



Mike Kadas
Director

Montana Department of Revenue



Steve Bullock
Governor

Memorandum

To: Dan Villa, Budget Director State of Montana
From: Mike Kadas, Director Montana Department of Revenue
Date: December 4, 2017
Subject: Federal Tax Reform Impacts to the State's Budget

There are a number of proposed changes to federal corporate and individual income tax that would affect Montana, largely due to changes in federal taxable income. I have concerns that these changes will have a net impact that negatively impacts the state general fund. In addition, during the fog of the special session the Congressional Budget Office reported that the proposed tax cuts by the House would trigger sequestration and automatic elimination of a wide range of federal programs like mineral leasing payments to the state.

The following table outlines estimated revenue changes of the major provisions affecting corporate and individual income tax revenue and the elimination of the mineral leasing payments.

Estimated Impacts to the State General Fund				
	TY 2018		TY 2019	
	In Millions			
Program	House Provisions	Senate Provisions	House Provisions	Senate Provisions
Individual/Pass-through Income Tax	30.9	(80.0)	31.4	(80.0)
Corporation Income Tax	(13.0)	(13.0)	(13.2)	(13.2)
Elimination of the ACA's Individual Mandate	0.0	(5.5)	0.0	(5.5)
Elimination of Federal Mineral Royalties ¹	(24.0)	(24.0)	(24.0)	(24.0)
Net State General Fund Impact	(6.1)	(122.5)	(5.8)	(122.7)

¹Based on FY2018 payments