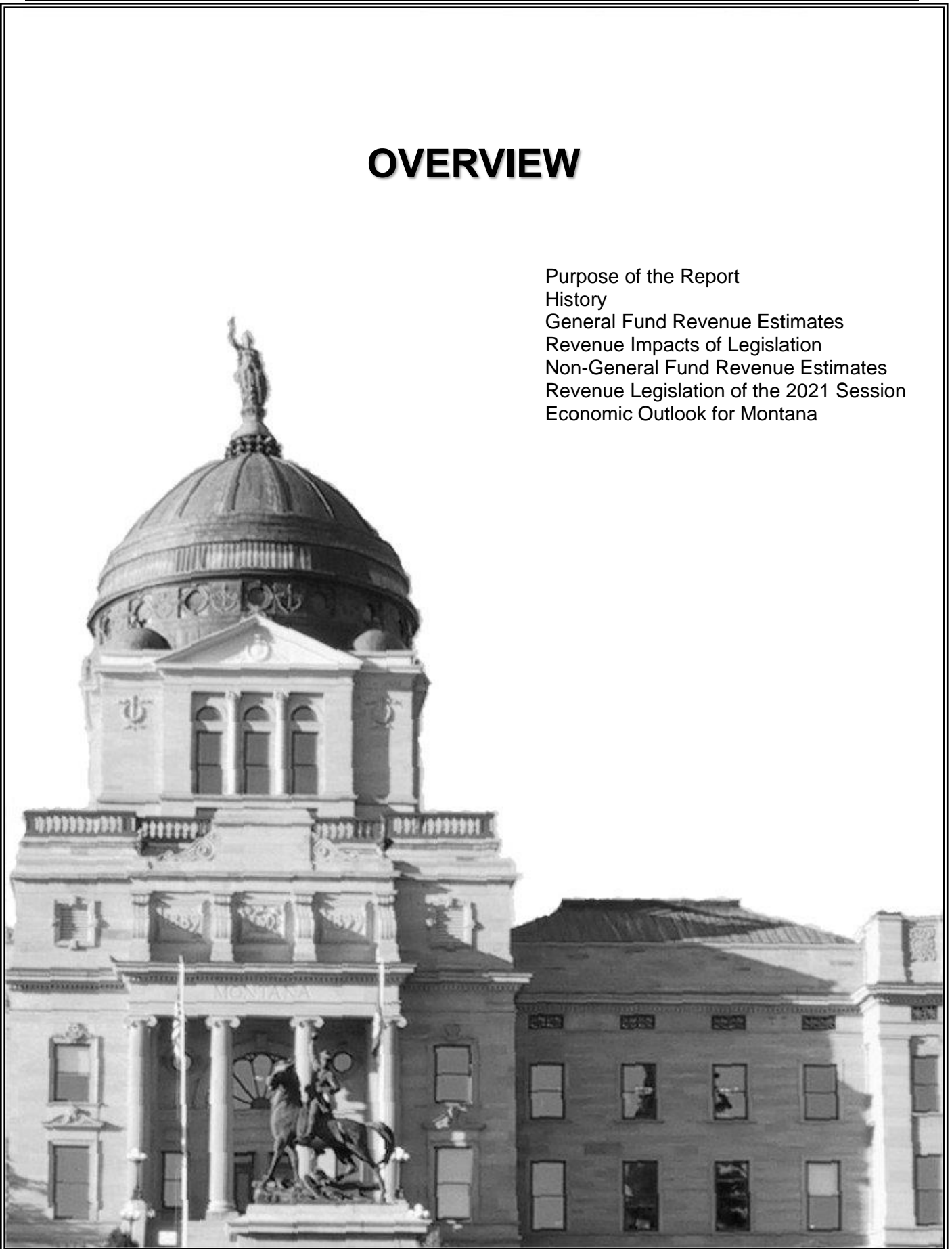


# OVERVIEW

- Purpose of the Report
- History
- General Fund Revenue Estimates
- Revenue Impacts of Legislation
- Non-General Fund Revenue Estimates
- Revenue Legislation of the 2021 Session
- Economic Outlook for Montana



## **Overview**

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### **Purpose of the Report**

As delineated in [5-5-227\(2\)\(a\), MCA](#), the Revenue Interim Committee (RIC) is required to prepare an estimate of the amount of revenue projected to be available for legislative appropriation. In addition, [5-12-302, MCA](#) specifically requires the Legislative Fiscal Analyst (LFA) to estimate revenue from existing and proposed taxes and also requires the LFA to assist RIC in performing its revenue estimating duties. The purpose of this report is to document the Legislative Fiscal Division (LFD) recommendations for anticipated revenues for FY 2023 through 2025. In almost all cases, estimates are based on current federal and state laws and do not include estimates for revenues due to litigation or any other pending legal issues. This position is consistent with past recommendations to RIC.

### **History**

In 1989, the Montana Legislature established a process for the Legislature to develop revenue estimates for legislative appropriation. SB 341 (1989 Session) directed the then-Revenue Oversight Committee to prepare the revenue estimates. The legislation also provided that the revenue estimating resolution introduced by the Committee and subsequent periodic reports issued by the Committee constitute the Legislature's current revenue estimate until final adoption of the resolution by both houses of the Legislature.

In 1991, the Legislature revised the procedures of estimating revenue by inserting the language that is now contained in [5-5-227\(2\)\(a\) and \(3\), MCA](#), including the language that the Committee's revenue estimates and underlying assumptions should be used by state agencies in the preparation of fiscal notes (Chapter 603, Laws 1991).

Because of disparities in the revenue estimates between the LFD and the Department of Revenue (DOR) during the 1997 Session, House leadership requested that the Revenue Oversight Committee work with LFD and DOR to develop a process to resolve differences in revenue estimates before the 1999 Legislative Session.

### **Recent Process**

In 1999, the Legislature revised the structure of interim committees and assigned the revenue estimating responsibilities to RIC (Chapter 19, Laws 1999). In the past, RIC has adopted the revenue estimates in November of the year proceeding the next regular session. As a practical matter, the Committee cannot adopt the estimates much earlier than mid-November because the DOR income tax data is not available until November 1 (October 15 is the general deadline for taxpayers who requested an extension of time for filing an income tax return).

Staff of the LFD and the Governor's Office of Budget and Program Planning (OBPP) each present assumptions and corresponding revenue estimates for the Committee's consideration. In the past, the Committee has initially adopted the revenue estimates of the LFD and may make changes to those estimates based on information presented by OBPP, economists from the Montana university system, and other experts.

Finally, the resolution containing the Committee's revenue estimates must be pre-introduced by December 15th (see Rules of the Montana Legislature, Joint Rules 40-40(5)(a)). The Committee's estimate, as introduced in the Legislature, constituted the Legislature's current revenue estimate until amended or until final adoption of the estimate by both houses.

### **Path through the Legislature**

In the 1999 through 2003 Legislative Sessions, both houses of the Legislature adopted the resolution, and it was filed with the Secretary of State.

## **Overview**

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In 2005, the House of Representatives did not concur in the Senate amendments to the resolution, and the resolution died in the process. As such, the Senate estimates were the Legislature's current revenue estimates.

In 2007, the resolution died in the House Taxation Committee. Therefore, the RIC estimates were the Legislature's current revenue estimates.

In February 2009, the House Taxation Committee amended HJR 2 and adopted a committee report. The resolution was rereferred to the Committee. In March, the Committee again amended the resolution and adopted a committee report. In each instance, the House Taxation Committee estimates became the Legislature's current revenue estimate. The resolution died in the process.

In March 2011, the House Taxation Committee amended HJR 2 and adopted a committee report. The resolution was rereferred to the Committee, where it died in process.

In November 2012, RIC met to review and adopt a revenue estimate recommendation but were unable to agree on the estimate. Therefore, the Committee did not introduce a resolution with the Committee's estimate. The Rules Committee subsequently met and adopted rules for the 63<sup>rd</sup> Legislative Session, including a requirement that the chair of the Senate Taxation Committee prepare a revenue estimate to be introduced in the Senate. The estimate contained in SJR 2, along with an initial set of amendments passed both houses by early February 2013. A revised estimate contained in SJR 27 was introduced in early April; however, due to missing the transmittal deadline for revenue bills, it ultimately failed to pass both houses.

At the November 2014 RIC meeting, the OBPP recommendation was \$295.4 million above the LFD recommendation over the three forecast years. The Committee ultimately adopted the LFD recommendations, with total adjustments in individual income tax and oil & natural gas tax equal to half of the total difference between the OBPP and LFD recommendations for individual income tax, corporation income tax, and oil & natural gas tax.

In January 2015, OBPP and LFD presented updated revenue estimates to a joint meeting of the House and Senate Tax Committees. At this time, the OBPP estimate was above the LFD estimate by \$358.6 million. The two tax committees formed a joint subcommittee to understand the revenue estimates and the corresponding differences in more detail and make a recommendation to the House Tax Committee. The joint subcommittee met weekly throughout February and March, and ultimately made a recommendation to the House Tax Committee based on the LFD estimate, with a variety of alternative assumptions that increased the three-year estimate to \$43.6 million above the RIC estimate.

OBPP presented a revenue estimate recommendation to the November 2016 meeting of RIC that was below the LFD recommendation by \$40.6 million to the three-year forecast. The Committee adopted LFD assumptions, but included a general fund adjustment to each source so that the overall amount was equal to the OBPP estimate. In April, the House Taxation Committee amended HJR 2 based on the LFD March updated recommendation and adopted a committee report. The resolution was rereferred to the Committee, where it died in process.

In November 2018, RIC heard the revenue estimate recommendations from OBPP and LFD, which were quite close: the OBPP recommendation was \$46.3 million or 0.6% below LFD over the three-year forecast. The committee adopted the LFD estimate and corresponding assumptions, with an adjustment in corporate tax that essentially resulted in an average of the two estimate recommendations. The RIC revenue estimate was incorporated into HJ 2 as the official revenue estimate of the legislature for the beginning of the session. In April 2019, the House Taxation Committee amended the individual income tax estimate contained in HJ 2 based on the LFD April updated recommendation for only that source, which lowered the revenue estimate by \$37.4 million over the three-year forecast period, thereby producing the Legislature's current revenue estimate.

## **Overview**

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In November 2020, the Revenue Interim Committee (RIC) heard revenue estimate recommendations from both OBPP and LFD. The LFD estimate was \$170 million larger than the OBPP estimate over the three-year forecast period, a difference of 2.2%. The Committee ultimately adopted an estimate that was \$65.7 million above the three-year OBPP forecast. In March, the economic outlook had vastly improved from November, due to a combination of increased federal pandemic relief and the roll-out of Covid-19 vaccines. The House Tax Committee amended HJ 2, which increased the three-year forecast by \$305.9 million. This newly adopted estimate represented the midpoint of the OBPP and LFD revenue estimates.

In November 2022, the Revenue Interim Committee (RIC) heard revenue estimate recommendations from both OBPP and LFD. Over the three-year forecast period, the LFD estimate was \$101.7 million, or 0.9% less than the OBPP estimate. The Committee ultimately adopted the LFD estimate, which was left unchanged throughout the 2023 Legislative Session.

## Overview

### General Fund Revenue Estimate

The table below shows the general fund estimates by revenue category as contained in HJ 2. Actual FY 2022 collections are shown, along with projections for FY 2023 through FY 2025.

General Fund Revenue as Adopted in HJ 2 (\$ Millions)						
Source of Revenue	Actual FY 2022	Estimated FY 2023	Estimated FY 2024	Estimated FY 2025	Estimated 2023 Bien	Estimated 2025 Bien
<b>Largest Seven Sources</b>						
Individual Income Tax	\$2,393.807	\$2,033.784	\$2,086.756	\$2,178.325	\$4,427.592	\$4,265.080
Property Tax	335.114	351.821	443.144	450.817	686.936	893.961
Corporation Income Tax	293.683	284.335	277.207	271.356	578.019	548.563
Vehicle Taxes & Fees	121.138	121.546	122.263	123.246	242.684	245.509
Oil & Natural Gas Production Tax	70.510	78.712	73.262	72.045	149.222	145.306
Insurance Tax & License Fees	97.940	101.387	105.838	110.608	199.327	216.447
Video Gambling Tax	77.881	80.185	83.666	86.895	158.066	170.561
<b>Other Business Taxes</b>						
Driver's License Fee	6.171	5.854	5.919	5.972	12.025	11.890
Investment License Fee	19.535	20.182	20.741	21.314	39.717	42.056
Lodging Taxes	46.175	51.124	57.476	61.792	97.299	119.268
Public Contractors Tax	2.840	4.196	4.300	4.396	7.036	8.697
Railroad Car Tax	4.020	4.799	5.496	5.534	8.819	11.029
Rental Car Sales Tax	6.823	8.114	7.978	8.250	14.937	16.228
Telecommunications Excise Tax	8.571	7.891	5.631	4.634	16.462	10.265
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	15.359	21.374	20.644	17.218	36.733	37.862
Electrical Energy Tax	3.930	3.841	3.536	3.383	7.771	6.919
Metalliferous Mines Tax	12.210	11.254	11.363	11.369	23.464	22.732
US Mineral Royalty	19.464	28.143	24.212	20.291	47.607	44.503
Wholesale Energy Tax	3.352	3.427	3.410	3.398	6.779	6.808
<b>Other Interest Earnings</b>						
Coal Trust Interest	16.561	17.947	18.857	19.657	34.509	38.514
Treasury Cash Account Interest	11.776	101.367	126.591	98.569	113.143	225.159
<b>Other Consumption Taxes</b>						
Beer Tax	3.202	3.294	3.329	3.362	6.496	6.691
Cigarette Tax	27.993	27.517	26.889	26.069	55.510	52.958
Liquor Excise & License Tax	29.166	31.241	32.282	33.409	60.407	65.691
Liquor Profits	21.879	22.600	23.700	24.300	44.479	48.000
Lottery Profits	15.311	15.264	15.508	15.683	30.575	31.191
Marijuana Tax	14.238	27.401	27.975	29.107	41.639	57.082
Tobacco Tax	5.565	5.451	5.366	5.253	11.016	10.619
Wine Tax	2.573	2.641	2.699	2.760	5.214	5.459
<b>Other Sources</b>						
All Other Revenue <sup>1</sup>	180.512	305.512	46.451	46.662	486.024	93.113
Highway Patrol Fines	3.533	3.503	3.518	3.518	7.036	7.036
Nursing Facilities Fee	3.447	3.153	2.942	2.731	6.600	5.673
Public Institution Reimbursements	13.933	8.070	7.758	7.446	22.003	15.204
Tobacco Settlement	3.426	3.342	3.327	3.312	6.768	6.638
Ongoing Revenue Subtotal	3,755.727	3,539.484	3,710.034	3,782.680	7,295.211	7,492.714
OTO & Transfers Subtotal	135.914	260.789				
<b>Total General Fund</b>	<b>\$3,891.640</b>	<b>\$3,800.273</b>	<b>\$3,710.034</b>	<b>\$3,782.680</b>	<b>\$7,691.913</b>	<b>\$7,492.714</b>
<b>Ongoing General Fund Growth</b>		<b>-5.8%</b>	<b>4.8%</b>	<b>2.0%</b>		<b>2.7%</b>

<sup>1</sup>In FY 2022, All Other Revenue includes a transfer of \$115 million from the BSRF back to the General Fund. In FY 2023 this transfer is \$260.8 million.

## Overview

### Revenue Impacts of Legislation

The table below shows the revenue impacts of legislation enacted by the 68<sup>th</sup> Legislature. If more than one bill was enacted that impacts a certain revenue source, the cumulative impact of the bills is shown for each revenue source.

General Fund Revenue Legislation Impacts of the 68th Legislature						
(\$ Millions)						
Source of Revenue	Estimated FY 2023	Estimated FY 2024	Estimated FY 2025	Estimated 2023 Bien.	Estimated 2025 Bien.	Estimated 3-Yr Total
<b>Largest Seven Sources</b>						
Individual Income Tax	-	(32.604)	(170.429)	\$0.000	(\$203.033)	(\$203.033)
Property Tax	-	(427.282)	(440.889)	-	(868.171)	(868.171)
Corporation Income Tax	-	(1.386)	3.517	-	2.131	2.131
Vehicle Taxes & Fees	-	(0.042)	(0.055)	-	(0.097)	(0.097)
Oil & Natural Gas Production Tax	-	(0.033)	(0.064)	-	(0.097)	(0.097)
Insurance Tax & License Fees	-	-	-	-	-	-
Video Gambling Tax	-	(0.402)	(0.402)	-	(0.804)	(0.804)
<b>Other Business Taxes</b>						
Driver's License Fee	-	-	-	-	-	-
Investment License Fee	-	-	-	-	-	-
Lodging Taxes	-	-	-	-	-	-
Public Contractors Tax	-	(0.098)	(0.100)	-	(0.197)	(0.197)
Railroad Car Tax	-	-	-	-	-	-
Rental Car Sales Tax	-	-	-	-	-	-
Telecommunications Excise Tax	-	-	-	-	-	-
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	-	(2.224)	(1.835)	-	(4.059)	(4.059)
Electrical Energy Tax	-	-	-	-	-	-
Metalliferous Mines Tax	-	-	-	-	-	-
US Mineral Royalty	-	-	-	-	-	-
Wholesale Energy Tax	-	-	-	-	-	-
<b>Other Interest Earnings</b>						
Coal Trust Interest	-	-	-	-	-	-
Treasury Cash Account Interest	(101.367)	(126.591)	(98.576)	(101.367)	(225.167)	(326.534)
<b>Other Consumption Taxes</b>						
Beer Tax	-	-	-	-	-	-
Cigarette Tax	-	-	-	-	-	-
Liquor Excise & License Tax	-	0.016	0.015	-	0.030	0.030
Liquor Profits	-	-	-	-	-	-
Lottery Profits	-	-	0.060	-	0.060	0.060
Marijuana Tax	-	2.706	2.708	-	5.414	5.414
Tobacco Tax	-	(0.046)	(0.045)	-	(0.091)	(0.091)
Wine Tax	-	(0.003)	(0.003)	-	(0.006)	(0.006)
<b>Other Sources</b>						
All Other Revenue	-	0.093	-	-	0.093	0.093
Highway Patrol Fines	-	0.435	0.435	-	0.871	0.871
Nursing Facilities Fee	-	-	-	-	-	-
Public Institution Reimbursements	-	-	-	-	-	-
Tobacco Settlement	-	-	-	-	-	-
<b>Total General Fund</b>	<b>(\$101.367)</b>	<b>(\$587.460)</b>	<b>(\$705.662)</b>	<b>(\$101.367)</b>	<b>(\$1,293.123)</b>	<b>(\$1,394.490)</b>

## Overview

The following table shows the revised general fund revenue estimates by source which is the sum of HJ 2 estimates, and all enacted legislation impacts.

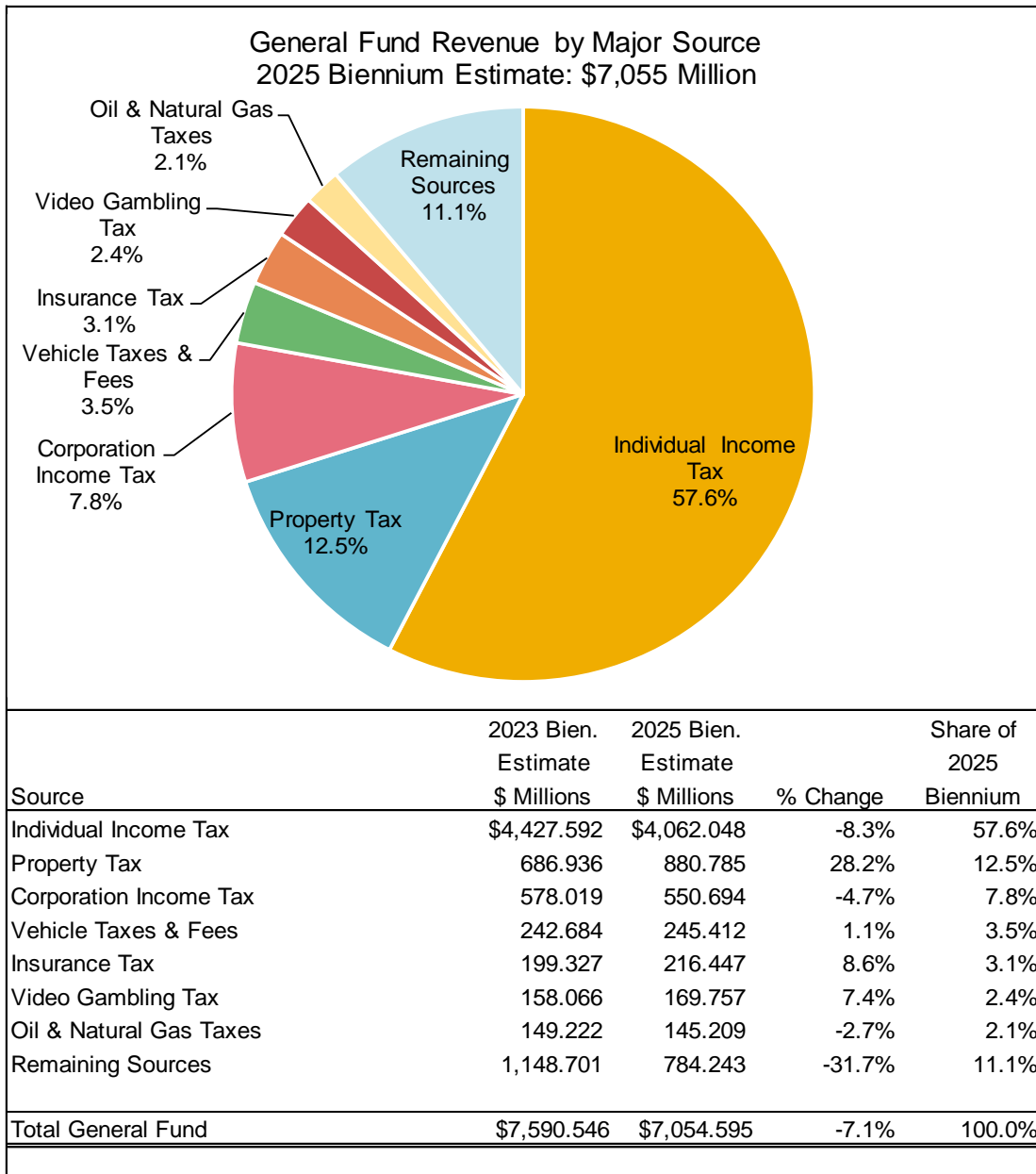
General Fund/School Equalization Revenue: HJ 2 Estimate Plus Legislation Impacts						
(\$ Millions)						
Source of Revenue	Actual FY 2022	Estimated FY 2023	Estimated FY 2024	Estimated FY 2025	Estimated 2023 Bien.	Estimated 2025 Bien.
<b>Largest Seven Sources</b>						
Individual Income Tax	2,393.807	2,033.784	2,054.152	2,007.896	\$4,427.592	\$4,062.048
Property Tax (General Fund)	335.114	351.821	15.861	9.928	686.936	25.789
Property Tax (School Equalization) <sup>1</sup>			424.826	430.169		854.995
Corporation Income Tax	293.683	284.335	275.821	274.873	578.019	550.694
Vehicle Taxes & Fees	121.138	121.546	122.221	123.191	242.684	245.412
Oil & Natural Gas Production Tax	70.510	78.712	73.229	71.980	149.222	145.209
Insurance Tax & License Fees	97.940	101.387	105.838	110.608	199.327	216.447
Video Gambling Tax	77.881	80.185	83.264	86.493	158.066	169.757
<b>Other Business Taxes</b>						
Driver's License Fee	6.171	5.854	5.919	5.972	12.025	11.890
Investment License Fee	19.535	20.182	20.741	21.314	39.717	42.056
Lodging Taxes	46.175	51.124	57.476	61.792	97.299	119.268
Public Contractors Tax	2.840	4.196	4.203	4.297	7.036	8.499
Railroad Car Tax	4.020	4.799	5.496	5.534	8.819	11.029
Rental Car Sales Tax	6.823	8.114	7.978	8.250	14.937	16.228
Telecommunications Excise Tax	8.571	7.891	5.631	4.634	16.462	10.265
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	15.359	21.374	18.420	15.383	36.733	33.803
Electrical Energy Tax	3.930	3.841	3.536	3.383	7.771	6.919
Metalliferous Mines Tax	12.210	11.254	11.363	11.369	23.464	22.732
US Mineral Royalty	19.464	28.143	24.212	20.291	47.607	44.503
Wholesale Energy Tax	3.352	3.427	3.410	3.398	6.779	6.808
<b>Other Interest Earnings</b>						
Coal Trust Interest	16.561	17.947	18.857	19.657	34.509	38.514
Treasury Cash Account Interest <sup>2</sup>	11.776				11.776	
<b>Other Consumption Taxes</b>						
Beer Tax	3.202	3.294	3.329	3.362	6.496	6.691
Cigarette Tax	27.993	27.517	26.889	26.069	55.510	52.958
Liquor Excise & License Tax	29.166	31.241	32.298	33.423	60.407	65.721
Liquor Profits	21.879	22.600	23.700	24.300	44.479	48.000
Lottery Profits	15.311	15.264	15.508	15.743	30.575	31.251
Marijuana Tax	14.238	27.401	30.681	31.815	41.639	62.496
Tobacco Tax	5.565	5.451	5.320	5.208	11.016	10.528
Wine Tax	2.573	2.641	2.696	2.757	5.214	5.453
<b>Other Sources</b>						
All Other Revenue	180.512	305.512	46.544	46.662	486.024	93.206
Highway Patrol Fines	3.533	3.503	3.953	3.953	7.036	7.907
Nursing Facilities Fee	3.447	3.153	2.942	2.731	6.600	5.673
Public Institution Reimbursements	13.933	8.070	7.758	7.446	22.003	15.204
Tobacco Settlement	3.426	3.342	3.327	3.312	6.768	6.638
<b>Total General Fund &amp; School Equalization</b>	<b>\$3,891.640</b>	<b>\$3,698.906</b>	<b>\$3,547.400</b>	<b>\$3,507.194</b>	<b>\$7,590.546</b>	<b>\$7,054.595</b>

<sup>1</sup> HB 587 transferred the statewide 95 mills to a newly created school equalization account

<sup>2</sup> HB 251 transferred TCA interest earnings to a new debt liability free account in FY 2023-2025

## Overview

General fund revenue for the 2025 biennium, after adjusting for legislation, is projected to decrease 7.1% over the 2023 biennium projection. As shown in the pie chart below, the largest seven revenue sources are anticipated to account for 88.9% of general fund revenue in the 2025 biennium; since 2002, these sources have on average accounted for 83.0% of general fund revenue.





## Overview

### Select Non-General Fund Revenue Estimates

The table below shows estimates for selected non-general fund revenue for the 2025 biennium as contained in HJ 2 and from enacted legislation. These estimates are included because of their importance in the budgeting process.

House Joint Resolution 2 Plus Legislation Impacts Non-General Fund Revenue Estimates (\$ Millions)						
Source of Revenue	Actual FY 2022	Estimated FY 2023	Estimated FY 2024	Estimated FY 2025	Estimated 2023 Bien	Estimated 2025 Bien
Property Tax: 6 Mill	\$21.921	\$22.647	\$28.698	\$29.249	\$44.567	\$57.947
Natural Resource Taxes						
Federal Forest Receipts	14.383	19.831	19.831	4.682	34.214	24.513
Resource Indemnity Tax	2.471	3.923	5.426	4.150	6.394	9.576
Interest Earnings						
Capital Land Grant Interest and Income	1.341	1.596	1.428	1.435	2.937	2.864
Common School Interest and Income	46.366	49.476	53.185	55.802	95.842	108.987
Cultural Trust Interest	0.468	0.539	0.596	0.642	1.008	1.237
Deaf & Blind Interest and Income	0.254	0.282	0.311	0.327	0.537	0.638
Economic Development Trust	4.034	4.737	5.434	5.935	8.771	11.369
Parks Trust Interest	0.898	1.023	1.133	1.203	1.920	2.336
Pine Hills Interest and Income	0.317	0.357	0.365	0.402	0.674	0.767
Regional Water Trust Interest	3.136	3.338	3.627	3.873	6.474	7.500
RIT Trust Interest	3.563	3.692	3.930	4.167	7.254	8.097
School Facilities Trust	2.579	3.475	7.001	7.880	6.054	14.881
Montana Coal Endowment Trust Interest	9.091	10.795	11.722	12.307	19.886	24.029
Tobacco Trust Interest	10.284	9.993	11.482	12.955	20.276	24.437
Consumption Taxes						
Diesel Tax	114.137	112.658	113.902	117.168	226.795	231.070
Gasoline Tax	187.681	186.293	188.211	190.131	373.974	378.342
GVW and Other Fees	41.058	39.740	40.710	41.801	80.798	82.511
<b>Total Selected Non-General Fund</b>	<b>\$463.981</b>	<b>\$474.394</b>	<b>\$496.993</b>	<b>\$494.109</b>	<b>\$938.375</b>	<b>\$991.101</b>

## Overview

### Revenue Legislation of the 2025 Session

The following tables summarize the revenue impacts of legislation enacted by the 68<sup>th</sup> Legislature by bill number.

General Fund Impact of Revenue Legislation Enacted by the 68th Legislature (\$ Millions)							2023-2025
Bill Number and Short Title	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Total	
HB0010 Long-range information technology financings and appropriations	-	(\$1.095)	(\$1.765)	-	-	(\$2.860)	
HB0013 State Employee Pay Plan and revising laws governing state employees	-	(0.661)	(1.293)	-	-	(1.954)	
HB0026 Generally revise highway use laws	-	-	-	-	-	-	
HB0038 Generally revise theft laws to enumerate theft of a light vehicle	-	0.430	0.430	0.430	0.430	0.860	
HB0048 Generally revise alcohol laws, including storage depots	-	0.005	0.005	0.005	0.005	0.010	
HB0068 Generally revise laws related to beer and wine licenses	-	-	0.009	0.009	0.009	0.009	
HB0097 Generally revise laws related to alcohol	-	0.010	-	-	-	0.010	
HB0136 Adopt Montana Revised Unclaimed Property Act	-	-	-	-	-	-	
HB0188 Extend funding to Coal Board	-	(2.224)	(1.835)	(1.793)	(1.735)	(4.059)	
HB0189 Revise property tax assistance program	-	-	(2.494)	(2.739)	(2.804)	(2.494)	
HB0192 Use surplus revenue for income tax and property tax refunds and payment of bonds	-	(7.845)	(8.098)	1.631	-	(15.944)	
HB0212 Increase business equipment tax exemption	-	(1.008)	(1.325)	(1.356)	(1.387)	(2.333)	
HB0221 Revise income tax rates for net-long term capital gains	-	0.534	2.780	2.452	0.897	3.314	
HB0222 Provide rebates of property taxes paid on a principal residence	-	(2.313)	(3.677)	-	-	(5.990)	
HB0224 Revise vehicle registration law regarding military personnel	-	(0.030)	(0.030)	(0.030)	(0.030)	(0.060)	
HB0225 Establish adoption tax credit	-	(3.255)	(2.170)	(2.170)	(2.170)	(5.425)	
HB0245 Revise tax credit for trades education and training	-	(0.819)	(0.819)	(0.819)	(0.819)	(1.639)	
HB0251 Provide budget stability through investment and liability reduction	(101.367)	(98.556)	(65.204)	-	-	(265.127)	
HB0262 Revise local government financial reporting and audit requirements	-	-	-	-	-	-	
HB0267 Create SAFER account for federal highway grants	-	(2.080)	(1.695)	-	-	(3.775)	
HB0297 Revise video gambling machine taxes to allow a deduction for negative income	-	(0.402)	(0.402)	(0.402)	(0.402)	(0.804)	
HB0321 Generally revise laws related to the coal trust	-	(1.357)	(1.212)	-	-	(2.569)	
HB0325 Revise eligibility for disabled veteran property tax assistance program	-	-	-	-	-	-	
HB0333 Generally revise motorized recreation laws	-	(0.020)	(0.041)	(0.041)	(0.041)	(0.061)	
HB0374 Create offense for failure to yield to an emergency vehicle	-	0.005	0.005	0.005	0.005	0.011	
HB0408 Revise student scholarship organization and innovative education tax credits	-	-	(5.200)	(6.240)	(5.088)	(5.200)	
HB0424 Generally revise sustainability of state finance and provide for transfers	-	(0.437)	(0.480)	-	-	(0.917)	
HB0485 Revise tax rates for stripper oil production	-	(0.033)	(0.064)	(0.065)	(0.075)	(0.097)	
HB0519 Authorize digital drivers licenses through a mobile application	-	-	-	(0.001)	(0.001)	-	
HB0569 Generally revise pension laws	-	(1.988)	(1.620)	-	-	(3.608)	
HB0587 Generally revise school finance laws related to property taxes	-	(426.054)	(435.529)	(468.072)	(478.887)	(861.583)	
HB0816 Revise distribution of surplus revenue	-	(1.599)	(2.299)	-	-	(3.898)	
HB0819 Create Montana community reinvestment act to fund workforce housing	-	(3.442)	(2.962)	-	-	(6.405)	
HB0835 Create Medicaid and 24/7 contingency fund	-	(0.881)	(0.718)	-	-	(1.599)	
HB0840 Revise tobacco tax allocation for state veterans' nursing homes	-	-	-	(0.135)	(0.374)	-	
HB0856 Generally revise capitol complex administration laws	-	(1.040)	(0.847)	-	-	(1.887)	
HB0872 Provide funding for behavioral health system for future generations	-	(1.976)	(2.440)	-	-	(4.416)	
HB0881 Generally revise economic development laws	-	-	-	(0.336)	(0.322)	-	
HB0903 Generally revise marijuana laws	-	2.849	2.849	2.849	2.849	5.698	
HB0948 Revise marijuana laws regarding synthetic marijuana products	-	(0.143)	(0.141)	(0.143)	(0.145)	(0.284)	
SB0003 Revise forest land taxation laws	-	(0.125)	(0.167)	(0.214)	(0.264)	(0.292)	
SB0020 Generally revise laws related to alcohol	-	(0.003)	(0.003)	(0.003)	(0.003)	(0.006)	
SB0054 Revise centrally assessed property appraisals	-	-	(0.874)	(1.061)	(0.918)	(0.874)	
SB0080 Authorize investment authority for retained interest	-	(0.009)	(0.007)	(0.006)	(0.006)	(0.016)	
SB0093 Generally revising ballot issues	-	0.093	-	0.093	-	0.093	
SB0104 Exempt retired military pensions from state income tax	-	(0.831)	(4.350)	(4.547)	(4.741)	(5.181)	
SB0121 Reduce top marginal income tax rate and increase EITC	-	(28.560)	(162.554)	(168.477)	(179.742)	(191.114)	
SB0122 Revise cigar tax based on a fixed amount per cigar	-	(0.046)	(0.045)	(0.044)	(0.043)	(0.091)	
SB0124 Revise corporate income tax apportionment	-	-	4.884	16.422	17.608	4.884	
SB0221 Allow USS Montana crew to apply for license plates	-	0.008	0.016	0.015	0.015	0.024	
SB0246 Revise corporate income tax water's-edge election laws	-	(1.386)	(1.357)	(1.378)	(1.404)	(2.743)	
SB0253 Revise contractor's gross receipts tax	-	(0.098)	(0.100)	(0.102)	(0.105)	(0.197)	
SB0264 Revise airport all-beverage license laws	-	0.000	0.000	0.000	0.000	0.001	
SB0303 Revise withholding penalties for certain taxes	-	0.893	0.893	0.893	0.893	1.785	
SB0506 Increase and repeal termination of Montana charitable endowment tax credit	-	-	(0.286)	(0.297)	(4.707)	(0.286)	
SB0530 Generally revise taxation of new, expanded, or improved industrial property	-	(0.095)	(0.500)	(0.720)	(0.950)	(0.595)	
SB0535 Revise lottery laws relating to the board of horseracing	-	-	0.060	0.064	0.065	0.060	
SB0536 Provide funding for local government road maintenance	-	(1.560)	(1.271)	-	-	(2.831)	
SB0550 Generally revise income tax laws and clarify income tax reform provisions	-	(0.316)	(1.720)	(1.761)	(1.806)	(2.037)	
<b>Total</b>	<b>(\$101.367)</b>	<b>(\$587.460)</b>	<b>(\$705.662)</b>	<b>(\$638.084)</b>	<b>(\$666.191)</b>	<b>(\$1,394.490)</b>	

## Overview

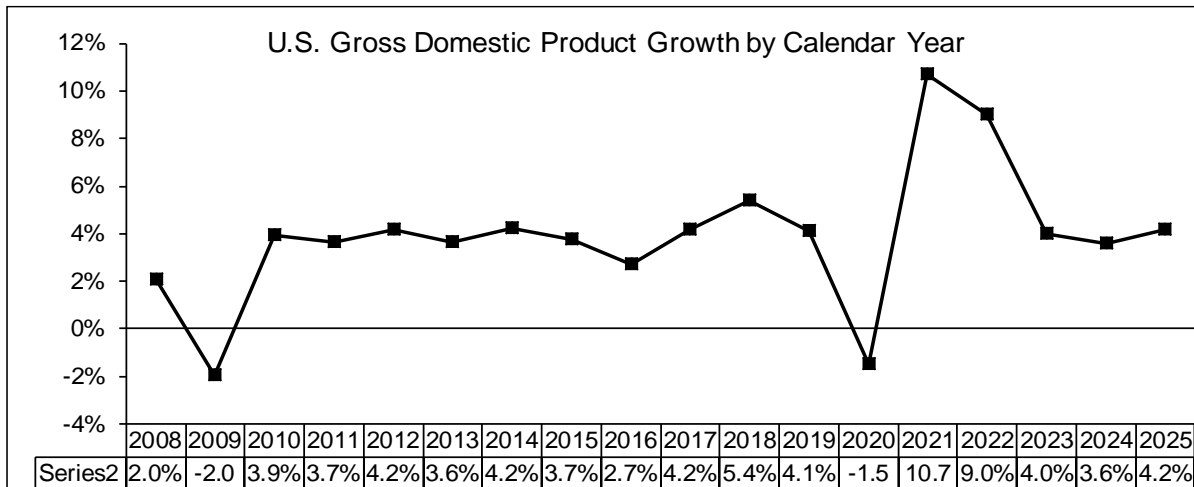
### Economic Outlook for Montana

This section highlights a few of the key national and state-specific economic variables that are used in the revenue estimate. The forecasts for each of these economic indicators—and many others that are also used in the revenue estimate—are provided by IHS Markit.

#### U.S. Economic Indicators

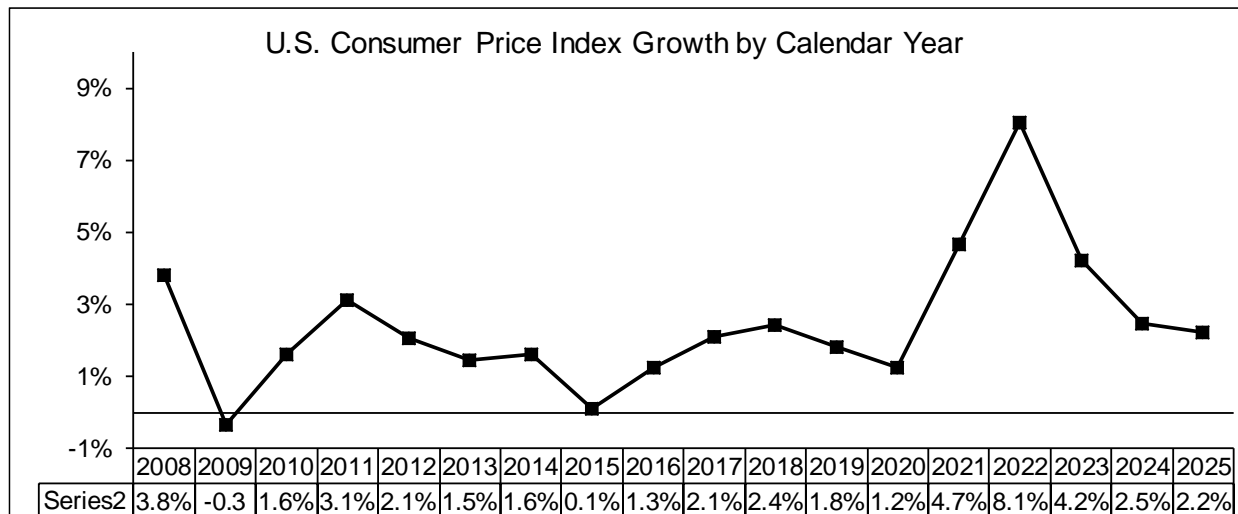
##### *Gross Domestic Product (GDP)*

GDP is one of the most comprehensive national economic statistics. As noted by the Bureau of Economic Analysis (BEA), GDP is used by the White House and Congress to prepare the Federal budget, by the Federal Reserve to formulate monetary policy, by Wall Street as an indicator of economic activity, and by the business community to prepare forecasts of economic performance that provide the basis for production, investment, and employment planning.



##### *Consumer Price Index (CPI)*

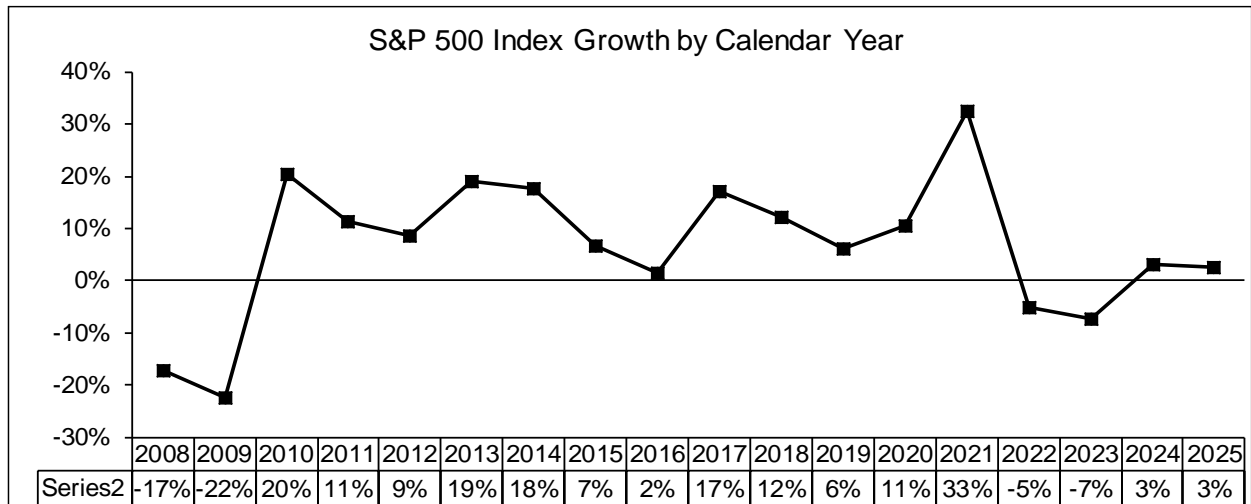
The inflation rate is measured by the price change of the CPI “shopping basket” of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a reduction in disposable income and spends less.



## Overview

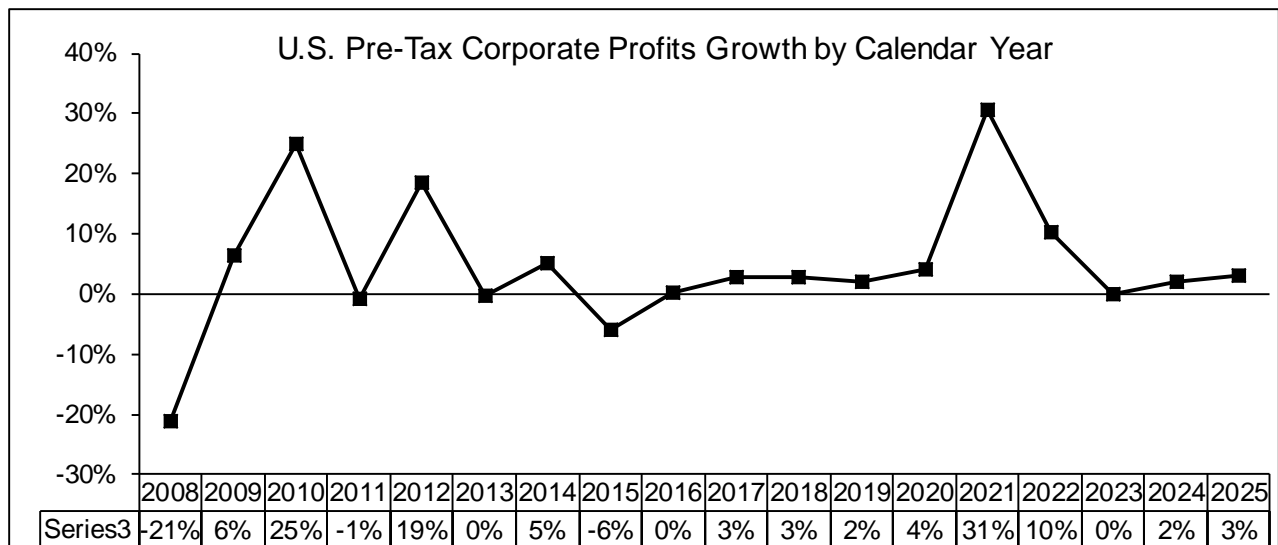
### S&P 500 Stock Market Index

The S&P 500 is a stock market index based on the market capitalizations of 500 large companies. Due to the diversity of companies, it is a broad representation of the U.S. stock market and is a good indicator for investment income.



### U.S. Corporate Profits

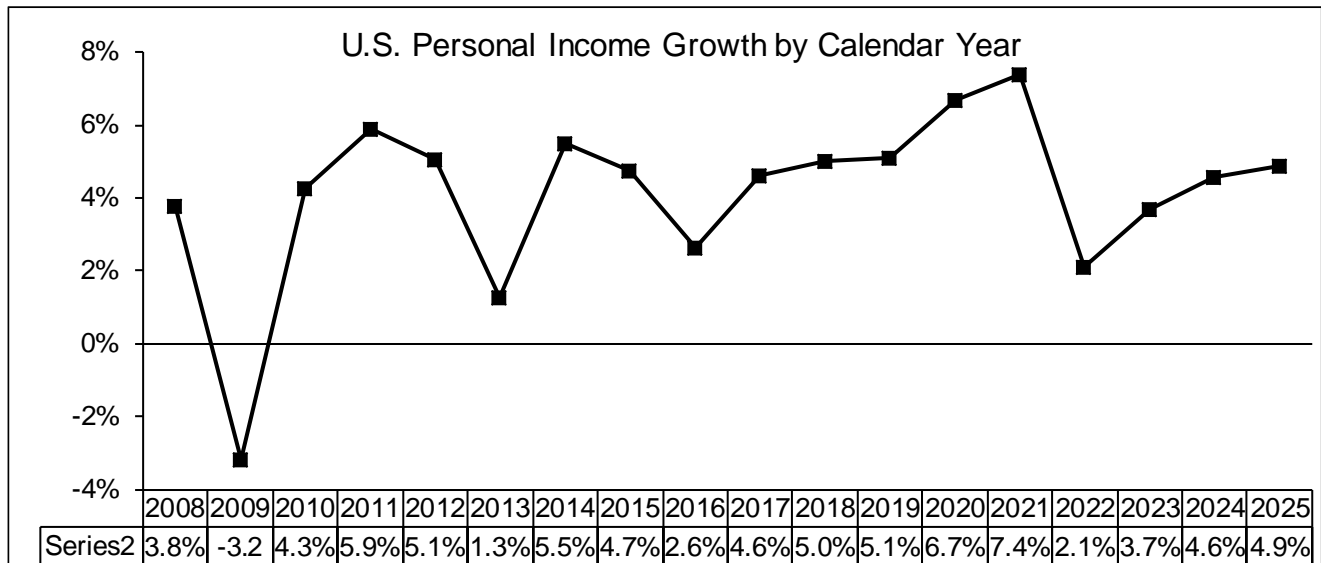
Corporate profitability affects both corporation license tax and individual income tax estimates. When corporations are profitable nationally, there is an expectation that corporations will be profitable in Montana. Additionally, greater corporate profitability is largely responsible for the amount of dividends corporations pay to stockholders as well as the value of equity investments.



## Overview

### U.S. Personal Income

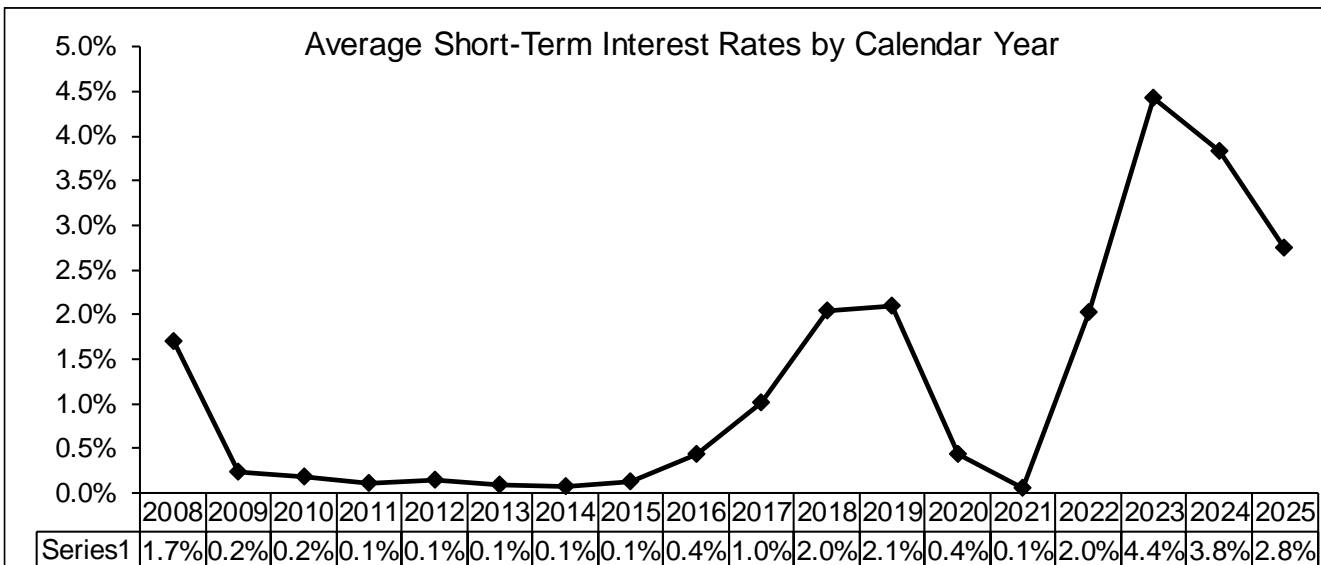
Growth in Montana's tourism industry is related to growth in U.S. personal income. In addition, the outlook for U.S. personal income likely impacts the outlook for Montana personal income.



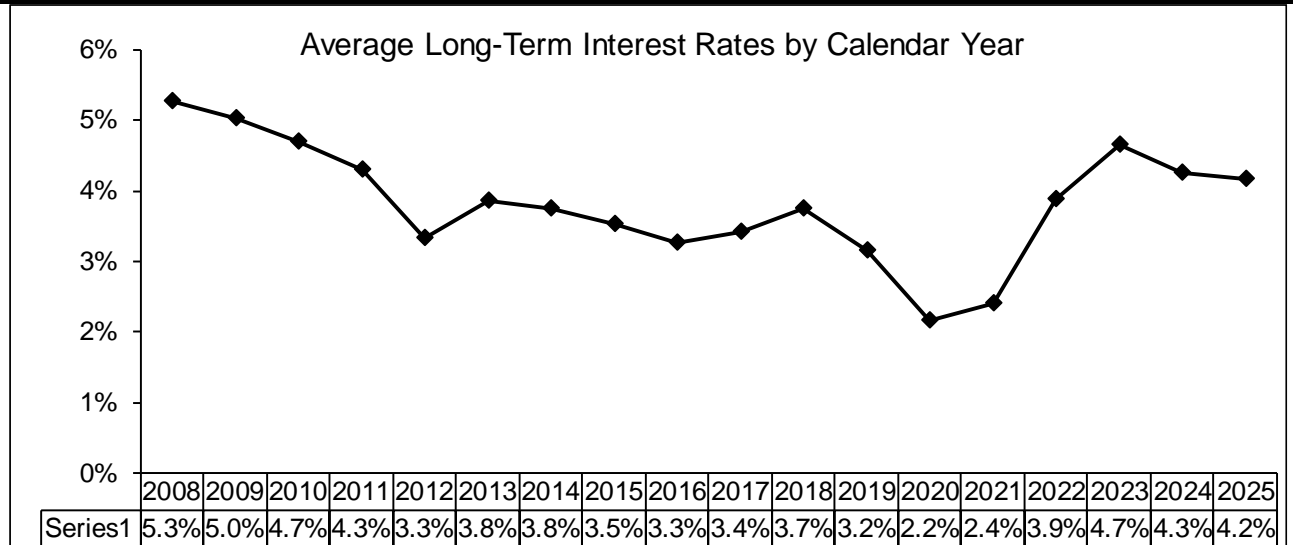
### Long & Short Term Interest Rates

A large portion of Montana's revenues is derived from investment earnings from trust accounts and daily invested cash. Interest rates also affect the amount of investment income that is reported on individual income tax returns. In addition to the state revenue impact, interest rates impact the climate in which consumers and businesses are likely to make investments and large purchases. While low interest rates produce less revenue for Montana's trust and interest holdings, higher income tax earnings might be expected as construction and sales activities increase.

Short-term rates are an average of 3-month corporate paper and 3 and 6-month Treasury bills. Long-term rates are an average of Corporate Aaa and Baa bonds, 10-year Treasury bonds, and 30-year Treasury bonds.



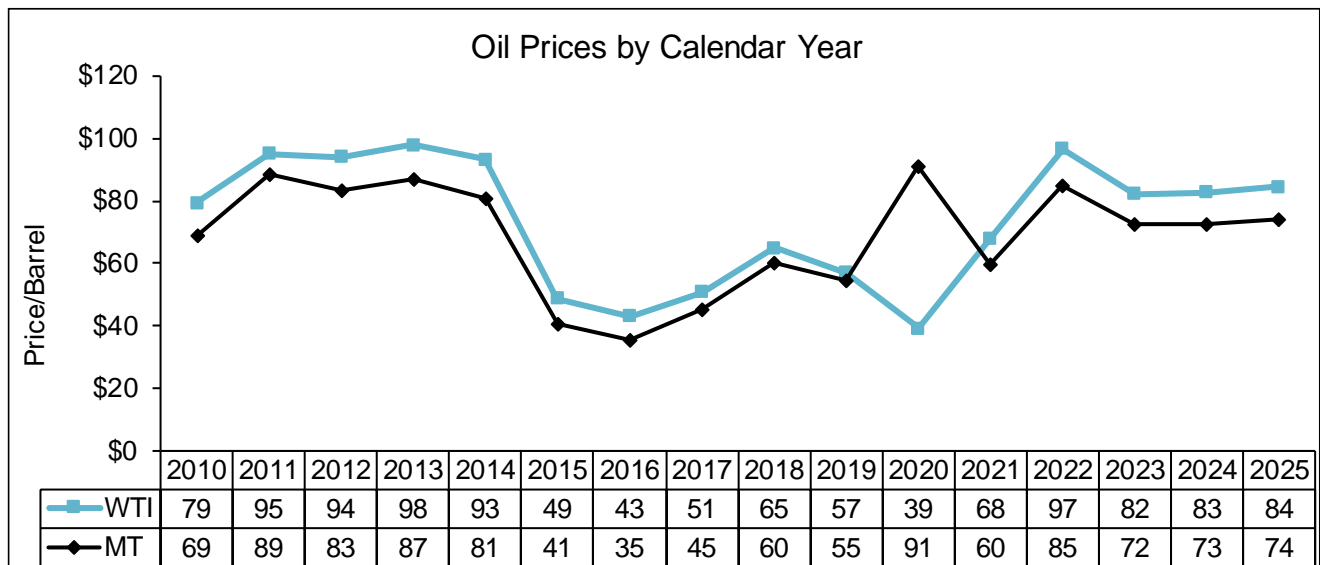
## Overview



### Oil Price: West Texas Intermediate (WTI)

At the national level, lower oil prices tend to correspond with a better economic outlook; manufacturing and transportation costs are lower, and consumers have more income to spend on goods and services. The impact on Montana revenue is more nuanced, however—although overall consumer activity may increase with lower prices, natural resource extraction and related industry activity may also decline, resulting in lower individual, corporation, and natural resource tax collections.

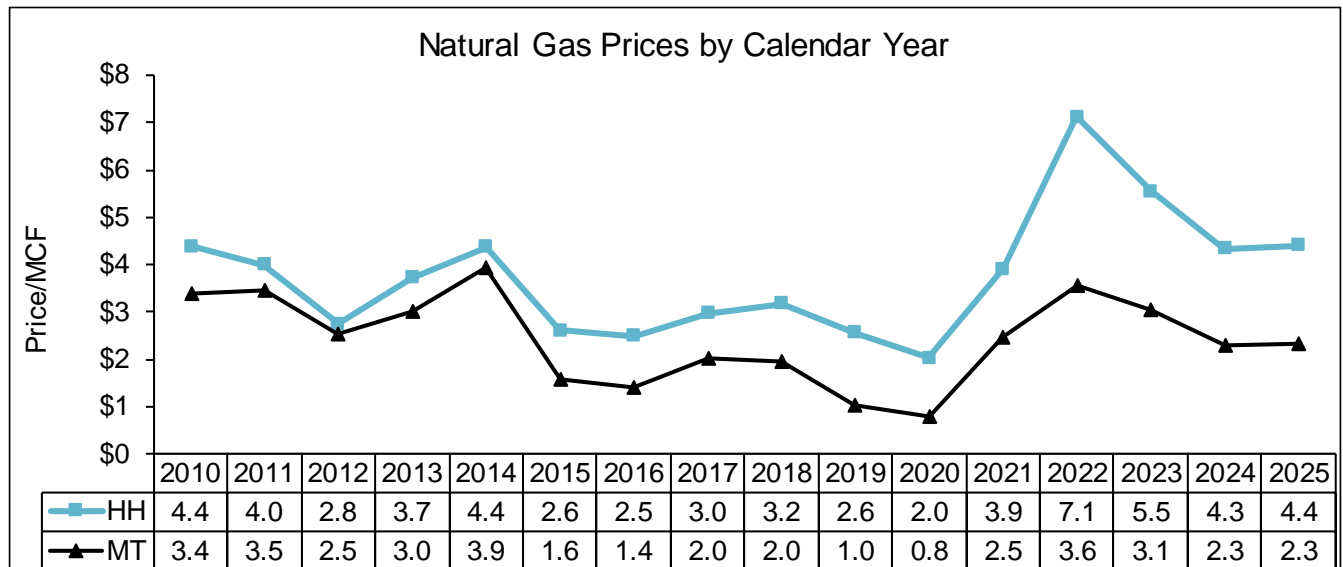
Montana oil price tracks closely with WTI, with an approximate 18.0% reduction to account for transportation costs.



## Overview

### Natural Gas Price: Henry Hub

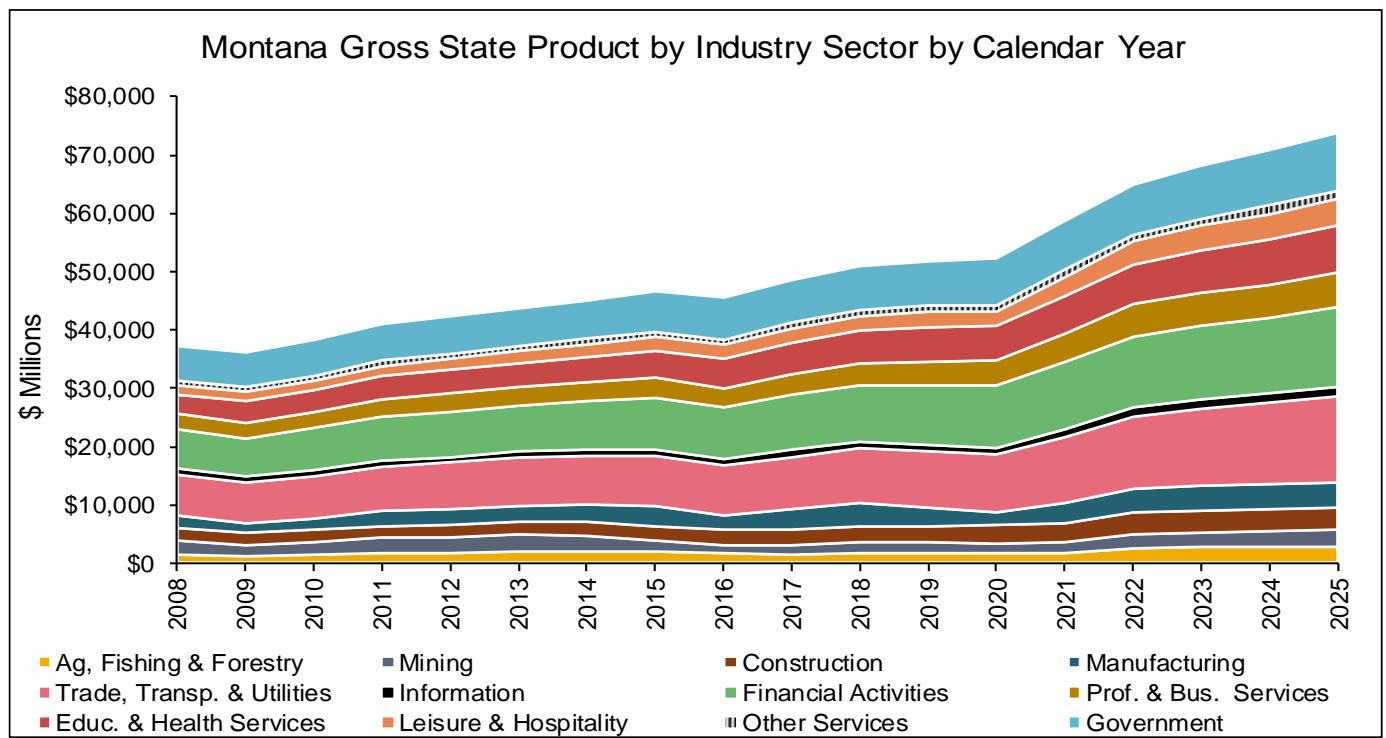
Montana natural gas price tracks the national Henry Hub price, with an average 23.0% deduction for transportation costs.



## Montana Economic Indicators

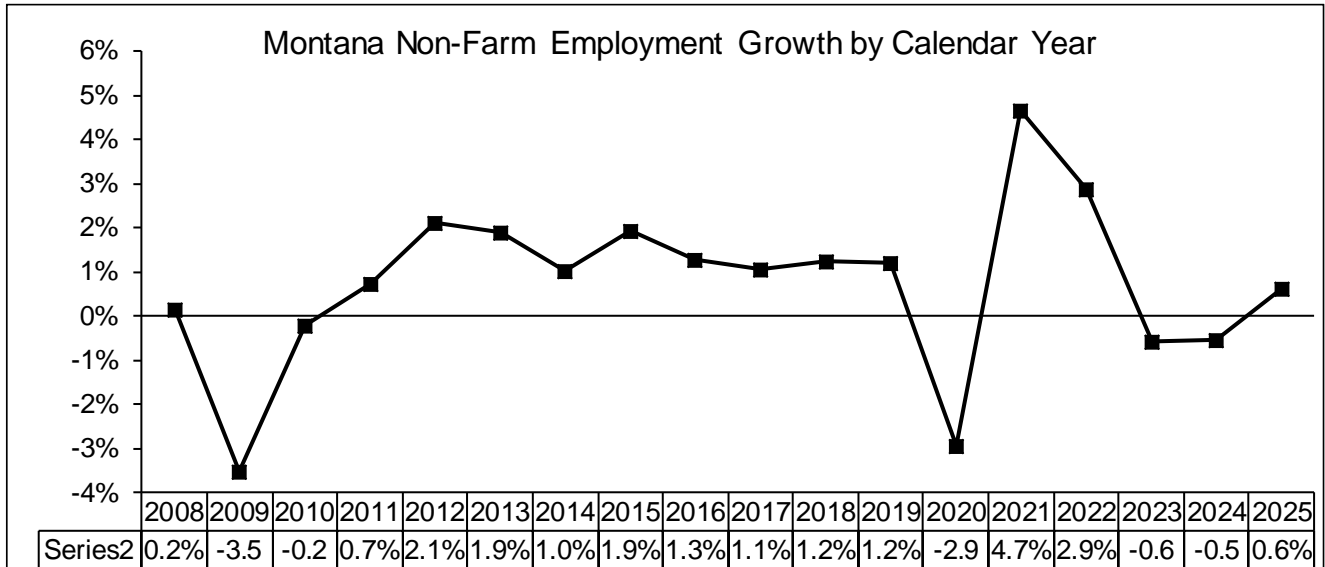
### Gross State Product (GSP)

All broad industry categories have grown since 2000, as measured by GSP; however, the strongest growth has occurred in manufacturing, and a broad array of service sectors—professional & business, financial, and health & educational.



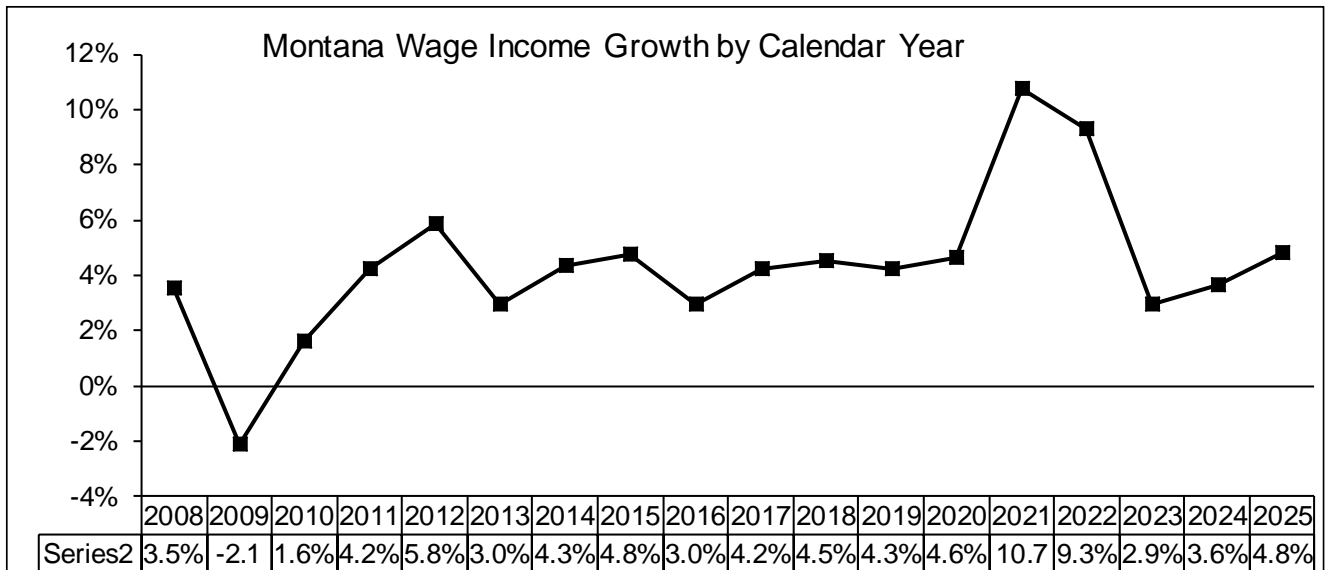
## Overview

### Employment



### Wages

Wage income accounts for nearly two-thirds of individual income, and individual income tax accounts for about half of general fund revenue. Although wage income is not as volatile as several other income or revenue sources, even small changes in the outlook for wage income can produce large swings in the revenue estimate. The IHS Markit wage disbursements variable for Montana is probably the single most important underlying indicator in the entire general fund revenue estimate.

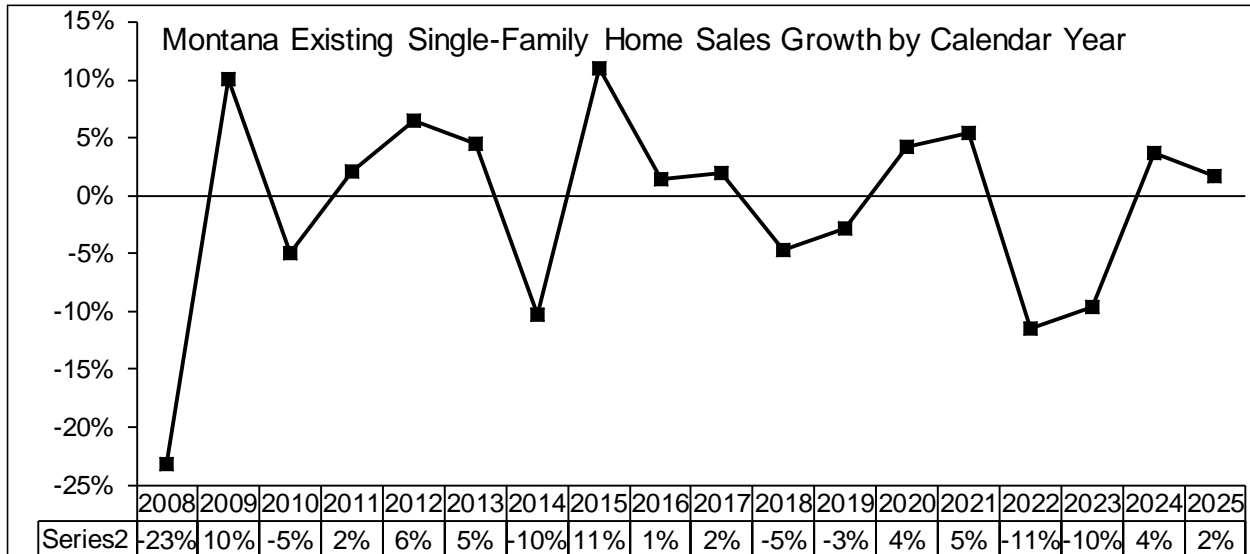
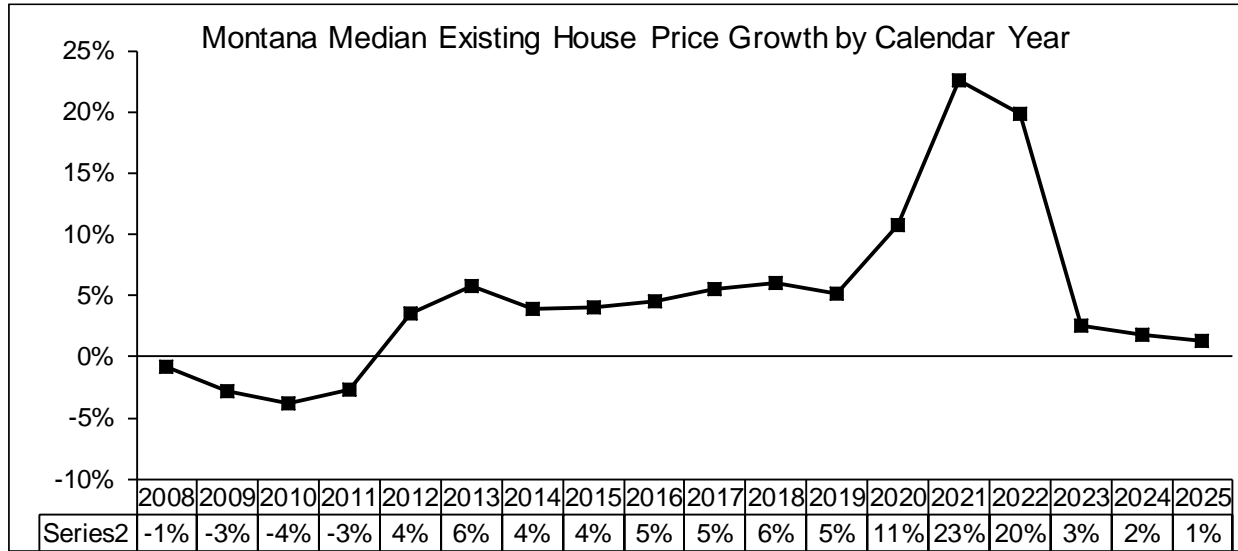




## Overview

### Housing

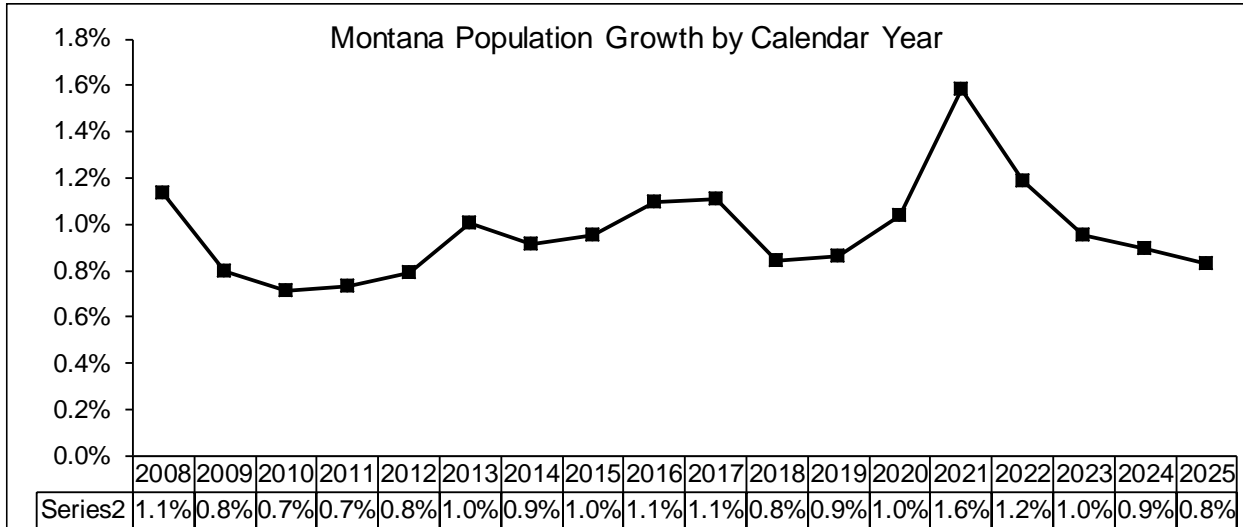
The health of the housing market can be measured by median house price and annual sales. Housing is an important—and leading—measure of economic activity: it drives construction and related industry growth and reflects household formation and asset accumulation. Housing indicators are used in the individual and corporation income tax estimates.



## Overview

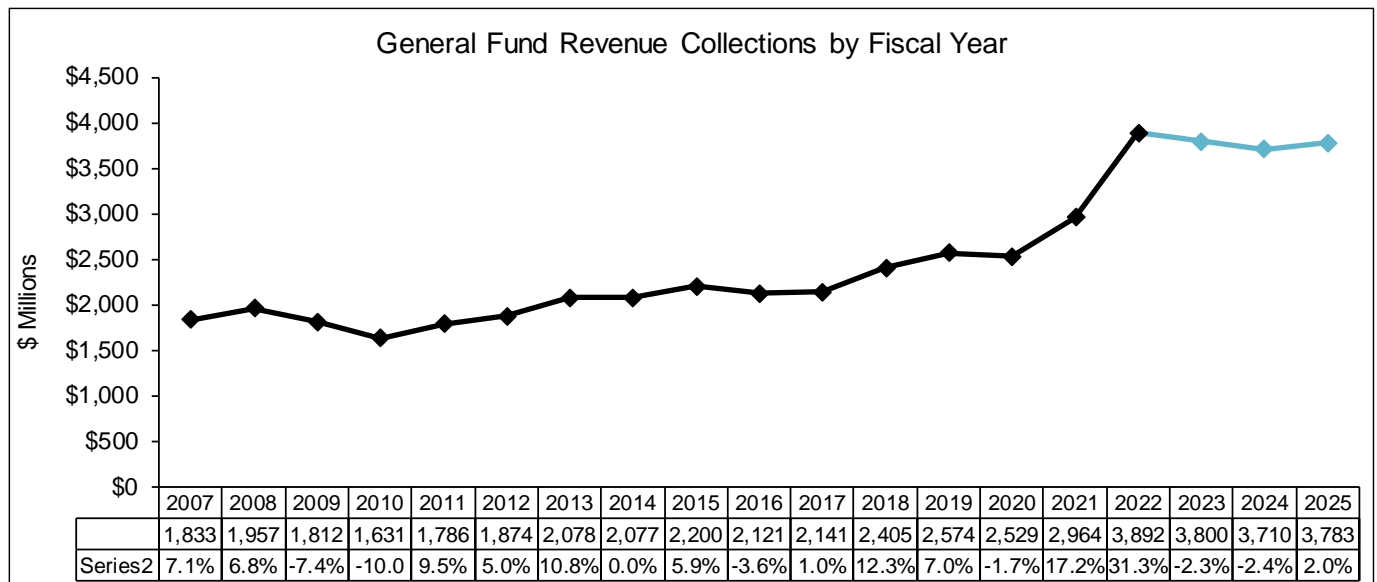
### Population

Population statistics are used to develop estimates for many of the revenue sources including beer, wine, liquor, and cigarette taxes. In addition to those sources where population has a direct effect, the size of the population indirectly affects the profitability of all businesses and the employment levels statewide.



### General Fund History

The graph below shows actual total general fund collections from FY 2007 to FY 2022 and includes FY 2023 through FY 2025 projected collections as adopted by the 68<sup>th</sup> Legislature (not including legislative impacts).



## **Overview**

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### **Summary**

A complete summary of each general fund and selected non-general fund revenue sources follows. Each summary provides information on the particular source of revenue including a description, the applicable tax or fee rates, and distribution mechanisms. A legislation impact table (if applicable) is shown summarizing all bills that impact the particular source of revenue.

Note that the revenue projection table and graph are based on HJ 2 estimates, whereas legislation impacts are shown in the Legislative Action section. The corresponding revenue estimate assumption tables reflect only assumptions pertinent to the HJ 2 revenue estimates and have not been updated for the impacts of enacted legislation.