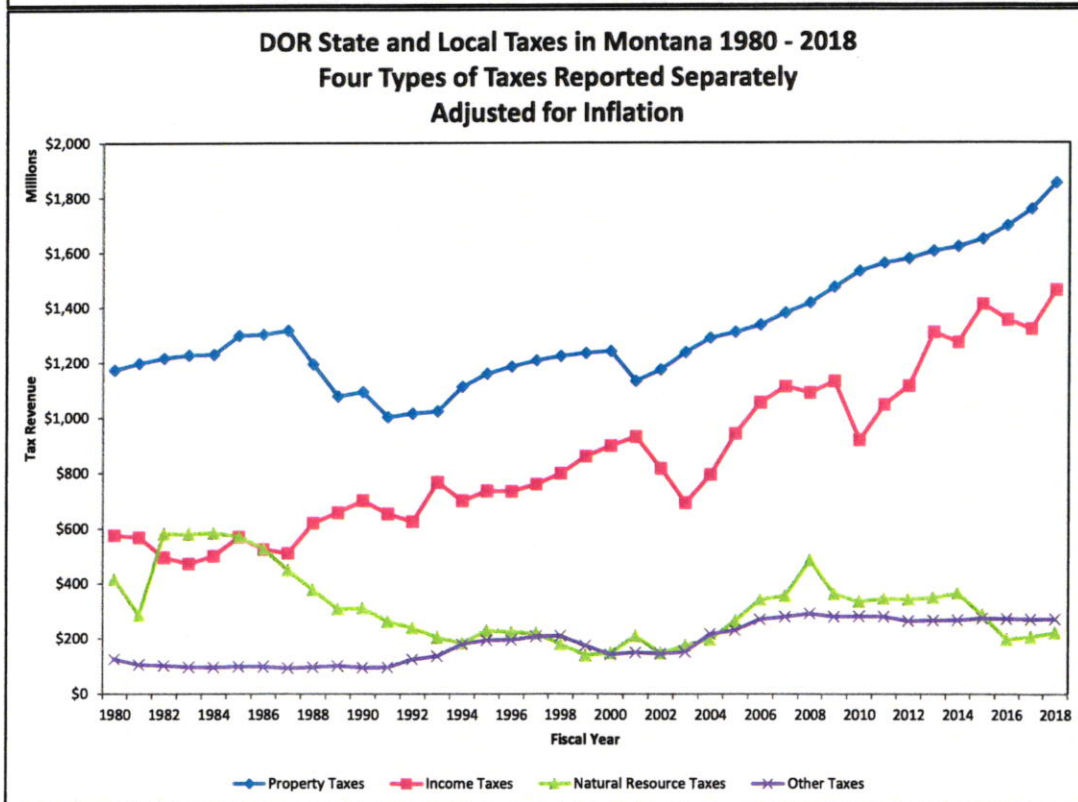
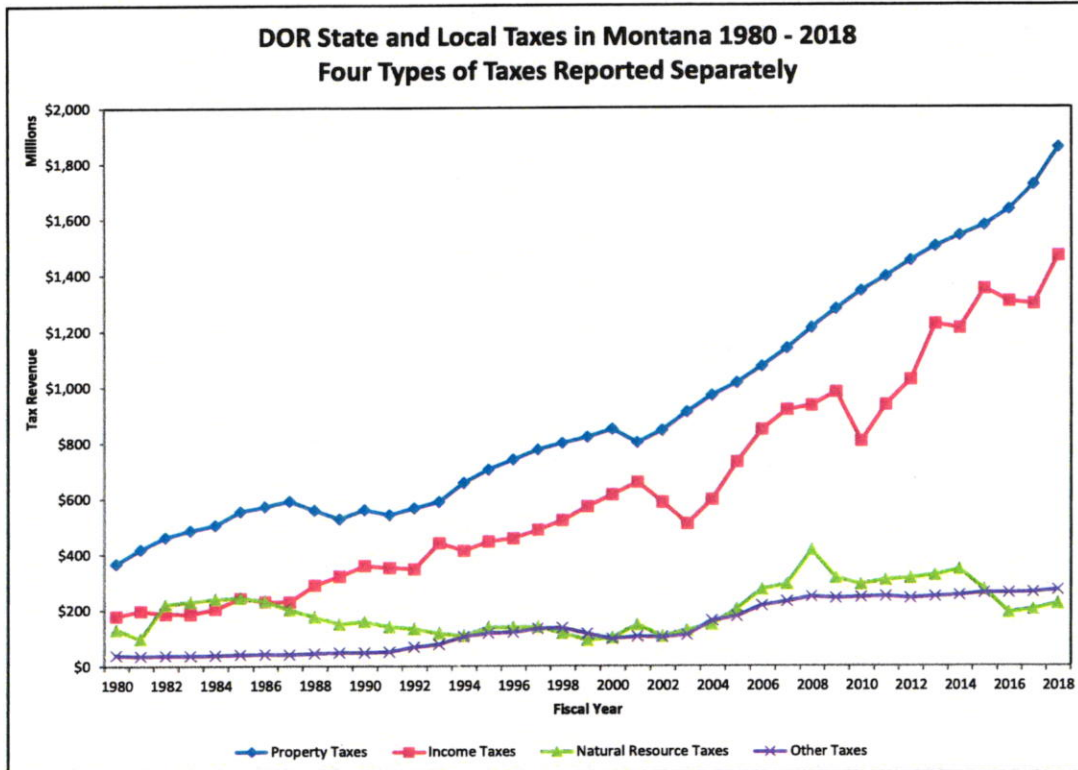


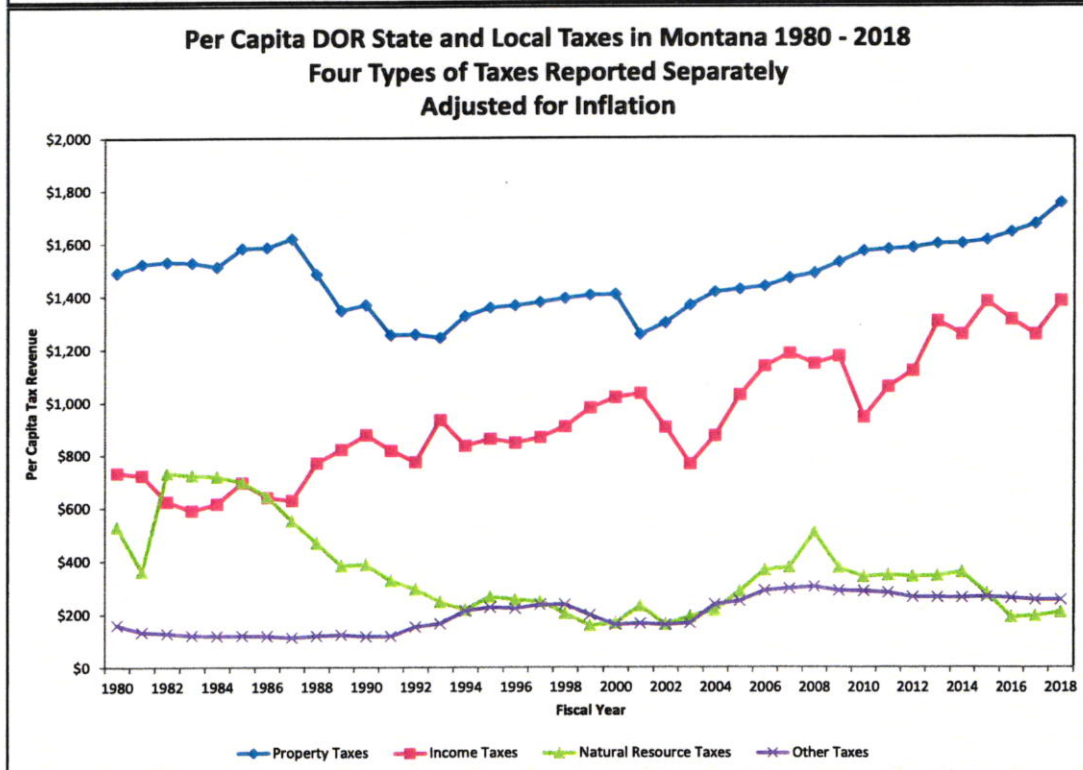
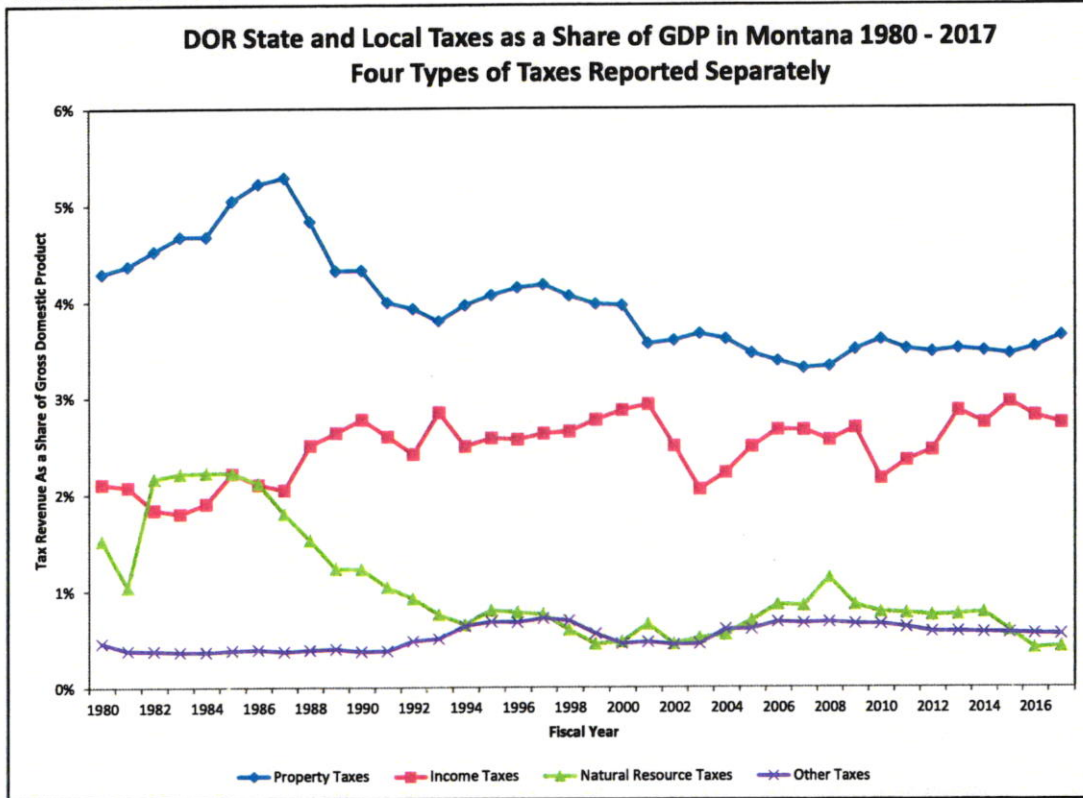
# Montana Tax Trends

The two graphs on this page show total collections of taxes, divided into four categories, for Fiscal Years 1980 through 2018. The first shows the actual amount of collections each year. The second shows collections adjusted for inflation, with each year's collections shown in terms of their value in 2018.



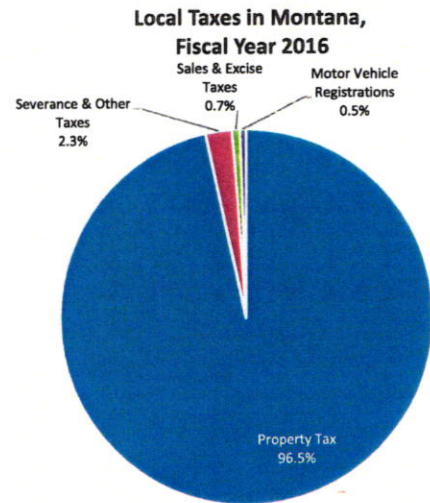
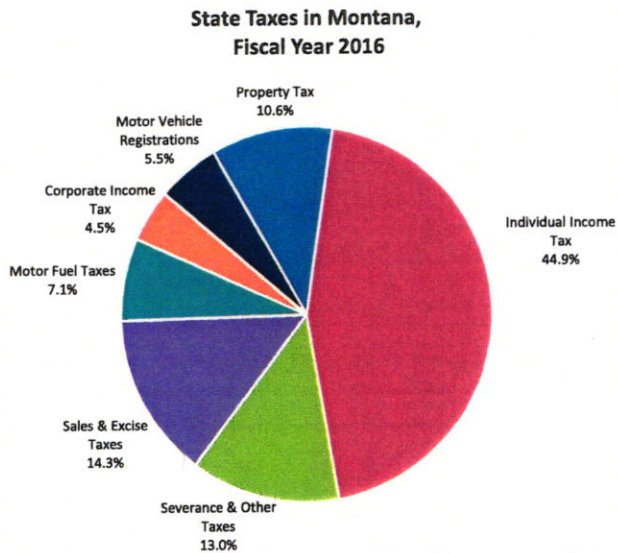
# Montana Tax Trends

The two graphs on this page also show total collection of taxes in Montana, divided into the same four categories, for Fiscal Years 1980 through 2018. The first graph shows the amount of collections for each tax type as a share of Montana's gross domestic product for the same period. The second shows the amount of revenue collected on a per capita basis. The second chart is also adjusted for inflation, with each year's collections shown in terms of their 2018 value.





# Department of Revenue Tax Collections



Local government and school district tax collections come almost entirely from property taxes. The coal gross proceeds tax, which is the locally collected severance tax, was originally a property tax, but the legislature changed it to a flat rate tax on the value of production in 1975 so that all mines would pay the same rate. Local option sales taxes collected by resort communities and local option vehicle taxes are each less than 1 percent of local tax collections.

The following table shows how each type of tax was allocated between state and local governments in the Fiscal Year ending June 30, 2018. For the state share, it shows the allocation between the state general fund and earmarked uses. Each column shows the allocation of one type of tax. The bottom row shows the percentage of total state and local tax revenue from each type of tax. The rest of each column shows the percentage of collections of each type of tax that went to local governments, school districts, the state general fund, and various earmarked state funds in Fiscal Year 2018.

For taxes that are collected by the state, the table shows the share that is distributed to local governments and school districts. However, it does not reflect the fact that half of revenue going into the state general fund is distributed to local governments and school districts.

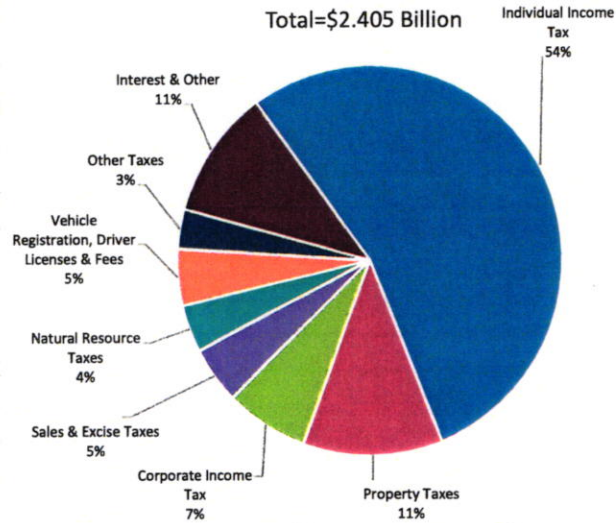
| Allocation of Montana State and Local Taxes, FY 2018 |                    |                       |                         |                      |                  |                      |                        |
|--|--------------------|-----------------------|-------------------------|----------------------|------------------|----------------------|------------------------|
|  | Property Tax       | Individual Income Tax | Severance & Other Taxes | Sales & Excise Taxes | Motor Fuel Taxes | Corporate Income Tax | Motor Vehicle Licenses |
| <b>Local</b>   |                    |                       |                         |                      |                  |                      |                        |
| Governments & Special Districts                      | 40.90%             | -                     | 15.38%                  | 0.84%                | -                | -                    | -                      |
| Schools  | 41.47%             | -                     | 16.74%                  | -                    | -                | -                    | -                      |
| <b>State</b>   |                    |                       |                         |                      |                  |                      |                        |
| General Fund   | 16.57%             | 100.00%               | 38.12%                  | 44.06%               | -                | 100.00%              | 69.72%                 |
| University System                                    | 1.06%              | -                     | 0.81%                   | 1.08%                | -                | -                    | -                      |
| Health & Human Services                              | -                  | -                     | -                       | 20.09%               | -                | -                    | -                      |
| Regulation & Agency Operations                       | -                  | -                     | 1.73%                   | 15.09%               | -                | -                    | 4.62%                  |
| Public Safety  | -                  | -                     | 2.07%                   | 1.46%                | 0.05%            | -                    | -                      |
| Transportation                                       | -                  | -                     | -                       | 0.22%                | 95.78%           | -                    | 22.71%                 |
| Environment  | -                  | -                     | 5.01%                   | 0.30%                | 4.17%            | -                    | -                      |
| State Buildings                                      | -                  | -                     | 3.78%                   | 0.29%                | -                | -                    | -                      |
| Trust Funds (inc. Retirement)                        | -                  | -                     | 16.36%                  | 0.27%                | -                | -                    | 0.16%                  |
| Parks, Recreation, Tourism                           | -                  | -                     | -                       | 16.30%               | -                | -                    | 2.80%                  |
| <b>Total</b>   | <b>100.00%</b>     | <b>100.00%</b>        | <b>100.00%</b>          | <b>100.00%</b>       | <b>100.00%</b>   | <b>100.00%</b>       | <b>100.00%</b>         |
| <b>% of Total from Each Tax</b>                      | <b>39.94%</b>      | <b>30.36%</b>         | <b>4.34%</b>            | <b>13.54%</b>        | <b>4.13%</b>     | <b>4.09%</b>         | <b>3.61%</b>           |
| <b>Total From Each Tax (\$ millions)</b>             | <b>\$1,703.136</b> | <b>\$1,294.934</b>    | <b>\$184.991</b>        | <b>\$577.407</b>     | <b>\$175.973</b> | <b>\$174.393</b>     | <b>\$153.857</b>       |



## Department of Revenue Tax Collections

The graph to the right shows the breakdown of general fund revenue for the Fiscal Year ending June 30, 2018, including taxes and non-tax revenue. The individual income tax is by far the largest single source of revenue for the general fund, and accounts for over half of state general fund revenue. The second largest source is property tax from the 95-mill statewide school equalization levy, which accounted for 11 percent of general fund revenue. Nearly all other revenue categories each accounted for less than 10 percent of general fund revenue.

State General Fund Revenue  
Fiscal Year 2018  
Total=\$2.405 Billion



The following table shows Department of Revenue collections of state taxes for Fiscal Years 2012 through 2018. For taxes where revenue is split between the state and local governments, this table shows only the state share. Details on each tax can be found in later sections of this report. The Department of Revenue collects about 80 percent of state tax revenue. Other agencies that collect at least 1 percent of state tax revenue are the Department of Transportation (motor fuel taxes), the Commissioner of Securities and Insurance (insurance taxes), and the Department of Justice (gambling taxes).

Department of Revenue State Collections - Fiscal Years 2012 - 2018

|  | 2012                    | 2013                    | 2014                    | 2015                    | 2016                    | 2017                    | 2018                    |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <b>Individual Income Tax</b>                   |                         |                         |                         |                         |                         |                         |                         |
| Income Tax Withheld                            | \$ 734,240,351          | \$ 783,631,123          | \$ 816,681,159          | \$ 875,304,260          | \$ 904,652,951          | \$ 941,987,699          | \$ 998,390,078          |
| Income Tax All Other                           | 164,610,850             | 264,158,862             | 246,603,249             | 300,440,621             | 280,174,810             | 226,236,943             | 299,386,508             |
| Subtotal                                       | 898,851,201             | 1,047,789,985           | 1,063,284,408           | 1,175,744,881           | 1,184,827,762           | 1,168,224,644           | 1,297,776,586           |
| <b>Corporation License Tax</b>                 | 127,774,092             | 177,500,421             | 147,550,091             | 172,731,561             | 118,386,603             | 125,991,635             | 167,099,816             |
| <b>Natural Resources Taxes (State Portion)</b> |                         |                         |                         |                         |                         |                         |                         |
| Bentonite Tax                                  | 494,248                 | 352,050                 | 172,039                 | 219,172                 | 286,081                 | 266,623                 | 291,255                 |
| Coal Severance Tax                             | 52,742,627              | 56,573,818              | 57,676,184              | 60,891,414              | 60,358,548              | 58,806,035              | 60,097,399              |
| Oil and Gas Production Tax                     | 110,123,693             | 120,794,398             | 135,766,496             | 92,502,365              | 45,537,806              | 54,846,008              | 65,514,847              |
| Resource Indemnity Trust Tax                   | 2,343,678               | 2,112,327               | 2,278,971               | 3,303,038               | 2,335,153               | 2,622,658               | 2,531,336               |
| Metalliferous Mines License Tax                | 9,936,518               | 13,222,539              | 10,457,348              | 10,947,952              | 5,691,074               | 6,698,782               | 8,700,599               |
| Subtotal                                       | 175,640,765             | 193,055,132             | 206,351,039             | 167,863,941             | 114,208,662             | 123,242,105             | 137,135,436             |
| <b>Other Taxes, Licenses and Services</b>      |                         |                         |                         |                         |                         |                         |                         |
| Cigarette Tax                                  | 75,533,075              | 74,790,040              | 73,839,772              | 71,843,320              | 73,219,123              | 71,872,218              | 65,495,811              |
| Telecommunications Excise Tax                  | 21,459,017              | 20,651,872              | 19,656,770              | 18,256,517              | 16,774,868              | 15,602,798              | 13,725,924              |
| Lodging Facility Use Tax                       | 22,257,882              | 23,332,178              | 24,486,047              | 27,127,478              | 27,910,664              | 29,539,381              | 32,805,856              |
| Inheritance/Estate Tax (Net)                   | 59,718                  | 1,676                   | 3,741                   | 35                      | 62                      | -                       | -                       |
| Sales Tax - Accommodations                     | 15,606,496              | 16,719,931              | 17,725,159              | 19,696,526              | 21,492,606              | 21,780,133              | 24,091,089              |
| Nursing Facility Bed Tax                       | 14,294,205              | 13,719,662              | 13,929,619              | 13,485,243              | 13,232,878              | 13,109,763              | 16,959,437              |
| Hospital Utilization Fee                       | 21,238,158              | 21,703,642              | 22,179,418              | 23,626,972              | 22,667,834              | 22,282,214              | 22,619,596              |
| Emergency Telephone 911 System                 | 13,212,111              | 13,062,990              | 13,009,356              | 12,947,304              | 13,120,489              | 13,020,367              | 13,003,639              |
| Electrical Energy Production Tax               | 4,481,361               | 5,066,602               | 4,279,845               | 5,132,926               | 4,536,484               | 4,313,577               | 4,301,551               |
| Abandoned Property                             | 7,188,318               | 8,827,032               | 12,882,668              | 10,196,308              | 9,554,713               | 12,068,348              | 13,868,626              |
| Tobacco Products Tax                           | 12,024,144              | 12,386,794              | 12,562,721              | 12,894,293              | 13,131,013              | 13,268,717              | 12,864,522              |
| Wholesale Energy Transaction Tax               | 3,427,411               | 3,558,221               | 3,112,284               | 3,795,377               | 3,516,131               | 3,463,834               | 3,628,180               |
| Public Service Commission Tax                  | 2,461,936               | 2,608,068               | 4,910,861               | 3,254,094               | 2,897,229               | 4,745,981               | 3,936,916               |
| Sales Tax - Rental Vehicles Tax                | 3,419,763               | 3,523,211               | 3,521,324               | 3,906,745               | 4,269,438               | 4,536,234               | 4,958,598               |
| Contractor's Gross Receipts Tax                | (3,041,921)             | (137,587)               | 887,078                 | 3,256,741               | 2,397,493               | 3,078,111               | 4,266,687               |
| Rail Car Tax                                   | 2,273,412               | 2,178,957               | 2,418,072               | 3,706,309               | 3,594,460               | 3,790,195               | 3,648,993               |
| Consumer Counsel Tax                           | 1,523,517               | 1,063,563               | 1,444,344               | 1,469,750               | 1,002,553               | 1,365,518               | 919,347                 |
| TDD Telecommunications Service Fee             | 1,325,236               | 1,317,336               | 1,430,128               | 1,321,811               | 1,334,146               | 1,352,174               | 1,365,782               |
| Intermediate Care Utilization Fee              | 882,024                 | 951,767                 | 906,220                 | 906,155                 | 1,036,982               | 743,617                 | 614,244                 |
| Other Taxes and Licenses                       | 127,592                 | 152,681                 | 151,784                 | 165,793                 | 160,547                 | 152,789                 | 225,566                 |
| Subtotal                                       | 219,753,456             | 225,478,635             | 233,337,211             | 236,989,696             | 235,849,713             | 240,085,969             | 243,300,363             |
| <b>Liquor Taxes, Profits, and Licenses</b>     |                         |                         |                         |                         |                         |                         |                         |
| Liquor Profits and License Fees (to GF)        | 9,559,079               | 10,584,631              | 10,560,209              | 11,253,438              | 11,373,175              | 12,034,865              | 12,459,988              |
| Liquor, Beer, and Wine Taxes                   | 30,266,107              | 31,438,970              | 32,471,220              | 33,908,378              | 34,706,138              | 35,545,414              | 36,450,544              |
| Subtotal                                       | 39,825,185              | 42,023,600              | 43,031,429              | 45,161,815              | 46,079,313              | 47,580,279              | 48,910,532              |
| <b>TOTAL COLLECTIONS</b>                       | <b>\$ 1,461,350,452</b> | <b>\$ 1,685,847,774</b> | <b>\$ 1,693,554,177</b> | <b>\$ 1,798,491,894</b> | <b>\$ 1,699,352,053</b> | <b>\$ 1,705,124,632</b> | <b>\$ 1,894,222,733</b> |



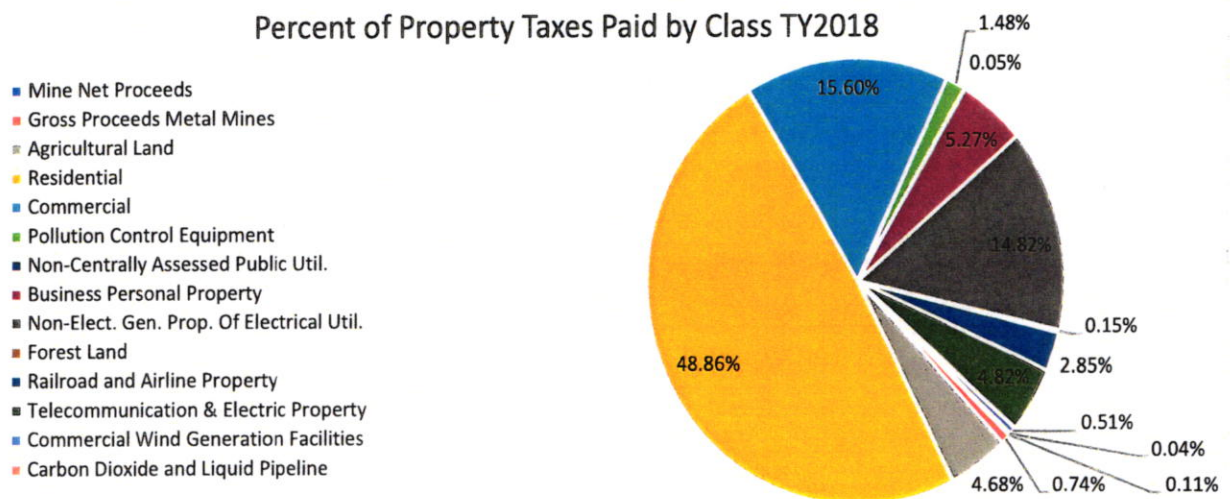
## Property Taxes Paid by Class

### Property Taxes Paid by Class of Property in 2018

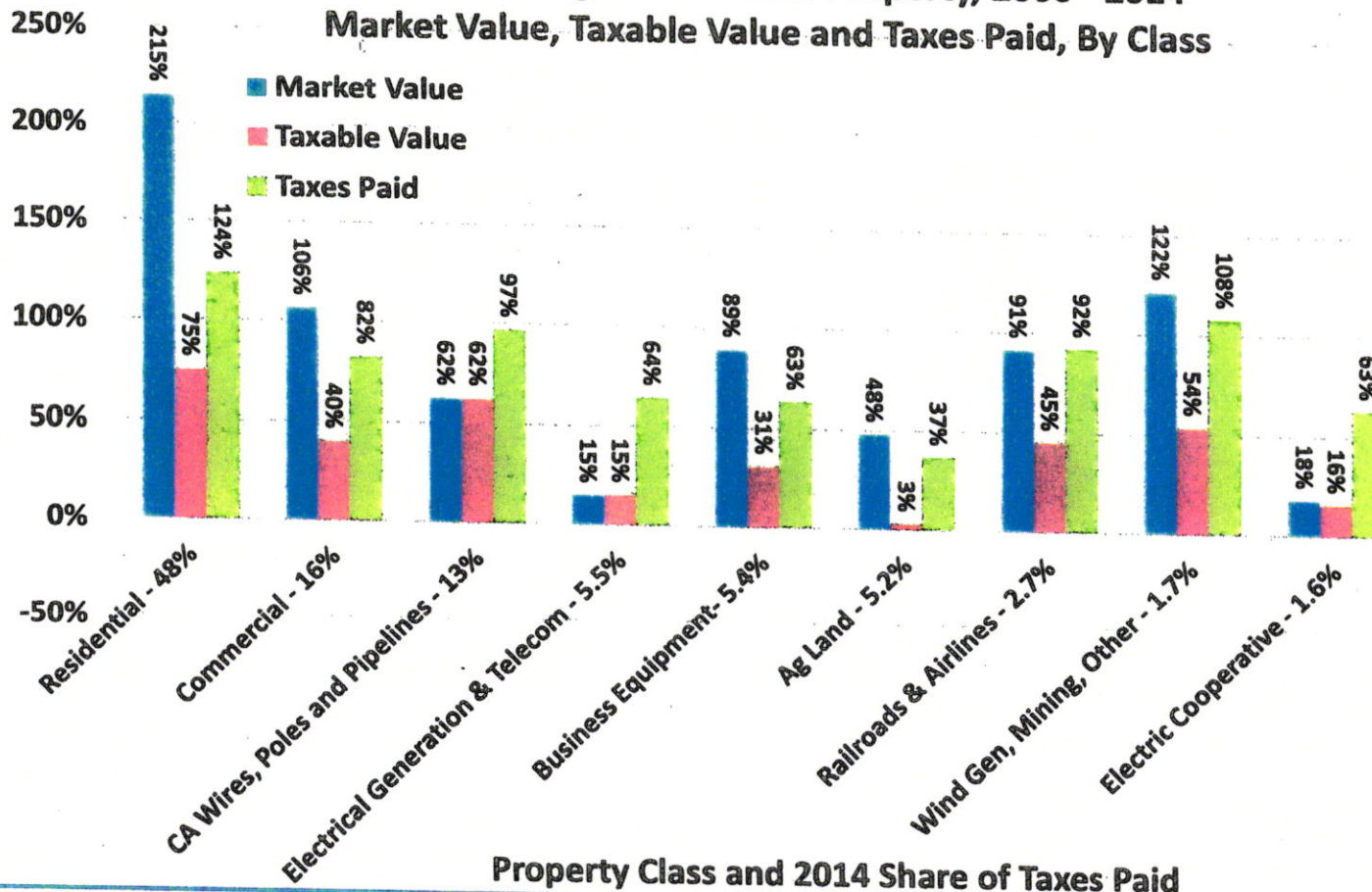
The following table presents market value, taxable market value, and the taxes paid by class of property in the state in Tax Year 2018. Class 4 property provided 64.46 percent, Class 9 provided 14.82 percent, and personal property paid 5.27 percent of total property taxes paid in the state.

| Estimated Property Taxes Paid By Property Class<br>Tax Year 2018 (Fiscal Year 2019) |   |                          |                        |                         |                        |
|---|---|--------------------------|------------------------|-------------------------|------------------------|
| Tax Class   | Description                               | Market Value             | Taxable Value          | Taxes Paid by Tax Class | Percent of Total Taxes |
| 1   | Mine Net Proceeds                         | \$4,794,622              | \$4,794,622            | \$1,930,216             | 0.11%                  |
| 2   | Gross Proceeds Metal Mines                | \$742,469,971            | \$22,274,100           | \$13,047,519            | 0.74%                  |
| 3   | Agricultural Land                         | \$6,753,405,034          | \$152,576,949          | \$82,081,810            | 4.68%                  |
| 4.1   | Residential Improvements                  | \$73,899,125,456         | \$987,734,976          | \$626,526,133           | 35.75%                 |
| 4.2   | Residential Land                          | \$27,710,304,492         | \$364,026,323          | \$229,649,792           | 13.10%                 |
| 4.8   | Commercial Improvements                   | \$14,681,978,732         | \$273,677,910          | \$191,356,525           | 10.92%                 |
| 4.9   | Commercial Land                           | \$6,181,878,587          | \$116,352,932          | \$82,016,084            | 4.68%                  |
| <b>Subtotal Class 4</b>   |   | <b>\$122,473,287,267</b> | <b>\$1,741,792,141</b> | <b>\$1,129,548,534</b>  | <b>64.46%</b>          |
| 5   | Pollution Control Equipment               | \$1,970,360,360          | \$47,312,291           | \$26,009,480            | 1.48%                  |
| 7   | Non-Centrally Assessed Public Util.       | \$15,191,024             | \$1,215,281            | \$911,447               | 0.05%                  |
| 8   | Business Personal Property                | \$6,949,617,276          | \$155,861,423          | \$92,316,434            | 5.27%                  |
| 9   | Non-Elect. Gen. Prop. Of Electrical Util. | \$4,176,210,477          | \$495,370,951          | \$259,741,619           | 14.82%                 |
| 10  | Forest Land                               | \$1,323,802,727          | \$4,898,379            | \$2,633,117             | 0.15%                  |
| 12  | Railroad and Airline Property             | \$2,823,508,511          | \$87,932,183           | \$50,029,906            | 2.85%                  |
| 13  | Telecommunication & Electric Property     | \$2,877,270,073          | \$172,526,493          | \$84,435,089            | 4.82%                  |
| 14  | Commercial Wind Generation Facilities     | \$761,927,227            | \$16,207,755           | \$8,993,866             | 0.51%                  |
| 15  | Carbon Dioxide and Liquid Pipeline        | \$151,198,970            | \$2,009,940            | \$778,679               | 0.04%                  |
| <b>Total</b>  |   | <b>\$151,023,043,539</b> | <b>\$2,904,772,508</b> | <b>\$1,752,457,716</b>  |                        |

The following graph compares the percent of property tax paid for each class of property in Tax Year 2018.



### Percent Change in Montana Property, 2000 - 2014 Market Value, Taxable Value and Taxes Paid, By Class



Property Class and 2014 Share of Taxes Paid

Chart drawn by Jim Standaert for Montana Taxpayers Association, Data from Tax Policy and Research, DOR

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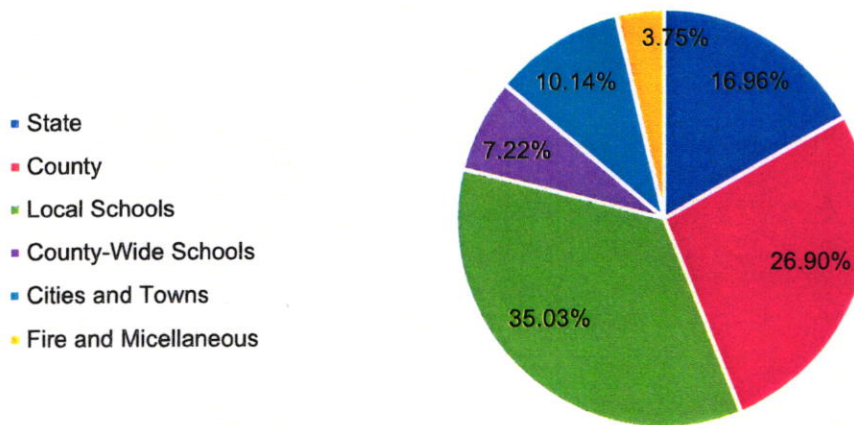
## Property Taxes Paid by Taxing Jurisdiction Type

In Fiscal Year 2017, approximately \$1.544 billion in property tax revenue was used by the state and local jurisdictions. Of this amount, approximately 17.93 percent was budgeted by the state for educational purposes, 27.75 percent was budgeted for county services, 32.66 percent was used to fund local schools, 7.11 percent was used to fund educational retirement and transportation, 10.72 percent was budgeted for cities, and towns, services, and 3.83 percent was budgeted for fire and other miscellaneous services. As presented in the following table, the Fiscal Year 2018 distributions were similar.

| Taxing Jurisdiction   | FY2018          |                  | FY2019          |                  |
|-----------------------|-----------------|------------------|-----------------|------------------|
|                       | Tax Revenue     | Percent of Total | Tax Revenue     | Percent of Total |
| State                 | \$295,313,344   | 17.39%           | \$297,158,316   | 16.96%           |
| County                | \$447,302,306   | 26.34%           | \$471,402,590   | 26.90%           |
| Local Schools         | \$587,192,594   | 34.58%           | \$613,900,481   | 35.03%           |
| County-Wide Schools   | \$119,124,717   | 7.01%            | \$126,502,579   | 7.22%            |
| Cities and Towns      | \$171,739,280   | 10.11%           | \$177,769,753   | 10.14%           |
| Fire and Micellaneous | \$77,523,883    | 4.57%            | \$65,727,808    | 3.75%            |
|                       | \$1,698,196,124 | 100.00%          | \$1,752,461,527 | 100.00%          |

The following pie chart presents the allocation of property tax usage by taxing jurisdiction type for Fiscal Year 2019.

Allocation of Property Taxes by Taxing Jurisdiction Type in FY 2019



### Tax Revenue by County

The following two-page tables presents property tax revenue collected for each county in Tax Year 2017 and Tax Year 2018 by each type of taxing jurisdiction.

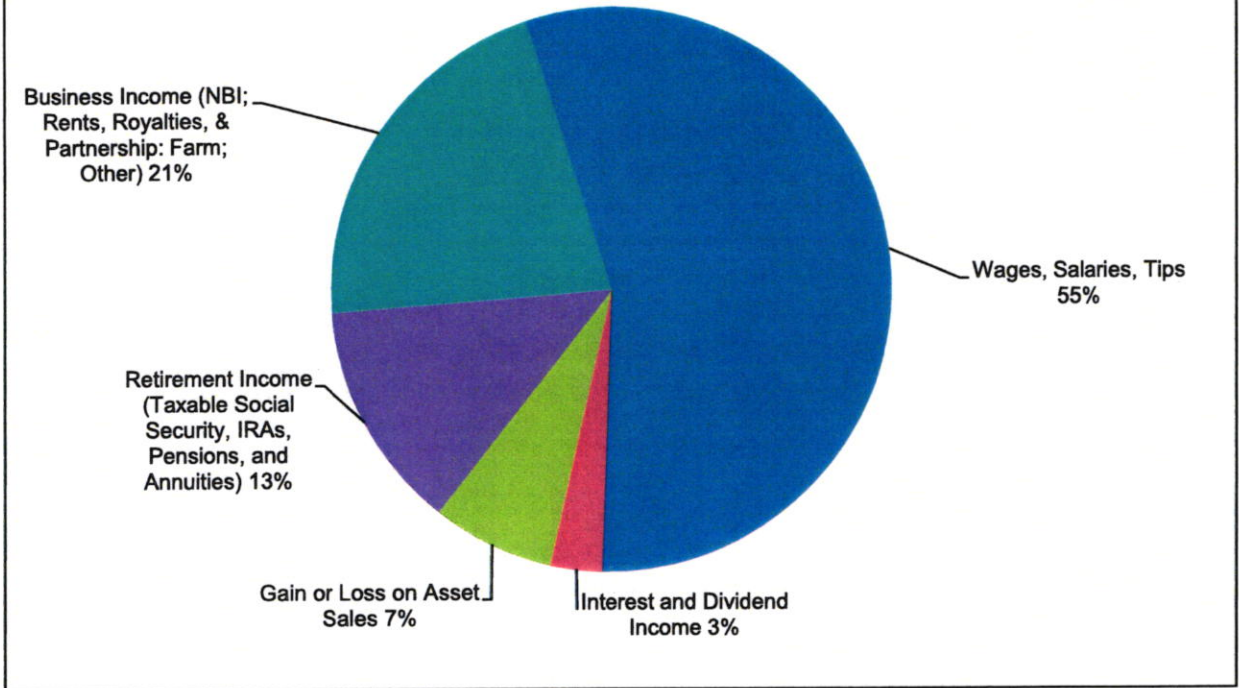
| Property Class | Tax Rate   | Ratio to 4/R | Taxes / \$100,000      |            |
|----------------|--|--------------|------------------------|------------|
|                |  |              | Market Value@500 mills |            |
| 3              | Agricultural Land  | 2.16%        | 1.60                   | \$1,080.00 |
| 4              | Residential  | 1.35%        | 1.00                   | \$675.00 * |
| 4              | Commerical and Industrial  | 1.89%        | 1.40                   | \$945.00   |
| 5              | Pollution Control Equipment, Independent and rural Electric and Telephone Cooperatives, New and Expanding Industry, Electrolytic Reduction Facilities, Research and Development Firms, and gasohol Production Property | 3.00%        | 2.22                   | \$1,500.00 |
| 7              | Noncentrally Assessed Utilities  | 8.00%        | 5.93                   | \$4,000.00 |
| 8              | Business Equipment - First \$100,000 in market value is tax exempt; next six million dollars of market value is taxed at:  | 1.50%        | 1.11                   | \$750.00   |
| 8              | Business Equipment/any property above \$6.1 million  | 3.00%        | 2.22                   | \$1,500.00 |
| 9              | Pipelines and Nonelectric Generating Property of Electric Utilities  | 12.00%       | 8.89                   | \$6,000.00 |
| 10             | Forest Land  | 0.37%        | 0.27                   | \$185.00   |
| 12             | Airlines and Railroads   | 3.04%        | 2.25                   | \$1,520.00 |
| 13             | Telecommunication Utilities and Electric Generating Poperty of Electric Utilities  | 6.00%        | 4.44                   | \$3,000.00 |
| 14             | Renewable Energy Production and Transmission Property  | 3.00%        | 2.22                   | \$1,500.00 |
| 15             | Carbon Dioxide and Liquid Pipeline Property  | 3.00%        | 2.22                   | \$1,500.00 |
| 16             | High Voltage DC Converter Property   | 2.25%        | 1.67                   | \$1,125.00 |

\*Example Formula: tax rate x 100,000 x 500 mills  
.0135 x 100,000 x .500 = \$675.00

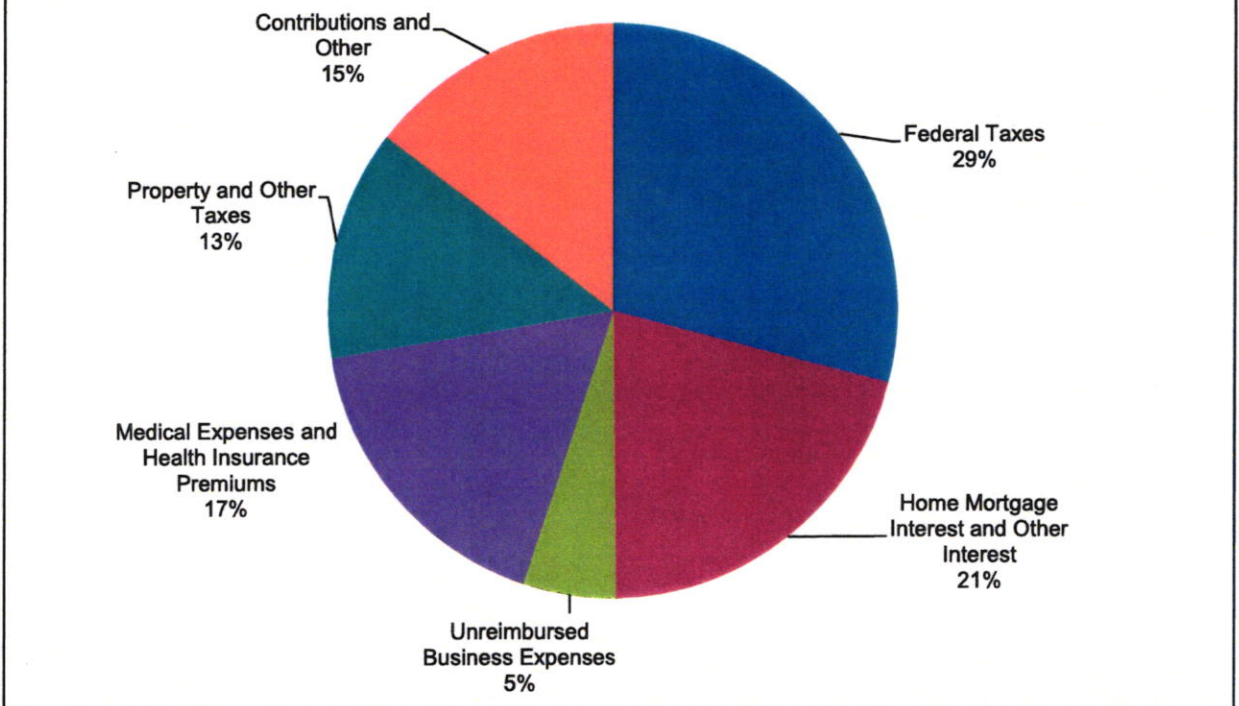




**Breakdown of Income Sources - Tax Year 2017**



**Breakdown of Itemized Deductions - Tax Year 2017**



## Income, Deductions, Credits, and Tax Liability

### Deductions as Percent of Montana Adjusted Gross Income Full-Year Residents 2016 and 2017

| Decile Group | Itemized Deductions | 2016                |      |                     | 2017                |      |  |
|--------------|---------------------|---------------------|------|---------------------|---------------------|------|--|
|              |                     | Standard Deductions | All  | Itemized Deductions | Standard Deductions | All  |  |
| 1            | -37%                | -50%                | -40% | -37%                | -45%                | -39% |  |
| 2            | 90%                 | 32%                 | 50%  | 85%                 | 31%                 | 48%  |  |
| 3            | 58%                 | 22%                 | 36%  | 54%                 | 22%                 | 34%  |  |
| 4            | 42%                 | 20%                 | 29%  | 41%                 | 20%                 | 29%  |  |
| 5            | 34%                 | 18%                 | 25%  | 33%                 | 17%                 | 25%  |  |
| 6            | 27%                 | 16%                 | 23%  | 27%                 | 15%                 | 23%  |  |
| 7            | 25%                 | 15%                 | 23%  | 25%                 | 15%                 | 23%  |  |
| 8            | 24%                 | 13%                 | 22%  | 23%                 | 13%                 | 22%  |  |
| 9            | 22%                 | 10%                 | 21%  | 21%                 | 10%                 | 20%  |  |
| 10           | 14%                 | 5%                  | 14%  | 13%                 | 5%                  | 13%  |  |
| All          | 22%                 | 20%                 | 22%  | 21%                 | 20%                 | 21%  |  |

### Taxable Income and Tax Full-Year Residents 2016 and 2017

| Decile Group | 2016           |           |            |               |         |            | 2017           |           |            |               |          |            |
|--------------|----------------|-----------|------------|---------------|---------|------------|----------------|-----------|------------|---------------|----------|------------|
|              | Taxable Income |           |            | Tax Liability |         |            | Taxable Income |           |            | Tax Liability |          |            |
|              | \$ million     | Average   | % of Total | \$ million    | Average | % of Total | \$ million     | Average   | % of Total | \$ million    | Average  | % of Total |
| 1            | \$0.3          | \$6       | 0%         | \$0.0         | \$0     | 0%         | \$0.5          | \$8       | 0%         | \$0.0         | \$0      | 0%         |
| 2            | \$103.7        | \$1,839   | 1%         | \$1.3         | \$23    | 0%         | \$116.0        | \$2,029   | 1%         | \$1.5         | \$26     | 0%         |
| 3            | \$317.5        | \$5,631   | 2%         | \$6.3         | \$111   | 1%         | \$344.2        | \$6,021   | 2%         | \$6.9         | \$121    | 1%         |
| 4            | \$582.9        | \$10,338  | 3%         | \$16.4        | \$291   | 2%         | \$629.2        | \$11,007  | 3%         | \$18.1        | \$317    | 2%         |
| 5            | \$900.2        | \$15,967  | 5%         | \$33.3        | \$591   | 3%         | \$968.9        | \$16,950  | 5%         | \$36.8        | \$644    | 3%         |
| 6            | \$1,255.8      | \$22,273  | 7%         | \$55.8        | \$989   | 5%         | \$1,335.2      | \$23,358  | 7%         | \$60.3        | \$1,054  | 6%         |
| 7            | \$1,617.7      | \$28,692  | 9%         | \$79.9        | \$1,418 | 8%         | \$1,720.5      | \$30,098  | 9%         | \$85.9        | \$1,503  | 8%         |
| 8            | \$2,116.3      | \$37,535  | 11%        | \$113.6       | \$2,015 | 11%        | \$2,245.6      | \$39,284  | 11%        | \$121.3       | \$2,122  | 11%        |
| 9            | \$2,932.5      | \$52,012  | 16%        | \$168.7       | \$2,993 | 17%        | \$3,118.6      | \$54,556  | 16%        | \$180.1       | \$3,151  | 16%        |
| 10           | \$8,730.6      | \$154,850 | 47%        | \$547.1       | \$9,704 | 54%        | \$9,409.1      | \$164,598 | 47%        | \$584.4       | \$10,224 | 53%        |
| All          | \$18,557.5     | \$32,914  |            | \$1,022.5     | \$1,813 |            | \$19,887.8     | \$34,791  |            | \$1,095.5     | \$1,916  |            |

### Tax as Percent of Adjusted Gross Income Full-Year Residents 2016 and 2017

| Decile Group | 2016                          |               |              | 2017                          |               |              |
|--------------|-------------------------------|---------------|--------------|-------------------------------|---------------|--------------|
|              | Montana Adjusted Gross Income | Tax Liability | Tax / Income | Montana Adjusted Gross Income | Tax Liability | Tax / Income |
|              | \$ million                    | \$ million    | %            | \$ million                    | \$ million    | %            |
| 1            | -\$642.6                      | \$0.0         | 0.0%         | -\$669.4                      | \$0.0         | 0.0%         |
| 2            | \$408.6                       | \$1.3         | 0.3%         | \$434.3                       | \$1.5         | 0.3%         |
| 3            | \$747.2                       | \$6.3         | 0.8%         | \$791.6                       | \$6.9         | 0.9%         |
| 4            | \$1,102.3                     | \$16.4        | 1.5%         | \$1,166.0                     | \$18.1        | 1.6%         |
| 5            | \$1,481.2                     | \$33.3        | 2.3%         | \$1,564.2                     | \$36.8        | 2.4%         |
| 6            | \$1,912.0                     | \$55.8        | 2.9%         | \$2,017.4                     | \$60.3        | 3.0%         |
| 7            | \$2,415.4                     | \$79.9        | 3.3%         | \$2,543.9                     | \$85.9        | 3.4%         |
| 8            | \$3,050.9                     | \$113.6       | 3.7%         | \$3,209.0                     | \$121.3       | 3.8%         |
| 9            | \$4,041.7                     | \$168.7       | 4.2%         | \$4,261.2                     | \$180.1       | 4.2%         |
| 10           | \$10,477.7                    | \$547.1       | 5.2%         | \$11,152.9                    | \$584.4       | 5.2%         |
| All          | \$24,994.5                    | \$1,022.5     | 4.1%         | \$26,471.0                    | \$1,095.5     | 4.1%         |



## **Natural Resource Taxes**

## **Coal Severance Tax**

⑤ Permanent Fund – Prior to the establishment of the previous four funds, all the coal severance tax revenue distributed to the trust fund was deposited to the permanent fund. From FY 2006 to FY 2016 no coal severance tax revenue was deposited to the fund. In FY 2017, the permanent fund received 75% of the remaining coal severance tax revenue after deposits in the coal tax bond fund. Interest earnings from the fund, audit revenue, and interest and penalties are deposited to the general fund. After a \$1.275 million general fund transfer to the research and commercialization account created in [90-3-1002](#), the remaining interest income from the permanent fund deposited into the general fund is statutorily appropriated as follows:

- \$65,000 to the cooperative development center;
- \$625,000 for the growth through agriculture program provided for in [Title 90, chapter 9](#);
- to the Department of Commerce for specific projects:
  - \$125,000 for a small business development center;
  - \$50,000 for a small business innovative research program;
  - \$425,000 for certified regional development corporations;
  - \$200,000 for the Montana manufacturing extension center at MSU-Bozeman; and
  - \$300,000 for export trade enhancement
- After the above payments, the remainder is deposited into the state general fund.

⑥ School Facilities Fund –The school facilities fund was created with the passage of [SB 260 \(2017 Session\)](#). Interest from the fund may be used only for school facility projects authorized by the legislature. Beginning in FY 2018, the school facilities fund will receive 75% of the coal tax allocation to the coal trust fund.

### **Coal Severance Tax Related Funds:**

The other 50% of the coal severance tax revenue is distributed to the following eight funds outside of the coal severance tax trust fund ([15-35-108, MCA](#)):

⑦ General Fund (the remainder after all other allocations) –After allocations are made to the coal trust and state special funds, the remaining coal severance tax collections are distributed to the state general fund.

⑧ Long-range Building Program Account (12.00%) – Coal severance tax revenue in this account can be used for long-range building projects or for general obligation bond debt service. The legislature appropriates the money in HB 5 to finance building projects at universities, vocational education institutions, state buildings and state institutions. Debt service payments are statutorily appropriated and are currently servicing debt for capitol restoration, the UM pharmacy and psychology, and chemistry buildings, MSU central heating plant and underground utilities, Montana state prison expansion, and regional correctional facilities.

⑨ Coal Natural Resource Account (2.90% increased to 5.8% in FY 2016 and FY 2017) – Created in [HB 758 \(2005 Session\)](#) and amended by [SB 23 \(2009 Session\)](#), the account receives a portion of the coal severance tax revenue. Money in the account is appropriated to the coal board in HB 2 for local impact grants and administrative costs. Due to [SB 100 \(2009 Session\)](#), the coal tax allocation was doubled to 5.80% beginning FY 2010. After September 2013, the allocation decreased to 2.9%. The allocation was increased to 5.8% for FY 2016 and FY 2017, and again for FY 2018 and FY 2019 with the passage of [HB 209 \(2017 Session\)](#).

⑩ Conservation Districts Fund (3.89%) – The money is distributed to the conservation districts program within the Department of Natural Resources and Conservation on the basis of need.

⑪ Basic Library Services Fund (0.85%) – The money is distributed by the commission to public library federations.



## **Natural Resource Taxes**

## **Coal Severance Tax**

<sup>12</sup> Growth through Agriculture Fund (0.72%) – Money is granted or loaned by the Agriculture Development Council to businesses for agricultural development projects that stimulate agriculture.

<sup>13</sup> State Parks Trust (1.27%) – The distribution to this trust is for the purpose of parks acquisition or management. Interest earnings from the trust is appropriated to the Department of Fish, Wildlife, and Parks (FWP) by the legislature in HB 2 and HB 5 for the acquisition, development, operation, and maintenance of state parks, recreational areas, public camping grounds, historic sites, and monuments.

<sup>14</sup> Renewable Resource Debt Service Fund (0.95%) – Money in this fund is used to service debt on coal severance tax bonds used to finance renewable resource projects. This is in addition to any coal tax paid from the Coal Tax Bond Fund (<sup>1</sup> above). Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to DNRC in HB 8.

<sup>15</sup> Cultural Trust (0.63%) – The distribution to this trust is for the purpose of protecting works of art in the capitol and for other cultural and aesthetic projects. Interest earnings from the trust are appropriated to the Montana Arts Council by the legislature in HB 9 for these purposes.

<sup>16</sup> Coal and Uranium Mine Permitting and Reclamation Program (\$250,000) – Enacted by [HB 688 \(2007 Session\)](#), coal severance tax revenue is deposited to the state special revenue account and appropriated in HB 2 to the Department of Environmental Quality (DEQ) to administer and enforce coal and uranium mine reclamation ([82-4-244, MCA](#)).

### **Forecast Risks**

- Energy prices
- Production and shipping costs
- Type of coal (BTU)
- Length of company contracts
- Federal Environmental regulation changes

### **Revenue Estimate Methodology**

#### Data

The estimate for this revenue source is based on collection data from SABHRS, historical price and production data from DOR, and anticipated production from surveys of major coal companies.

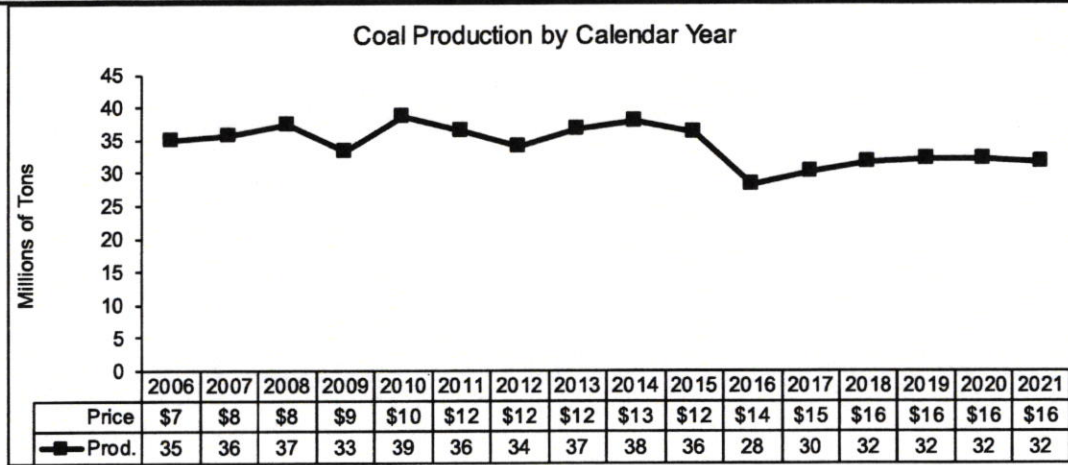
#### Analysis

The taxable value of coal is determined in a three-step process:

1. The future coal production for each company, as reported on the survey, is reduced by the exempt amount of 20,000 tons to get taxable tons.
2. To determine the future price for each company's coal, the company's average contract sales price for the last year is increased by an average price. The average contract sales price for all companies is shown in the figure below.
3. The estimated production and price for each company are multiplied together and the product for all companies summed to obtain the total taxable value.

The calendar year taxable value is multiplied by the applicable tax rate to determine total coal severance tax revenue and converted to fiscal year basis.





**Revenue Estimate Assumptions**

| FY     | Total Tax<br>\$ Millions | GF Tax<br>\$ Millions | Tons (CY)<br>Millions | CSP (CY)<br>\$/Ton |
|--------|--------------------------|-----------------------|-----------------------|--------------------|
| A 2008 | \$45.332                 | \$11.894              | 37.373                | 8.33               |
| A 2009 | 49.564                   | 13.028                | 33.153                | 9.44               |
| A 2010 | 44.177                   | 10.322                | 38.690                | 10.22              |
| A 2011 | 54.971                   | 12.883                | 36.321                | 11.64              |
| A 2012 | 52.743                   | 12.350                | 33.870                | 12.15              |
| A 2013 | 56.574                   | 13.265                | 36.540                | 12.30              |
| A 2014 | 57.676                   | 14.745                | 37.810                | 12.56              |
| A 2015 | 60.891                   | 16.063                | 36.075                | 12.38              |
| A 2016 | 60.359                   | 14.236                | 28.089                | 14.02              |
| A 2017 | 58.808                   | 13.799                | 30.143                | 15.18              |
| A 2018 | 60.097                   | 14.107                | 31.616                | 15.72              |
| F 2019 | 56.234                   | 13.555                | 32.119                | 16.06              |
| F 2020 | 57.043                   | 15.385                | 32.018                | 16.19              |
| F 2021 | 57.147                   | 15.413                | 31.561                | 16.48              |
| F 2022 | 56.086                   | 15.128                | 30.037                | 16.92              |
| F 2023 | 53.135                   | 14.338                | 28.217                | 17.17              |

**Revenue Projection**

