

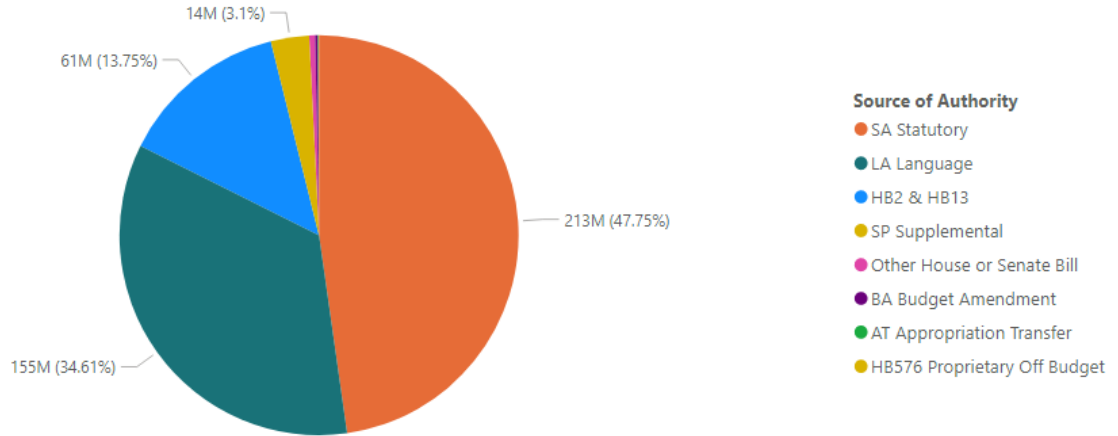
DEPARTMENT OF REVENUE

TOTAL APPROPRIATION AUTHORITY

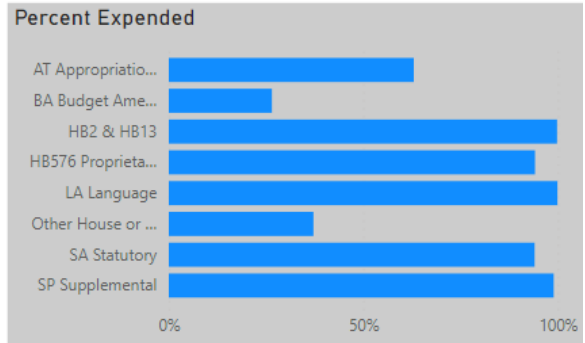
The total appropriation authority for the agency is shown in the pie chart below. HB 2 and HB 13 provide 13.8% of the total authority for this agency. All types of appropriation authority for this agency are described below, including total budget and the percent expended by source of authority.

Department of Revenue

Total Appropriation Authority



Fiscal Year	2021		
LFD_src_auth_descr	Budget	FYE Expended	Percent Expended
AT Appropriation Transfer	290,905	183,278	63.0%
BA Budget Amendment	849,942	225,329	26.5%
HB2 & HB13	61,378,506	61,273,101	99.8%
HB576 Proprietary Off Budget	251,035	236,372	94.2%
LA Language	154,500,000	154,500,000	100.0%
Other House or Senate Bill	2,150,000	799,633	37.2%
SA Statutory	213,175,308	200,498,399	94.1%
SP Supplemental	13,819,000	13,675,031	99.0%
Total	446,414,696	431,391,144	96.6%



Appropriation Transfers

Appropriation transfers received by the Department of Revenue (DOR) consisted of funding for the Montana Economic Development Industry Advancement Act (MEDIA) tax incentive created in HB 293 (2019 Legislature) and funding for the foundation-based housing approved in SB 200 (2019 Legislature). The MEDIA Act provides income tax incentives for expenditures related to film, television, and related media production in the state of Montana. SB 200 revised property tax laws related to mobile homes, manufactured homes, and house trailers. To implement these two bills, general fund appropriations for 3.00 FTE and 1.00 FTE were needed for HB 293 and SB 200, respectively. However, lower than anticipated expenditures were due to the 3.00 modified FTE positions for the MEDIA Act not being filled until the second half of FY 2021.

Budget Amendments

Budget amendments processed for DOR provided funding for a modified FTE position to perform increased audit and compliance work for the Department of Interior and additional audit services required in the Grant Cooperative Agreement from the Department of Interior. This agreement is effective through September 30, 2023, and any unspent authority will continue into FY 2023 and three months into FY 2024.

Non-Budgeted Proprietary Funding

The department was appropriated non-budgeted proprietary funding of approximately \$251,000 in FY 2021, of which \$236,000 or 94.2% was expended. This funding is for the proprietary Collections Services Program which assists other agencies in collecting delinquent accounts.

Other Bills

Appropriations to DOR from other house and senate bills include HB 715 (2019 Legislature) which appropriated \$2.0 million in general fund to make payments to a local governing body to comply with HB 636 (2019 Legislature) which revises property tax rates. In compliance with these bills, DOR settled two centrally assessed/industrial protested tax cases which were substantially less than the budgeted amount. Additionally, HB 658 (2019 Legislature) appropriated \$150,000 for the Montana Health and Economic Livelihood Partnership (HELP) Act for Medicaid expansion, which DOR is responsible for the management of taxpayer fees for the program.

COVID-19 Authority

The following chart is provided to allow the legislature to examine the funding that is available to the agency for areas impact by COVID-19. Administrative authority for CARES I appropriations were allocated to the agency by the Governor's Office. Administrative authority is not an appropriation and thus is not included in the total appropriation authority shown on the previous page. The appropriation authority for CARES I, shown below, remains with the Governor's Office.

Coronavirus Stimulus Appropriations Department of Revenue

Stimulus Authority	Budget	FYE Expended	Percent Expended
CARES I	280,614	280,614	100.0%

During the COVID-19 pandemic, the demand for alcohol increased substantially causing pressure on the state of Montana's available supply. The Alcoholic Beverage Control Division manages the state's wholesale liquor operations, which supplies all distributors in Montana. DOR used this funding to increase the wholesale supply of liquor and alcohol as well as hire temporary workers for rotating shifts in order to meet this increased demand.

Statutory Appropriations

Statutory appropriations (SA) account for 47.8% of DOR's total appropriation authority. In FY 2021, SA's for the department totaled approximately \$213.2 million, of which \$200.5 million or 94.1% were expended. SA's include the following:

- Tribal Alcohol and Cigarette Cooperative Agreements – Under [Title 18, Chapter 11, MCA](#), the state of Montana is authorized to enter into an agreement with tribal nations over taxation of products such as alcohol and cigarettes to prevent possibilities of dual taxation. Appropriations and expenditures for each tribal agreement is presented in detail in the table below
- Oil and Natural Gas Production Tax – All oil and natural gas producers are required to file an oil and natural gas production tax return where they will be taxed on the gross value of oil or natural gas sold. Revenues are primarily distributed between the state and counties. Specific tax revenue distributions are set in statute under [15-36-331, MCA](#) and [15-36-332, MCA](#). Oil and gas production tax expenditures were lower than anticipated due to lower than estimated oil prices
- Metal Mines Distribution – Individuals who operate any mine or mining property are required to pay a license tax which is based on the gross value of the product and applied to the payment the mining company receives from metal traders, smelters, roasters, or refineries. Distribution of tax revenues is set in statute under [15-37-117, MCA](#)
- Bentonite Production Tax Distribution – All bentonite producers must file a bentonite production tax return every six months. Tax rates are calculated every year using the formula found in [15-39-101, MCA](#). Distribution of taxes is set in statute [15-39-110, MCA](#). Bentonite production was lower than anticipated. Therefore, there were lower bentonite distributions
- Entitlement Share – During the 2001 Legislative Session, the state of Montana assumed control of alcohol, vehicle, and gambling taxes as well as district court fees for local governments. In return, the state reimburses each local government in the form of an entitlement share as stated in statute under [15-1-121, MCA](#)
- Film Production Tax Credit Fee – Production companies must apply for certification with the Department of Commerce to claim the MEDIA Act transferable income tax credit. After being approved by the Department of Commerce, the production company then needs to apply and pay a fee with DOR to claim the tax credit. Fee costs are outlined in [15-31-1005, MCA](#). Expenditures were lower than anticipated as the DOR only received \$11,000 in fee revenue
- Cigarette Taxes – The state of Montana charges a tax on cigarettes sold by selling tax decals to wholesalers who then attach the decal to each pack of cigarettes sold in Montana. Distribution of tax revenues are set in [16-11-119, MCA](#). In FY 2021 the demand for cigarettes declined while the demand for vapor products and alternative nicotine increased, which resulted in lower expenditures

The table below details the statutory appropriations and expenditures in FY 2021.

Statutory Appropriation	2021 Budget	FYE Expended	Percent Expended
TRIBAL BEER	100,000	86,071	86.1%
CIGARETTE TRIBAL AGREEMENT	4,800,000	4,088,084	85.2%
TRIBAL LIQUOR	738,000	707,672	95.9%
TRIBAL WINE	72,000	68,616	95.3%
OIL AND NATURAL GAS PRODUCTION TAX	51,000,000	41,445,213	81.3%
METAL MINES DIST	9,700,000	9,037,261	93.2%
BENTONITE PROD TAX DIST	1,500,000	364,726	24.3%
ENTITLEMENT SHARE	145,179,683	144,661,210	99.6%
FILM PRODUCTION CR APP FEE	20,000	11,000	55.0%
CIGARETTE TAX STAMPS	65,625	28,546	43.5%
Total	213,175,308	200,498,399	94.1%

Supplemental Appropriations

During the 2021 Legislative Session, DOR received supplemental appropriations for the Alcoholic Beverage Control Division. Due to the significant increase in demand for alcohol during the COVID-19 pandemic, \$8.0 million of supplemental appropriations were needed to maintain adequate inventories. The remaining \$5.8 million supplemental appropriation was for the settlement of L.L Liquor v. State of Montana et al. (United States District Court District of Montana, Helena Division, Case No. CV 15-71-H-SHE). During the 2015 Legislative Session, SB 193 was passed which repealed the old commission rate structure for agency liquor stores. Lolo Liquor alleged that SB 193 was a breach of the agency franchise agreement with the store. The federal court ruled in favor of Lolo Liquor and deemed the state of Montana responsible for \$5.0 million in economic damages and attorney fees as well as post-judgement interest. In total, the Alcoholic Beverage Control Division paid approximately \$5.8 million to Lolo Liquor.

HB 2 BUDGET MODIFICATIONS

The following chart shows the HB 2 budget as passed by the legislature, including the pay plan, and the ending FYE modified budget. Net modifications to the budget include operating plan changes from one expenditure account to another, program transfers, reorganizations, and agency transfers of authority. The **positive modifications** and **negative modifications** are shown by program, expenditure account, and fund type.

HB 2 Modifications Department of Revenue

Agency Program	HB2 Budget	FYE Modified Budget	Net Modifications	
01 DIRECTORS OFFICE	14,760,555	7,977,798	-6,782,757	
02 TECHNOLOGY SERVICES DIVISION		9,353,708	9,353,708	
03 ALCOHOLIC BEVERAGE CONTROL DIV	3,182,734	3,182,734	0	
05 INFORMATION MGMT & COLLECTIONS	8,961,952	6,075,612	-2,886,340	
07 BUSINESS & INCOME TAXES DIV	11,795,614	11,860,542	64,928	
08 PROPERTY ASSESSMENT DIVISION	22,576,792	22,928,113	351,321	
Total	61,277,647	61,378,506	100,859	100,858.98

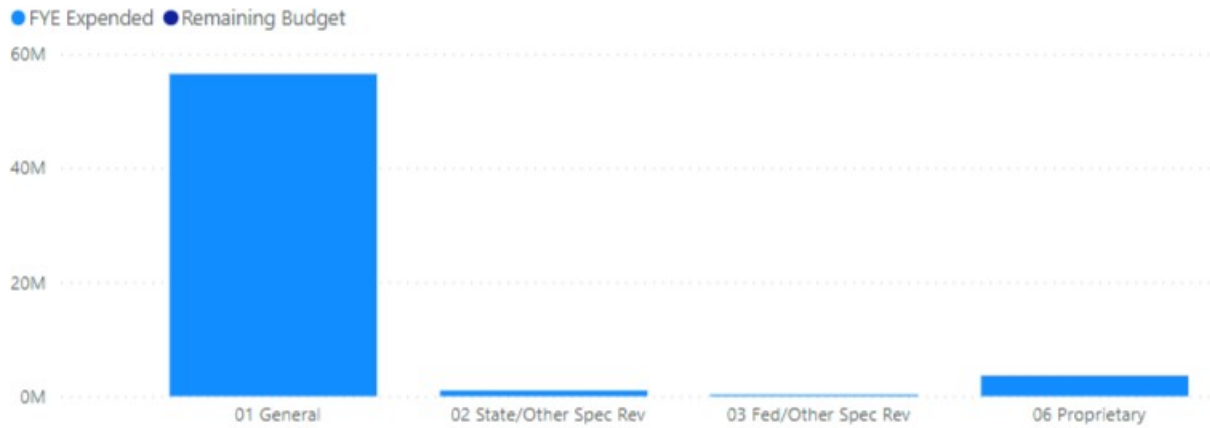
Expenditure Account	HB2 Budget	FYE Modified Budget	Net Modifications	
61000 Personal Services	46,155,897	46,791,835	635,938	
62000 Operating Expenses	15,078,811	13,363,540	-1,715,271	
63000 Equipment & Intangible Assets	30,554	1,138,946	1,108,392	
64000 Capital Outlay		4,584	4,584	
68000 Transfers-out	1,500	1,500	0	
69000 Debt Service	10,885	78,101	67,216	

Fund Type	HB2 Budget	FYE Modified Budget	Net Modifications	
01 General	56,402,019	56,502,878	100,859	
02 State/Other Spec Rev	989,954	989,954	0	
03 Fed/Other Spec Rev	274,923	274,923	0	
06 Proprietary	3,610,751	3,610,751	0	

Modifications to the HB 2 budget include a reorganization of DOR's programs. The Technology Services Division was moved out of the Director's Office to create its own Division. Additionally, the Information Management and Collection Division transferred the accounting, budgeting, and call center to the Director's Office. The increase in general fund appropriations is due to continuing authority for a restricted/biennial legislative audit from FY 2020.

HB 2 APPROPRIATION AUTHORITY

HB 2 Expenditures



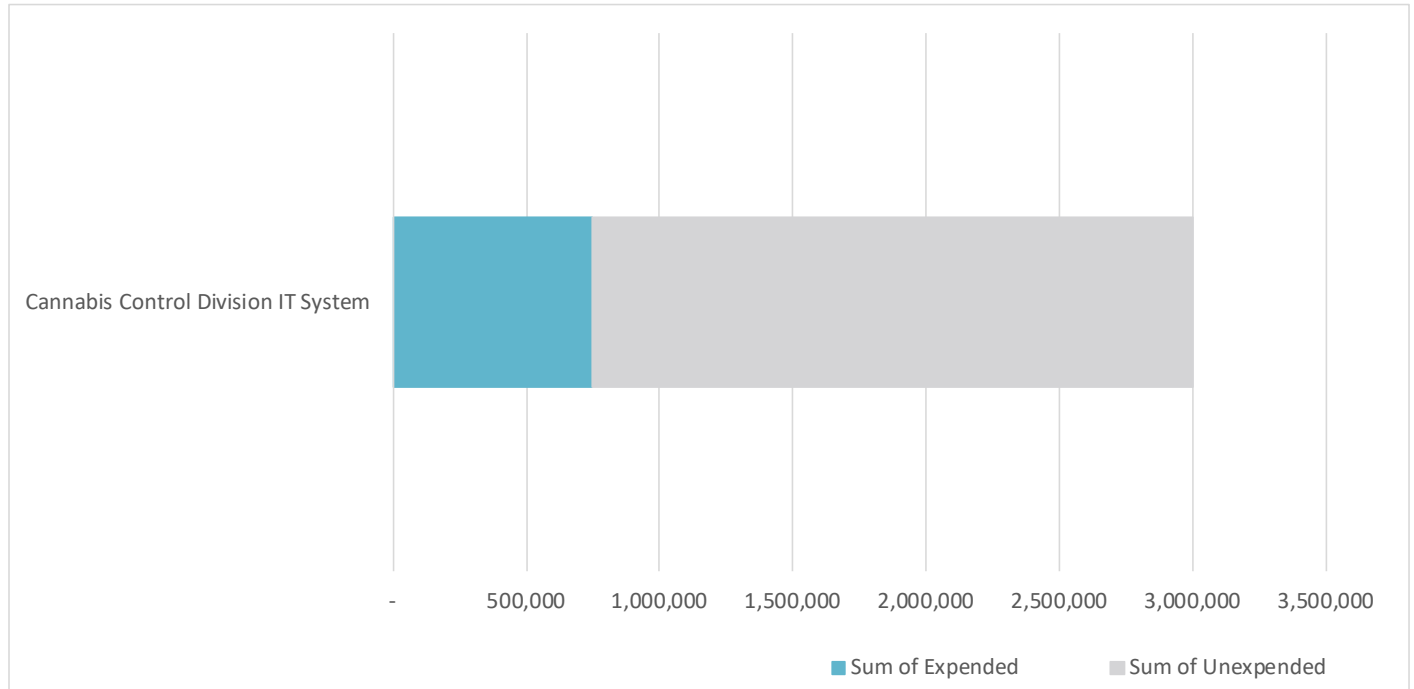
Expenditure Account	FYE Modified Budget	FYE Expended	Percent Expended
61000 Personal Services	46,791,835	46,727,420	99.9%
62000 Operating Expenses	13,363,540	13,335,236	99.8%
63000 Equipment & Intangible Assets	1,138,946	1,138,946	100.0%
64000 Capital Outlay	4,584	4,584	100.0%
68000 Transfers-out	1,500		
69000 Debt Service	78,101	66,915	85.7%

Agency Program	FYE Modified Budget	FYE Expended	Percent Expended
01 DIRECTORS OFFICE	7,977,798	7,952,326	99.7%
02 TECHNOLOGY SERVICES DIVISION	9,353,708	9,351,708	100.0%
03 ALCOHOLIC BEVERAGE CONTROL DIV	3,182,734	3,116,534	97.9%
05 INFORMATION MGMT & COLLECTIONS	6,075,612	6,073,612	100.0%
07 BUSINESS & INCOME TAXES DIV	11,860,542	11,859,193	100.0%
08 PROPERTY ASSESSMENT DIVISION	22,928,113	22,919,728	100.0%
Total	61,378,506	61,273,101	99.8%

In FY 2021, DOR's modified budget was approximately \$61.4 million and the department expended \$61.3 million or 99.8%. The majority of the department's budget is general fund used for personal services.

OTHER ISSUES

Information Technology Project Expenditures



Large Information Technology Projects Original and Revised Budgets			
Project	Original Budget	Revised Budget	Change from Original Budget
Cannabis Control Division IT System	3,000,000	3,000,000	0.0%

Large Information Technology Projects Original and Revised Delivery Date				
Project	Start Date	Original Delivery Date	Revised Delivery Date	Change from Original Delivery Date
Cannabis Control Division IT System	7/1/2021	2/2/2022	N/A	0.0%

Due to the passage of HB 701 by the 2021 Legislature, implementation of recreational marijuana, DOR requires an update and configuration of the GenTax system to incorporate the new tax type for recreational marijuana taxation and for administering local option taxes and the various license types required in the legislation. The Cannabis Control Division began this project July 1, 2021 with a budget of \$3.0 million and to date has expended \$750,000. The department estimates a completion date of February 2, 2022.