



# MONTANA LEGISLATIVE BRANCH

## Legislative Fiscal Division

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**Director**  
AMY CARLSON

DATE: January 22, 2024  
TO: Revenue Interim Committee  
FROM: LFD Revenue Team  
RE: FY 2024 January Year-to-Date Revenue Update

## GENERAL FUND REVENUE SUMMARY

This monthly revenue update analyzes revenue collections through the end of December and is designed to apprise interested members of the legislature on year-to-date general fund revenue collections, recent economic trends, and the outlook for FY 2024 relative to the revenue estimate contained in HJ 2.

FY 2024 general fund revenues through the end of December are \$353.1 million or 18.0%% below FY 2023 revenues through the same period. This is consistent with the estimate adopted in HJ 2, which projects a decline of 20.8%. The large decline is primarily driven by legislation in the 2023 Legislative Session that moved the statewide 95 mills and TCA interest earnings (highlighted in **green** in the following table) from the general fund to newly created state special revenue funds.

To get a more accurate picture of revenue growth, it makes sense to include both the state-levied 95 mills as well as TCA interest earnings. When these are included, FY 2024 revenues are \$76.6 million, or 4.4% above collections from last year at this time. This is above the projected decrease adopted in HJ 2 of 3.3%. However, the majority of the growth is attributable to the unique timing of collection patterns in individual income taxes, due to the passage of [SB 554](#) during the 2023 Legislative Session. More detail on this can be seen in the individual income tax section of this report.

If the known timing impacts are removed, ongoing general fund and select state special revenue collections would show a decline of approximately 1.0%. At this point in the fiscal year this is consistent with the HJ 2 projected decline of 3.3%.

Throughout the remainder of FY 2024 the LFD will continue to monitor year-to-date collections and update the legislature as collections are posted to the accounting system.

# YEAR-TO-DATE GENERAL FUND REVENUE

## General Fund, School Equalization, Debt & Liability Free Account Revenue Monitoring Report (\$ Millions)

Revenue Source	Actual FY 2023	HJ 2 FY 2024	HJ 2 Est. % Change	Dec FY 2023	Dec FY 2024	YTD Difference	YTD % Change	YTD % Change
<b>Largest Seven Sources</b>								
Individual Income Tax	\$2,254.305	\$2,054.152	-8.9%	\$1,172.953	\$1,219.136	\$46.183	3.9%	
Property Tax (General Fund)	355.982	15.861	-95.5%	148.843	6.878	(141.965)	-95.4%	
Property Tax (School Equalization)		424.826			149.394			
Corporate Income Tax	309.884	275.821	-11.0%	159.226	162.862	3.635	2.3%	
Vehicle Taxes & Fees	123.005	122.221	-0.6%	52.690	52.131	(0.559)	-1.1%	
Oil & Natural Gas Taxes	71.039	73.229	3.1%	-	-	-	-	
Insurance Tax	106.196	105.838	-0.3%	18.579	19.296	0.717	3.9%	
Video Gaming Tax	80.105	83.264	3.9%	20.142	20.858	0.717	3.6%	
<b>Other Business Taxes</b>								
Drivers License Fee	6.601	5.919	-10.3%	2.729	2.823	0.094	3.4%	
Investment Licenses	20.942	20.741	-1.0%	2.305	1.713	(0.592)	-25.7%	
Lodging Facilities Sales Tax	42.338	57.476	35.8%	15.724	17.876	2.152	13.7%	
Public Contractor's Tax	6.733	4.203	-37.6%	4.572	6.215	1.644	36.0%	
Railroad Car Tax	4.012	5.496	37.0%	3.122	3.139	0.017	0.6%	
Rental Car Sales Tax	7.270	7.978	9.7%	2.748	3.404	0.656	23.9%	
Retail Telecom Excise Tax	8.436	5.631	-33.3%	2.178	2.076	(0.103)	-4.7%	
<b>Other Natural Resource Taxes</b>								
Coal Severance Tax	20.879	18.420	-11.8%	5.565	4.841	(0.723)	-13.0%	
Electrical Energy Tax	4.004	3.536	-11.7%	0.978	1.017	0.039	4.0%	
Metal Mines Tax	7.251	11.363	56.7%	0.002	-	(0.002)	-100.0%	
U.S. Mineral Leasing	37.508	24.212	-35.4%	18.380	5.146	(13.235)	-72.0%	
Wholesale Energy Trans Tax	3.455	3.410	-1.3%	0.892	0.879	(0.013)	-1.5%	
<b>Other Interest Earnings</b>								
Coal Trust Interest Earnings	18.105	18.857	4.2%	7.068	7.216	0.148	2.1%	
TCA Interest Earnings (Now SSR)	118.389	126.591	6.9%	40.439	59.970	19.532	48.3%	
<b>Other Consumption Taxes</b>								
Beer Tax	3.188	3.329	4.4%	1.443	0.905	(0.539)	-37.3%	
Cigarette Tax	20.797	26.889	29.3%	9.333	10.484	1.152	12.3%	
Liquor Excise Tax	32.705	32.298	-1.2%	12.869	13.484	0.615	4.8%	
Liquor Profits	19.000	23.700	24.7%	-	-	-	-	
Lottery Profits	22.657	15.508	-31.6%	6.061	6.368	0.307	5.1%	
Marijuana Tax	29.423	30.681	4.3%	-	-	-	-	
Tobacco Tax	5.358	5.320	-0.7%	2.453	2.308	(0.145)	-5.9%	
Wine Tax	2.528	2.696	6.6%	1.128	0.681	(0.447)	-39.6%	
<b>Other Sources</b>								
All Other Revenue	304.813	46.544	-84.7%	282.379	27.499	(254.880)	-90.3%	
Highway Patrol Fines	3.587	3.953	10.2%	1.458	1.373	(0.085)	-5.8%	
Nursing Facilities Fee	3.542	2.942	-16.9%	0.828	0.899	0.071	8.5%	
Public Institution Reimbursements	4.308	7.758	80.1%	0.044	2.240	2.195	4943.7%	
Tobacco Settlement	3.466	3.327	-4.0%	0.157	-	(0.157)	-100.0%	
Ongoing GF Revenue Subtotal	3,682.630	3,178.074	-13.7%	1,696.061	1,603.747	(92.315)	-5.4%	
Ongoing GF & SSR Subtotal	3,801.019	3,673.991	-3.3%	1,736.500	1,813.110	76.611	4.4%	
OTO Revenue & Transfers Subtotal	260.789	(55.500)		260.789		(260.789)	-100.0%	
<b>Grand Total General Fund</b>	<b>\$3,943.420</b>	<b>\$3,122.574</b>	<b>-20.8%</b>	<b>\$1,956.850</b>	<b>\$1,603.747</b>	<b>(\$353.104)</b>	<b>-18.0%</b>	

# MAJOR SOURCES

## Individual Income Tax: Above Estimate

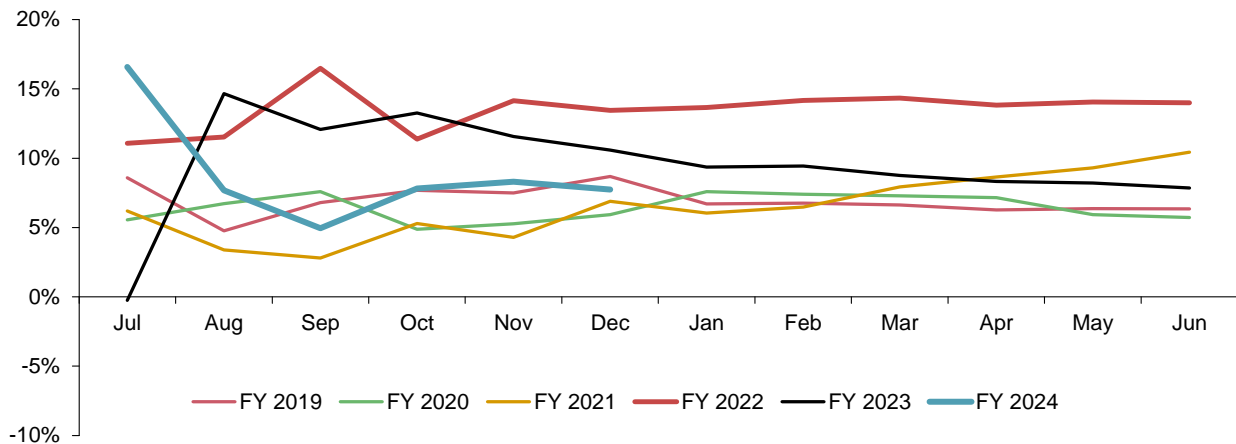
Individual income tax collections through the end of December are \$46.2 million or 3.9% above the year-to-date collections in FY 2023 and is currently above the level anticipated in HJ 2. The chart below shows the year-over-year individual income tax collections by account.

Individual Income Tax (\$ Millions)

Account	YTD 2024	YTD 2023	\$ Difference	% Difference
Withholding	\$756.9	\$702.6	\$54.3	7.7%
Estimated Payments	210.3	229.6	(19.3)	-8.4%
Current Year Payments	64.9	68.9	(4.0)	-5.8%
Audit, P&I, Amended	25.7	25.8	(0.2)	-0.6%
Refunds	23.2	91.5	(68.2)	-74.6%
Partnership Income Tax	134.3	50.0	84.3	168.6%
Mineral Royalties	3.8	4.5	(0.7)	-16.4%
<b>Total</b>	<b>1,219.1</b>	<b>1,173.0</b>	<b>46.2</b>	<b>3.9%</b>

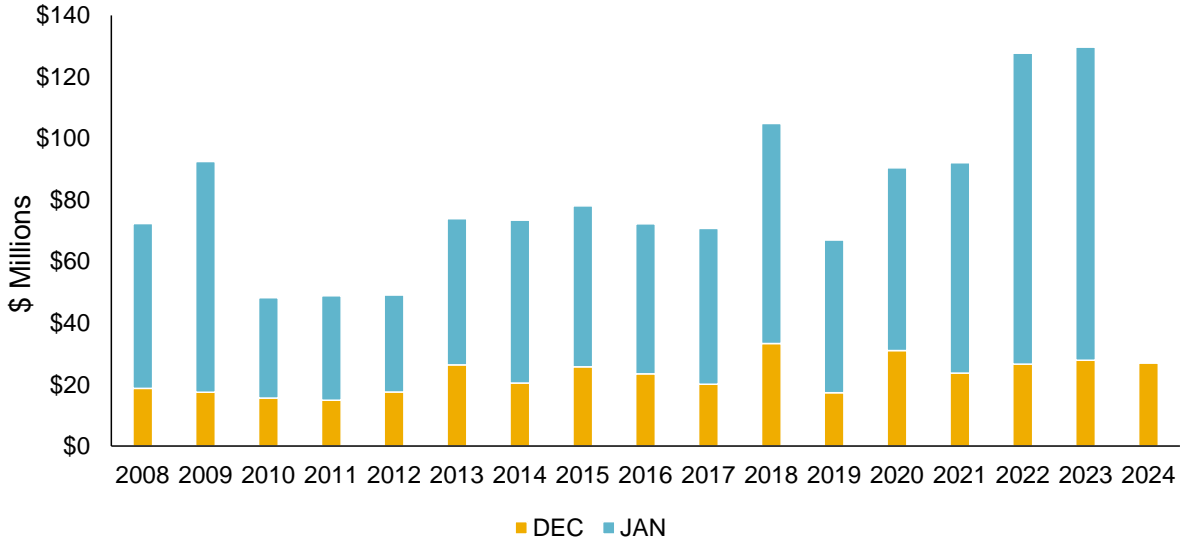
Withholding typically accounts for two-thirds of individual income tax and about 40% of total general fund revenue. Currently, withholding growth is 7.7% above last year's collections. As shown in the following chart, withholding growth tends to be relatively variable in the first half of the year, but stabilizes by February. FY 2022 saw withholding growth stabilize at a high level by November, while in FY 2023 withholding growth slowed for most of the fiscal year.

Cumulative Year-over-Year Withholding



The timing of estimated payments can fluctuate between December and January, so next month's report should help clarify some expectations for the second quarter of FY 2024. Nonetheless, year-over-year estimated payments are 8.4% below last year's estimated payments through December. This is in line with the projected decrease in individual income taxes of 8.9%.

Individual Income Estimated Payments: December & January



**SB 554 (2023 Session)**

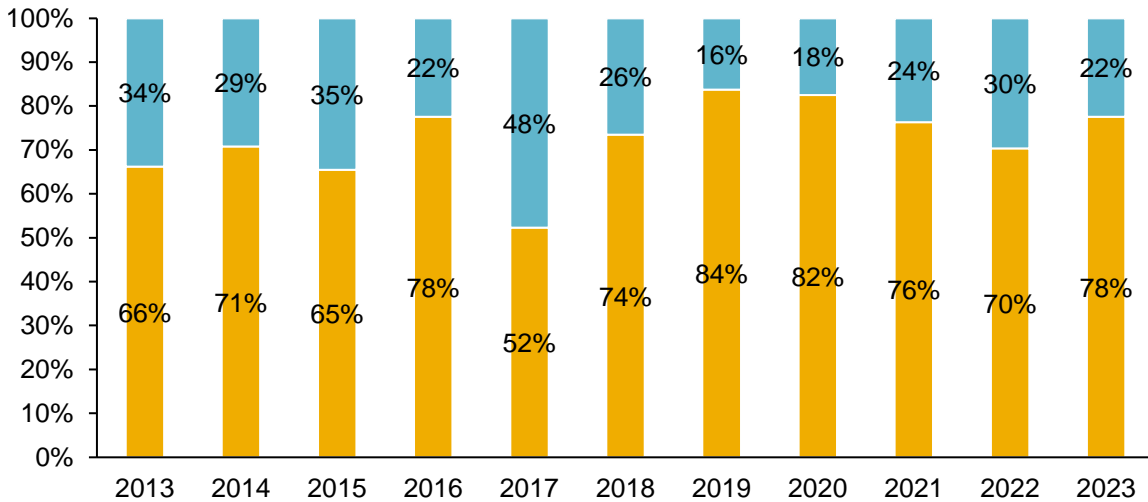
The largest source of growth in individual income taxes through the end of December was in the form of partnership income tax. Through December these collections are up \$84.3 million, or 168.6% compared to last year. The growth was especially pronounced in December, when partnership income tax collections totaled \$101.7 million, compared to the previous five-year average of \$6.9 million. This was expected with the passage of [SB 554](#) in the 2023 Legislative Session.

SB 554 was legislation that provided for an optional pass-through entity tax. The fiscal note for this bill estimated that there would be no impact to the state. However, at the federal level, state tax liabilities for a pass-through entity are classified as a business expense, and therefore not subject to the \$10,000 state and local tax (SALT) itemized deduction cap. As a result, it is likely that many taxpayers in Montana paid state liabilities as a pass-through entity at the end of CY 2023 to lower their federal liability. It is anticipated that these pre-paid, or overpayment, of state tax liabilities will be offset in the second half of FY 2024 in the form of lower quarterly estimated payments or refunds.

**Property Tax: Currently Under Estimate, More to Come**

Property tax collections have grown 5.1% or \$7.4 million compared to collections through the same period last year. In HJ 2 this source was expected to grow by 23.8%. There is a timing issue that occurs from the November payment being booked partially in December and partially in January. This uneven split of the November payment booking is shown in the following chart. Property tax is anticipated to come in close to the estimate in HJ 2, as it is a source that can be estimated with far more certainty than other sources. This year, due to a dispute over how many mills the state can levy, the November payment is likely to come in less than expected. This difference should be made up for in the May payment, which is likely to collect more than expected. More information here should be available at the end of January.

The November property tax payment is split unevenly between **December** & **January**



### Corporate Income Tax: Above Estimate

Corporate income tax collections through the end of December are 2.3% or \$3.6 million above this time in FY 2023. This is above the HJ 2 estimate which projected a decline of 11.0%. The chart below shows the year-over-year corporate income tax growth by account. As the chart shows, most of the growth has been in the corporation tax account, which are payments that come in with filed returns. These collections are often returns that were filed on extension in November and December.

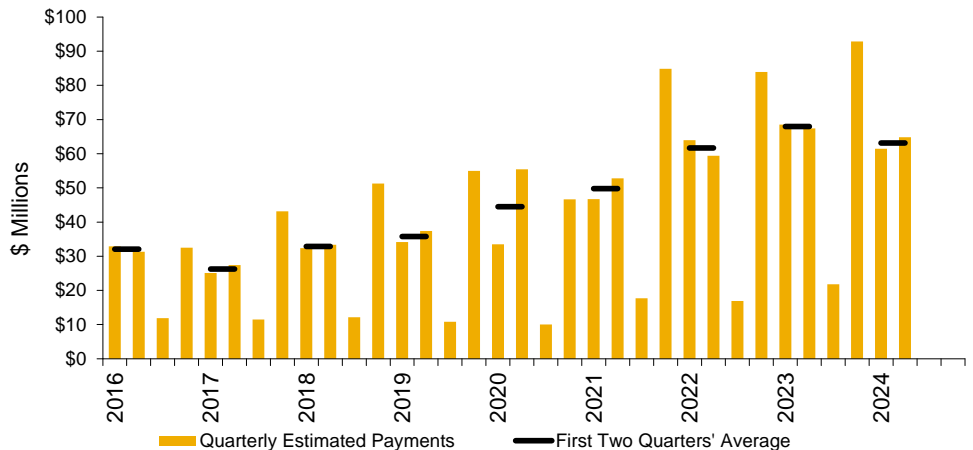
#### Corporate Income Tax

(\$ Millions)

Account	YTD 2024	YTD 2023	\$ Difference	% Difference
Corporation Tax	\$34.2	\$20.9	\$13.3	63.7%
Estimated Payments	\$126.3	\$136.0	(9.6)	-7.1%
Refunds	(2.2)	(1.0)	(1.3)	131.0%
Audit, P&I, Amended	4.6	3.3	1.2	36.5%
Total	162.9	\$159.2	\$3.6	2.3%

The adjacent chart shows that estimated payments in the first two quarters of FY 2024 are below last year's levels but still strong. Estimated payments typically make up 80% of total corporate income tax collections, so they're the ultimate driver of where final collections end up. If estimated payments continue to be below last year's by this magnitude, collections should end up near the HJ 2 estimate.

Corporate Estimated Payments by Fiscal Year Quarter

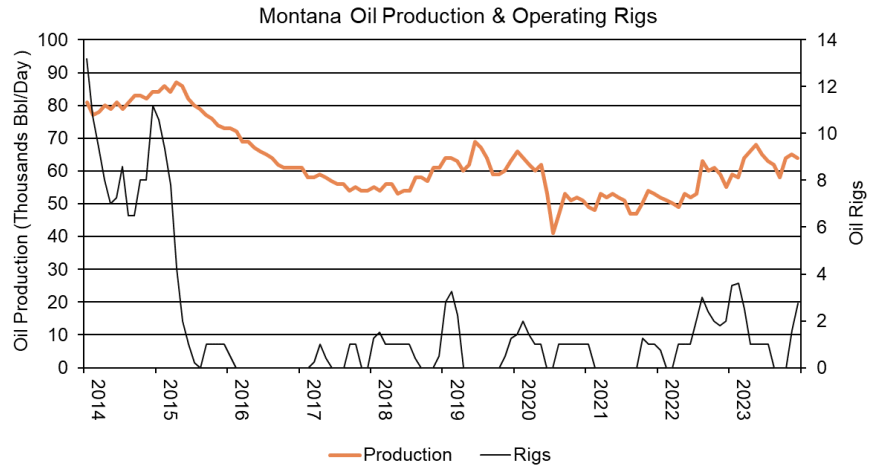


## Vehicle Fees & Taxes: Near Estimate

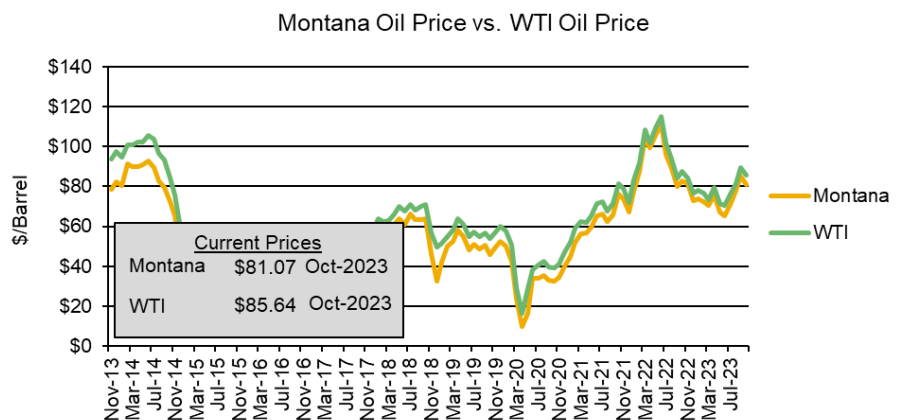
Through the end of December, vehicle taxes & fees are down 1.1% or \$0.6 million from FY 2023 collections. This is consistent with the estimated decrease of 0.6% in HJ 2.

## Oil & Natural Gas Production Tax: No Data Yet

While oil and natural gas production taxes have been collected since the start of the fiscal year, they have not yet been deposited into the general fund. This is expected due to the statutory requirement of when taxes are due, and the time allowed for the Department of Revenue to determine the distribution of taxes to local governments. Continued strong prices and relatively stable production indicate that once collections are posted they will be higher than last year.



Although oil prices have been very volatile over the last three years, there has been an increase in the average number of oil rigs operating in Montana. The chart to the right shows the last available price per barrel in Montana. The high, low, and average cost per barrel for the 12 month period ending October 2023 are about \$85, \$65, \$75.



## Insurance Tax: Above Estimate

Current insurance tax collections through December are 3.9% or \$0.7 million above FY 2023 collections through the same period. In HJ 2, this source was expected to decrease by 0.3%. With half of the fiscal year remaining, collections are consistent with the estimate.

## Video Gaming Tax: Slightly Below Estimate

Revenue from video gambling is currently \$0.7 million or 3.6% above collections from this time last year. In HJ 2 this source was expected to grow by 3.9%. After growth of 30.4% in FY 2021, this source has settled in to a stable 3.0% to 4.0% growth rate per year.

## OTHER KEY DIFFERENCES:

### Lodging Facilities Sales Tax: Below Estimate

Lodging facilities sales tax collections through December are \$2.2 million or 13.7% above FY 2023. This is below the estimated growth of 35.8%. Collections are still higher than FY 2022 and this may be a plateauing of growth or seasonal changes.

## **U.S. Mineral Leasing: Below Estimate**

Current U.S. mineral leasing collections through December are 72.0% or \$13.2 million below FY 2023 collections. The estimate contained in HJ 2 has a year-over-year decrease of 35.4% for this source. Possible contributions to this decrease are lower commodity prices from an early FY 2023 peak, specifically coal and oil, and likely decreases in production on federal lands.

## **TCA Interest Earnings: Above Estimate**

Current TCA interest earnings are 48.3% or \$19.5 million above FY 2023 collections through the same period. This source is affected by higher than historical average interest rates and the Treasury Cash Account's current cash balance. As various legislation enacted by the 2023 Legislative Session take effect, this balance is expected to decrease over the fiscal year and slow its growth closer to the 6.9% growth contained in HJ 2.