

Business Taxes

Corporation Income Tax
Driver's License Fees
Estate Tax
Individual Income Tax
Insurance Tax & License Fees
Investment License Fees
Lodging Taxes

Motor Vehicle Fees
Public Contractors Tax
Railroad Car Tax
Rental Car Sales Tax
Telecommunications Excise Tax
Vehicle Tax



Legislative Fiscal Division



www.leg.state.mt.us/css/fiscal/

Legislative Fiscal Division

Revenue Estimate Profile Corporation Income Tax

Revenue Description: The corporation income tax is a license fee levied against a corporation's net income earned in Montana. The corporation income tax is imposed on corporations that, for reasons of jurisdiction, are not taxable under a license tax. Factors that affect corporation 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: Prior to the enactment of SB 442 by the 2005 legislature, the Department of Revenue could 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). SB 442 eliminated this provision (see the individual income tax section for a description of this legislation). Beginning fiscal 2006, all corporation tax revenue is distributed to the general fund.

Summary of Legislative Action:

House Bill 2 – In certain cases, the amount of money appropriated may impact the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature may differ and, thus, may affect revenue. The legislature appropriated \$1,120,000 general fund for the biennium to the Department of Revenue to fund personal services and operating costs for 8.00 FTE (tax audit, support and legal staff). The money is to conduct compliance audits in areas where other states have found significant non-compliance with personal income tax and corporate income tax. These efforts are expected to recover additional general fund corporation income tax of \$540,000 in FY 2006 and \$1,160,000 in FY 2007.

House Bill 584 – This legislation creates two new credits that may be claimed against the individual income and corporation license taxes for businesses that make film and media productions in Montana, reducing the general fund corporation license tax collections by \$369,360 in the 2007 biennium. The revenue effects and details of the fiscal impacts on individual income tax revenue are shown in that revenue source section. The first credit, an employment production tax credit, is equal to 12 percent of the first \$50,000 or less of actual compensation paid to each Montana resident employed in connection with the state-certified production during the tax year. The second credit, a qualified expenditure credit, is equal to 8 percent of the total qualified expenditures incurred in connection with the state-certified production during the tax year. Both credits begin in the 2005 tax year. The credits terminate after January 1, 2010. The combined impact of both credits will be a general fund revenue reduction of \$184,680 in both fiscal years. To claim the credit, the taxpayer must submit paperwork to the Department of Revenue. For this reason, an application fee is charged of either \$500 for companies that compensate Montana residents less than or equal to \$30,000 in a tax year or a \$75 fee for each Montana resident employed when total compensation is greater than \$30,000. The fee revenue, estimated to be \$17,585 annually, is deposited in a state special revenue account. The legislation is effective on passage and approval and the tax credits apply to tax years beginning January 1, 2005.

House Bill 592 – The legislation revises the method used to determine penalty and interest on overdue income taxes, corporate taxes, withholding taxes, oil and natural gas taxes, and coal severance taxes. The revenue effects and details of the fiscal impacts on the other revenue sources are shown in the respective revenue source section. The table below summarizes the changes.

Legislative Fiscal Division

Revenue Estimate Profile

Corporation Income Tax

HB 592 - Changes in Penalties and Interest Rates			
Penalty Provisions Apply to Individual Income, Corporate and Withholding Taxpayers, Oil and Gas Production Taxes and Coal Severance Taxes			
Type of Penalty/Interest	Previous Law Amount	SB 592 Amount	Effective Date
Late Pay Penalty Rate	1.5 % per month on unpaid balance not to exceed 18% of taxes due from time of notification	1.2% per month on unpaid balance not to exceed 12% of taxes due from time of tax due	January 1, 2007
Purposeful Late Pay Penalty	lesser of 25% of amount due or \$200	Not less than \$1,000 and not more than \$10,000	January 1, 2007
Interest - Individual Income Tax	12 % per Year	Rate is 8% or rate based on IRS Code 26 computed from due date but updated each 4th quarter, whichever is greater	January 1, 2007
Time Window in Which Penalty and Interest is Calculated	From the time of notice	From the time tax is due	July 1, 2005

General fund corporation tax revenue is expected to increase \$171,987 each year. The full impact of all provisions will not be realized until FY 2008 when an \$878,004 loss in all impacted general fund revenue sources will be realized.

House Bill 756 – The legislation creates two tax credits:

1. A tax credit is allowed against individual income tax or corporate license tax for investment in depreciable property in Montana to crush oilseed crops for purposes of biodiesel production. The amount of the credit is 15 percent of the cost of the property up to a total of \$500,000 for property investment in a facility. The credit must be taken in the year of purchase and must be claimed in the tax year the facility begins processing oilseed or manufacturing a product from oilseed. If the facility ceases operation within 5 years, the credit is subject to recapture. In order to qualify for this credit, the facility must be operating before January 1, 2010.
2. A tax credit is allowed against individual income tax or corporate license tax for the cost of constructing and equipping a facility in Montana to be used for biodiesel production. The taxpayer is entitled to claim a credit only for the year the facility begins production. The amount of the credit for investment in depreciable property is 15 percent of the cost of the facility or the cost of property installed in the facility. The taxpayer is not allowed to carry any part of the credit forward to succeeding years. If the facility ceases operation within 5 years, the credit is subject to recapture. In order to qualify for this credit, the facility must be operating before January 1, 2010.

HB 756 bill has no revenue impact in the 2007 biennium, but may in future years. In addition, HB 756 offers an incentive paid for with a statutory appropriation for biodiesel production. Incentives are payable to producers for increases in annual biodiesel production for the first three years. The incentive is 10 cents per gallon for all biodiesel produced the first year and 10 cents per gallon for increases in the second and third years. Incentives are available only on production for which the fuel tax has been paid. Incentives will be paid on a fiscal year basis to biodiesel producers.

House Bill 776 – In addition to reducing corporation license tax revenue in future biennia, this legislation also reduces future collections of individual income tax revenue by creating a credit for the investment in biodiesel storage and blending equipment. The revenue effects and details of these latter changes are shown in the individual income tax source section. HB 776 entitles qualifying taxpayers to a tax credit of 15 percent of the cost of equipment for investments in biodiesel storage and blending equipment to offset their corporate license tax liability. The maximum credit for special fuel distributors is \$52,500 in the first year of biodiesel blending. The maximum credit is \$7,500 for an owner or operator of a motor fuel outlet in the first year of biodiesel blending. The blended biodiesel product must be at least 2 percent biodiesel (B-100). This credit may be recaptured by the Department of Revenue for two reasons: 1) if sales of B-100 are not at least 2 percent of total diesel sales; and 2) if the taxpayer ceases operations within 5 years of claiming the credit. HB 776 has no revenue impact in the 2007 biennium, but may in future years. The credit applies retroactively to tax years beginning after December 31, 2004. The legislation is effective on passage and approval.

Senate Bill 213 – In addition to reducing corporation license tax revenue by \$77,758 in the 2007 biennium, individual income tax revenue is also reduced. The revenue effects and details of the latter are shown in the individual income tax source section. The legislation extends the termination date of the recycling credit and the recycling deduction. Both the tax credit for investment in collection and processing property and the tax deduction for the purchase of recyclable material would have terminated on December 31, 2005, but they now remain in effect until December 31, 2011. Under the previous law, the credit and deduction can be claimed through the 2005 tax year. Consequently, there is no general fund impact in FY 2006. The half-year's impact in FY 2007 reduces general fund revenue by \$77,758. The legislation is effective July 1, 2005.

Legislative Fiscal Division

Revenue Estimate Profile

Corporation Income Tax

Corporation Income Tax -- Legislation Passed by 59th Legislature
Estimated General Fund Impact for the 2007 Biennium

<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0002 General appropriations act		540,000	1,160,000
HB0584 Promote growth of film and other media in Montana		(184,680)	(184,680)
HB0592 Standardize penalty and interest calculations for taxes		171,987	171,987
HB 756 Encourage production and use of biodiesel			
HB 776 Revise law on taxation of biodiesel and provide incentives			
SB0213 Revise recycling laws			(77,758)
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$527,307</u>	<u>\$1,069,549</u>

Statutory Reference:

Tax Rate (MCA) – 15-31-121,

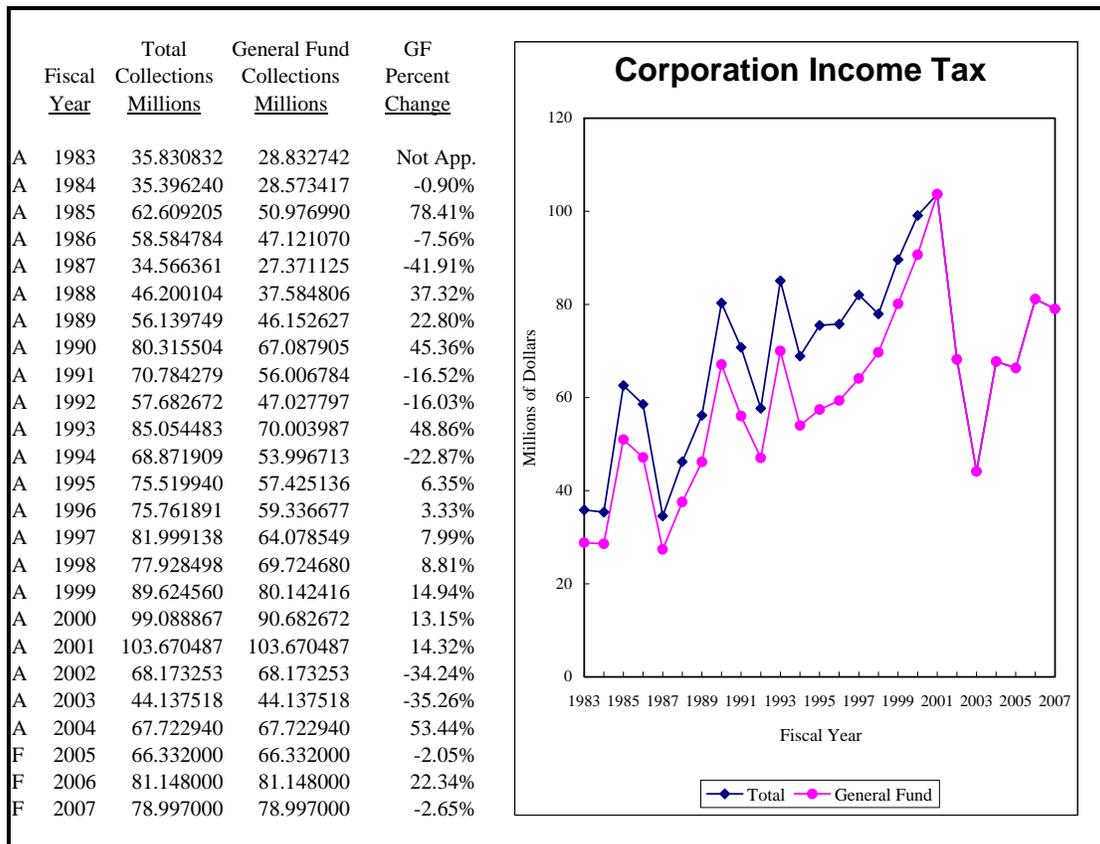
Tax Distribution (MCA) – 15-31-121, 15-1-501(1)

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

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

% of Total FY 2004 General Fund Revenue: 4.90%

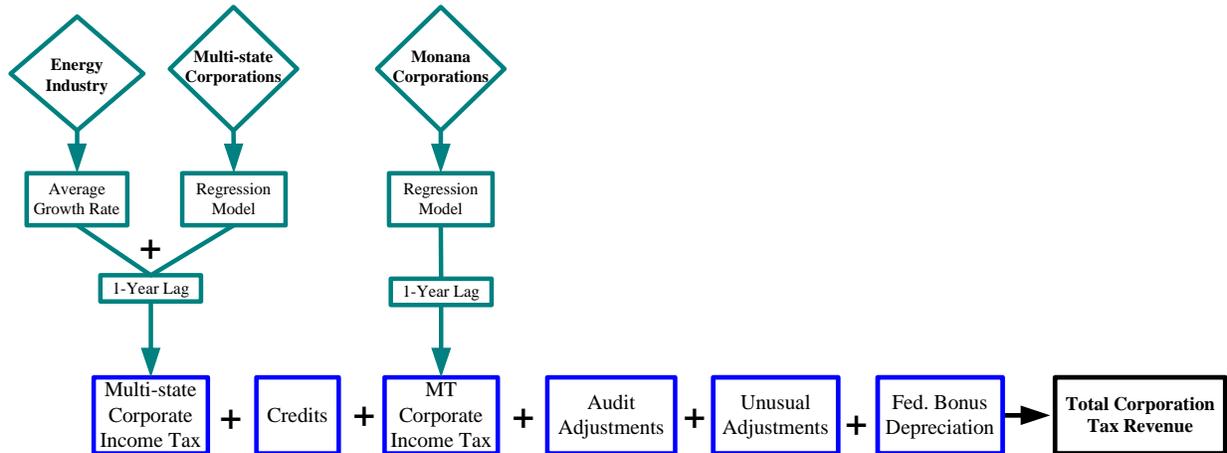
Revenue Projection:



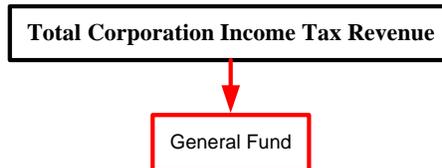
Legislative Fiscal Division

Revenue Estimate Profile Corporation Income 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 2005 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	774.700000	0.067500		
Actual	2001	103.670487	103.670487	740.700000	0.067500		
Actual	2002	68.173253	68.173253	733.000000	0.067500		
Actual	2003	44.137518	44.137518	816.300000	0.067500	18.497919	33.957293
Actual	2004	67.722940	67.722940	933.400000	0.067500	17.908487	55.084427
Forecast	2005	66.332000	66.332000	1165.200000	0.067500	17.337837	58.490426
Forecast	2006	80.621000	80.621000	1348.500000	0.067500	16.785367	59.054412
Forecast	2007	77.927000	77.927000	1383.200000	0.067500	16.250501	58.081844

	t	Total	Total	P&I	Audit	Depreciation	Adjustments	Credits
	Fiscal	Millions	Financials	Millions	Millions	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			
Actual	2003	44.137518	0.000000	2.701866	5.375895	-3.060419	-8.180807	-3.022063
Actual	2004	67.722940	0.000000	4.142745	10.031017	-8.721150	-13.194502	-3.022063
Forecast	2005	66.332000	0.000000	0.000000	3.000000	-1.074509	-8.400000	-3.022063
Forecast	2006	80.621000	0.000000	0.000000	3.500000	4.302966	0.000000	-3.022063
Forecast	2007	77.927000	0.000000	0.000000	4.000000	2.616528	0.000000	-3.022063

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. Between October 1, 1995 and October 1, 1999, one-half of the licenses issued for those between the ages of 21 and 67 are 4-year licenses and one-half are 8-year licenses. Drivers outside these age brackets are assigned driver's licenses with terms which depend on how many years the driver is less than 21 or less than 75 years old. Between October 1, 1999 and July 1, 2005, all licenses for those 21-67 years of age were valid for 8 years. With the enactment of House Bill 192 by the 2005 legislature, commercial licenses are valid for 5 years.

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 (includes the basic license fee of \$5.00):
 - interstate - \$10.00 per year or fraction of a year
 - intrastate - \$8.50 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.

Allocation	Driver's License	Replacement License	Motorcycle Endorsement	Commercial	
				Driver's License	Renewal Notice
Montana Highway Patrol	22.30%	25.00%	0.00%	18.25%	0.00%
County or State General Fund	2.50%	3.75%	3.34%	2.50%	0.00%
Motorcycle Safety Account	0.00%	0.00%	63.46%	0.00%	0.00%
Traffic Education Account	20.70%	8.75%	0.00%	16.94%	0.00%
State General Fund (remainder)	<u>54.50%</u>	<u>62.50%</u>	<u>33.20%</u>	<u>62.31%</u>	<u>100.00%</u>
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Summary of Legislative Action:

House Bill 102 – Funding for the Montana highway patrol officers' retirement pension trust fund is revised. A general fund statutory appropriation is established to pay the state's contribution to the pension trust fund equal to 10.18 percent of total compensation paid to members. Previously, the following portions of driver's licenses had been earmarked for this purpose and a language appropriation provided in HB 2 to pay the money to the pension trust fund: 1) 22.3 percent of each driver's license fee; and 2) 25 percent of each duplicate driver's license fee.

In addition, HB 102 establishes a general fund statutory appropriation to pay supplemental benefits for certain retirees. Previously, the following portions motor vehicle registration fees had been deposited to the general fund and earmarked to be paid to the pension trust fund: 1) \$1.25 - motorcycle and quadricycle; 2) \$1.25 - trailer, pole trailer, and semitrailer; and 3) \$2.00 - light vehicles. In addition, money for supplemental benefits had also been deposited to the pension trust fund as a transfer of general fund revenue based on \$0.25 for each registered vehicle (with a few exceptions).

Due to an unintended consequence of coordination language between multiple bills affecting motor vehicle and driver license fees, revenue from the percentages of each driver's license fee earmarked for the pension trust fund were not de-earmarked to the general fund and will continue to be deposited to the state special revenue fund. Therefore, there is no fiscal impact to this revenue source. Estimated amounts are \$989,000 in FY 2006 and \$992,000 in FY 2007. The legislation is effective July 1, 2005.

House Bill 192 - The legislation changes the re-licensing period for commercial driver's licenses from eight years to five years and combines the annual fees for the commercial driver's license and basic driver's license into a single annual fee of \$10 for the interstate commercial license and \$8.50 for the intrastate commercial license. The amount of annual license fees each licensee pays does not change. However, because the total paid to reissue a commercial license for a five-year period is less than that for an eight-year period, commercial driver's license revenues will be less for five years after enactment of HB 192. Distribution of revenue to the general fund and various state special revenue accounts are adjusted so most of the reduction is to general fund revenue - \$38,595 in FY 2005, \$231,565 in FY 2006 and \$231,565 in FY 2007; and state special revenue is reduced by a few dollars. The licensing period change is effective on passage and approval. The fee and distribution changes are effective July 1, 2005.

Legislative Fiscal Division

Revenue Estimate Profile

Driver's License Fees

Senate Bill 1 – The legislation authorizes the Department of Justice to place on driver's licenses a living will indicator. It is expected that certain people will request a duplicate license before their driver's license needs to be renewed in order to activate this indicator. The increase in duplicate license fees is expected to increase general fund \$4,459 in FY 2006 and \$5,945 in FY 2007. State special revenue is expected to increase \$2,279 in FY 2006 and \$3,038 in FY 2007. The legislation is effective October 1, 2005.

Driver's License Fee -- Legislation Passed by 59th Legislature Estimated General Fund Impact for the 2007 Biennium			
Bill Number and Short Title	Fiscal 2005	Fiscal 2006	Fiscal 2007
HB0102 Statutory appropriation for highway patrol officers' retirement			
HB0192 Revise commercial driver's license, driver's license, and cmv laws	(38,595)	(231,565)	(231,565)
SB0001 Authorize living will indicator on driver's license		4,459	5,945
Total Estimated General Fund Impact	(\$38,595)	(\$227,106)	(\$225,620)

Statutory Reference:

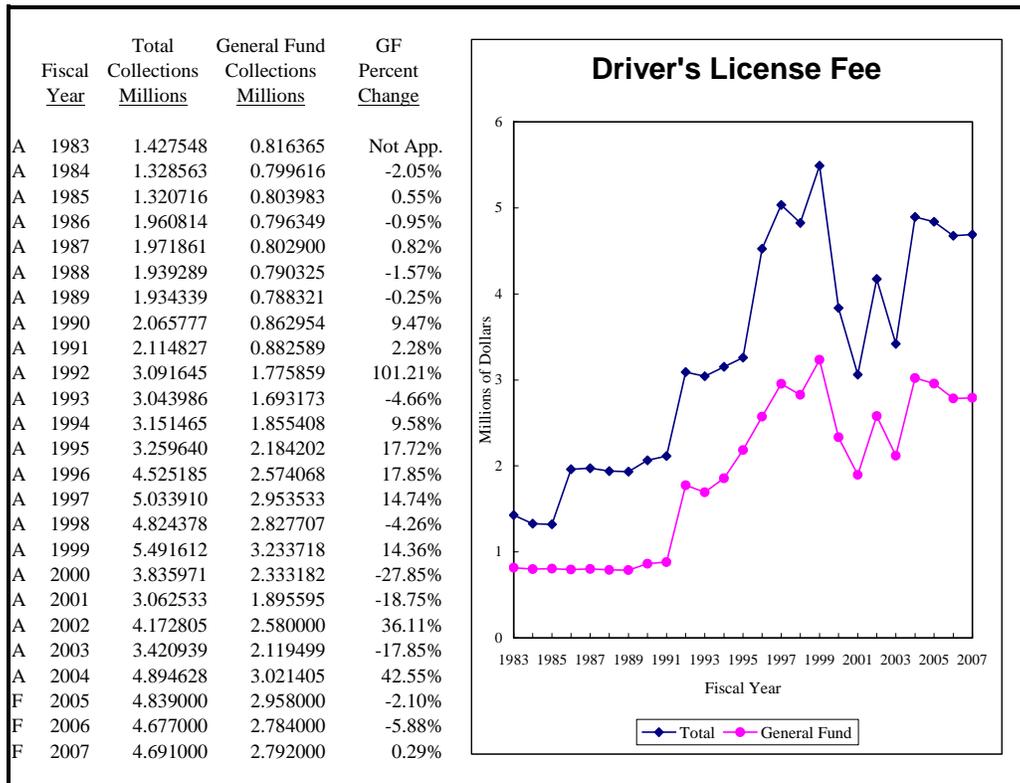
Tax Rates (MCA) – Duplicate license (61-5-114), all others (61-5-111(6))

Tax Distribution (MCA) – 61-5-121

Date Due – upon application

% of Total FY 2004 General Fund Revenue: 0.22%

Revenue Projection:

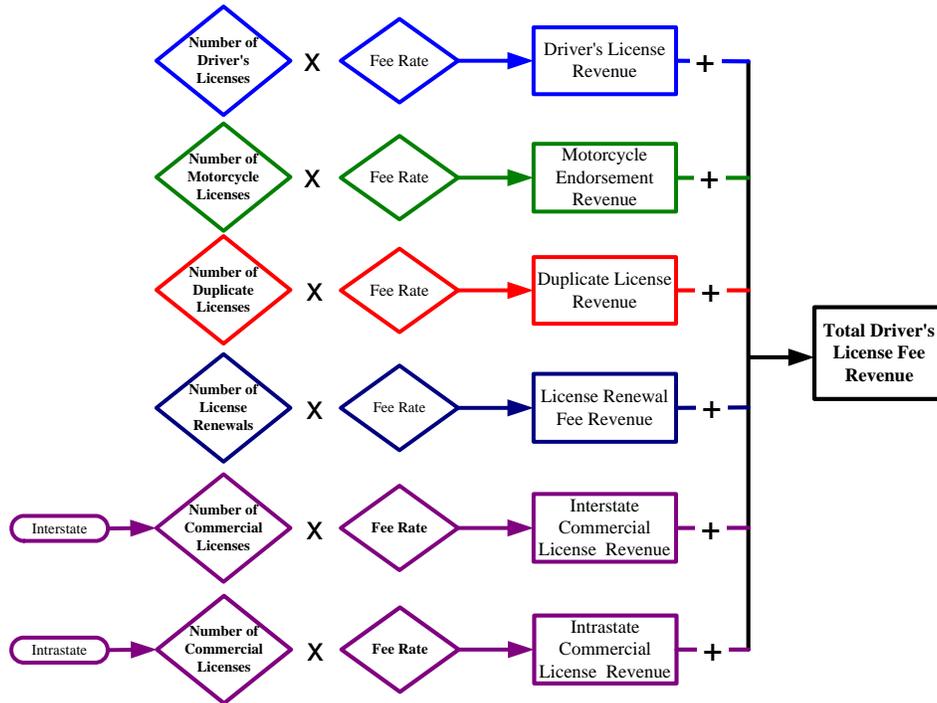


Legislative Fiscal Division

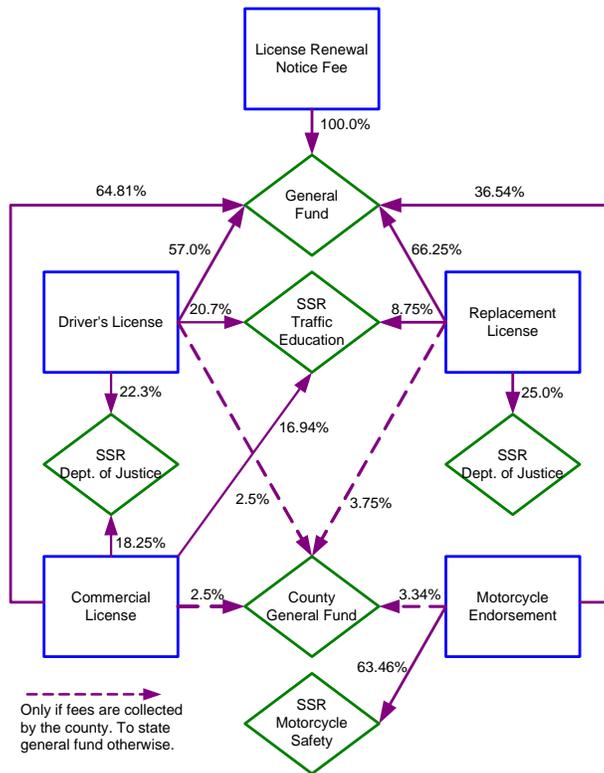
Revenue Estimate Profile

Driver's License Fees

Forecast Methodology



Distribution Methodology



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 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Licenses</u>	<u>Duplicates</u>	<u>Cycle</u>	<u>Commercial</u>	<u>Renewal</u>
				<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	3.835971	2.333182	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2001	3.062533	1.895595	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2002	4.172805	2.580000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2003	3.420939	2.119499	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2004	4.894628	3.021405	2.291490	0.185541	0.014382	0.420772	0.074051
Forecast	2005	4.878000	2.997000	2.300873	0.186303	0.014440	0.420772	0.074351
Forecast	2006	4.902000	3.011000	2.313360	0.187313	0.014518	0.420772	0.074753
Forecast	2007	4.914000	3.018000	2.319615	0.187821	0.014558	0.420772	0.074958

License							
<u>Count</u>	<u>t</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>
<u>Millions</u>	<u>Fiscal</u>	<u>Licenses</u>	<u>Duplicates</u>	<u>Cycle</u>	<u>Interstate</u>	<u>Intrastate</u>	<u>Renewal</u>
Actual	2000	0.110658	0.025272	0.010240	0.007801	0.002477	0.000000
Actual	2001	0.080396	0.024359	0.006932	0.006961	0.002210	0.000000
Actual	2002	0.108432	0.028832	0.010405	0.010579	0.003359	0.000000
Actual	2003	0.089124	0.034501	0.007652	0.008641	0.012344	0.000000
Actual	2004	0.101844	0.028490	0.010117	0.009812	0.001124	0.148101
Forecast	2005	0.102261	0.028607	0.010158	0.009812	0.001124	0.148701
Forecast	2006	0.102816	0.028762	0.010213	0.009812	0.001124	0.149506
Forecast	2007	0.103094	0.028840	0.010241	0.009812	0.001124	0.149916

<u>GF Fee</u>	<u>t</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>
<u>Rate in \$</u>	<u>Fiscal</u>	<u>Licenses</u>	<u>Duplicates</u>	<u>Cycle</u>	<u>Interstate</u>	<u>Intrastate</u>	<u>Renewal</u>
Actual	2000						
Actual	2001						
Actual	2002						
Actual	2003						
Actual	2004	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000
Forecast	2005	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000
Forecast	2006	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000
Forecast	2007	22.500000	6.512500	1.421520	39.700000	27.790000	0.500000

<u>Total Fee</u>	<u>t</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>
<u>Rate in \$</u>	<u>Fiscal</u>	<u>Licenses</u>	<u>Duplicates</u>	<u>Cycle</u>	<u>Interstate</u>	<u>Intrastate</u>	<u>Renewal</u>
Actual	2000	30.0000	5.0000	3.7500	37.5000	26.2500	0.0000
Actual	2001	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2002	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2003	32.0000	5.0000	4.0000	40.0000	28.0000	0.0000
Actual	2004	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000
Forecast	2005	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000
Forecast	2006	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000
Forecast	2007	40.0000	10.0000	4.0000	40.0000	28.0000	0.5000

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, 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.

Congress passed the "Economic Growth and Tax Relief Reconciliation Act of 2001" which scheduled a step down approach to the repeal of the federal estate tax. Provisions of the act included the elimination of the state estate tax credit, the source of Montana's estate tax revenue. The estate credit of those who died in 2002, 2003, and 2004 are reduced by 25 percent per each year until 2005 when the credit will equal zero. Many years may pass before the time that estates are finally settled and the taxes of the estates are paid, and estate tax revenues are expected to become insignificant by the end of the decade. Federal estate tax laws will return to a pre-2002 level if Congress does not take further action to make the repeal of the tax permanent.

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 59th Legislature did not enact legislation that impacted this general fund revenue source.

Statutory Reference:

Tax Rate (MCA) – 72-16-905

Tax Distribution (MCA) – 72-16-912

Date Due – 18 months after death (72-16-909)

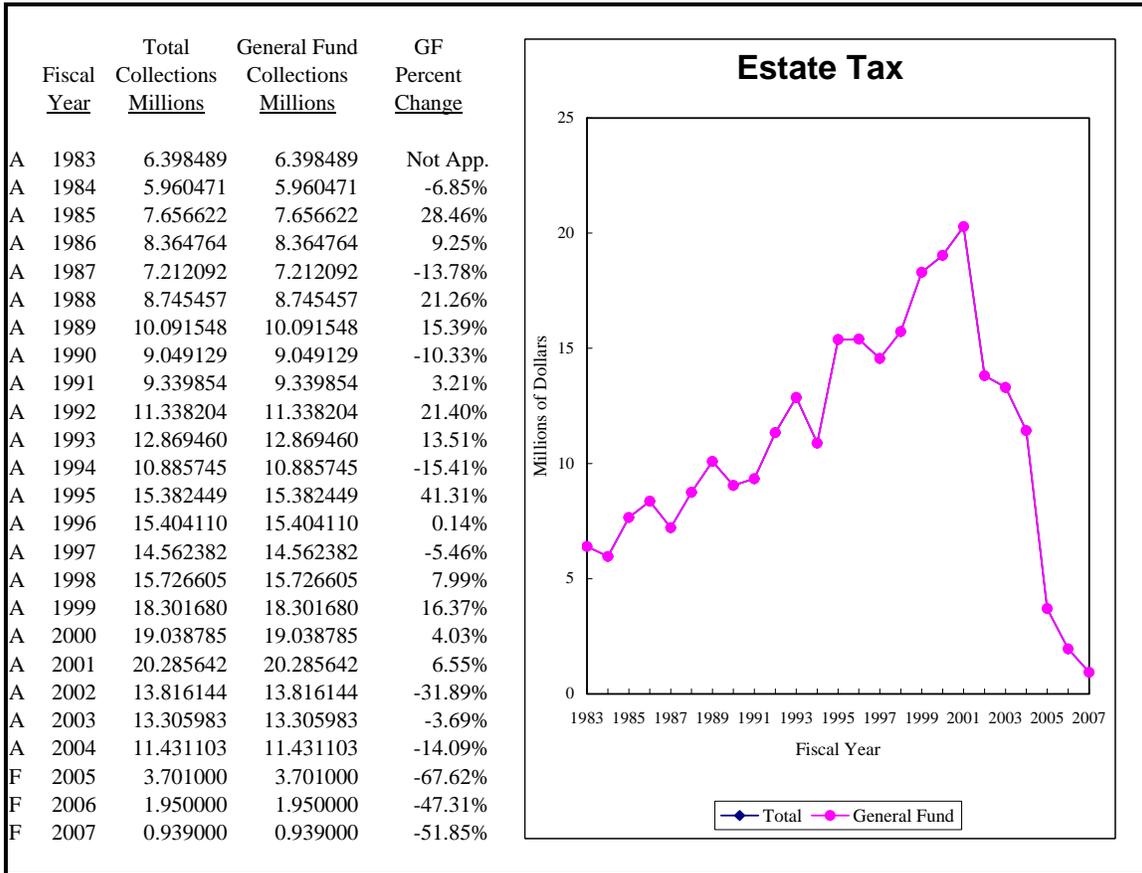
% of Total FY 2004 General Fund Revenue: 0.83%

Legislative Fiscal Division

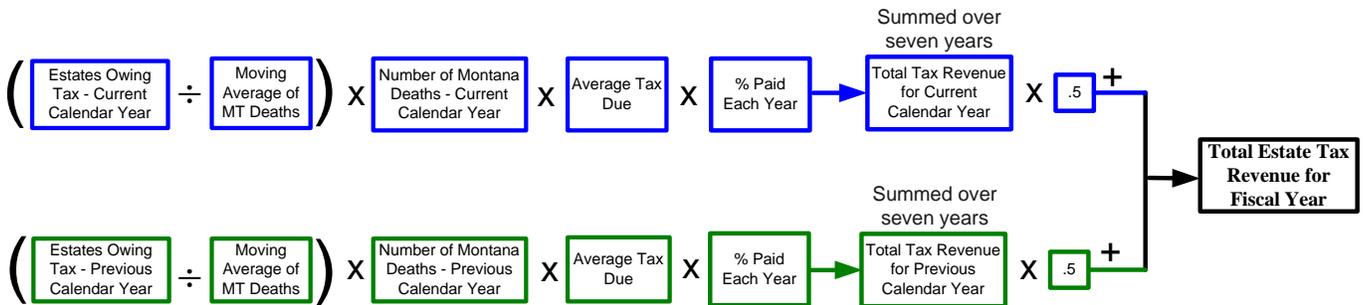
Revenue Estimate Profile

Estate Tax

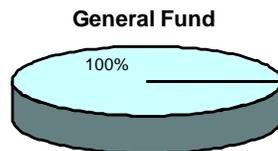
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Estate 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 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Annual</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Growth</u>
Actual	2000	19.038785	19.038785	0.040275
Actual	2001	20.285642	20.285642	0.065490
Actual	2002	13.816144	13.816144	-0.318920
Actual	2003	13.305983	13.305983	-0.036925
Actual	2004	11.431103	11.431103	-0.140905
Forecast	2005	3.701000	3.701000	-0.676247
Forecast	2006	1.950000	1.950000	-0.473205
Forecast	2007	0.939000	0.939000	-0.518495

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. SB 407, enacted by the 2003 legislature, created a new capital gains income tax credit. As a result the tax rate on capital gains income is less than the tax rate on ordinary income by 1 percent in tax years 2005 and 2006, and by 2 percent in tax year 2007 and beyond.

Distribution: Prior to the enactment of SB 442 by the 2005 legislature, beginning fiscal 2004 through fiscal 2011, the Department of Revenue could 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). SB 442 eliminated this provision. All proceeds are deposited into the general fund.

Summary of Legislative Action:

House Bill 2 – In certain cases, the amount of money appropriated may impact the amount of general fund revenue from various sources. Although these revenue amounts are estimated prior to the session based on present law appropriations requested in the Executive Budget and finalized in HJ 2, final appropriations set by the legislature may differ and, thus, may affect revenue. The legislature appropriated \$1,120,000 general fund for the biennium to the Department of Revenue to fund personal services and operating costs for 8.00 FTE (tax audit, support and legal staff). The money is to conduct compliance audits in areas where other states have found significant non-compliance with personal income tax and corporate income tax. These efforts are expected to recover additional general fund individual income tax of \$540,000 in FY 2006 and \$1,160,000 in FY 2007.

House Bill 158 – Beginning January 1, 2005, the schedules by which employers remit taxes withheld from their employees change. Under previous law, an employer whose total liability for state income tax withholding during the preceding look back period was less than \$1,200 was required to remit on a quarterly schedule. The legislation allows, but does not require, these employers to remit on an annual schedule. The impact is a one-time revenue reduction as employers who would have remitted in FY 2005 will now remit in FY 2006. The general fund revenue reduction in FY 2005 is expected to be \$4,750,000. The legislation is effective on passage and approval and applies to wages paid after December 31, 2004.

House Bill 439 - Under previous law, Montana residents were allowed a tax credit against individual income taxes for taxes paid to other states or foreign countries. Under HB 439, Montana residents are not allowed to take a credit against state individual income taxes for taxes paid to foreign countries to the extent that a deduction or credit for the taxes imposed by the foreign country was claimed for federal income tax purposes. The bill applies to tax years beginning after December 31, 2005 and so impacts returns only in FY 2007. General fund income tax revenue is expected to increase \$339,000 in FY 2007 and each year thereafter.

House Bill 584 – This legislation creates two new credits that may be claimed against the individual income and corporation license taxes for businesses that make film and media productions in Montana, reducing the general fund corporation license tax collections by \$369,360 in the 2007 biennium. The revenue effects and details of the fiscal impacts on corporation income tax revenue are shown in that revenue source section. The first credit, an employment production tax credit, is equal to 12 percent of the first \$50,000 or less of actual compensation paid to each Montana resident employed in connection with the state-certified production during the tax year. The second credit, a qualified expenditure credit, is equal to 8 percent of the total qualified expenditures incurred in connection with the state-certified production during the tax year. Both credits begin in the 2005 tax year. The credits terminate after January 1, 2010. The combined impact of both credits will be a general fund revenue reduction of \$184,680 in both fiscal years. To claim the credit, the taxpayer must submit paperwork to the Department of Revenue. For this reason, an application fee is charged of either \$500 for companies that compensate Montana residents less than or equal to \$30,000 in a tax year or a \$75 fee for each Montana resident employed when total compensation is greater than \$30,000. The fee revenue, estimated to be \$17,585 annually, is deposited in a state special revenue account. The legislation is effective on passage and approval and the tax credits apply to tax years beginning January 1, 2005.

House Bill 592 – The legislation revises the method used to determine penalty and interest on overdue income taxes, corporate taxes, withholding taxes, oil and natural gas taxes, and coal severance taxes. The revenue effects and details of the fiscal impacts on the other revenue sources are shown in the respective revenue source section. The table summarizes the changes.

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

HB 592 - Changes in Penalties and Interest Rates			
Penalty Provisions Apply to Individual Income, Corporate and Withholding Taxpayers, Oil and Gas Production Taxes and Coal Severance Taxes			
Type of Penalty/Interest	Previous Law Amount	SB 592 Amount	Effective Date
Late Pay Penalty Rate	1.5 % per month on unpaid balance not to exceed 18% of taxes due from time of notification	1.2% per month on unpaid balance not to exceed 12% of taxes due from time of tax due	January 1, 2007
Purposeful Late Pay Penalty	lesser of 25% of amount due or \$200	Not less than \$1,000 and not more than \$10,000	January 1, 2007
Interest - Individual Income Tax	12 % per Year	Rate is 8% or rate based on IRS Code 26 computed from due date but updated each 4th quarter, whichever is greater	January 1, 2007
Time Window in Which Penalty and Interest is Calculated	From the time of notice	From the time tax is due	July 1, 2005

General fund individual tax revenue is expected to increase \$369,673 in FY 2006 and decrease \$103,280 in FY 2007. The full impact of all provisions will not be realized until FY 2008 when an \$878,004 loss in all impacted general fund revenue sources will be realized.

House Bill 667 – The legislation provides for funding a new nonprofit entity known as the small business health insurance pool. The small business health insurance pool provides funding to cover all or part of the costs of group health insurance for eligible small businesses. Eligible small businesses earn tax credits against individual income or corporation license tax liabilities for the provision of health insurance for eligible employees. For those taxpayers and businesses that receive assistance in paying for group health insurance premiums through tax credits, the general fund is reimbursed for the loss of tax revenue by appropriations to the State Auditor’s Office from the state special health and Medicaid initiatives account to fully offset the amount of tax credits claimed. The tax credits are refundable credits - taxpayers and eligible small businesses may receive a refund of any credit amount in excess of actual tax liability owed, or may receive a refund of the entire amount of the credit if no liability is owed. The refundable portion of tax credits constitutes taxable income in the year in which the refund is received. However, HB 667 amends adjusted gross income to provide that the refundable portion of any tax credit received is not included in income for state tax purposes (it is still included as income for federal income tax purposes). The legislation is expected to reduce general fund income tax revenue \$1,200,000 in FY 2006 and \$3,976,330 in FY 2007. These amounts are reimbursed to the general fund from the health and Medicaid initiatives state special revenue account (see the “all other” revenue section). There is no net effect on the general fund. The legislation is effective July 1, 2005 and applies to tax years beginning after December 31, 2005.

House Bill 756 – The legislation creates two tax credits:

1. A tax credit is allowed against individual income tax or corporate license tax for investment in depreciable property in Montana to crush oilseed crops for purposes of biodiesel production. The amount of the credit is 15 percent of the cost of the property up to a total of \$500,000 for property investment in a facility. The credit must be taken in the year of purchase and must be claimed in the tax year the facility begins processing oilseed or manufacturing a product from oilseed. If the facility ceases operation within 5 years, the credit is subject to recapture. In order to qualify for this credit, the facility must be operating before January 1, 2010.
2. A tax credit is allowed against individual income tax or corporate license tax for the cost of constructing and equipping a facility in Montana to be used for biodiesel production. The taxpayer is entitled to claim a credit only for the year the facility begins production. The amount of the credit for investment in depreciable property is 15 percent of the cost of the facility or the cost of property installed in the facility. The taxpayer is not allowed to carry any part of the credit forward to succeeding years. If the facility ceases operation within 5 years, the credit is subject to recapture. In order to qualify for this credit, the facility must be operating before January 1, 2010.

HB 756 bill has no revenue impact in the 2007 biennium, but may in future years. In addition, HB 756 offers an incentive paid for with a statutory appropriation for biodiesel production. Incentives are payable to producers for increases in annual biodiesel production for the first three years. The incentive is 10 cents per gallon for all biodiesel produced the first year and 10 cents per gallon for increases in the second and third years. Incentives are available only on production for which the fuel tax has been paid. Incentives will be paid on a fiscal year basis to biodiesel producers.

House Bill 776 – In addition to reducing individual income tax revenue in future biennia, this legislation also reduces future collections of corporation license tax revenue by creating a credit for the investment in biodiesel storage and blending equipment. The revenue

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

effects and details of these latter changes are shown in the corporation license tax source section. HB 776 entitles qualifying taxpayers to a tax credit of 15 percent of the cost of equipment for investments in biodiesel storage and blending equipment to offset their individual income tax liability. The maximum credit for special fuel distributors is \$52,500 in the first year of biodiesel blending. The maximum credit is \$7,500 for an owner or operator of a motor fuel outlet in the first year of biodiesel blending. The blended biodiesel product must be at least 2 percent biodiesel (B-100). This credit may be recaptured by the Department of Revenue for two reasons: 1) if sales of B-100 are not at least 2 percent of total diesel sales; and 2) if the taxpayer ceases operations within 5 years of claiming the credit. HB 776 has no revenue impact in the 2007 biennium, but may in future years. The credit applies retroactively to tax years beginning after December 31, 2004. The legislation is effective on passage and approval

Senate Bill 213 – In addition to reducing individual income tax revenue by \$143,679 in the 2007 biennium, corporation license tax revenue is also reduced. The revenue effects and details of the latter are shown in the corporation income tax source section. The legislation extends the termination date of the recycling credit and the recycling deduction. Both the tax credit for investment in collection and processing property and the tax deduction for the purchase of recyclable material would have terminated on December 31, 2005, but they now remain in effect until December 31, 2011. Under the previous law, the credit and deduction can be claimed through the 2005 tax year. Consequently, there is no general fund impact in FY 2006. The half-year's impact in FY 2007 reduces general fund revenue by \$143,679. The legislation is effective July 1, 2005.

Senate Bill 340 – A credit of up to \$1,500 is allowed against income tax liability for the installation of geothermal heating systems in new residential construction. General fund revenue is reduced \$45,000 in FY 2007. The legislation is effective January 1, 2006 and applies to tax years beginning after December 31, 2005.

Senate Bill 442 – The legislation eliminates the provisions of SB 271 enacted by the 2003 legislature that authorized the Department of Revenue to borrow \$17.0 million from the Board of Investments to replace the POINTS computer system and to deduct an administrative fee from selected general fund revenue sources (to be determined by the department) to repay the loan. Under law prior to SB 442, the repayment amounts were deducted from individual income tax revenue and deposited in a state special revenue account. The legislation becomes effective only if another bill passes that provides for full repayment of the loan. HB 745 (the supplemental bill) passed containing an appropriation for this purpose. General fund revenue increases \$2,623,970 in FY 2006 and \$3,144,202 in FY 2007 and state special revenue decreases by like amounts. The legislation is effective July 1, 2005.

Individual Income Tax -- Legislation Passed by 59th Legislature			
Estimated General Fund Impact for the 2007 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0002 General appropriations act		540,000	1,160,000
HB0158 Revise and clarify income tax withholding	(4,750,000)		
HB0439 Disallow double credit for foreign income tax payment			369,000
HB0584 Promote growth of film and other media in Montana		(184,680)	(184,680)
HB0592 Standardize penalty and interest calculations for taxes		369,673	(103,280)
HB0667 Purchasing pools, tax credit for health insurance		(1,200,000)	(3,976,330)
HB 756 Encourage production and use of biodiesel			
HB 776 Revise law on taxation of biodiesel and provide incentives			
SB0213 Revise recycling laws			(143,679)
SB0340 Builder allowed tax credit for residential geothermal systems			(45,000)
SB0442 Repeal POINTS replacement fee		2,623,970	3,144,202
Total Estimated General Fund Impact	<u>(\$4,750,000)</u>	<u>\$2,148,963</u>	<u>\$220,233</u>

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

Statutory Reference:

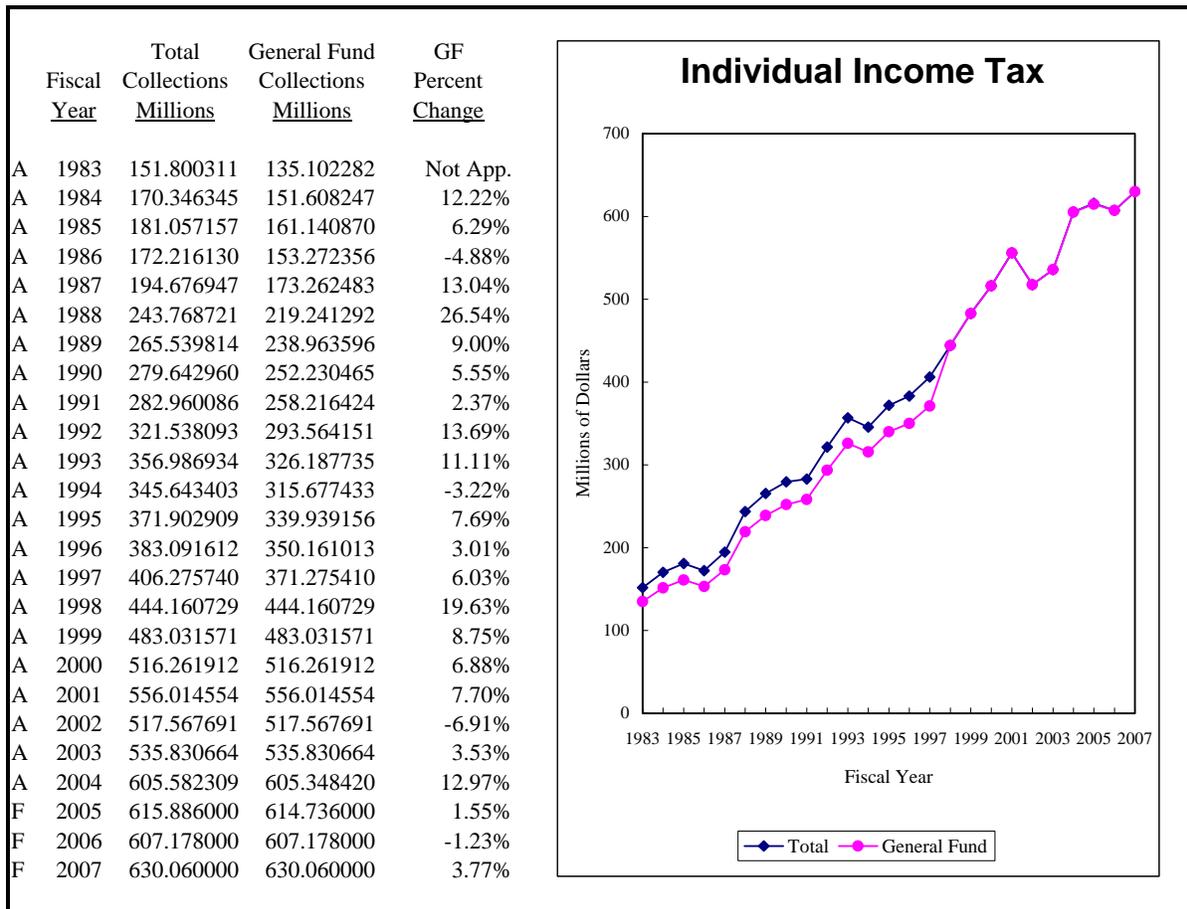
Tax Rate (MCA) – 15-30-103

Tax Distribution (MCA) – 15-1-501(1)

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

% of Total FY 2004 General Fund Revenue: 43.82%

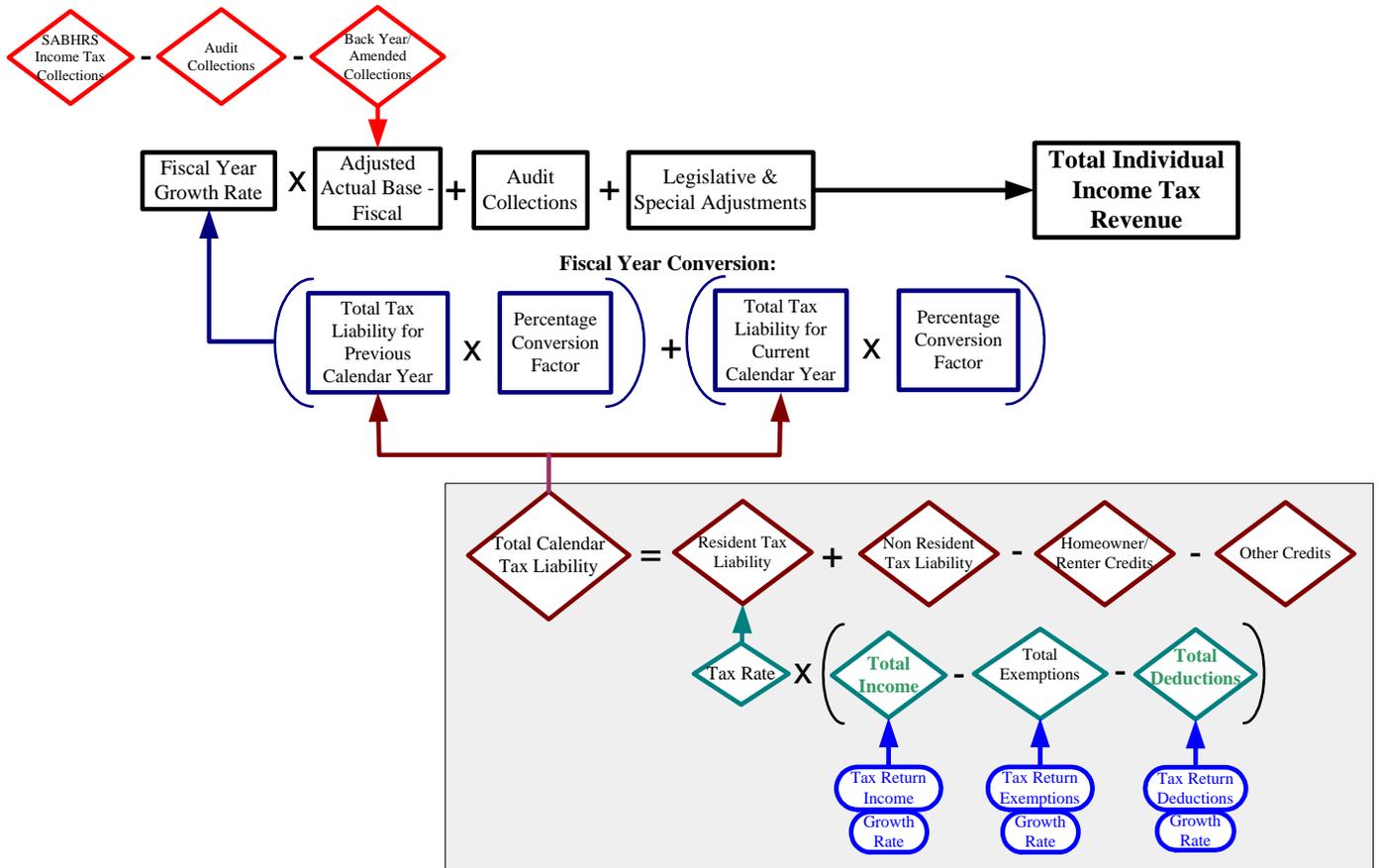
Revenue Projection:



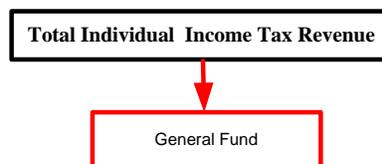
Legislative Fiscal Division

Revenue Estimate Profile Individual Income 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 2005 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>Audits</u>	<u>30% Bonus</u>	<u>Total</u>	<u>Fed Refund</u>	<u>Legislation</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Liability</u>	<u>Tax Benefit</u>	<u>Percent</u>
						<u>Millions</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	516.261912	516.261912	10.500000	0.000000	505.761912	0.000000	0.000000
Actual	2001	556.014554	556.014554	14.680000	-1.500000	547.014554	0.000000	0.000000
Actual	2002	517.567691	517.567691	21.812031	-3.000000	498.755660	0.000000	0.000000
Actual	2003	535.830664	535.830664	23.626679	-2.500000	514.703985	0.000000	0.000000
Actual	2004	605.582309	605.348420	29.922459	-1.750000	577.409850	0.000000	0.000000
Forecast	2005	589.788000	588.638000	25.501460	-0.537000	564.619108	0.000000	0.200000
Forecast	2006	607.653000	605.029000	26.161691	2.151000	579.140547	0.000000	0.200000
Forecast	2007	632.983721	629.840000	27.578188	1.308000	610.497533	-6.600000	0.200000

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Audits</u>	<u>30% bonus</u>	<u>Total Liability</u>	<u>DOR Loan</u>	<u>Annual</u>
	<u>Fiscal</u>	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	<u>Annual</u>	<u>Payment</u>	<u>Growth</u>
		<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Change</u>	<u>Millions</u>	
Actual	2000						0.000000	
Actual	2001	7.7001%	7.7001%	39.8095%		8.1565%	0.000000	NA
Actual	2002	-6.9147%	-6.9147%	48.5833%	100.0000%	-8.8222%	0.000000	NA
Actual	2003	3.5286%	3.5286%	8.3195%	-16.6667%	3.1976%	0.000000	NA
Actual	2004	13.0175%	12.9738%	26.6469%	-30.0000%	12.1829%	0.233889	NA
Forecast	2005	-2.6081%	-2.7605%	-14.7749%	-69.3143%	-2.2152%	1.150199	391.7713%
Forecast	2006	3.0291%	2.7846%	2.5890%	-500.5587%	2.5719%	2.623970	128.1318%
Forecast	2007	4.1686%	4.1008%	5.4144%	-39.1911%	5.4144%	3.144202	19.8261%

	<u>t</u>	<u>Resident</u>	<u>Population</u>	<u>Homeowner</u>	<u>All Other</u>	<u>All Filers</u>	<u>All Filers</u>	<u>Taxable</u>
	<u>Cal.</u>	<u>Liability</u>	<u>Adjustment</u>	<u>Credit</u>	<u>Credits</u>	<u>Multiplier</u>	<u>Liability</u>	<u>Income</u>
		<u>Millions</u>	<u>Percent</u>	<u>Millions</u>	<u>Millions</u>	<u>Percent</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	518.279456		8.374710	21.404549	1.071158	525.379927	8,226.369886
Actual	2001	490.801668	1.000000	9.544352	24.151016	1.066141	489.568413	8,087.111270
Actual	2002	494.216195	1.000000	11.049173	19.408774	1.061617	494.210367	8,074.343167
Actual	2003	538.246242	1.000000	11.579533	21.838995	1.066718	540.738427	8,623.646928
Forecast	2004	559.304740	1.010000	12.135351	21.963743	1.069650	570.143824	8,952.510323
Forecast	2005	548.867058	1.020100	12.717848	22.842293	1.070000	563.532095	10,243.612962
Forecast	2006	575.874329	1.030300	13.328304	23.755985	1.070000	597.771665	10,596.975858
Forecast	2007	597.477557	1.040800	13.968063	24.706224	1.070000	626.710179	11,066.477366

	<u>t</u>	<u>Resident</u>	<u>Population</u>	<u>Homeowner</u>	<u>All Other</u>	<u>All Filers</u>	<u>All Filers</u>	<u>Taxable</u>
	<u>Cal.</u>	<u>Liability</u>	<u>Adjustment</u>	<u>Credit</u>	<u>Credits</u>	<u>Multiplier</u>	<u>Liability</u>	<u>Income</u>
		<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000							
Actual	2001	-5.3017%		13.9664%	12.8312%	-0.4684%	-6.8163%	-1.692832%
Actual	2002	0.6957%	0.0000%	15.7666%	-19.6358%	-0.4243%	0.9482%	-0.157882%
Actual	2003	8.9091%	0.0000%	4.8000%	12.5212%	0.4805%	9.4146%	6.803077%
Forecast	2004	3.9124%	1.0000%	4.8000%	0.5712%	0.2749%	5.4380%	3.813507%
Forecast	2005	-1.8662%	1.0000%	4.8000%	4.0000%	0.0327%	-1.1597%	14.421683%
Forecast	2006	4.9205%	0.9999%	4.8000%	4.0000%	0.0000%	6.0759%	3.449592%
Forecast	2007	3.7514%	1.0191%	4.8000%	4.0000%	0.0000%	4.8411%	4.430524%

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%
Actual	2002	9,265.904285	2.8010%	528.958537	-20.1713%	264.875326	-12.4276%
Actual	2003	9,649.686526	4.1419%	453.025235	-14.3552%	297.422847	12.2879%
Forecast	2004	10,199.718658	5.7000%	459.714945	1.4767%	332.986590	11.9573%
Forecast	2005	10,648.506279	4.4000%	466.013416	1.3701%	337.703104	1.4164%
Forecast	2006	11,127.689061	4.5000%	470.821298	1.0317%	359.278943	6.3890%
Forecast	2007	11,628.435069	4.5000%	491.393401	4.3694%	382.065088	6.3422%

	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%
Actual	2002	620.571881	0.4255%	637.443506	-18.8755%	32.565301	-24.1011%
Actual	2003	629.701263	1.4711%	790.912922	24.0758%	55.546743	70.5703%
Forecast	2004	685.650249	8.8850%	790.912922	0.0000%	55.546743	0.0000%
Forecast	2005	733.769659	7.0181%	805.790039	1.8810%	56.591580	1.8810%
Forecast	2006	774.691985	5.5770%	837.356977	3.9175%	58.808564	3.9175%
Forecast	2007	820.483496	5.9109%	879.048314	4.9789%	61.736595	4.9789%

	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%
Actual	2002	1,014.593070	11.8140%	-157.524702	39.8569%	254.248840	-1.1294%
Actual	2003	1,019.724460	0.5058%	-146.211074	-7.1821%	267.287155	5.1282%
Forecast	2004	1,123.657328	10.1923%	-146.211074	0.0000%	280.276008	4.8595%
Forecast	2005	1,225.865032	9.0960%	-146.211074	0.0000%	292.523208	4.3697%
Forecast	2006	1,320.074152	7.6851%	-146.211074	0.0000%	315.958898	8.0116%
Forecast	2007	1,417.444170	7.3761%	-146.211074	0.0000%	336.094757	6.3729%

	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%
Actual	2002	231.216869	-12.6403%	1,019.171838	5.1757%	-5.377242	-76.0332%
Actual	2003	237.257497	2.6125%	1,070.481555	5.0345%	-47.935941	791.4596%
Forecast	2004	248.787055	4.8595%	1,122.501740	4.8595%	-47.935941	0.0000%
Forecast	2005	259.658284	4.3697%	1,171.551616	4.3697%	-47.935941	0.0000%
Forecast	2006	280.460979	8.0116%	1,265.411248	8.0116%	-47.935941	0.0000%
Forecast	2007	298.334579	6.3729%	1,346.055100	6.3729%	-47.935941	0.0000%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t	Total	Annual	IRA	Annual	Fed Adjusted	Annual
	Cal.	Income	Growth	Deductions	Growth	Gross Income	Growth
		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%
Actual	2002	13,454.034218	-1.7114%	252.613291	23.2114%	13,895.124986	3.0545%
Actual	2003	13,984.658291	3.9440%	292.240897	15.6871%	14,464.390379	4.0969%
Forecast	2004	14,809.048878	5.8950%	296.556345	1.4767%	15,303.910823	5.8040%
Forecast	2005	15,503.205792	4.6874%	300.619410	1.3701%	16,013.776292	4.6385%
Forecast	2006	16,312.684176	5.2214%	303.720914	1.0317%	16,839.461536	5.1561%
Forecast	2007	17,149.951835	5.1326%	316.991719	4.3694%	17,695.176972	5.0816%

	t	Bond	Annual	FIT	Annual	Other	Annual
	Cal.	Interest	Growth	Refunds	Growth	Additions	Growth
		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%
Actual	2002	43.230217	-2.9678%	247.312164	21.3446%	150.548387	2.6269%
Actual	2003	44.962241	4.0065%	256.907579	3.8799%	177.862268	18.1429%
Forecast	2004	45.626187	1.4767%	269.239143	4.8000%	179.996615	1.2000%
Forecast	2005	46.251303	1.3701%	282.162622	4.8000%	182.156575	1.2000%
Forecast	2006	46.728480	1.0317%	295.706427	4.8000%	184.342453	1.2000%
Forecast	2007	48.770238	4.3694%	309.900336	4.8000%	186.554563	1.2000%

	t	Farm Risk	Annual	Int. Exc.	Annual	Savings	Annual
	Cal.	Mgmt Excl.	Growth	Elderly	Growth	Bond	Growth
		Millions		Millions		Millions	
Actual	2000	0.000000		46.732843		98.577472	
Actual	2001	0.000000	NA	46.773697	0.0874%	85.952848	-12.8068%
Actual	2002	0.061948	NA	43.310418	-7.4043%	59.642270	-30.6105%
Actual	2003	0.872912	1309.1044%	40.099155	-7.4145%	47.157089	-20.9334%
Forecast	2004	1.745824	100.0000%	40.691289	1.4767%	47.853446	1.4767%
Forecast	2005	1.745824	0.0000%	41.248793	1.3701%	48.509077	1.3701%
Forecast	2006	1.745824	0.0000%	41.674359	1.0317%	49.009548	1.0317%
Forecast	2007	1.745824	0.0000%	43.495282	4.3694%	51.150975	4.3694%

	t	Exempt	Annual	Unemployment	Annual	Med.	Annual
	Cal.	Retirement	Growth	Millions	Growth	Savings	Growth
		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%
Actual	2002	166.435046	2.9785%	78.266420	31.5304%	9.937218	20.5571%
Actual	2003	168.680258	1.3490%	85.701639	9.4999%	11.398465	14.7048%
Forecast	2004	170.323005	0.9739%	88.318869	3.0539%	12.858268	12.8070%
Forecast	2005	171.981751	0.9739%	91.016027	3.0539%	14.324915	11.4063%
Forecast	2006	173.656651	0.9739%	93.795553	3.0539%	15.780139	10.1587%
Forecast	2007	175.347862	0.9739%	96.659962	3.0539%	17.207860	9.0476%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t	Family Education	Annual Growth	First Time Home	Annual Growth	Doctor Student Loan Excl.	Annual Growth
	Cal.	Millions		Millions		Millions	
Actual	2000	2.118416		0.739084		0.000000	
Actual	2001	3.415825	61.2443%	0.912566	23.4726%	0.000000	NA
Actual	2002	5.479782	60.4234%	0.928656	1.7632%	0.000000	NA
Actual	2003	6.583685	20.1450%	1.067385	14.9387%	0.381209	NA
Forecast	2004	7.680966	16.6667%	1.216819	14.0000%	0.438390	14.9999%
Forecast	2005	8.778247	14.2857%	1.366253	12.2807%	0.499765	14.0001%
Forecast	2006	9.875528	12.5000%	1.513433	10.7725%	0.559737	12.0000%
Forecast	2007	10.972808	11.1111%	1.656446	9.4496%	0.615710	9.9999%

	t	Other Reductions	Annual Growth	Additions to Income	Additions Annual Growth	Reductions to Income	Reductions Annual Growth
	Cal.	Millions		Millions		Millions	
Actual	2000	442.097368		373.041968		806.947225	
Actual	2001	470.668689	6.4627%	395.057038	5.9015%	838.884217	3.9578%
Actual	2002	496.250650	5.4352%	441.090768	11.6524%	860.312408	2.5544%
Actual	2003	530.169050	6.8349%	479.732088	8.7604%	892.110847	3.6962%
Forecast	2004	567.280884	7.0000%	494.861945	3.1538%	938.407760	5.1896%
Forecast	2005	606.990545	7.0000%	510.570500	3.1743%	986.461197	5.1207%
Forecast	2006	649.479884	7.0000%	526.777360	3.1743%	1,037.090656	5.1324%
Forecast	2007	694.943475	7.0000%	545.225137	3.5020%	1,093.796204	5.4678%

	t	MT Adjusted Gross Income	MAGI Annual Growth	Medical Premiums	Annual Growth	Medical Deductions	Annual Growth
	Cal.	Millions		Millions		Millions	
Actual	2000	13,118.511822		200.002957		184.849463	
Actual	2001	13,039.447584	-0.6027%	217.940463	8.9686%	203.239099	9.9484%
Actual	2002	13,034.812578	-0.0355%	239.493910	9.8896%	222.983052	9.7146%
Actual	2003	13,572.279532	4.1233%	237.737082	-0.7336%	236.626833	6.1188%
Forecast	2004	14,365.503063	5.8444%	254.769938	7.1646%	253.580144	7.1646%
Forecast	2005	15,027.315095	4.6070%	274.734493	7.8363%	273.451463	7.8363%
Forecast	2006	15,802.370880	5.1576%	295.033022	7.3884%	293.655197	7.3884%
Forecast	2007	16,601.380768	5.0563%	313.022285	6.0974%	311.560449	6.0974%

	t	Long Term Care	Annual Growth	Federal Income Tax Deducted	Annual Growth	Non-current Yr Fed Deduct	Annual Growth
	Cal.	Millions		Millions		Millions	
Actual	2000	13.502837		1,518.673839		221.424540	
Actual	2001	14.061406	4.1367%	1,558.108639	2.5967%	233.916512	5.6416%
Actual	2002	15.887210	3.9700%	1,462.980639	-6.1054%	181.536187	-22.3927%
Actual	2003	17.295360	3.8200%	1,437.610873	-1.7341%	175.241904	-3.4672%
Forecast	2004	18.534499	3.6800%	1,559.682795	8.4913%	182.440652	4.1079%
Forecast	2005	19.986920	3.6800%	580.663101	-62.7704%	189.938630	4.1098%
Forecast	2006	21.463637	3.6800%	607.966068	4.7020%	197.748464	4.1118%
Forecast	2007	22.772355	3.6800%	617.206238	1.5198%	205.883325	4.1137%

Legislative Fiscal Division

Revenue Estimate Profile

Individual Income Tax

	t	Real Estate	Annual	Vehicle	Vehicle	Home	Annual
	Cal.	Millions	Growth	Taxes	Annual	Mortgage	Growth
				Millions	Growth	Millions	
Actual	2000	239.539241		43.249518		674.783486	
Actual	2001	248.404235	3.7009%	35.414255	-18.1164%	722.240324	7.0329%
Actual	2002	274.873159	10.6556%	39.533367	11.6312%	752.226098	4.1518%
Actual	2003	291.351060	5.9947%	40.720924	3.0039%	744.358655	-1.0459%
Forecast	2004	303.494456	4.1680%	41.942552	3.0000%	776.310321	4.2925%
Forecast	2005	316.143983	4.1680%	43.200828	3.0000%	816.314942	5.1532%
Forecast	2006	329.320738	4.1680%	44.496853	3.0000%	854.015349	4.6184%
Forecast	2007	343.046695	4.1680%	45.831759	3.0000%	892.577957	4.5154%

	t	Deductible Interest	Annual	Contributions	Annual	Child	Annual
	Cal.	Millions	Growth	Millions	Growth	Care	Growth
						Millions	
Actual	2000	39.843897		275.164610		1.618924	
Actual	2001	36.076803	-9.4546%	294.840519	7.1506%	1.776837	9.7542%
Actual	2002	27.933231	-22.5729%	345.228308	17.0898%	1.667803	-6.1364%
Actual	2003	24.518357	-12.2251%	337.410601	-2.2645%	1.704198	2.1822%
Forecast	2004	24.880413	1.4767%	355.630773	5.4000%	1.736578	1.9000%
Forecast	2005	25.221295	1.3701%	374.834835	5.4000%	1.769573	1.9000%
Forecast	2006	25.481505	1.0317%	395.075916	5.4000%	1.803195	1.9000%
Forecast	2007	26.594896	4.3694%	416.410016	5.4000%	1.837455	1.9000%

	t	Casualty	Annual	Expense 1	Annual	Expense 2	Annual
	Cal.	Millions	Growth	Millions	Growth	Millions	Growth
Actual	2000	7.212024		129.241069		3.770804	
Actual	2001	3.158568	-56.2041%	140.956776	9.0650%	3.760967	-0.2609%
Actual	2002	4.464106	41.3332%	146.328492	3.8109%	4.266845	13.4507%
Actual	2003	4.105444	-8.0344%	146.982049	0.4466%	7.147014	67.5011%
Forecast	2004	4.320569	5.2400%	160.041411	8.8850%	7.147014	0.0000%
Forecast	2005	4.546967	5.2400%	171.273228	7.0181%	7.147014	0.0000%
Forecast	2006	4.785228	5.2400%	180.825134	5.5770%	7.147014	0.0000%
Forecast	2007	5.035974	5.2400%	191.513584	5.9109%	7.147014	0.0000%

	t	Gambling	Annual	Itemized	Annual	Exemptions	Annual
	Cal.	Losses	Growth	Deductions	Growth	Millions	Growth
		Millions		Millions			
Actual	2000	5.692095		4,036.333109		1,444.028900	
Actual	2001	4.839289	-14.9823%	4,136.668940	2.4858%	1,488.611840	3.0874%
Actual	2002	4.846199	0.1428%	3,724.248606	-9.9699%	1,518.609340	2.0151%
Actual	2003	4.674101	-3.5512%	3,678.689093	-1.2233%	1,559.655580	2.7029%
Forecast	2004	4.674101	0.0000%	3,882.889019	5.5509%	1,612.228240	3.3708%
Forecast	2005	4.674101	0.0000%	3,015.587242	-22.3365%	1,664.800900	3.2609%
Forecast	2006	4.674101	0.0000%	3,166.136611	4.9924%	1,698.776429	2.0408%
Forecast	2007	4.674101	0.0000%	3,278.917250	3.5621%	1,732.751958	2.0000%

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 (including cancellation and return premiums) on policies sold in Montana. In addition to this tax, there is a 2.5 % tax on the fire portion of net premiums for selected risks. For each Montana resident insured under any individual or group disability or health insurance policy, all insurers are required to pay \$1.00 to the State Insurance Commissioner from October 1, 2005 through June 30, 2007. After that time, the fee is \$0.70. This fee is deposited to the state special revenue fund and used to fund the 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. The following lists various insurance related fees.

Insurance Fees Collected by the State Auditor				
	Fee	Amount	MCA Cite	ARM Cite
General Fund				
	Farm mutual insurer filing of articles of incorporation	10.00	33-4-202	
	Farm mutual county insurer certificate of authority	10.00	33-4-505	
	Farm mutual state insurer certificate of authority	25.00	33-4-505	
	Fraternal benefit society report filing	25.00	33-7-118	
	Fraternal benefit society certificate of authority renewal	10.00	33-7-217	
	Fraternal benefit society lapsed certificate of authority reinstatement	25.00	33-7-217	
State Auditor's Office				
	Domestic and foreign insurer accreditation	275.00	33-1-313	6.6.4101
	Insurance producers charges and expenses for examinations	Variable	33-1-413	
	Reinstatement of certificate of authority	100.00	33-2-117	
	Certificate of authority	1,900.00	33-2-708	
	Non-resident application for original license	100.00	33-2-708	
	Non-resident biennial license renewal	50.00	33-2-708	
	Non-resident lapsed license reinstatement	100.00	33-2-708	
	Resident lapsed insurance producer's license reinstatement	100.00	33-2-708	
	Surplus lines insurance producer license application	50.00	33-2-708	
	Surplus lines insurance producer license biennial renewal	100.00	33-2-708	
	Surplus lines insurance lapsed producer license reinstatement	200.00	33-2-708	
	Insurance adjuster license application	50.00	33-2-708	
	Insurance adjuster license biennial renewal	100.00	33-2-708	
	Insurance adjuster lapsed license reinstatement	200.00	33-2-708	
	Insurance consultant license application	50.00	33-2-708	
	Insurance consultant license biennial renewal	100.00	33-2-708	
	Insurance consultant lapsed license reinstatement	200.00	33-2-708	
	Rental car entity producer license application	100.00	33-2-708	
	Rental car entity producer quarterly filing	25.00	33-2-708	
	A copy of each document page	0.50	33-2-708	

Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

Insurance Fees Collected by the State Auditor (continued)				
Fee	Amount	MCA Cite	ARM Cite	
Review of each course or program submitted for continuing education	75.00	33-2-708		
Genetics program fee for each MT resident insured	1.00	33-2-712		
Surplus lines stamping fee	1% of base premium	33-2-321	6.6.2804	
Charges and expenses for examinations	Variable	33-4-315		
Fraternal benefit society charges and expenses for examinations	Variable	33-7-119		
Fraternal benefit society service of process	2.00	33-7-123		
Guaranty associations charges and expenses for examinations	Variable	33-10-218		
Premium finance company license application	100.00	33-14-201		
Premium finance company license renewal	100.00	33-14-201		
Rating & advisory organization charges and expenses for examinations	Variable	33-16-106		
Rating & advisory organization license application	100.00	33-16-403		
Insurance producers background examination	Variable	33-17-201		
Insurance producers charges and examinations	Variable	33-17-212		
Review of each non-resident course submitted for continuing education	75.00	33-17-1206	6.6.4213	
Viatical settlement provider registration application	1,900.00	33-20-1315	6.6.8502	
Viatical settlement broker license	50.00	33-20-1315	6.6.8502	
Viatical settlement provider license renewal	1,900.00	33-20-1315	6.6.8503	
Captive insurance company license application	200.00	33-28-102		
Captive insurance company license renewal	300.00	33-28-102		
Captive insurance company examinations and investigations	Variable	33-28-108		
Health service corporation certified copies	0.50	33-30-204		
Health service corporation membership contract filing	25.00	33-30-204		
Health service corporation membership contract package filing	100.00	33-30-204		
Health service corporation filing statement	25.00	33-30-204		
Health service corporation license	300.00	33-30-204		
Health service corporation license renewal	300.00	33-30-204		
Health maintenance organization certification of authority	300.00	33-31-212		
Health maintenance organization amendment to documents	25.00	33-31-212		
Health maintenance organization statement filing	25.00	33-31-212		
Health maintenance organization certification of authority renewal	300.00	33-31-212		
Health maintenance organization charges & examinations	Variable	33-31-401		
Actual cost to review an application for a managed care community network	Variable	53-6-703	6.6.5805	

Distribution: Insurance tax proceeds from the tax on surplus lines premiums, net premiums, captive insurance company premiums, and fire insurance premiums are deposited into the general fund along with genetic fee revenue. License fees and the 1% stamping fee on surplus lines insurance premiums are deposited into the state special revenue fund for use by the State Auditor.

Summary of Legislative Action:

Senate Bill 275 – The legislation changes the name of the voluntary genetics program administered by the Department of Public Health and Human Services to the statewide genetics program. For each Montana resident insured under any disability or health insurance policy, the fee paid by the insurer is increased from \$0.70 to \$1.00, but only from October 1, 2005 through June 30, 2007. After that time, the fee is \$0.70. The legislation earmarks the fee revenue that was previously deposited to the general fund to a state special revenue fund for a general fund loss of \$582,856 each year of the 2007 biennium and an increase in state special revenue of \$832,794 each year of the biennium. The legislation is effective October 1, 2005.

Insurance Tax & License Fees -- Legislation Passed by 59th Legislature			
Estimated General Fund Impact for the 2007 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
SB0275 Revising voluntary genetics program; increasing program fees		(582,956)	(582,956)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$582,956)</u>	<u>(\$582,956)</u>

Legislative Fiscal Division

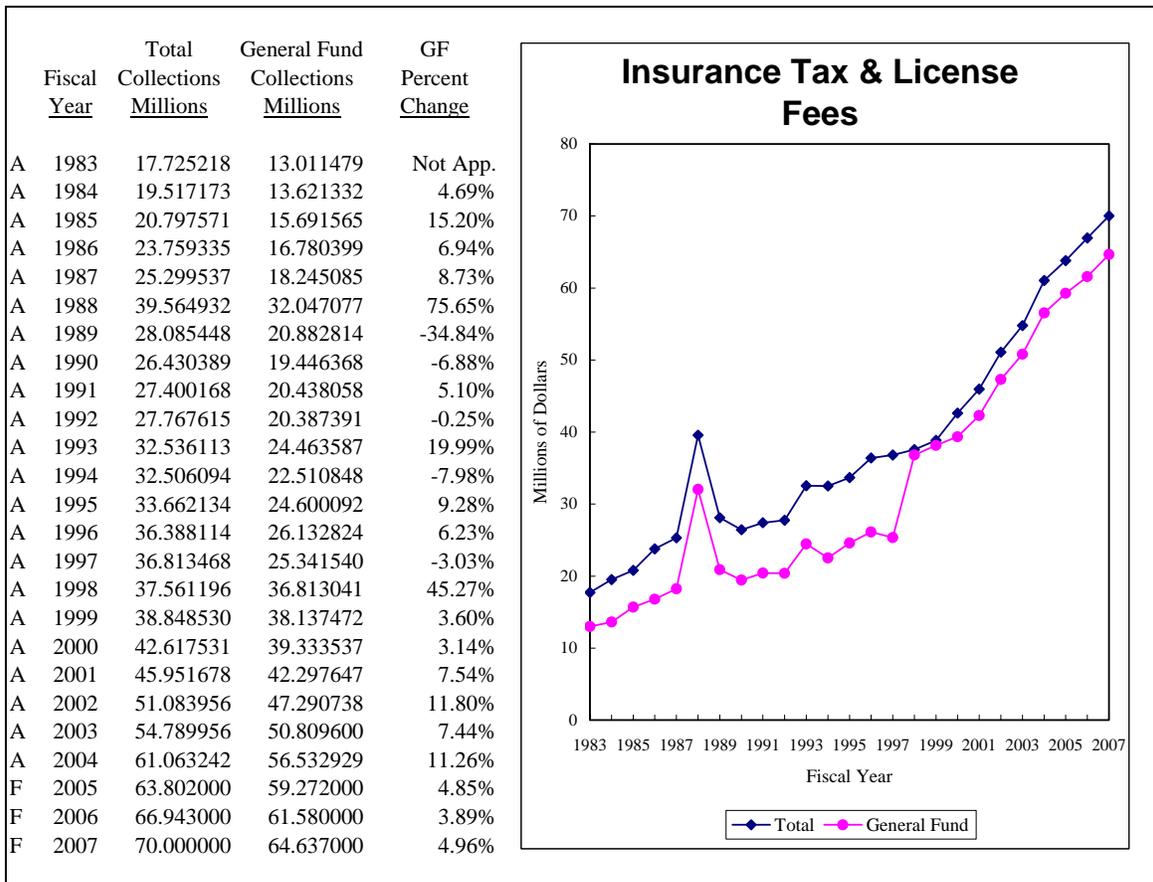
Revenue Estimate Profile Insurance Tax & License Fees

Statutory Reference:

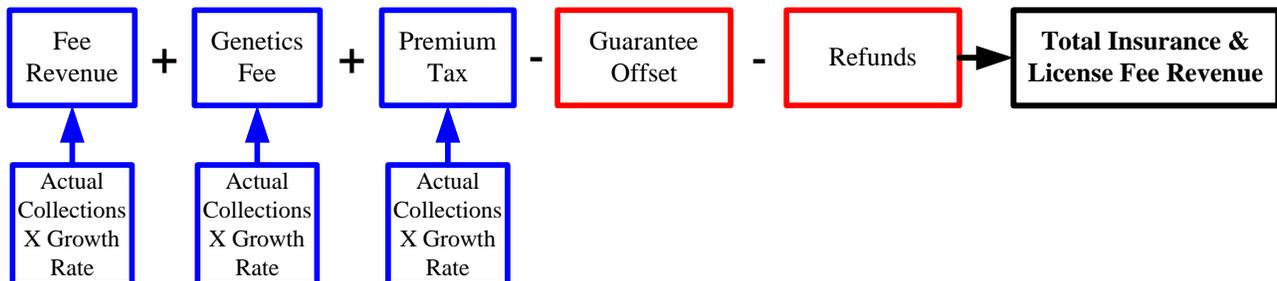
Tax Rate (MCA) – 33-2-705(2), 33-2-311, 33-28-201(1&2), 50-3-109(1)
 Fee Rate (MCA) – 33-2-708(1&2), 33-14-201(2), 33-2-712
 Tax Distribution (MCA) – 33-2-708(3), 33-2-712, 50-3-109(1)
 Date Due – March 1st each year (33-2-705(1), 33-2-712, 33-28-201(1&2)). Quarterly payments due the 15th of April, June, September, and December (Administrative Rules 6.6.2704, 6.6.2705)

% of Total FY 2004 General Fund Revenue: 4.11%

Revenue Projection:



Forecast Methodology

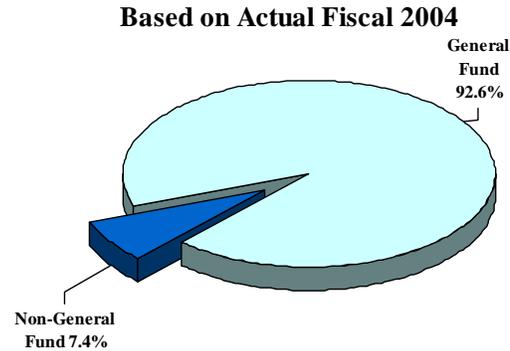


Legislative Fiscal Division

Revenue Estimate Profile

Insurance Tax & License Fees

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 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Non-GF Fees</u>	<u>GF Fees</u>
	<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
Actual	2003	54.789956	50.809600	3.980356	0.378097
Actual	2004	61.063242	56.532929	4.530313	0.623010
Forecast	2005	63.802000	59.272000	4.530313	0.623010
Forecast	2006	66.693000	62.163000	4.530313	0.623010
Forecast	2007	69.750000	65.220000	4.530313	0.623010

	<u>t</u>	<u>Genetics</u>	<u>Premium Tax</u>	<u>Offsets</u>	<u>Refunds</u>
	<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	47.682854	0.740006	0.512557
Actual	2003	0.563399	52.037866	1.463016	0.706745
Actual	2004	0.582956	56.775107	1.161437	0.286707
Forecast	2005	0.582956	59.593289	1.127916	0.400000
Forecast	2006	0.582956	62.551297	1.120412	0.475000
Forecast	2007	0.582956	65.656196	1.168182	0.475000

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 based on the offering price of securities, 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 to series, portfolio, or a subdivision of an investment company is \$50. More details on the fees are provided below.

Security Fees Collected by the State Auditor				
Fee	Amount	MCA Cite	ARM Cite	
General Fund				
Certified or uncertified copies	0.50	30-10-107		
Initial registration for the first \$100,000 issue	200	30-10-209		
Additional registration fee of 0.1% over \$100,000 max of \$1,000	1,000	30-10-209		
Registration renewal fee of 0.1%, min of \$200 & max of \$1,000	1,000	30-10-209		
Late amended registration 0.3%, min of \$600 & max of \$3,000	3,000	30-10-209		
Name change of series, portfolio or other subdivision of an issuer	50	30-10-209		
Registration for broker-dealer or investment adviser	200	30-10-209		
Registration renewal for broker-dealer or investment adviser	200	30-10-209		
Initial registration for salesperson or investment adviser representative	50	30-10-209		
Registration renewal for salesperson or investment adviser representative	50	30-10-209		
Transfer of registration for salesperson or investment adviser representative	50	30-10-209		
Initial registration for federal covered adviser	200	30-10-209		
Registration renewal for federal covered adviser	200	30-10-209		
Certified or uncertified copies	Variable	30-10-209		
Request for exemption for transaction in compliance with rules-first \$100,000	200	30-10-209	6.10.120	
Request for exemption for transaction in compliance with rules-0.1% over \$100,000, \$1,000 max	1,000	30-10-209	6.10.120	
Request for exemption for other transactions	50	30-10-209		
Living trusts initial license application for the first \$100,000 issue	200	30-10-904		
Living trusts additional license application fee of 0.1% over \$100,000 max of \$1,000	1,000	30-10-904		
Living trusts license renewal fee of 0.1%, min of \$200 & max of \$1,000	1,000	30-10-904		
State Auditor's Office				
Collected examination costs	Various	30-10-115		
Portfolio notice filing - Initial registration for the first \$100,000 issue	200	30-10-209		
Portfolio notice filing - Additional registration fee of 0.1% over \$100,000 max of \$1,000	1,000	30-10-209		
Portfolio notice filing - Registration renewal fee of 0.1%, min of \$200 & max of \$1,000	1,000	30-10-209		
Portfolio notice filing - Late amended registration 0.3%, min of \$600 & max of \$3,000	3,000	30-10-209		

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 and is shown under the "All Other" revenue category.

Summary of Legislative Action: The 59th Legislature did not enact legislation that impacted this general fund revenue source.

Statutory Reference:

Fee Rate (MCA) – 30-10-209, 30-10-904

Fee Distribution (MCA) – excess to general fund (30-10-115), 30-10-209(6), portfolio notice fee (30-10-209(1d)), 30-10-210(2), 30-10-907

Date Due (Regulation of dealers) – initial (upon registration), annual (prior to December 31st) (30-10-201 (9&11))

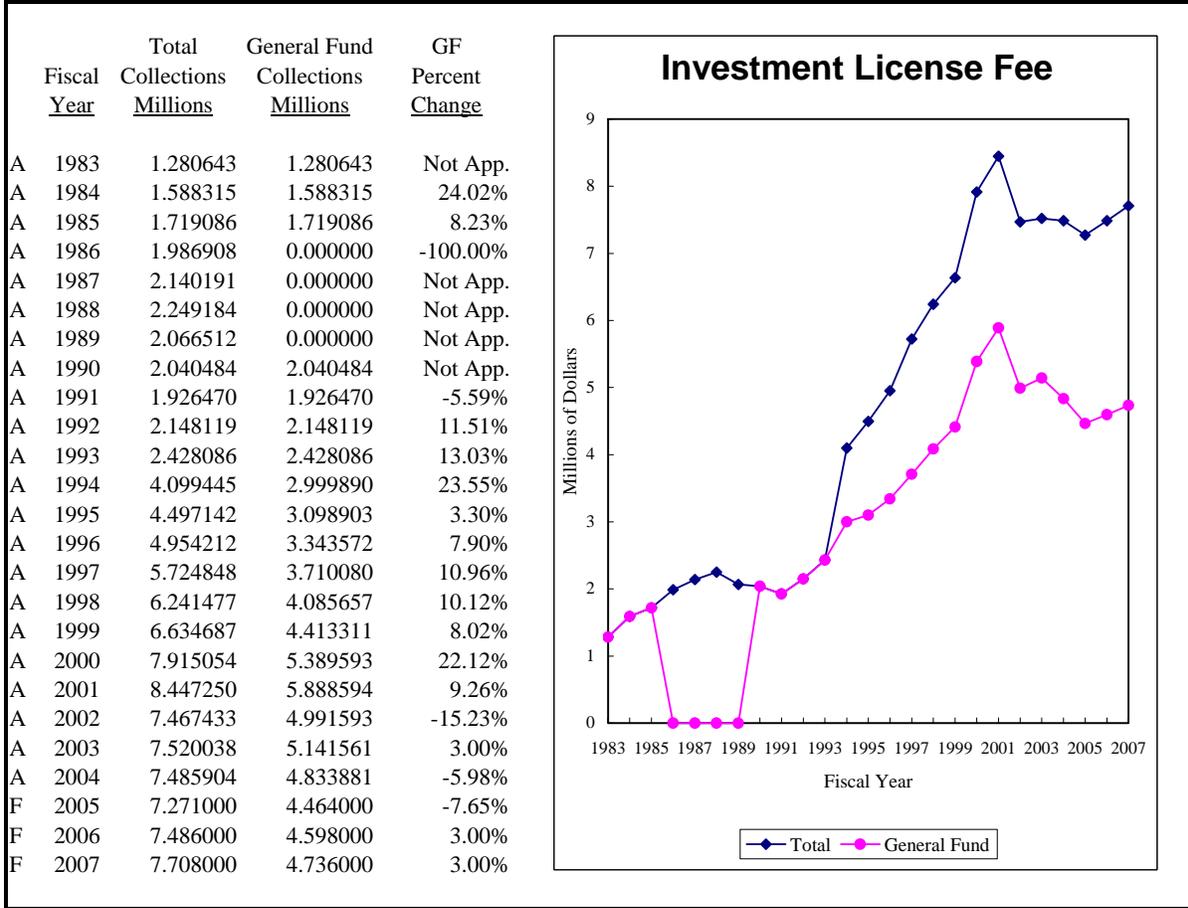
Date Due (Regulation of securities) – upon registration (30-10-206(3c)), valid for one year (30-10-209(1b)), renewal (prior to termination date):

Legislative Fiscal Division

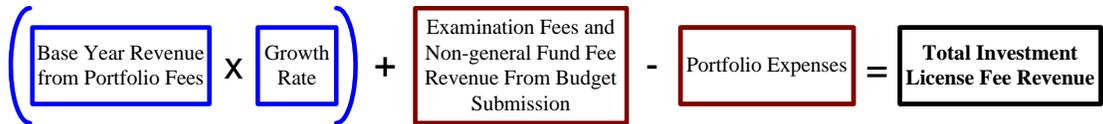
Revenue Estimate Profile Investment License Fee

% of Total FY 2004 General Fund Revenue: 0.35%

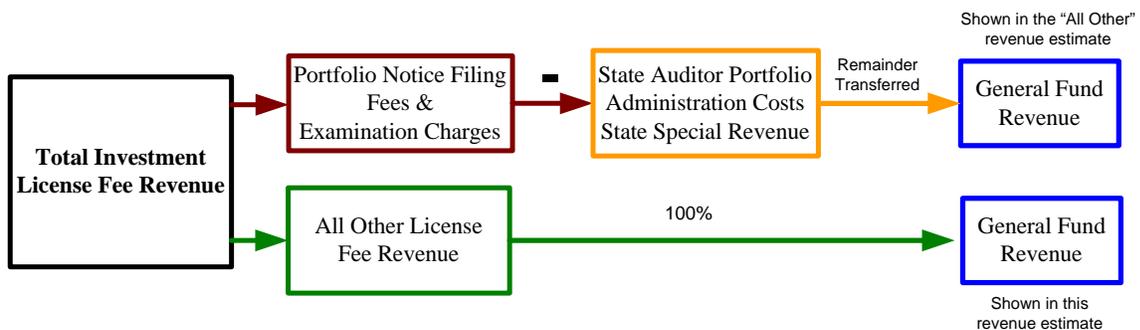
Revenue Projection:



Forecast Methodology



Distribution Methodology



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 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>GF Transfer</u>	<u>Licenses</u>	<u>Portfolio</u>	<u>Port. Exp.</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
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
Actual	2003	7.520038	5.141561	2.036200	5.141787	2.378477	0.320954
Actual	2004	7.485904	4.833881	2.113000	4.833881	2.652023	0.683808
Forecast	2005	7.271000	4.464000	2.044000	4.463897	2.807075	0.763018
Forecast	2006	7.486000	4.598000	2.104000	4.597814	2.888599	0.784381
Forecast	2007	7.708000	4.736000	2.183000	4.735748	2.972569	0.789312

	<u>t</u>	<u>Licenses</u>	<u>Portfolio</u>	<u>Expense</u>
	<u>Fiscal</u>	<u>Growth</u>	<u>Growth</u>	<u>Growth</u>
Actual	2000	0.221213	0.137475	0.044550
Actual	2001	0.092586	0.013144	-0.106749
Actual	2002	-0.152329	-0.034073	0.491562
Actual	2003	0.030089	-0.042251	0.585013
Actual	2004	-0.059883	0.114598	1.130548
Forecast	2005	0.000000	0.030000	0.000000
Forecast	2006	0.000000	0.030000	0.000000
Forecast	2007	0.000000	0.030000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Lodging Taxes

Revenue Description: The state imposes two taxes on room charges collected by lodging facilities and campgrounds – a lodging sales tax and a lodging facility use tax. The taxes only apply for rooms used for lodging.

The 3 percent lodging sales tax began June 1, 2003 and 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; or 4) rented for 30 days or more. 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.

The 4 percent lodging facility use tax applies to facilities containing individual sleeping rooms or suites, providing overnight lodging for periods of less than 30 days to the general public for compensation. This includes hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, or bed and breakfasts. Exempt are: 1) non-profit or religious corporation facilities used primarily by persons under 18 years of age for camping; 2) facilities whose average daily charge does not exceed 60 percent of the amount the state of Montana reimburses for lodging; or 4) rented for 30 days or more. All facilities must be registered with the Department of Revenue. Any of the 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 also shown in the "All Other Revenue" profile.

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

Distribution:

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

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 Taxes

Summary of Legislative Action: The 59th Legislature did not enact legislation that impacted this general fund revenue source.

Statutory Reference:

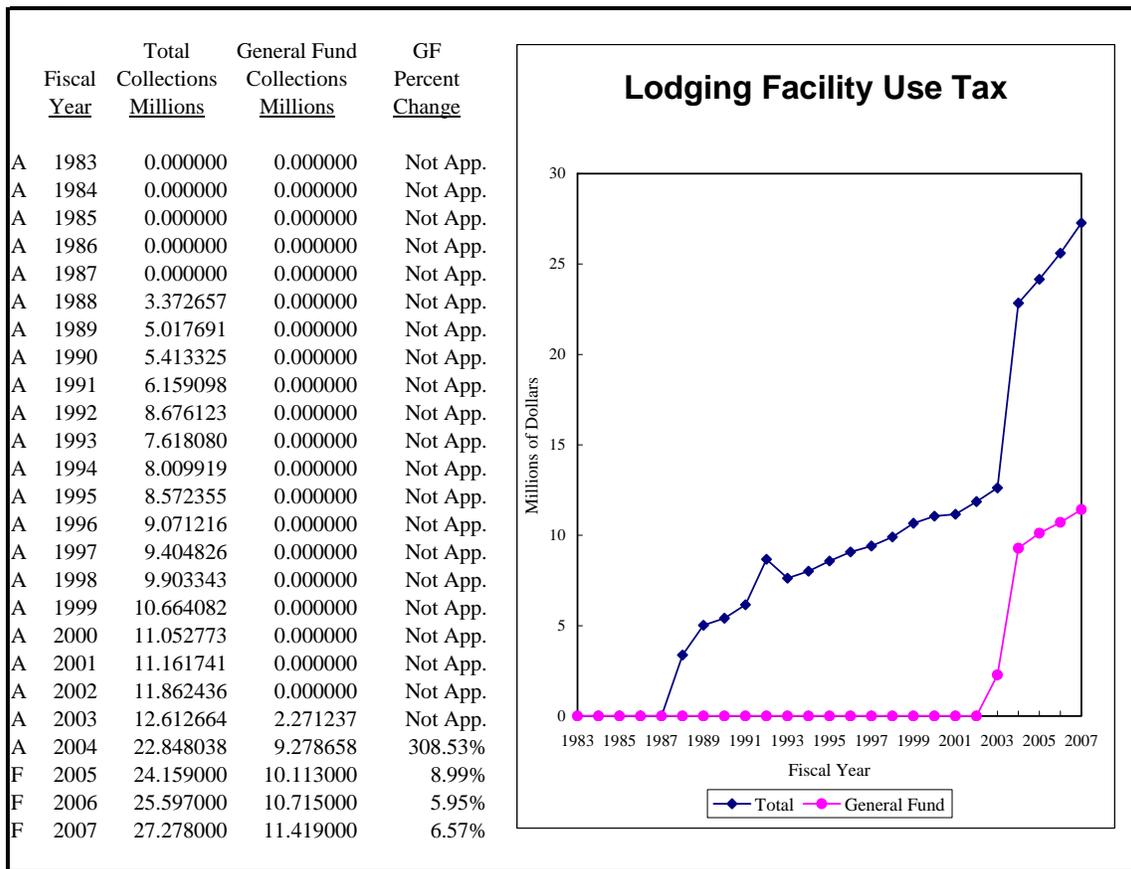
Tax Rate (MCA) - 15-65-111 (lodging facility use tax), 15-68-102 (lodging sales tax)

Tax Distribution (MCA) - 15-65-121 (lodging facility use tax), 15-68-820 (lodging sales tax)

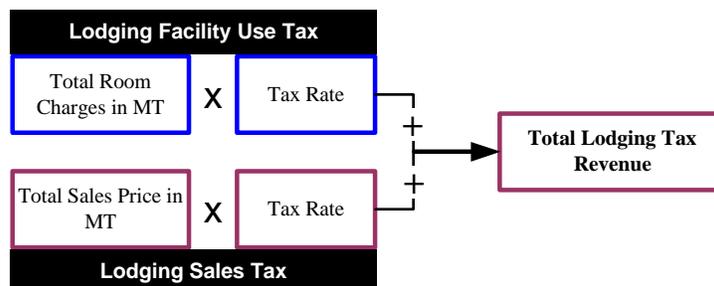
Date Due – Lodging facility use tax is due before the end of calendar quarter (15-65-112). The lodging sales tax is due the last day of the month following the calendar quarter (15-68-502(1)).

% of Total FY 2004 General Fund Revenue: 0.67% (a small portion for reimbursement of lodging facility taxes paid by state employees is included in “All Other General Fund Revenue”)

Revenue Projection:



Forecast Methodology

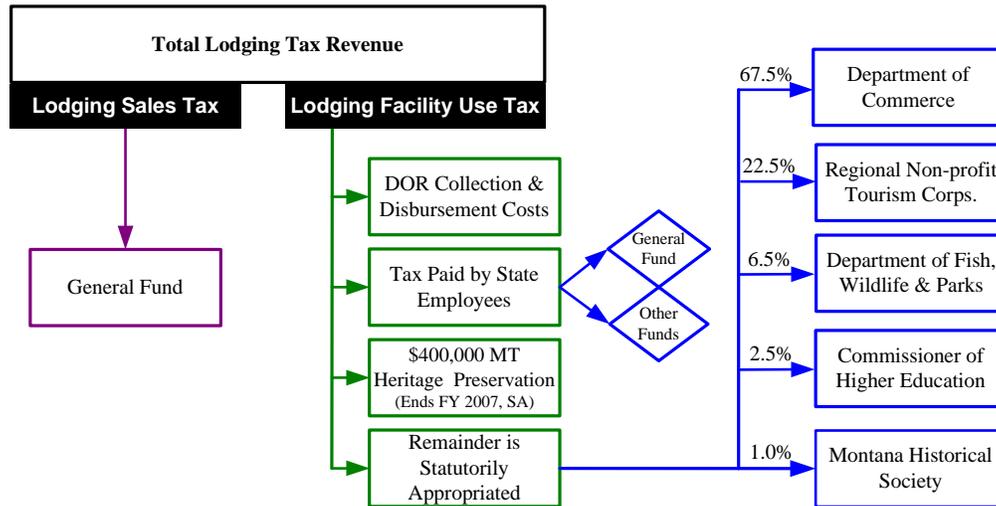


Legislative Fiscal Division

Revenue Estimate Profile

Lodging Taxes

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 2005 legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	Room Charge	Tax	Room Charge	Tax	DOR
	Fiscal	Millions	Millions	Millions	Rate	Millions	Rate	Admin. Millions
Actual	2000	11.052773	0.000000	276.319325	4.0000%			0.114927
Actual	2001	11.161741	0.000000	279.043525	4.0000%			0.114525
Actual	2002	11.862436	0.000000	296.560900	4.0000%			0.126368
Actual	2003	12.612664	2.271237	216.035675	4.0000%			0.103338
Actual	2004	22.848038	9.278658	339.234500	4.0000%	309.288600	3.0000%	0.137254
Forecast	2005	24.159000	10.113000	351.150000	4.0000%	337.100000	3.0000%	0.141000
Forecast	2006	25.597000	10.715000	372.050000	4.0000%	357.167000	3.0000%	0.146000
Forecast	2007	27.278000	11.419000	396.475000	4.0000%	380.633000	3.0000%	0.150000

	t	Higher Ed.	DOC	Sites & Signs	Regional	FWP	MT. Heritage	All Other
	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
Actual	2003	0.288449	6.088121	0.115511	2.596040	0.749968	0.400000	0.000000
Actual	2004	0.325804	8.796686	0.130321	2.932227	0.847088	0.400000	0.000000
Forecast	2005	0.338000	9.116000	0.135000	3.039000	0.878000	0.400000	0.000000
Forecast	2006	0.358000	9.677000	0.143000	3.226000	0.932000	0.400000	0.000000
Forecast	2007	0.383000	10.334000	0.153000	3.445000	0.995000	0.400000	0.000000

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

Revenue Description: The state assesses a variety of motor vehicle fees, such as fees for the filing of motor vehicle liens, fees for new license plates, title fees, and annual and permanent registration 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.). There are also Gross Vehicle Weight (GVW) fees on trucks and pickups, as well as special fees for senior citizen transportation, veteran services, the highway patrol pension fund, salaries for the highway patrol, motorcycle safety, electronic commerce applications, and an optional \$4 registration fee on light vehicles for state parks and fishing access sites.

Effective January 1, 2004, all fees on motorcycles and quadricycles, trailers, travel trailers, snowmobiles, off-highway vehicles, and watercraft are one-time only and permanent, except upon change of ownership. Fees on other vehicles are annual. Light vehicles older than ten years old may be licensed permanently, at the option of the owner. New license plate fees increase from \$2 to \$5. The registration fees on campers and pontoons and rubber rafts are eliminated. Beginning January 1, 2005, the registration fees on all light vehicles increased, as well permanent fees on recreational trailers, off-highway vehicles, snowmobiles, recreational vehicles, and motorcycles. Beginning January 2006, motor homes 11 years or older may be permanently registered.

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; 4) all of the \$15 surcharge for sponsoring a generic patriotic license plate for the construction, maintenance, operation, and administration of state veterans' cemeteries; and 5) with the enactment of SB 285 by the 2005 legislature, the optional \$4 fee for parks is deposited in a state special account rather than the general fund. With the enactment of HB 671 by the 2005 legislature, revenue from new temporary registration fees of \$3 and \$8 are deposited in a non-budgeted enterprise fund.

Summary of Legislative Action:

House Bill 35 – An alternative pay and classification plan is created for the Montana highway patrol. The registration fee for certain light vehicles, trailers, off-highway vehicles, heavy trucks, trucks and busses, logging trucks, motor homes, motorcycles and quadricycles, trailers and semitrailers, travel trailers, and recreational vehicles increases \$5. The increase does not apply to snowmobiles, watercraft, and pole trailers. Revenue from the increased fee is deposited to a state special revenue fund and is statutorily appropriated to the Department of Justice to fund: 1) an increase in the base salary of highway patrol positions existing on June 30, 2006; 2) the base salary and associated operating costs for new positions created after June 30, 2006; and 3) biennial salary increases after June 30, 2006 for highway patrol officers. Coordination with HB 447 reduces FY 2007 state special revenue appropriations in HB 447 by \$299,311. The legislation also exempts authorized positions in the Montana highway patrol from vacancy savings. The registration fee increase provides \$3,313,590 additional state special revenue in FY 2006 and \$6,627,135 in FY 2007. The legislation is effective on passage and approval, except for the fee increase and statutory appropriation that are effective January 1, 2006.

House Bill 541 – Motor homes 11 years or older may be permanently registered. In coordination with Senate Bill 285, the registration fee is \$237.50 plus five times the personalized license plate fee if applicable. If the title is transferred, the new owner must pay all applicable fees. General fund revenue is expected to increase \$38,988 in FY 2006 and \$32,246 in FY 2007. The legislation is effective January 1, 2006.

House Bill 671 – The legislation revises motor vehicle statutes to clarify and streamline the administration of motor vehicle regulations, registrations, and associated fees. New fees of \$3 and \$8 are established for residents and nonresidents, respectively, who obtain temporary registration permits. Revenue from the fees is deposited to the new “motor vehicle electronic commerce operating account” in the enterprise fund. Money in the account is non-budgeted and is to be used by the Department of Justice to pay costs of operating, maintaining and enhancing electronic commerce applications. The legislative changes and associated fiscal impacts are summarized in

Legislative Fiscal Division

Revenue Estimate Profile

Motor Vehicle Fee

the table below. The new enterprise fund is effective July 1, 2005 and applicable sections of the legislation are effective January 1, 2006.

Fiscal Impacts of House Bill 671						
Legislative Changes	General Fund		State Special		Enterprise Fund	
	Fiscal 2006	Fiscal 2007	Fiscal 2006	Fiscal 2007	Fiscal 2006	Fiscal 2007
Eliminate \$10 fee for manufactured home title	(\$5,250)	(\$7,000)	(\$5,250)	(\$7,000)	-	-
New \$3 temporary registration permit - resident	-	-	-	-	202,500	405,000
New \$8 temporary registration permit - nonresident	-	-	-	-	60,000	120,000
Eliminate plate transfer registration fee exemption	700,000	1,400,000	-	-	-	-
Eliminate prorating of registration fees	450,000	900,000	-	-	-	-
Eliminate collection of back taxes for unregistered vehicle	(210,000)	(420,000)	-	-	-	-
Eliminate fleet vehicle \$7.50 registration fee (DOT)	(1,350)	(2,700)	(2,025)	(4,050)	-	-
Fleet vehicles subject to \$22 heavy vehicle registration fee	9,900	19,800	-	-	-	-
New \$5 fee for special motorcycle license plates - to counties	-	-	-	-	-	-
Total	\$943,300	\$1,890,100	(\$7,275)	(\$11,050)	\$262,500	\$525,000

Senate Bill 248 – In addition to revising the penalty for driving without mandatory motor vehicle liability insurance, the legislation authorized the Department of Justice to issue a restricted registration receipt once proof of compliance is established for those with two or three convictions. The receipt allows the operation of the vehicle only for employment purposes during a set time period. Revenue from the restricted registration receipt fee, as set by the department, increases general fund revenue \$21,000 in FY 2006 and \$28,000 in FY 2007. The legislation is effective July 1, 2005.

Senate Bill 285 – The legislation revises and simplifies motor vehicle fees by: 1) combining fees; 2) moving definitions to one section of law; 3) assigning fee collection to the Department of Justice; and 4) basing the general fund transfers of motor vehicle fees to various agency account on a percentage of general fund revenue collections rather than on vehicle counts from previous years. In addition, SB 285 earmarks revenue from the voluntary \$4.00 vehicle registration fee for state parks that under previous law was deposited to the general fund (and then transferred to the state special revenue fund) to the state special revenue fund. This reduces general fund revenue \$2,743,892 in FY 2006 and \$2,809,745 in FY 2007 and reduces transfers out of the general fund by the same amounts. State special revenue increases by the same amounts. The changes to the general fund transfers are effective July 1, 2005. The rest of the legislation is effective January 1, 2006.

Motor Vehicle Fee -- Legislation Passed by 59th Legislature			
Estimated General Fund Impact for the 2007 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
HB0035 Highway patrol officer salaries and retention			
HB0541 Allow motor homes 11 years old and older to be permanently registered		38,988	32,246
HB0671 Generally revise motor vehicle law		943,300	1,890,100
SB0248 Revise penalty for no motor vehicle insurance		21,000	28,000
SB0285 Organize and simplify motor vehicle laws		(2,743,892)	(2,809,745)
Total Estimated General Fund Impact	<u>\$0</u>	<u>(\$1,740,604)</u>	<u>(\$859,399)</u>

Statutory Reference:

Tax Fee rate – multiple, but generally in title 61, chapter 3.

Tax Distribution (MCA) – all fees in Title 61 are distributed to the general fund unless stated otherwise (61-3-108)

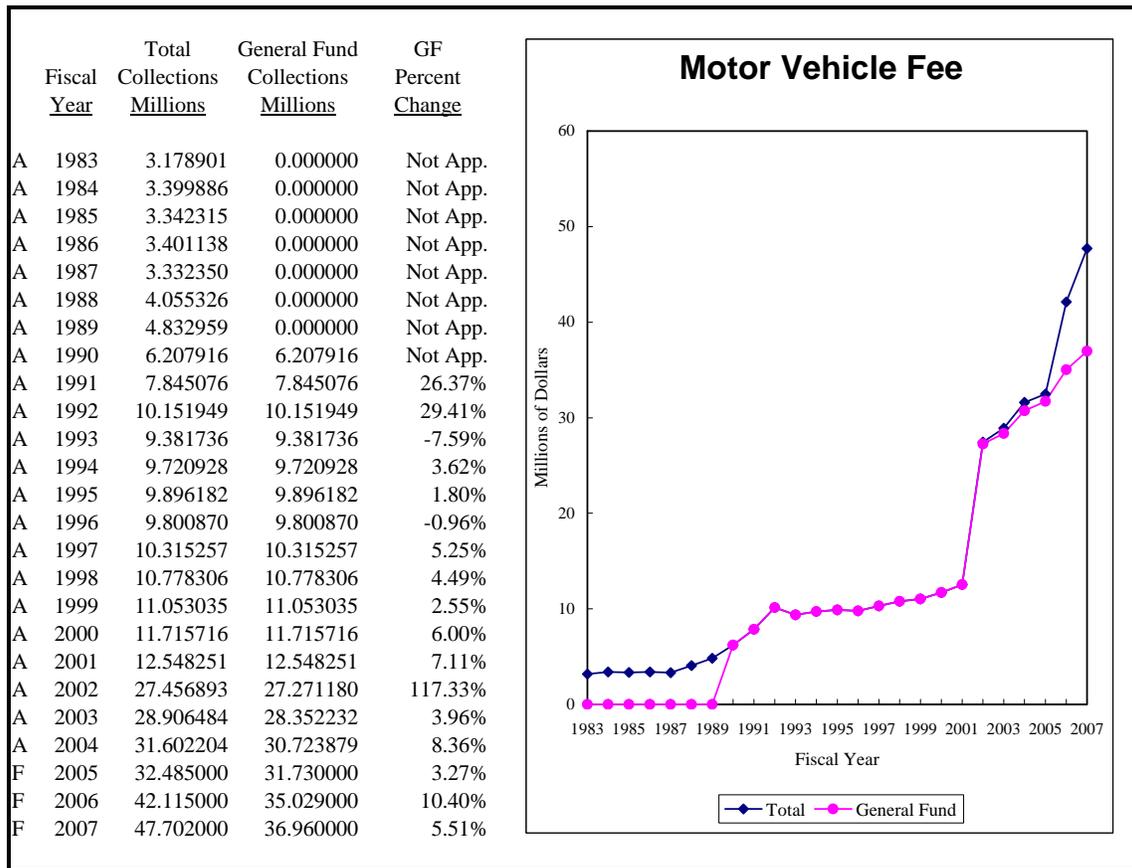
% of Total FY 2004 General Fund Revenue: 2.22%

Legislative Fiscal Division

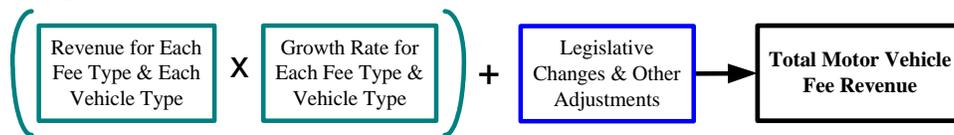
Revenue Estimate Profile

Motor Vehicle Fee

Revenue Projection:

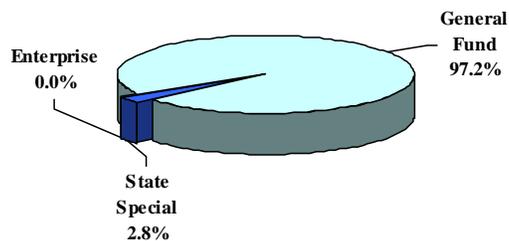


Forecast Methodology



Distribution Methodology

Based on Actual Fiscal 2004



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 2005 legislature that may affect future estimates of this revenue source.

	<u>Year</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Registration</u>	<u>Record</u>	<u>Titles</u>	<u>Personal</u>	<u>Parks</u>
				<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
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	
Actual	2003	28.906484	28.352232	21.712218	0.696408	2.441699	1.353633	
Actual	2004	31.602204	30.723879	22.576638	0.737269	2.660438	1.492359	
Forecast	2005	32.485000	31.730000	22.010978	0.754963	2.724289	1.528176	
Forecast	2006	37.543000	36.770000	22.539241	0.773082	2.789672	1.564852	2.743892
Forecast	2007	38.611000	37.819000	23.080183	0.791636	2.856624	1.602408	2.809745

	<u>Year</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>Non GF Fee</u>	<u>Adjustments</u>
	<u>Fiscal</u>	<u>New Plate</u>	<u>Computer</u>	<u>\$.25</u>	<u>Other</u>	<u>Transit</u>	<u>Lien</u>	<u>Millions</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
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	
Actual	2003	0.491723	0.000000	0.000000	1.221468	0.435083	0.554252	
Actual	2004	0.909985	0.000000	0.000000	1.953075	0.394115	0.878325	
Forecast	2005	1.331178	0.000000	0.000000	2.170518	0.403574	0.754963	0.806000
Forecast	2006	4.934707	0.000000	0.000000	2.222610	0.413260	0.773082	-1.212000
Forecast	2007	2.447405	0.000000	0.000000	2.275953	0.423178	0.791636	1.532000

	<u>Year</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>
	<u>Fiscal</u>	<u>Registration</u>	<u>Record</u>	<u>Titles</u>	<u>Personal</u>	<u>New Plate</u>	<u>Other</u>
		<u>Growth Rate</u>	<u>Growth Rate</u>	<u>Growth Rate</u>	<u>Growth Rate</u>	<u>Growth Rate</u>	<u>Growth Rate</u>
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%
Actual	2003	2.5105%	-4.3340%	3.7706%	6.6194%	-6.2626%	12.6843%
Actual	2004	3.9813%	5.8674%	8.9585%	10.2484%	85.0605%	59.8957%
Forecast	2005	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%
Forecast	2006	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%
Forecast	2007	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%	2.4000%

	<u>Year</u>	<u>GF Fee</u>	<u>Non GF Fee</u>				
	<u>Fiscal</u>	<u>New Plate</u>	<u>Computer</u>	<u>\$.25</u>	<u>Other</u>	<u>Transit</u>	<u>Lien</u>
		<u>Growth Rate</u>					
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%		
Actual	2003	-6.2626%	-100.0000%	-100.0000%	12.6843%	300.4040%	-4.3340%
Actual	2004	85.0605%			59.8957%	-9.4161%	5.8674%
Forecast	2005	46.2857%			11.1334%	2.4000%	2.4000%
Forecast	2006	2.4000%			2.4000%	2.4000%	2.4000%
Forecast	2007	2.4000%			2.4000%	2.4000%	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:

Senate Bill 323 – The legislation allows public contractors to carry forward the public contractor's gross receipts tax (PCGR) credit against individual income taxes or corporation license taxes for up to five succeeding years, reducing the PCGR tax collections by \$350,000 in the 2007 biennium. Under the previous law, public contractors were allowed to offset these taxes paid during the tax year with gross receipts taxes paid in the same year. The legislation allows any unused credit to be carried first to the earliest tax year in which the credit may be applied and then to each succeeding tax year. The new carry forward provision reduces general fund tax collections beginning FY 2007 by \$350,000. The legislation is effective on passage and approval.

Public Contractors Tax -- Legislation Passed by 59th Legislature			
Estimated General Fund Impact for the 2007 Biennium			
<u>Bill Number and Short Title</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>	<u>Fiscal 2007</u>
SB0323 Carryforward of contractor's gross receipts tax -- corporate income			(350,000)
Total Estimated General Fund Impact	<u>\$0</u>	<u>\$0</u>	<u>(\$350,000)</u>

Statutory Reference:

Tax Rate (MCA) – 15-50-205

Tax Distribution MCA) – 15-50-311

Date Due – within 30 days after payment to the contractor (15-50-309)

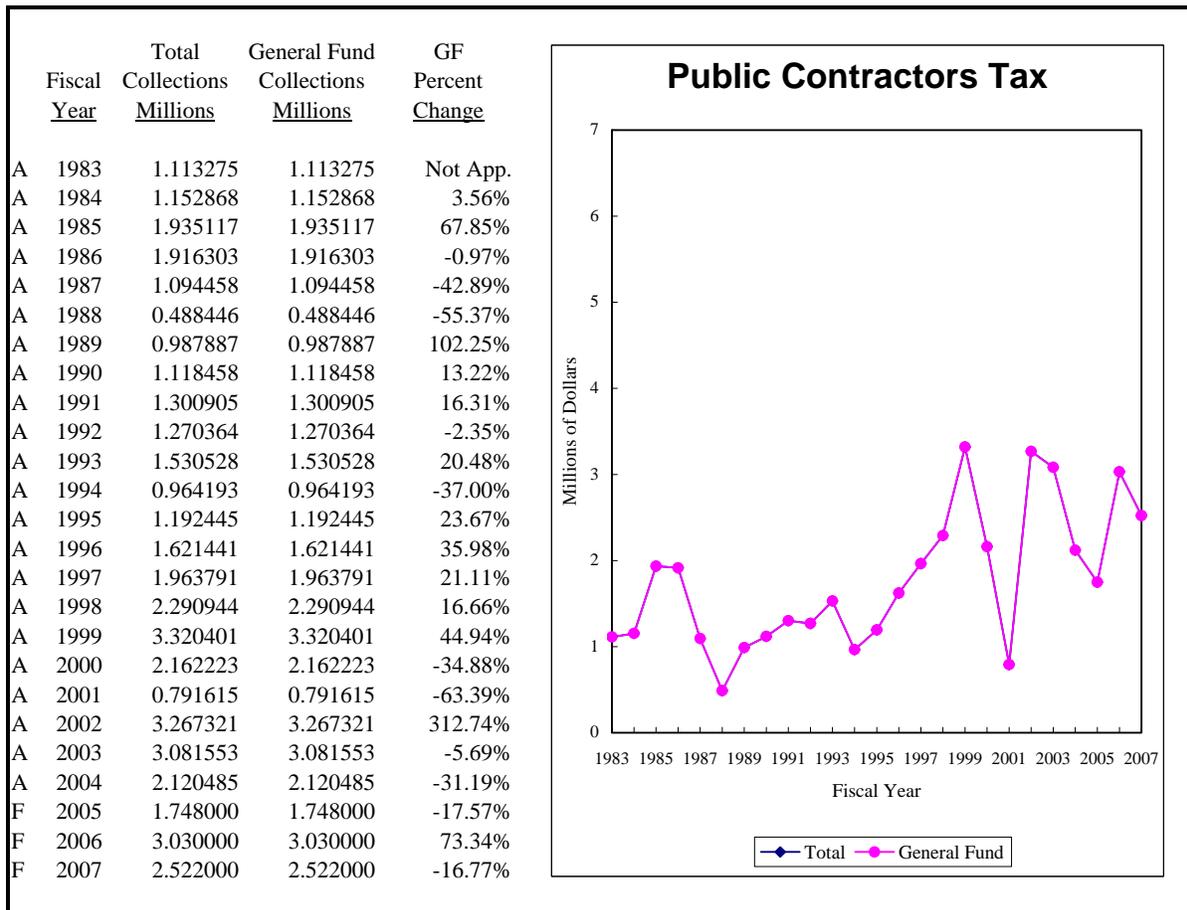
% of Total FY 2004 General Fund Revenue: 0.15%

Legislative Fiscal Division

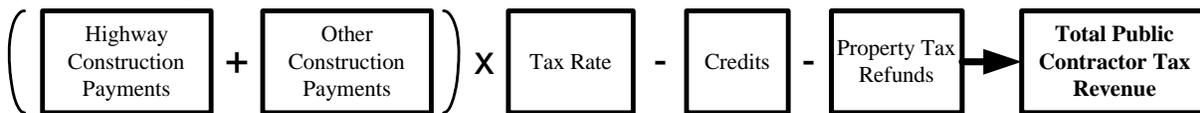
Revenue Estimate Profile

Public Contractors Tax

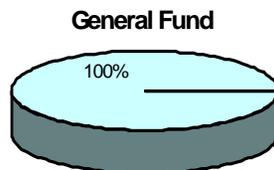
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Public Contractors 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 2005 legislature that may affect future estimates of this revenue source.

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Gross Tax</u>	<u>Credits</u>	<u>Tax</u>	<u>DOT</u>	<u>Other</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>& Refunds</u>	<u>Rate</u>	<u>Millions</u>	<u>Millions</u>
					<u>Millions</u>			
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
Actual	2003	3.081553	3.081553	5.706437	2.624884	0.010000	226.113524	344.530176
Actual	2004	2.120485	2.120485	6.004105	3.883620	0.010000	241.630131	358.780369
Forecast	2005	1.748000	1.748000	6.399198	4.651065	0.010000	281.139440	358.780369
Forecast	2006	3.030000	3.030000	6.327495	3.297714	0.010000	273.969092	358.780369
Forecast	2007	2.872000	2.872000	6.238629	3.367029	0.010000	265.082521	358.780369

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 Railroad car tax applies to the rolling stock owned by railroad companies. The railroad car tax rate the average property 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 the statewide average mill levy for commercial and industrial property. The most current tax year rates are:

• 2003 – 4.02%	• 2005 – 3.81%	• 2007 – 3.60%
• 2004 – 3.88%	• 2006 – 3.70%	

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

Summary of Legislative Action: The 59th Legislature did not enact legislation that impacted this general fund revenue source.

Statutory Reference:

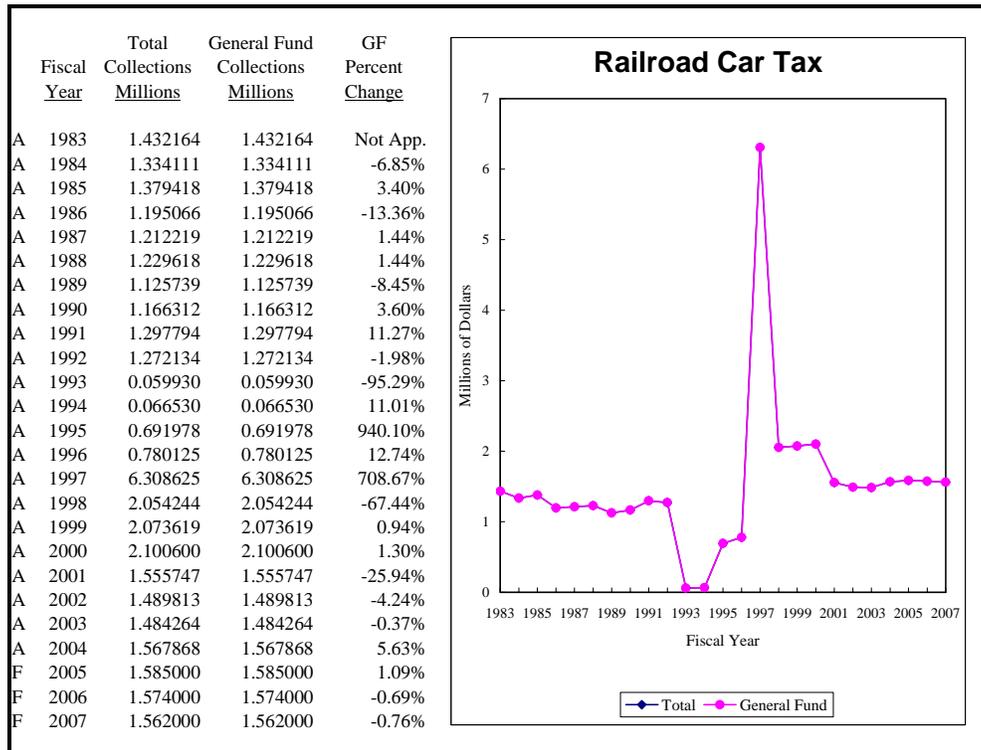
Tax Rate (MCA) - 15-23-214(1)

Tax Distribution (MCA) – 15-23-215

Date Due – Report due to the Department of Revenue April 15th of each year for the previous calendar year (15-23-103(2), 15-23-212). The department calculates the tax due by the third Monday in October (15-23-214(1)). One-half of the tax is due by November 30th and one-half is due by May 31st (15-23-214(3), 15-16-102(1)).

% of Total FY 2004 General Fund Revenue: 0.11%

Revenue Projection:



Legislative Fiscal Division

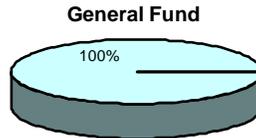
Revenue Estimate Profile

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 2005 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	Percent	of Fleet	Rate	95/100 %
				Millions		Millions		
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
Actual	2003	1.484264	1.484264	19527.799607	0.004791	93.549116	0.040200	0.419254
Actual	2004	1.567868	1.567868	19231.928074	0.004369	84.019893	0.038800	0.474429
Forecast	2005	1.585000	1.585000	18767.654717	0.004404	82.645156	0.038100	0.503390
Forecast	2006	1.574000	1.574000	18767.654717	0.004414	82.840428	0.037000	0.513458
Forecast	2007	1.562000	1.562000	18767.654717	0.004414	82.840428	0.036000	0.523727

Legislative Fiscal Division

Revenue Estimate Profile

Rental Car Sales Tax

Revenue Description: Beginning July 1, 2003, a new four percent sales tax is imposed on the base rental charge for rental vehicles. The base rental charge includes use charges for time and mileage, insurance, accessory equipment, and charges for additional or underage drivers. It does not include price discounts, charges for operating an airport concession, motor fuel, intercity drop charges, and government taxes. A rental vehicle is one that is used by a person other than the owner by arrangement and for consideration. Included are light vehicles, motorcycles, motor-driven cycles, quadricycles, motorboats and sailboats, and off-highway vehicles. Sales to the U.S. government are 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 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. Vendors are allowed to claim and keep five percent of the tax as an allowance, not to exceed \$1,000 a quarter.

Applicable Tax Rate(s): A four percent sales tax is imposed on the base rental charge for rental vehicles.

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

Summary of Legislative Action: The 59th Legislature did not enact legislation that impacted this general fund revenue source.

Statutory Reference:

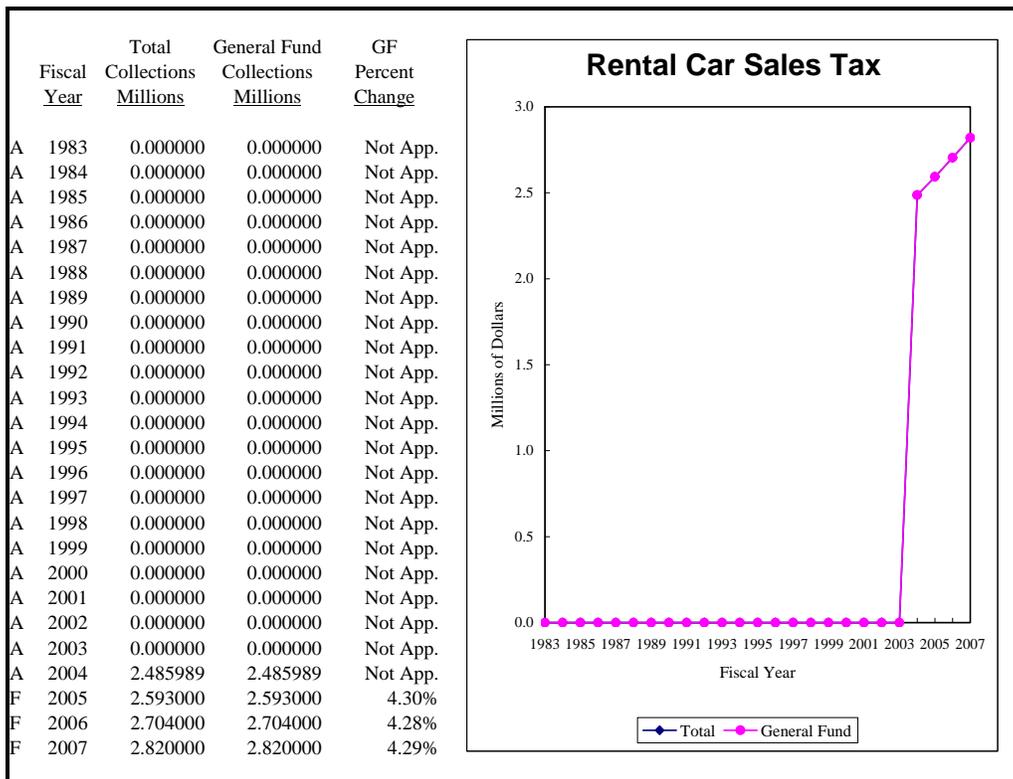
Tax Rate (MCA) - 15-68-102(1b)

Tax Distribution MCA) - 15-68-820

Date Due - before the last day of the month following the calendar quarter (15-68-502(1))

% of Total FY 2004 General Fund Revenue: 0.18%

Revenue Projection:



Legislative Fiscal Division

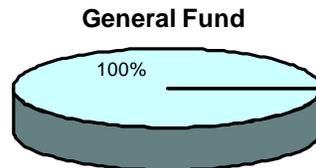
Revenue Estimate Profile

Rental Car Sales 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 2005 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>Credits</u>	<u>Audits</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2001	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2002	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2003	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Actual	2004	2.485989	2.485989	62.149725	0.040000	0.000000	0.000000
Forecast	2005	2.593000	2.593000	64.822163	0.040000	0.000000	0.000000
Forecast	2006	2.704000	2.704000	67.609516	0.040000	0.000000	0.000000
Forecast	2007	2.820000	2.820000	70.516725	0.040000	0.000000	0.000000

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: After retaining an allowance for refunds, all proceeds are deposited into the general fund.

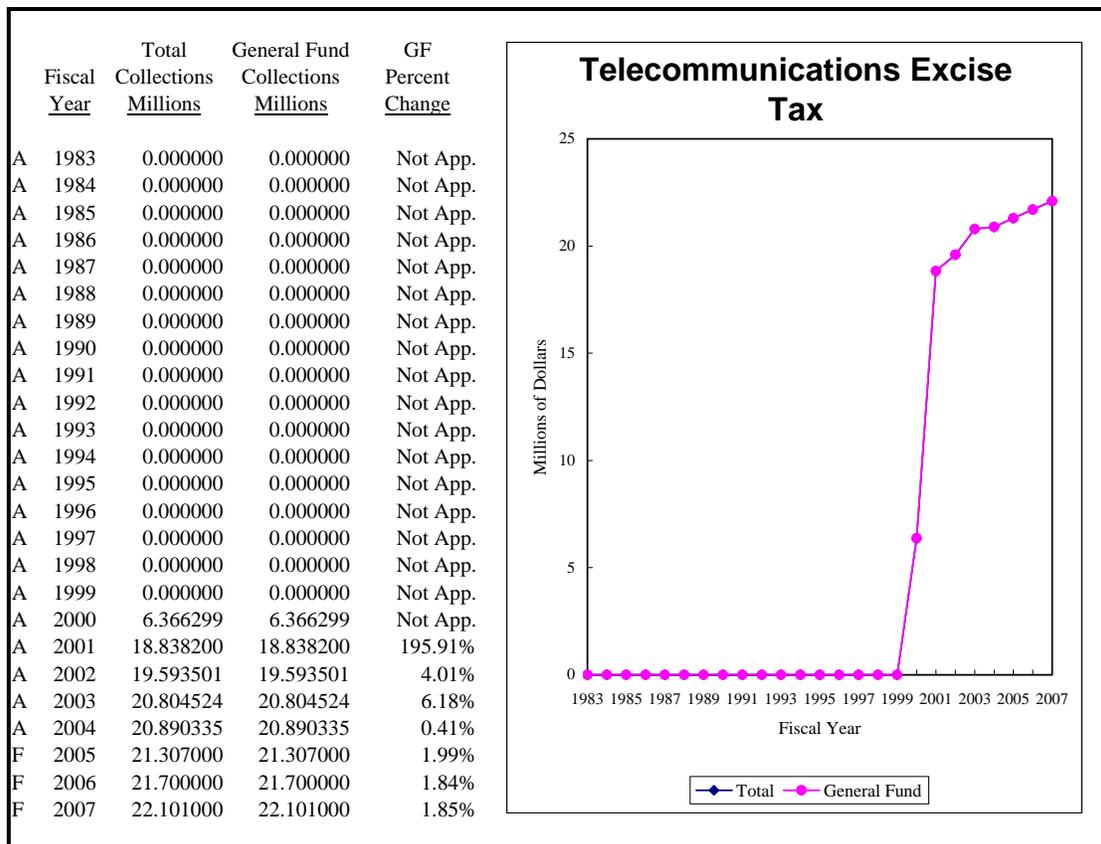
Summary of Legislative Action: The 59th Legislature did not enact legislation that impacted this general fund revenue source.

Statutory Reference:

- Tax Rate (MCA) – 15-53-130
- Tax Distribution (MCA) – 15-53-156
- Date Due – 60 days after the end of the calendar quarter (15-53-139)

% of Total FY 2004 General Fund Revenue: 1.51%

Revenue Projection:

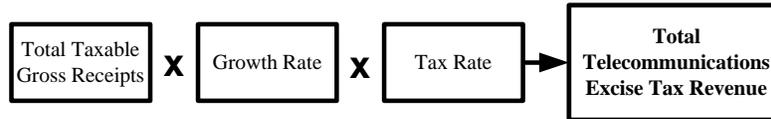


Legislative Fiscal Division

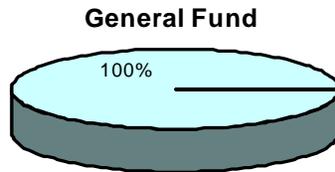
Revenue Estimate Profile

Telecommunications Excise 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 2005 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>Credits</u>	<u>Audits</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Rate</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	6.366299	6.366299	182.127040	0.037500	0.000000	0.000000
Actual	2001	18.838200	18.838200	465.259867	0.037500	0.429045	1.820000
Actual	2002	19.593501	19.593501	512.754187	0.037500	0.252198	0.617417
Actual	2003	20.804524	20.804524	540.397200	0.037500	0.004069	0.543698
Actual	2004	20.890335	20.890335	544.549744	0.037500	0.052757	0.837881
Forecast	2005	21.307000	21.307000	554.841734	0.037500	0.000000	0.500000
Forecast	2006	21.700000	21.700000	565.328243	0.037500	0.000000	0.500000
Forecast	2007	22.101000	22.101000	576.012947	0.037500	0.000000	0.500000

Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

Revenue Description: Light vehicles, motorcycles and quadricycles, snowmobiles, buses, trucks, truck tractors having a manufacturer's rated capacity of more than 1 ton, motor homes, and certain trailers and travel trailers are taxed under a fee schedule that varies by age and weight.

Before January 1, 2001 light vehicles were taxed on an ad valorem basis. As a result of Referendum (LR) 115 (HB540), passed by the electorate in November 2000, light vehicles pay a fee-in-lieu of tax (FILT). 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. Owners of vehicles greater than ten years old may pay \$50 for a permanent registration.

Effective January 1, 2004, the fees-in-lieu-of-tax on motorcycles and quadricycles, trailers and travel trailers, snowmobiles, watercraft, off-highway vehicles are one-time payments, except upon change of ownership. These one-time fees in calendar 2004 will double in calendar 2005 and beyond.

Effective January 1, 2003, the fee schedule on heavy trucks was 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 in the 2003 legislative session. The fee schedule for truck varies by age and weight capacity.

Applicable Tax Rate(s): Varies

Distribution: All fees-in-lieu-of-tax are deposited in the general fund.

Summary of Legislative Action: The 59th Legislature did not enact legislation that impacted this general fund revenue source.

Statutory Reference :

Tax Rate (MCA) – watercraft one-time (23-2-516), snowmobiles one-time (23-2-626), OHV one-time (23-2-803), motor homes (61-3-522), travel trailers one-time (61-3-523), motorcycles and quadricycles one-time (61-3-527), vehicles greater than 1 ton (61-3-529), trailers one-time (61-3-530), light vehicles (61-3-561)

Tax Distribution (MCA) – watercraft (23-2-518), snowmobiles (23-2-619(7)), OHV (23-2-803), light vehicles (61-3-509), motorcycles and quadricycles (61-3-509), motor homes (61-3-509), vehicles greater than 1 ton (61-3-509)

Date Due – County treasurers to remitted the revenue to the Department of Revenue every 30 days (61-3-509).

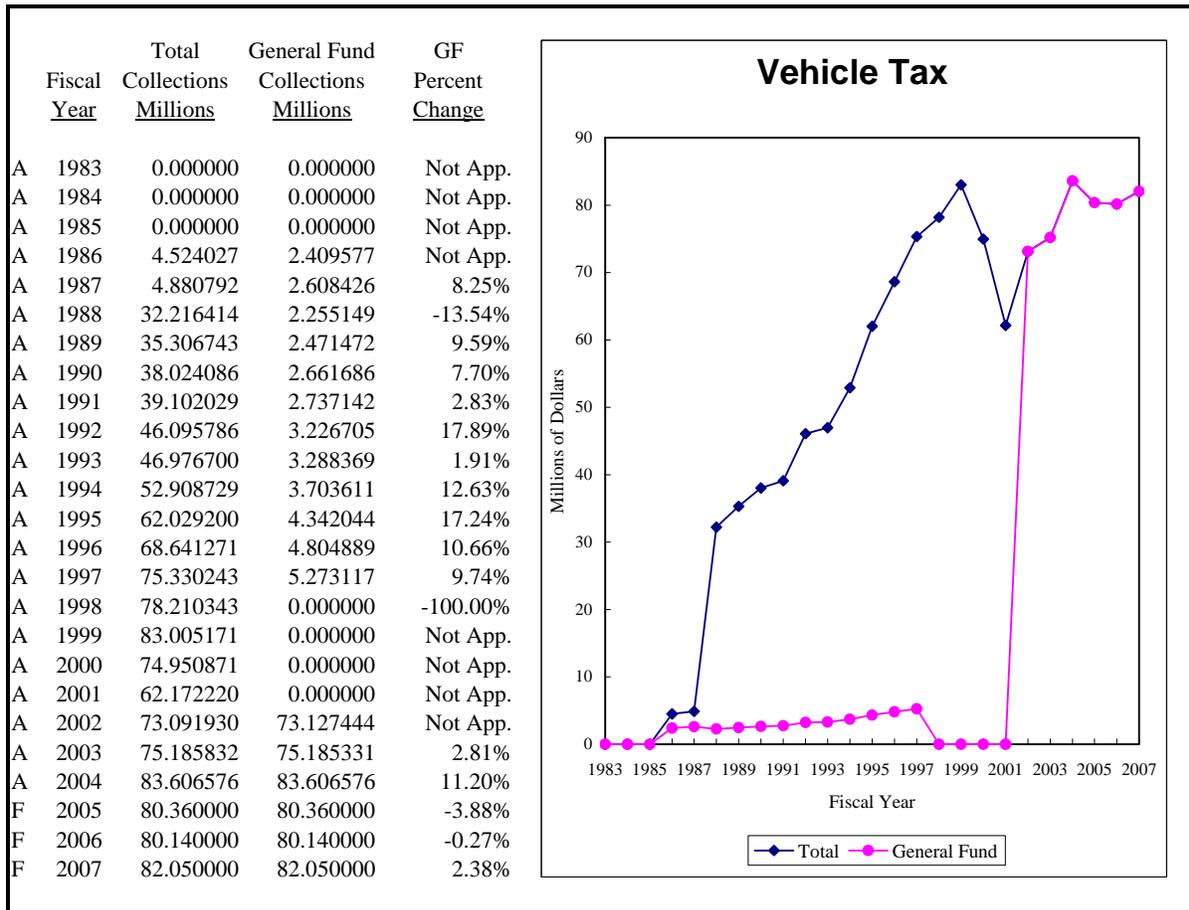
% of Total FY 2004 General Fund Revenue: 6.05%

Legislative Fiscal Division

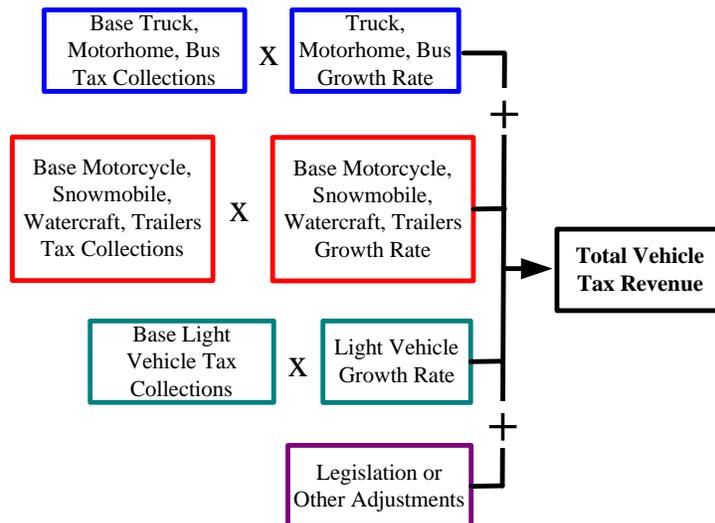
Revenue Estimate Profile

Vehicle Tax

Revenue Projection:



Forecast Methodology



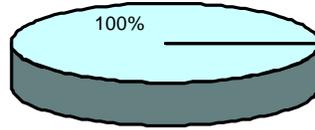
Legislative Fiscal Division

Revenue Estimate Profile

Vehicle Tax

Distribution Methodology

General Fund



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 2005 legislature that may affect future estimates of this revenue source.

	<u>Fiscal</u>	<u>Total Tax</u> <u>Millions</u>	<u>GF Tax</u> <u>Millions</u>	<u>Non-GF Tax</u> <u>Millions</u>	<u>Legislation</u> <u>Millions</u>
Actual	2000				
Actual	2001				
Actual	2002	73.091930	73.127444	-0.035514	
Actual	2003	75.185832	75.185331	0.000501	
Actual	2004	83.606576	83.606576	0.000000	
Forecast	2005	80.360000	80.360000	0.000000	1.522901
Forecast	2006	80.140000	80.140000	0.000000	-0.589622
Forecast	2007	82.050000	82.050000	0.000000	-0.617298

	<u>Fiscal</u>	<u>Large</u> <u>Truck</u> <u>Millions</u>	<u>Motor</u> <u>Home</u> <u>Millions</u>	<u>Light</u> <u>Vehicle</u> <u>Millions</u>	<u>Boats/</u> <u>Snow</u> <u>Millions</u>	<u>MCO</u> <u>Registration</u> <u>Millions</u>	<u>District</u> <u>Courts</u> <u>Millions</u>
Actual	2000						
Actual	2001						
Actual	2002	5.383664	3.607418	54.602101	2.075694	7.458568	-0.035514
Actual	2003	5.116869	3.342342	56.961345	2.195942	7.568832	0.000000
Actual	2004	8.562457	4.484770	58.457160	3.980061	8.122128	0.000000
Forecast	2005	5.365426	3.504700	59.728299	2.302612	7.936496	0.000000
Forecast	2006	5.494196	3.588813	61.161778	2.357875	8.126972	0.000000
Forecast	2007	5.626057	3.674945	62.629661	2.414464	8.322019	0.000000

	<u>Fiscal</u>	<u>Large</u> <u>Truck</u> <u>Rate</u>	<u>Motor</u> <u>Home</u> <u>Rate</u>	<u>Light</u> <u>Vehicle</u> <u>Rate</u>	<u>Boats/</u> <u>Snow</u> <u>Rate</u>	<u>MCO</u> <u>Registration</u> <u>Rate</u>
Actual	2000					
Actual	2001					
Actual	2002					
Actual	2003	0.028648	-0.049556	-0.073481	0.043208	0.057931
Actual	2004	0.111999	0.673378	0.341805	0.026260	0.812462
Forecast	2005	0.024000	0.024000	0.024000	0.024000	0.024000
Forecast	2006	0.024000	0.024000	0.024000	0.024000	0.024000
Forecast	2007	0.024000	0.024000	0.024000	0.024000	0.024000

