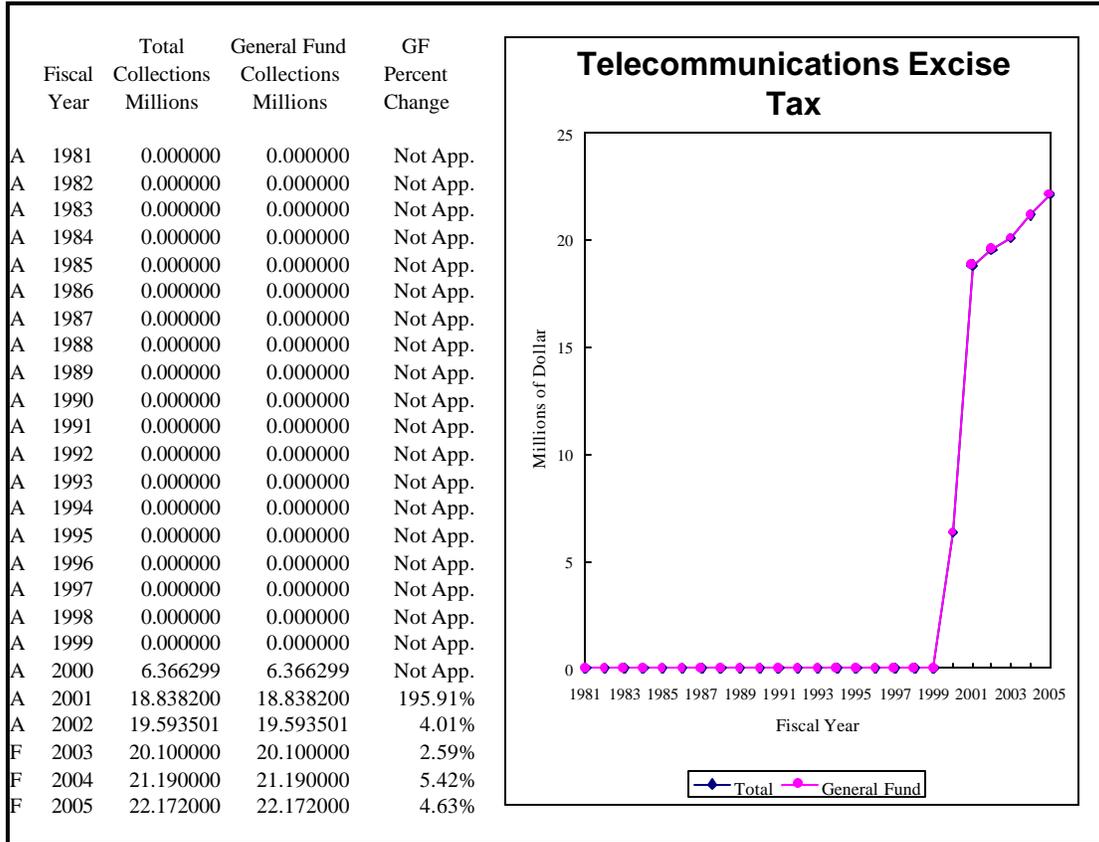
% of Total FY 2002 General Fund Revenue: 1.55%

Legislative Fiscal Division

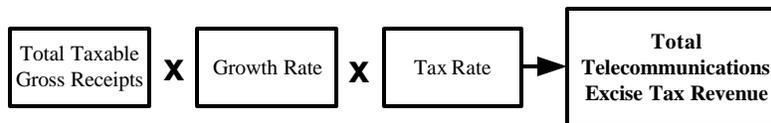
Revenue Estimate Profile

Telecommunications Excise Tax

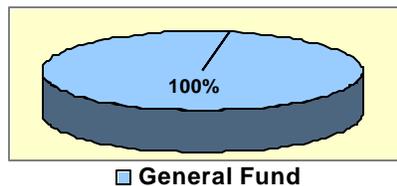
Revenue Projection:



Forecast Methodology



Distribution Methodology



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 2003 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Taxable	Tax	Credits	Audits
	Fiscal	Millions	Millions	Millions	Rate	Millions	Millions
Actual	2000	6.366299	6.366299		0.037500	0.000000	0.000000
Actual	2001	18.838200	18.838200	506.318091	0.037500	0.429045	1.820000
Actual	2002	19.593501	19.593501	525.235123	0.037500	0.134664	0.000000
Forecast	2003	20.100000	20.100000	535.990925	0.037500	0.000000	0.000000
Forecast	2004	20.701000	20.701000	560.012816	0.037500	0.300000	0.000000
Forecast	2005	21.674000	21.674000	585.963220	0.037500	0.300000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

Revenue Description: Buses, trucks, truck tractors having a manufacturer's rated capacity of more than 1 ton, and certain trailers, are taxed under a fee schedule that varies by age and weight. Through December 31, 2003, motorcycles are taxed under a fee schedule based on age and engine size.

Effective January 1, 2001, light vehicles are charged a registration fee as a result of the passage of Legislative Referendum (LR) 115 (HB540) by the electorate in November 2000. The fee is \$195 for light vehicles of age between zero and four years, \$65 for vehicles between five and ten years of age, and \$6 for vehicles over ten years old. LR 115 also lowers the registration fees charged on motorcycles and quadricycles. Under the law before LR 115, motorcycles were charged a fee based on four age categories and three engine size categories. Under LR 115 and beginning January 1, 2001, the number of age categories was reduced to three and the number of engine size categories remains the same.

Effective January 1, 2003, the fee schedule on heavy trucks is reduced by 1/6th for calendar 2003, by 1/3rd for calendar 2004 and by 1/2 for calendar 2005. These changes were enacted by HB 247 during the 2001 legislative session. Beginning January 1, 2004, motorcycles, quadricycles, off highway vehicles, snowmobiles, watercraft, and trailers are permanently registered under a fee schedule enacted by the 2003 legislature in HB 559.

Applicable Tax Rate(s): Varies

Distribution: Before the enactment of House Bill 124 by the 2001 legislature, all registration fees from newly titled light vehicles were deposited into the highway restricted state special revenue account. Ten percent of registration fees collected on light vehicles was distributed to a state special revenue account to fund certain district court expenses. The remaining 90 percent of light vehicle registrations fees and fees in lieu of taxes for motorcycles and quadricycles were distributed in the relative proportions required by the levies for county, school district, and municipal purposes in the same manner as personal property taxes are distributed. No registration fee revenue from light vehicles and motorcycles and quadricycles was distributed to state mills. The vo-tech levy (1.5 mills) continued to receive a share of this revenue. All other registration fees and fees in lieu of taxes (on large trucks, trailers, motor homes, campers etc.) were distributed in the relative proportions required by the levies for state, county, school district, and municipal purposes based on prior year mills. This revenue source represented one component used to calculate total non levy property tax revenue.

After the enactment of House Bill 124, all these fees are deposited into the state general fund beginning July 1, 2001.

Summary of Legislative Action:

House Bill 559 - In addition to increasing the vehicle tax, the legislation increases motor vehicle fee revenues (the revenue effects and details of the latter change are shown under the "Motor Vehicle Fee" revenue source). The legislation eliminates the fee in lieu of tax for watercraft, snowmobiles, and trailers and replaces it with a one-time flat fee. Fees are based on an initial rate for fiscal 2004 and increase in fiscal 2005. The newly adopted fee schedule is shown in the table below. The increase in general fund vehicle tax revenue is \$5,234,369 in fiscal 2004 and \$2,682,921 in fiscal 2005. The legislation is effective January 1, 2004.

<u>Vehicle Type</u>	<u>FY 2004</u>	<u>FY 2005</u>
Watercraft under 16 feet	\$25.00	\$50.00
Watercraft 16 to 19 feet	55.00	110.00
Watercraft 19 feet or greater	140.00	280.00
Snowmobiles, off-highway vehicles, motorcycles, quadricycles	20.00	40.00
Trailer, pole trailer, semitrailer less than 6,000 pounds	25.00	50.00
Trailer, pole trailer, semitrailer greater than 6,000 pounds	65.00	110.00

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

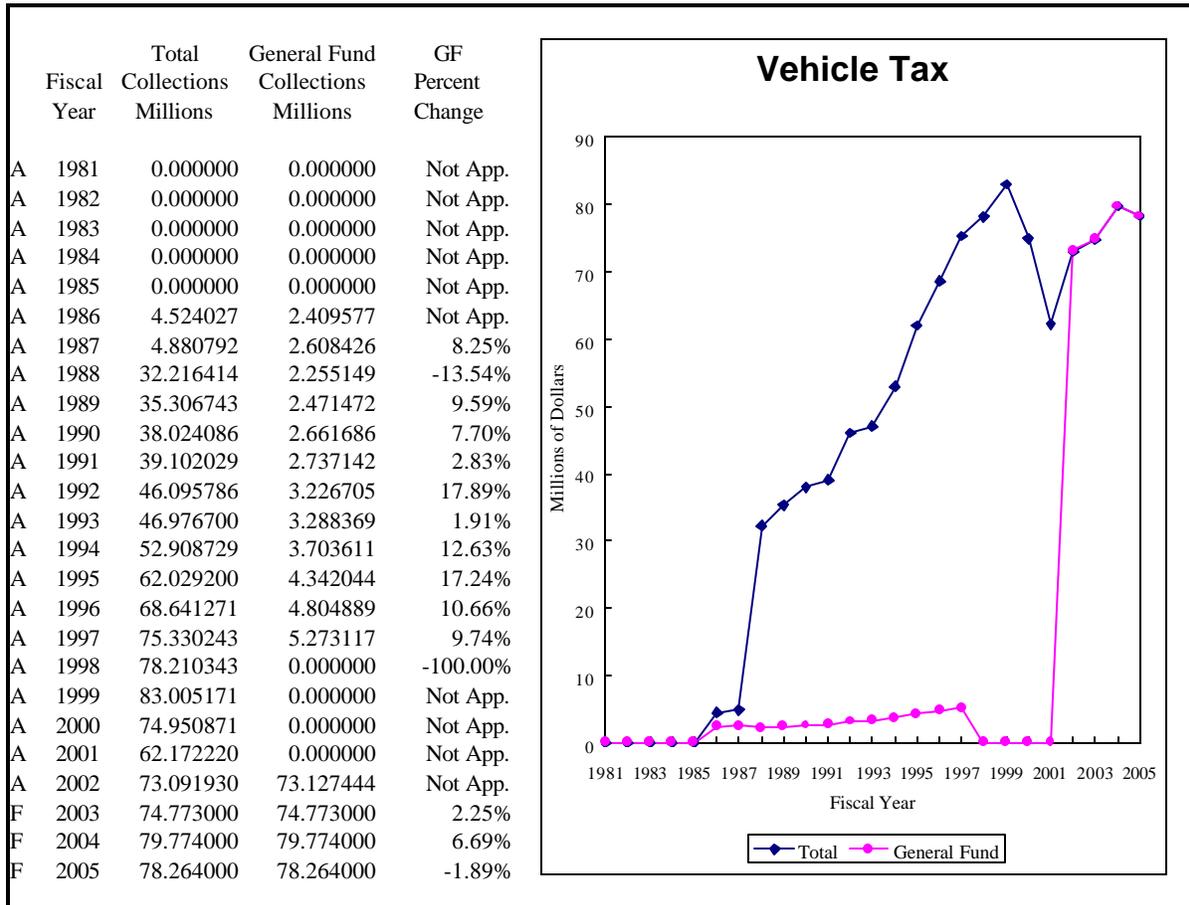
Vehicle Tax -- Legislation Passed by 58th Legislature
Estimated General Fund Impact for the 2005 Biennium

Bill Number and Short Title	Fiscal 2003	Fiscal 2004	Fiscal 2005
HB0559 Registration decal as evidence of fee payment for vehicles and vessels		5,234,369	2,682,921
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$5,234,369</u>	<u>\$2,682,921</u>

Statute: Title 61, Chapter 3, MCA

% of Total FY 2002 General Fund Revenue: 5.78%

Revenue Projection:

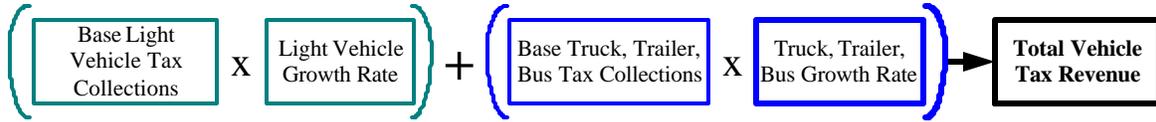


Legislative Fiscal Division

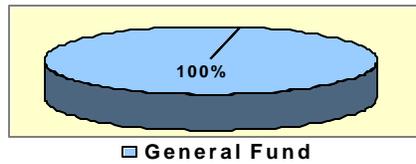
Revenue Estimate Profile

Vehicle Tax

Forecast Methodology



Distribution Methodology



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 2003 legislature that may affect future estimates of this revenue source.

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

	t	Total Tax	GF Tax	Non-GF Tax
	Fiscal	Millions	Millions	Millions
Actual	2000			
Actual	2001			
Actual	2002	73.091930	73.127444	-0.035514
Forecast	2003	74.773000	74.773000	0.000000
Forecast	2004	74.540000	74.540000	0.000000
Forecast	2005	75.581000	75.581000	0.000000

	t	Large Truck	Motor Home	Light Vehicle	Boats/Snow	MCO Registration	District Courts
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000						
Actual	2001						
Actual	2002	5.383664	3.607418	54.602101	2.075694	7.458568	-0.035514
Forecast	2003	5.496721	3.683174	55.058549	2.119284	7.615198	0.000000
Forecast	2004	5.612152	3.760521	56.214779	2.163789	7.775117	0.000000
Forecast	2005	5.730007	3.839492	57.395289	2.209229	7.938394	0.000000

	t	Large Truck	Motor Home	Light Vehicle	Boats/Snow	MCO Registration
	Fiscal	Rate	Rate	Rate	Rate	Rate
Actual	2000					
Actual	2001					
Actual	2002					
Forecast	2003	0.021000	0.021000	0.021000	0.021000	0.021000
Forecast	2004	0.021000	0.021000	0.021000	0.021000	0.021000
Forecast	2005	0.021000	0.021000	0.021000	0.021000	0.021000