

Legislative Fiscal Report

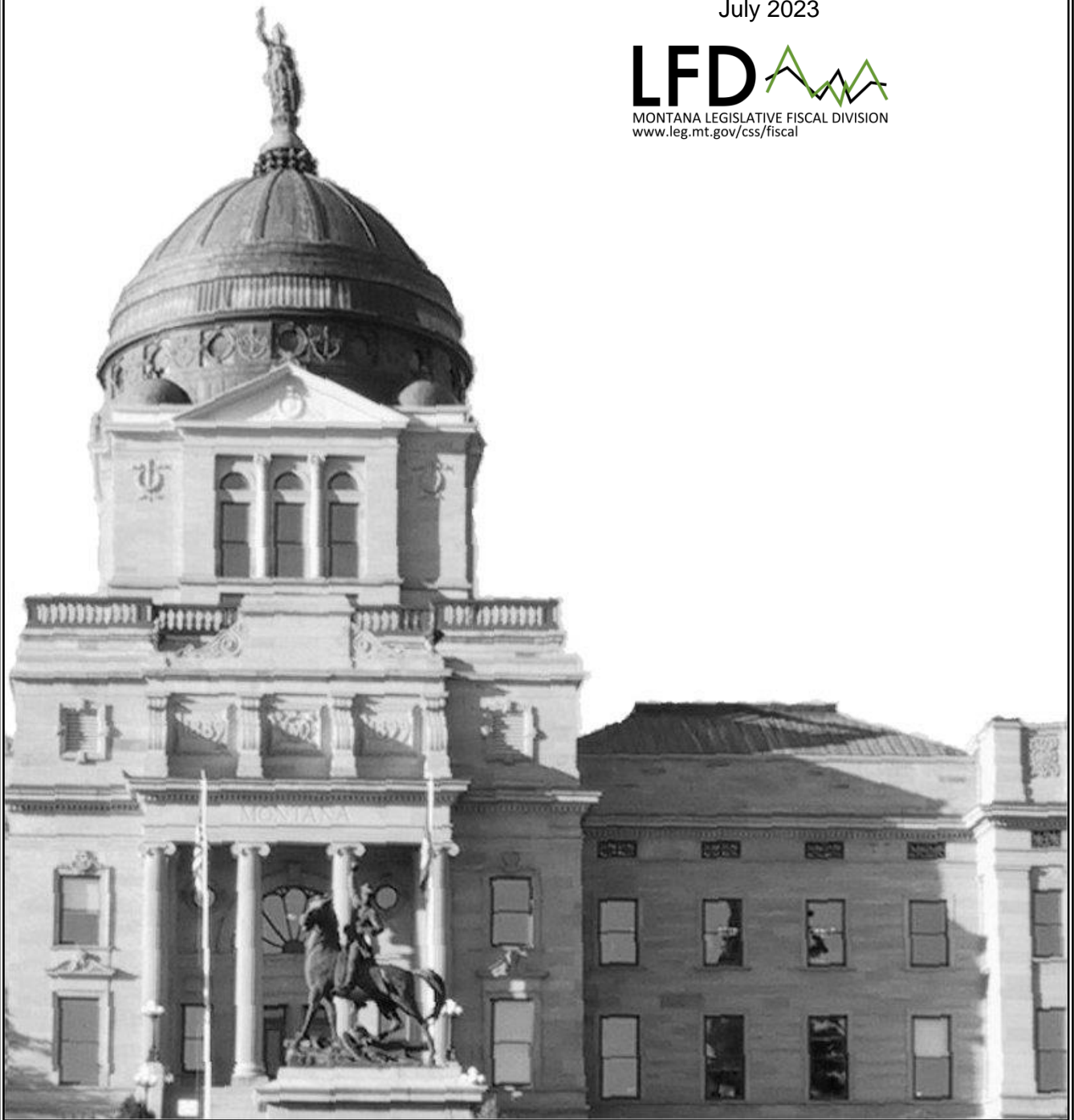
2025 Biennium

Volume 2 – Revenue Estimates

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LFD 
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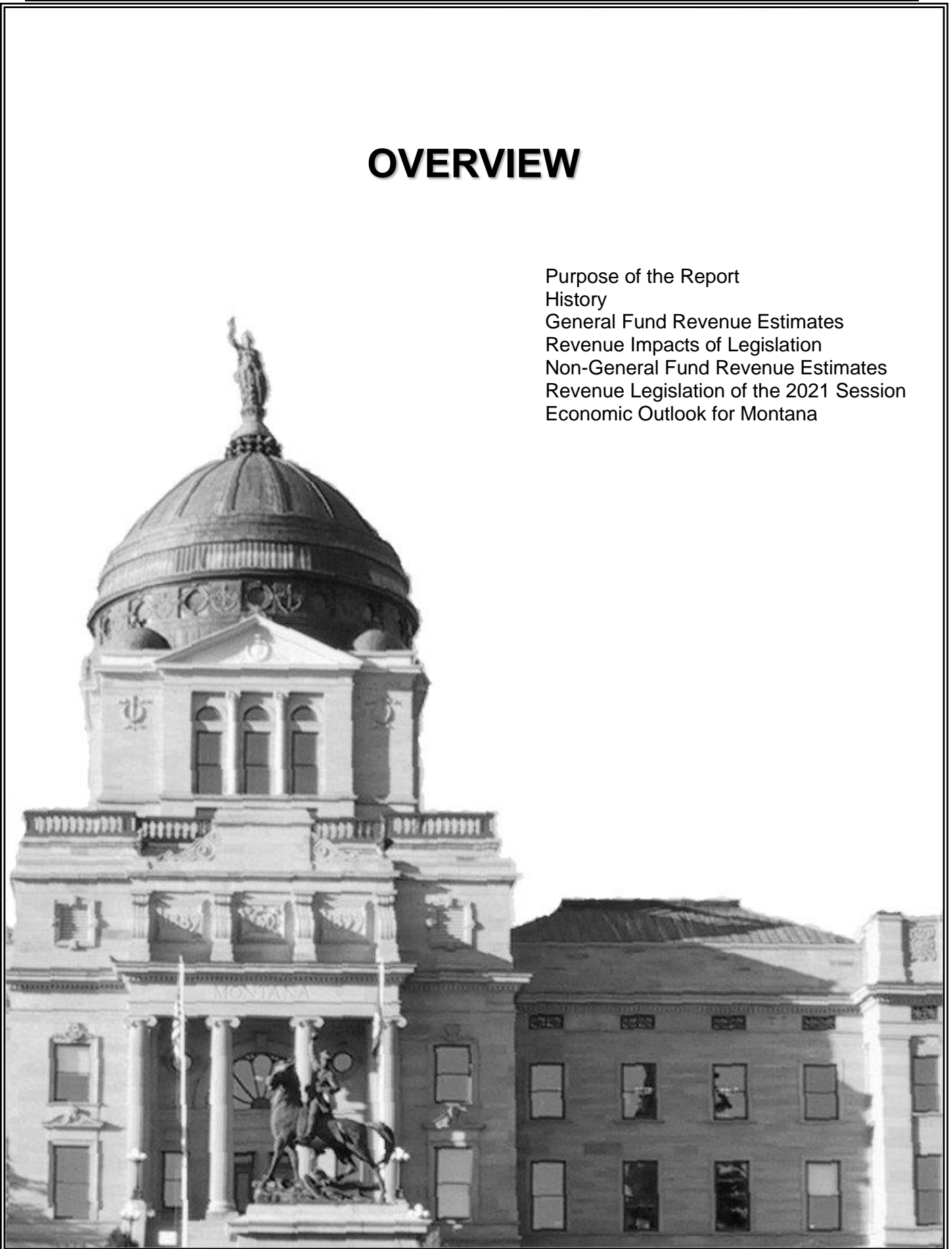
Revenue Estimates

Overview	1
Purpose of the Report	2
History	2
General Fund Revenue Estimate	5
Revenue Impacts of Legislation	6
Select Non-General Fund Revenue Estimates	9
Revenue Legislation of the 2025 Session.....	10
Economic Outlook for Montana	11
General Fund History	18
Summary	19
Business and Personal Taxes	20
Corporation Income Tax.....	21
Driver's License Fees.....	27
Individual Income Tax	31
Insurance Tax & License Fees	40
Investment License Fee	43
Lodging Taxes.....	46
Motor Vehicle Fee	50
Public Contractors Tax	54
Railroad Car Tax.....	57
Rental Car Sales Tax	60
Telecommunications Excise Tax	62
Vehicle Tax	65
Natural Resource Taxes	68
Coal Severance Tax.....	69
Electrical Energy Tax	75
Federal Forest Receipts	77
Metalliferous Mines Tax	79
Oil & Natural Gas Production Tax.....	82
Resource Indemnity Tax	89
U.S. Mineral Royalties.....	92
Wholesale Energy Tax	95
Interest Earnings	98
Capital Land Grant Interest and Income	99
Coal Trust Interest.....	102
Common School Interest and Income	106
Cultural Trust Interest.....	112
Deaf and Blind Trust Interest and Income	115
Economic Development Trust Interest.....	119
Parks Trust Interest.....	122
Pine Hills Interest and Income.....	125
Regional Water Trust Interest.....	129
Resource Indemnity Trust Interest.....	132
School Facilities Trust Interest	136
Tobacco Trust Interest	139
Montana Coal Endowment Trust Interest	143
Treasury Cash Account Interest	146

Consumption Taxes	149
Beer Tax	150
Cigarette Tax.....	153
Marijuana Tax	156
Diesel Tax	159
Gasoline Tax.....	163
GVW and Other Fees.....	167
Liquor Excise and License Tax.....	170
Liquor Profits.....	173
Lottery Profits.....	176
Tobacco Tax	179
Video Gambling Tax.....	182
Wine Tax.....	186
Property Taxes	189
Property Tax and Non-Levy Revenue	190
Property Tax 55 Mill	197
Property Tax 40 Mill	199
Property Tax 6 Mill	201
Property Tax 1.5 Mill	203
Other General Fund Revenue	205
All Other Revenue.....	206
Highway Patrol Fines	210
Nursing Facilities Fee.....	212
Public Institution Reimbursements	215
Tobacco Settlement	218
Guarantee Account Revenue	221
Guarantee Fund	222

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

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

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 63rd 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

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
Largest Seven Sources						
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
Other Business Taxes						
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
Other Natural Resource Taxes						
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
Other Interest Earnings						
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
Other Consumption Taxes						
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
Other Sources						
All Other Revenue ¹	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				
Total General Fund	\$3,891.640	\$3,800.273	\$3,710.034	\$3,782.680	\$7,691.913	\$7,492.714
Ongoing General Fund Growth		-5.8%	4.8%	2.0%		2.7%

¹In 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 68th 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
Largest Seven Sources						
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)
Other Business Taxes						
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	-	-	-	-	-	-
Other Natural Resource Taxes						
Coal Severance Tax	-	(2.224)	(1.835)	-	(4.059)	(4.059)
Electrical Energy Tax	-	-	-	-	-	-
Metalliferous Mines Tax	-	-	-	-	-	-
US Mineral Royalty	-	-	-	-	-	-
Wholesale Energy Tax	-	-	-	-	-	-
Other Interest Earnings						
Coal Trust Interest	-	-	-	-	-	-
Treasury Cash Account Interest	(101.367)	(126.591)	(98.576)	(101.367)	(225.167)	(326.534)
Other Consumption Taxes						
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)
Other Sources						
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	-	-	-	-	-	-
Total General Fund	(\$101.367)	(\$587.460)	(\$705.662)	(\$101.367)	(\$1,293.123)	(\$1,394.490)

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.

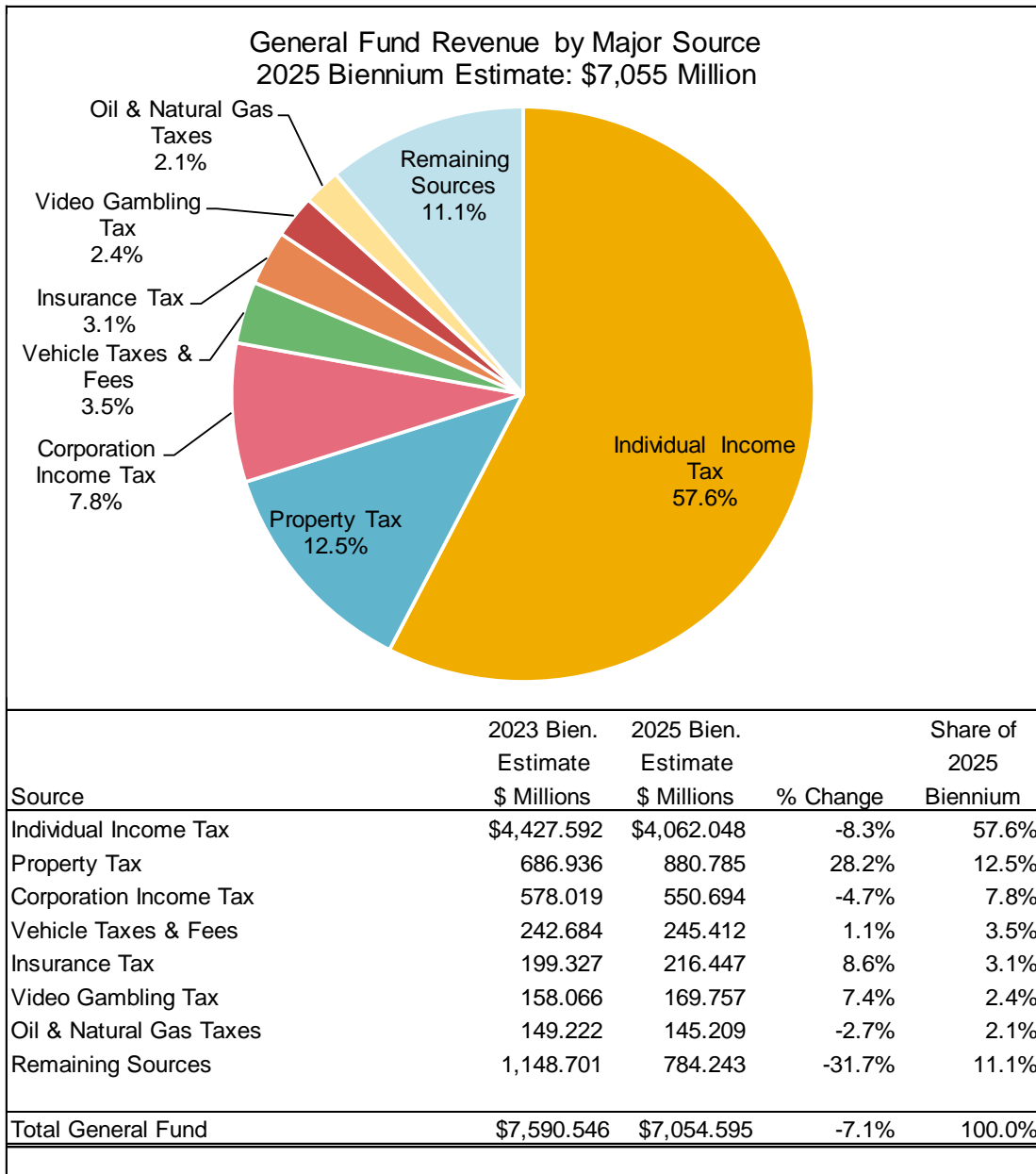
General Fund/School Equalization Revenue: HJ 2 Estimate Plus Legislation Impacts						
(\$ Millions)						
Source of Revenue	Actual FY 2022	Estimated FY 2023	Estimated FY 2024	Estimated FY 2025	Estimated 2023 Bien.	Estimated 2025 Bien.
Largest Seven Sources						
Individual Income Tax	2,393.807	2,033.784	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) ¹			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
Other Business Taxes						
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
Other Natural Resource Taxes						
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
Other Interest Earnings						
Coal Trust Interest	16.561	17.947	18.857	19.657	34.509	38.514
Treasury Cash Account Interest ²	11.776				11.776	
Other Consumption Taxes						
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
Other Sources						
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
Total General Fund & School Equalization	\$3,891.640	\$3,698.906	\$3,547.400	\$3,507.194	\$7,590.546	\$7,054.595

¹ HB 587 transferred the statewide 95 mills to a newly created school equalization account

² 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
Total Selected Non-General Fund	\$463.981	\$474.394	\$496.993	\$494.109	\$938.375	\$991.101

Overview

Revenue Legislation of the 2025 Session

The following tables summarize the revenue impacts of legislation enacted by the 68th 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)	
Total	(\$101.367)	(\$587.460)	(\$705.662)	(\$638.084)	(\$666.191)	(\$1,394.490)	

Overview

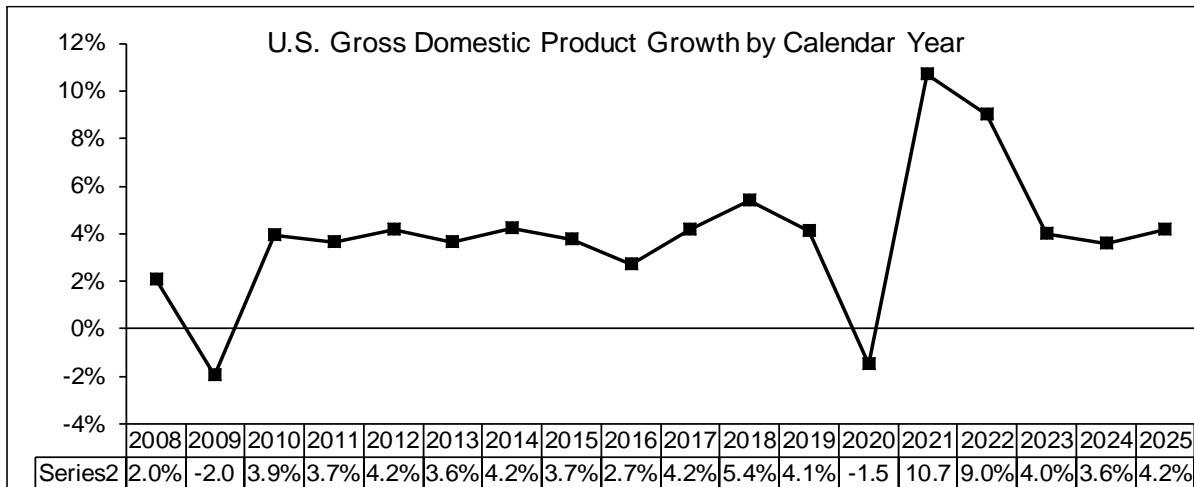
Economic Outlook for Montana

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

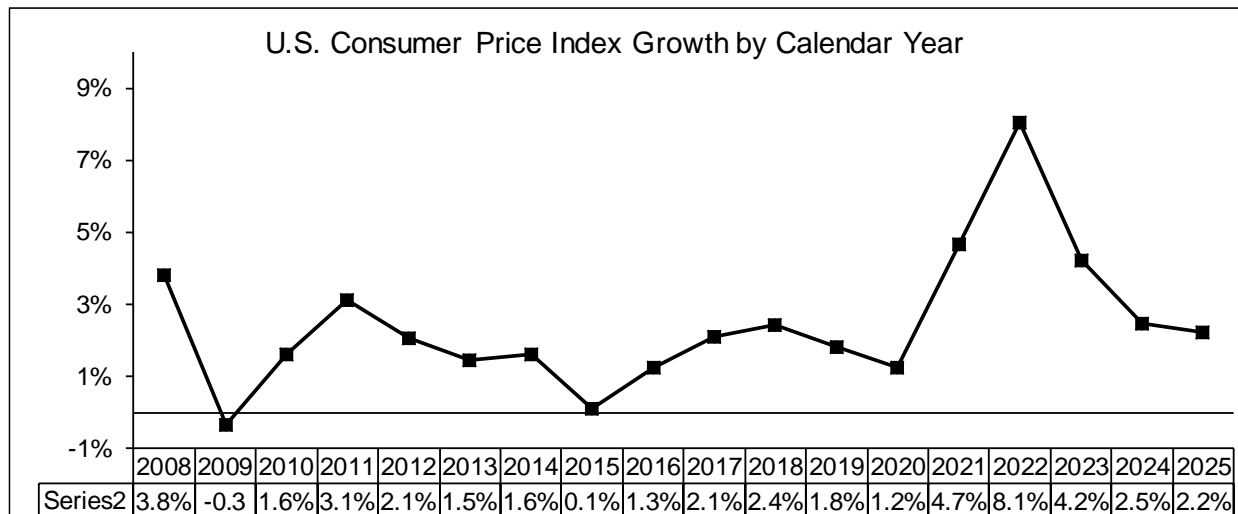
Gross Domestic Product (GDP)

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)

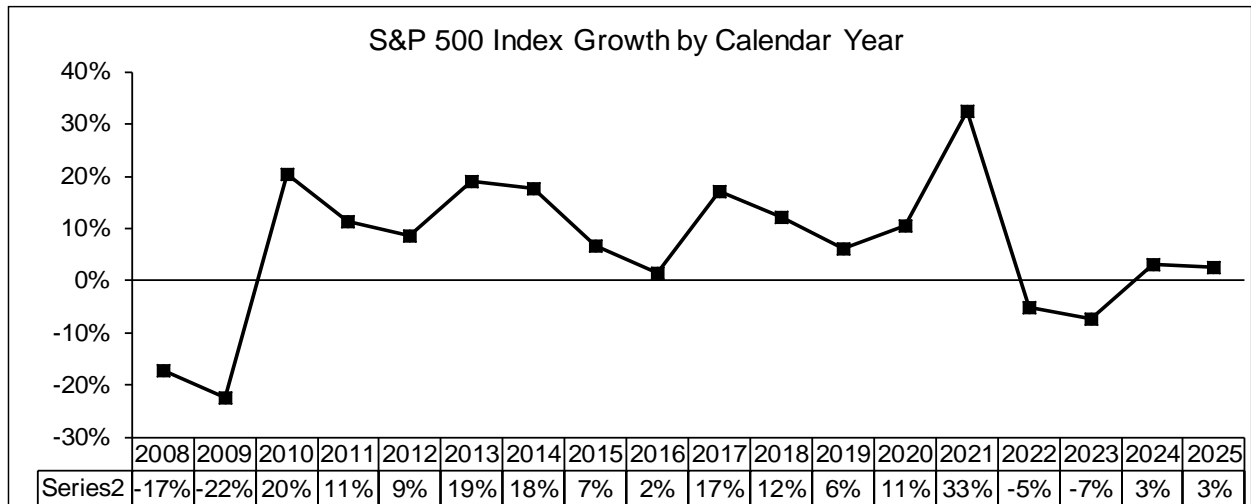
The inflation rate is measured by the price change of the CPI “shopping basket” of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a reduction in disposable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



Overview

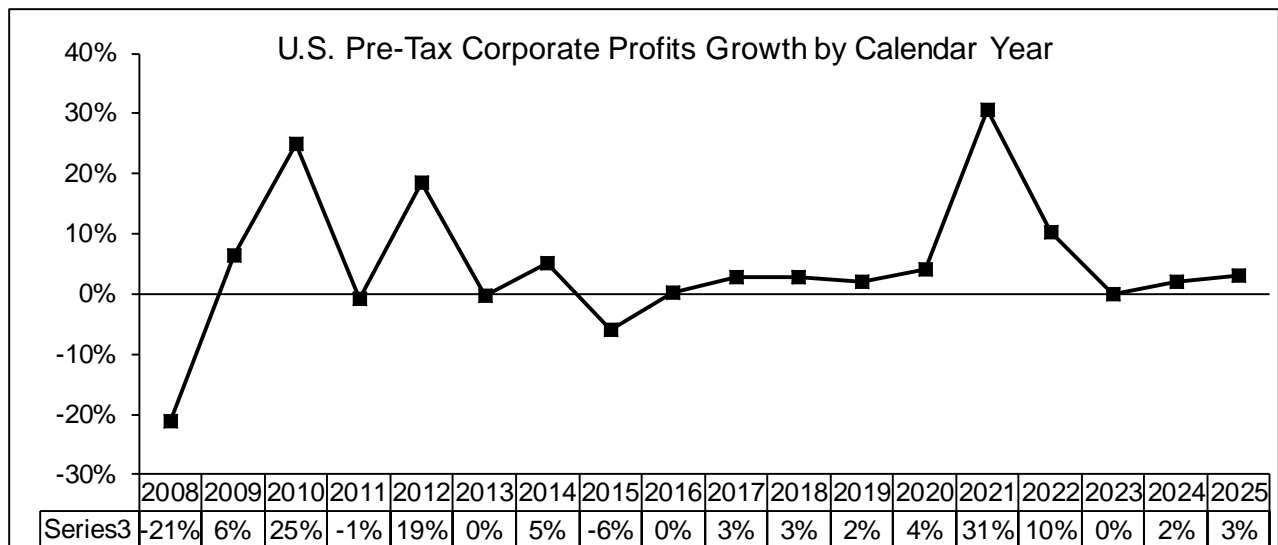
S&P 500 Stock Market Index

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

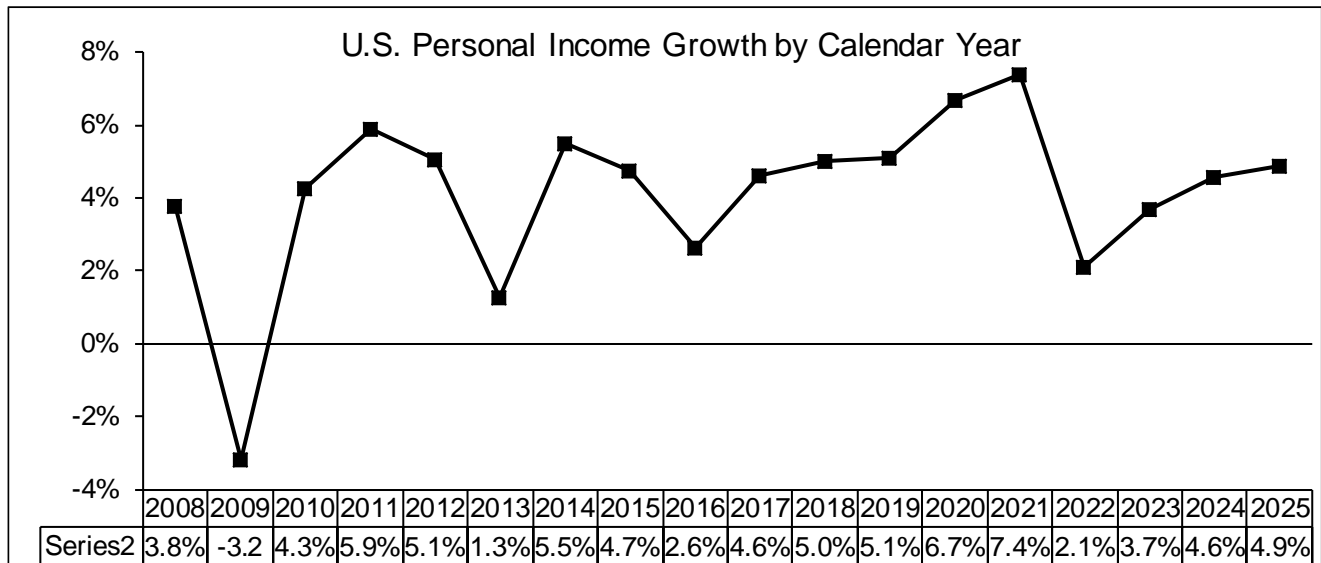
Corporate profitability affects both corporation license tax and individual income tax estimates. When corporations are profitable nationally, there is an expectation that corporations will be profitable in Montana. Additionally, greater corporate profitability is largely responsible for the amount of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



Overview

U.S. Personal Income

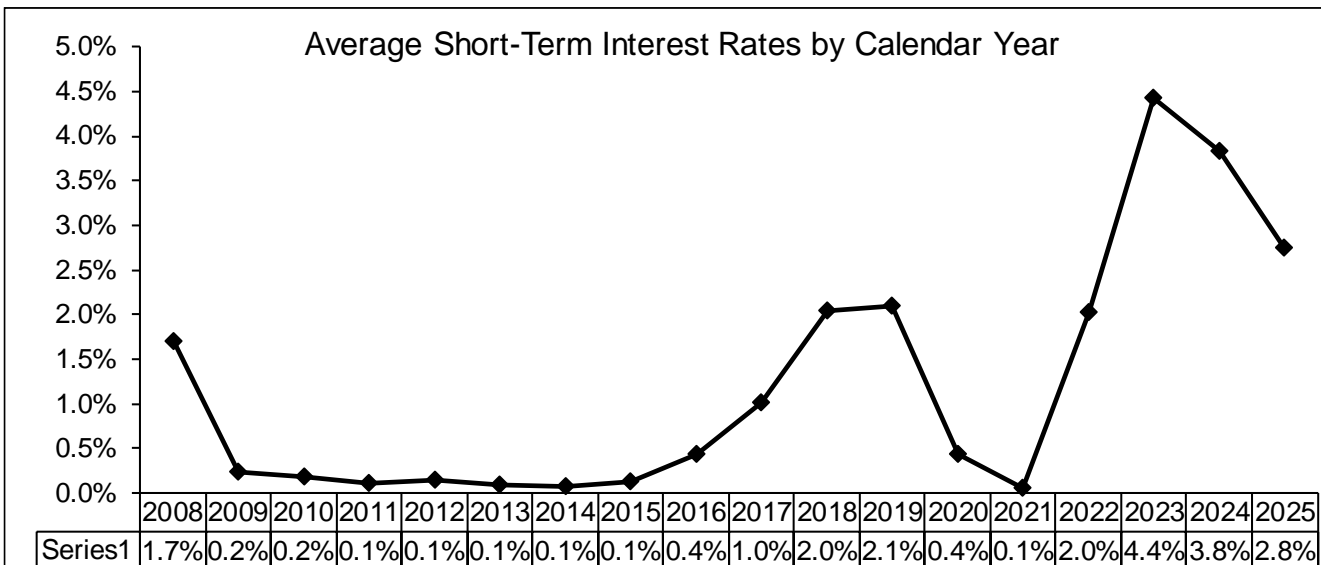
Growth in Montana's tourism industry is related to growth in U.S. personal income. In addition, the outlook for U.S. personal income likely impacts the outlook for Montana personal income.



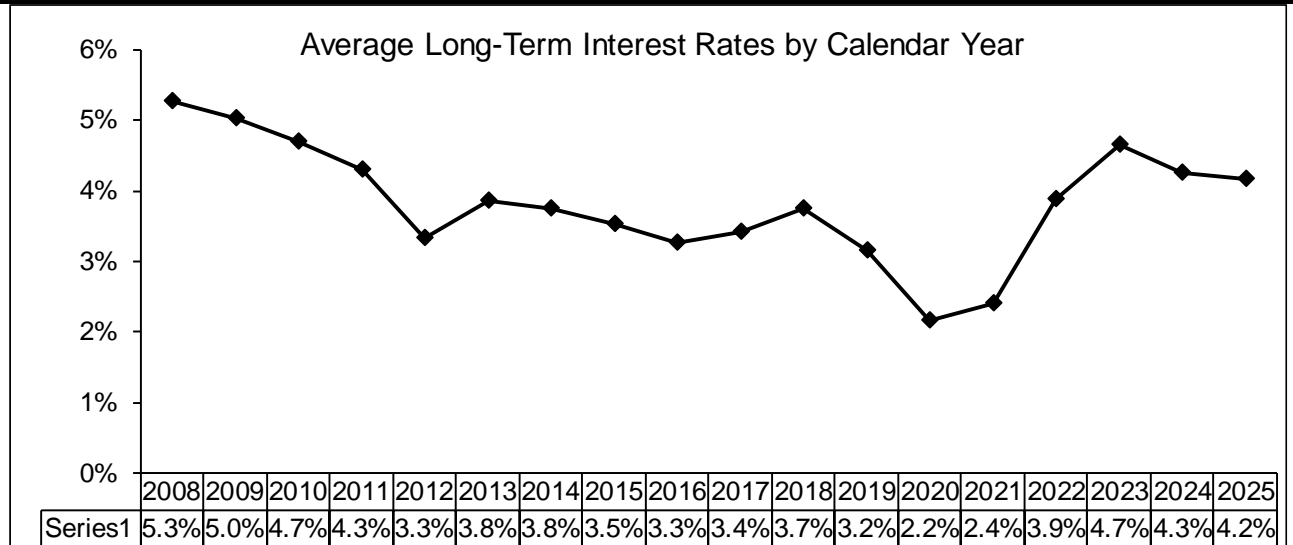
Long & Short Term Interest Rates

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.



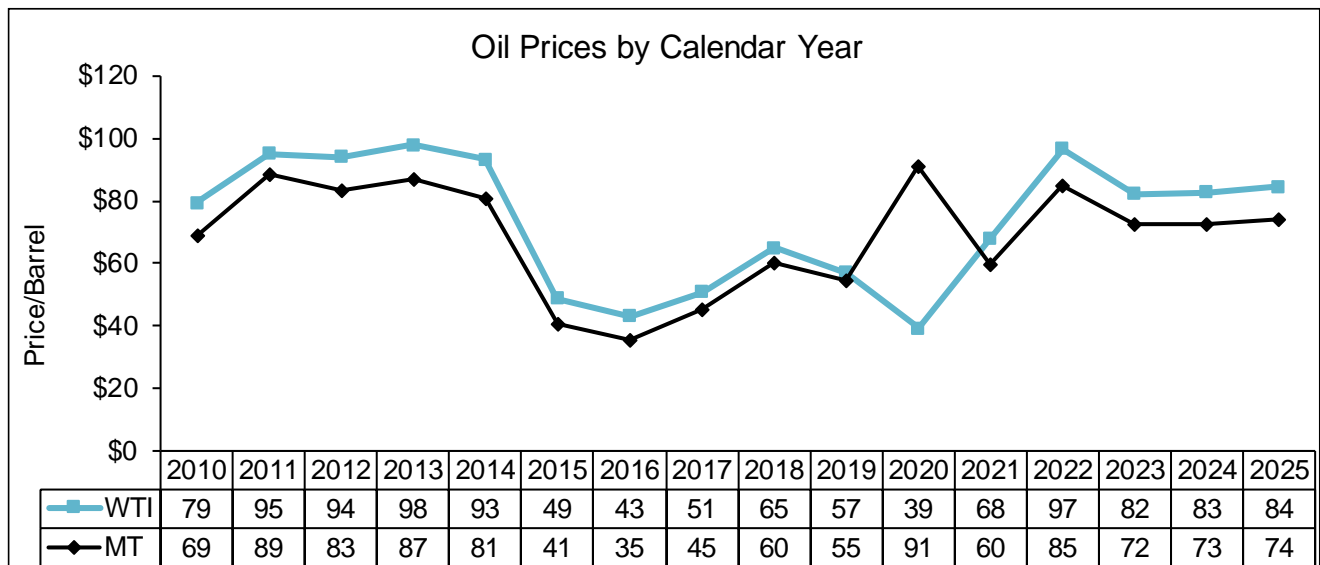
Overview



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.

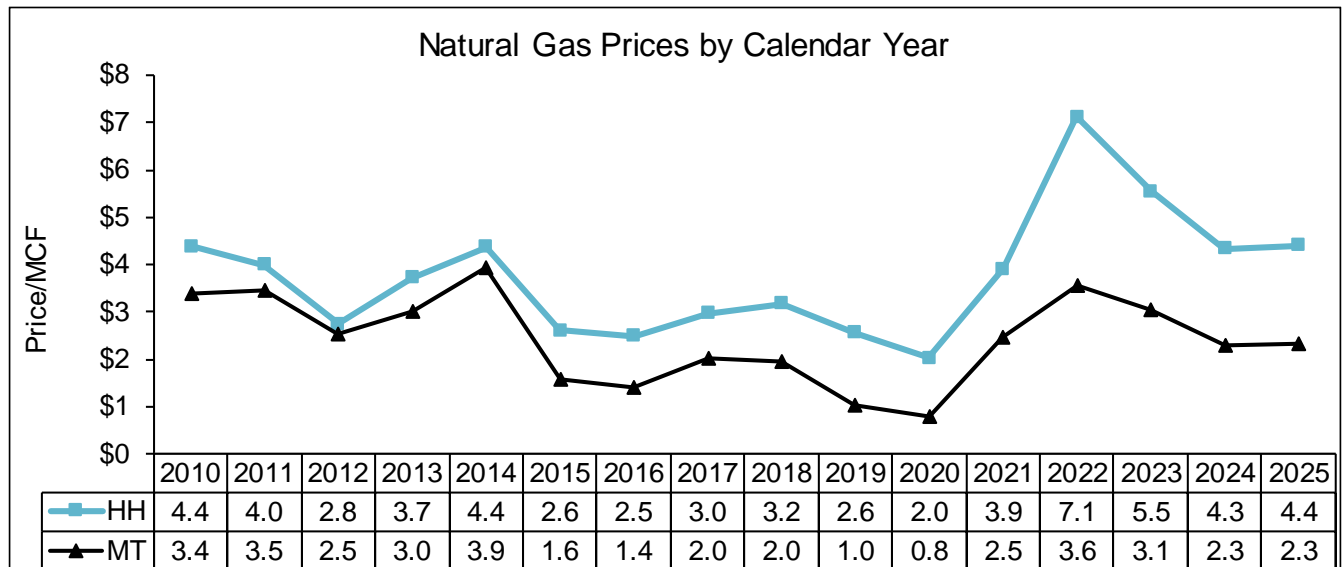
Montana oil price tracks closely with WTI, with an approximate 18.0% reduction to account for transportation costs.



Overview

Natural Gas Price: Henry Hub

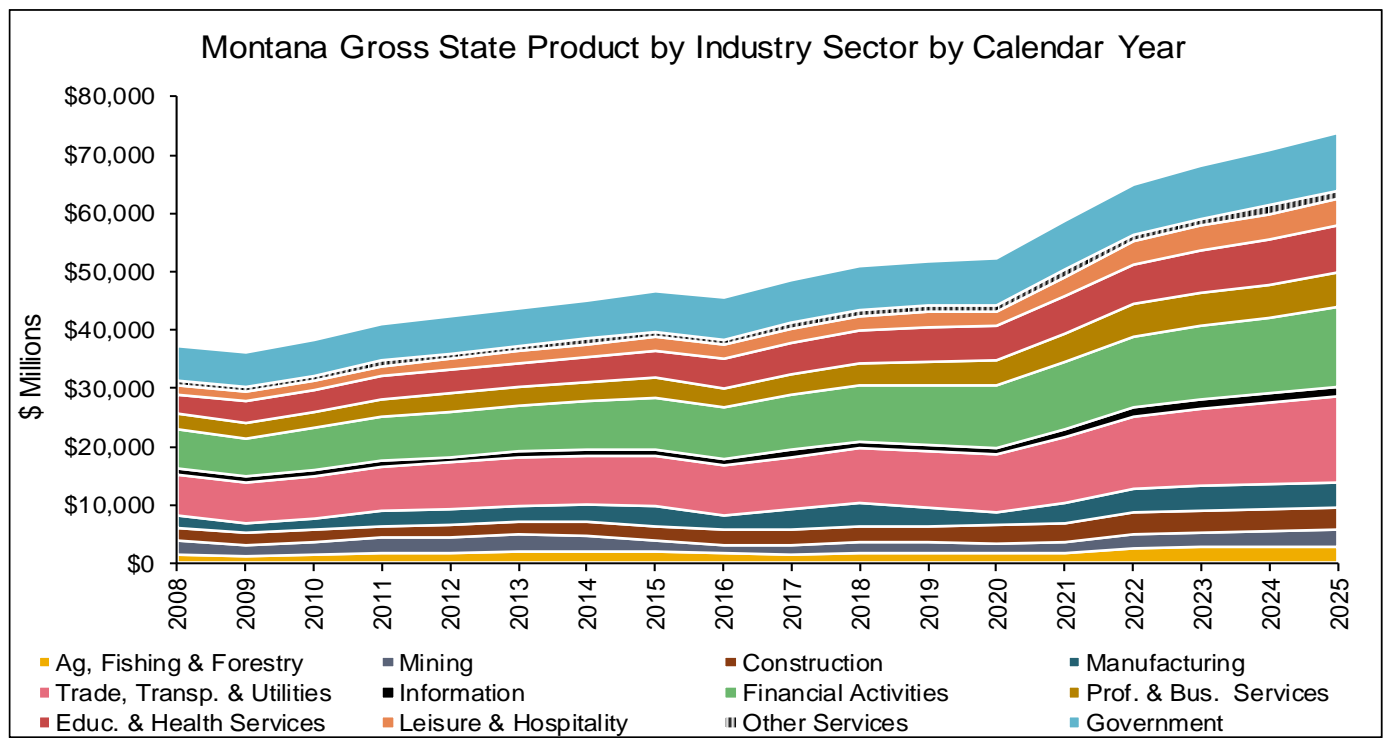
Montana natural gas price tracks the national Henry Hub price, with an average 23.0% deduction for transportation costs.



Montana Economic Indicators

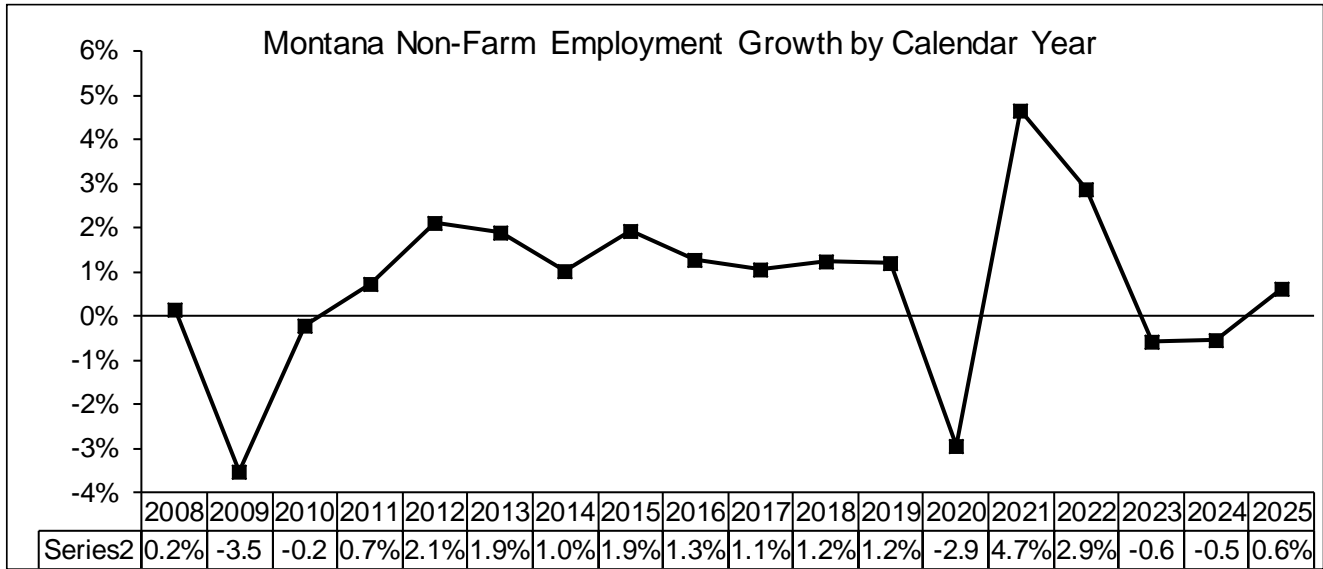
Gross State Product (GSP)

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.



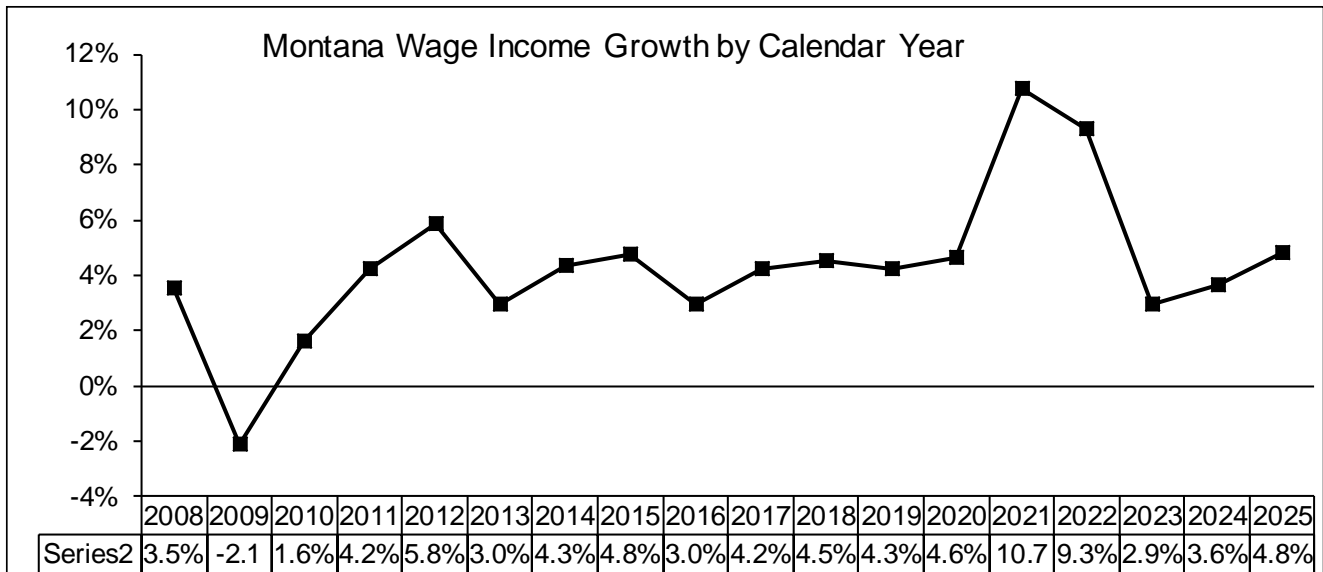
Overview

Employment



Wages

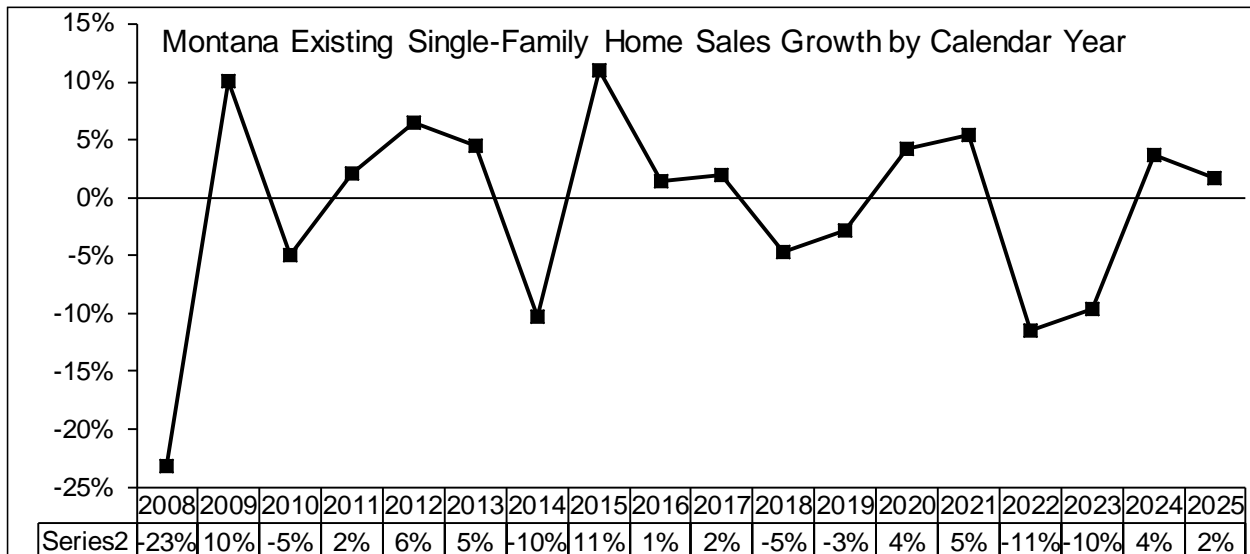
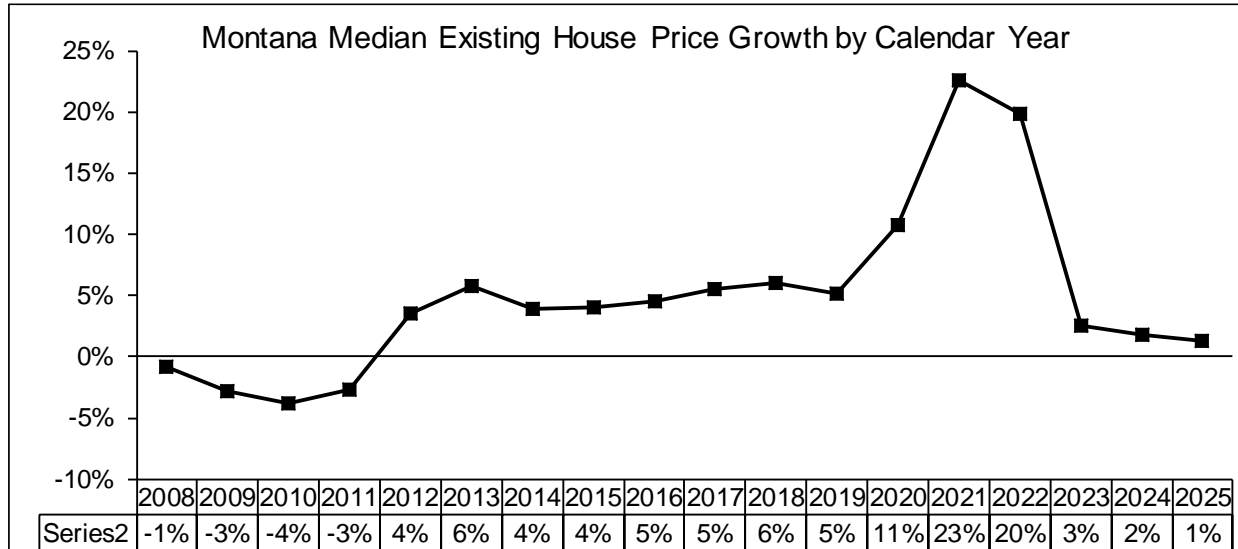
Wage income accounts for nearly two-thirds of individual income, and individual income tax accounts for about half of general fund revenue. Although wage income is not as volatile as several other income or revenue sources, even small changes in the outlook for wage income can produce large swings in 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

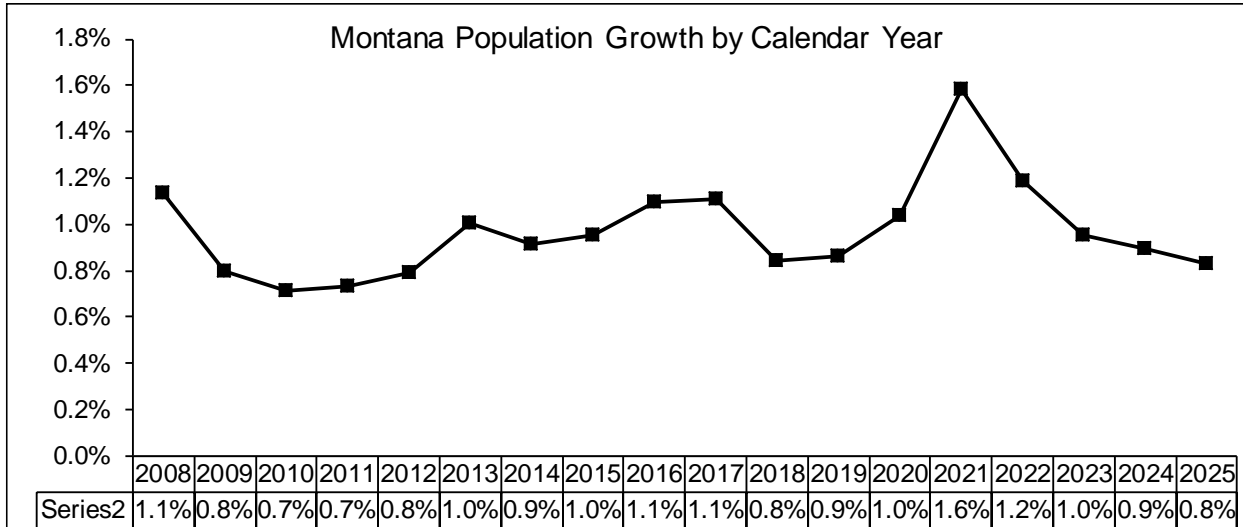
The health of the housing market can be measured by median house price and annual sales. Housing is an important—and leading—measure of economic activity: it drives construction and related industry growth and reflects household formation and asset accumulation. Housing indicators are used in the individual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



Overview

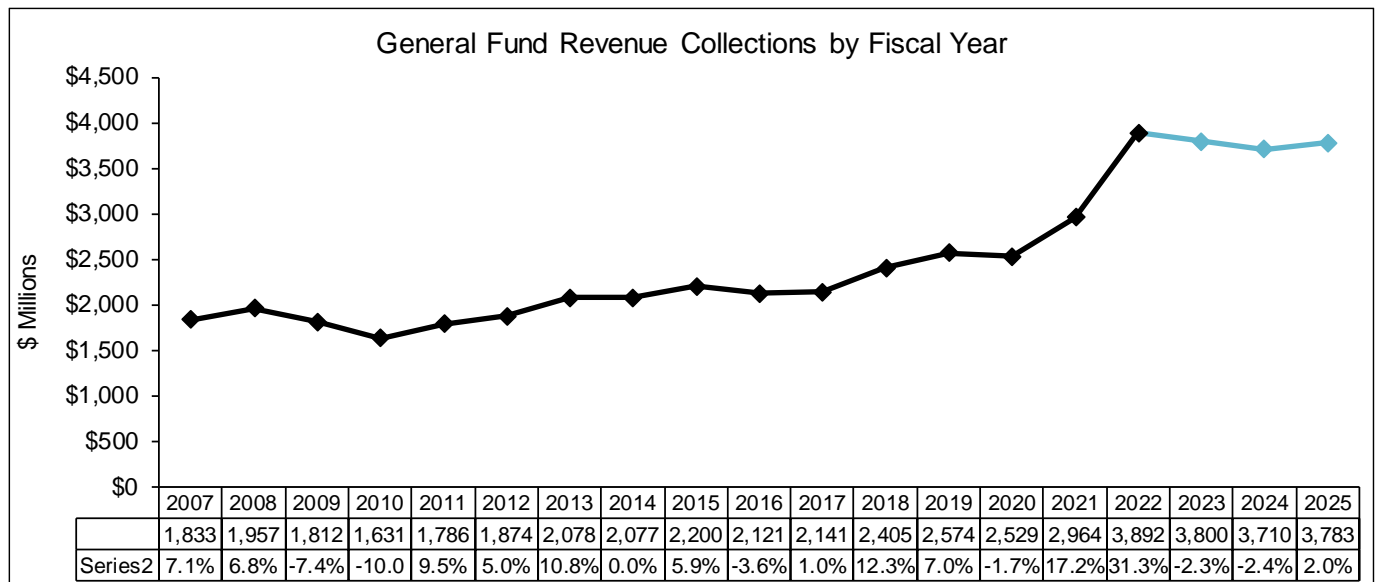
Population

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 68th Legislature (not including legislative impacts).



Overview

Summary

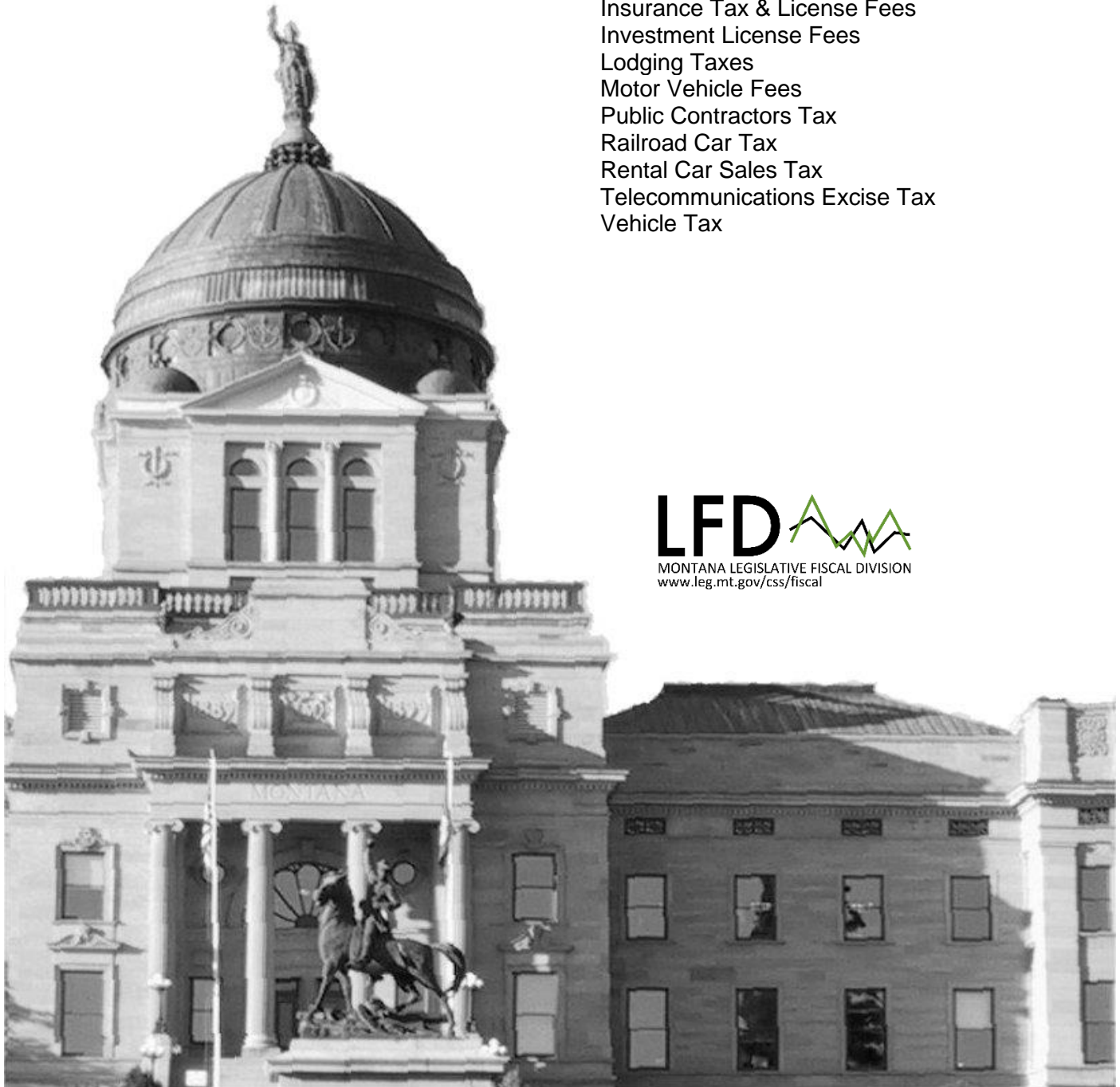
A complete summary of each general fund and selected non-general fund revenue sources follows. Each summary provides information on the particular source of revenue including a description, the applicable tax or fee rates, and distribution mechanisms. A legislation impact table (if applicable) is shown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

BUSINESS AND PERSONAL TAXES

Corporation Income Tax
Driver's License Fees
Individual Income Tax
Insurance Tax & License Fees
Investment License Fees
Lodging Taxes
Motor Vehicle Fees
Public Contractors Tax
Railroad Car Tax
Rental Car Sales Tax
Telecommunications Excise Tax
Vehicle Tax

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Corporation Income Tax

Revenue Description

The corporation income tax is levied against a corporation's net income earned in or attributable to Montana, adjusted for allowable credits.

Statutory Reference

Tax Rate – [15-31-121, MCA](#)

Tax Distribution – [15-31-121, MCA](#)

Date Due – 15th day of the fifth month following the close of the corporation fiscal year ([15-31-111, MCA](#) and [15-31-502, MCA](#)). Estimated taxes due April 15th, June 15th, September 15th, and December 15th ([15-31-502, MCA](#)).

Applicable Tax Rates

The tax rate is 6.75%, except for corporations making a "water's edge" election ([15-31-322, MCA](#)), who pay a 7.0% tax on their net income.

Collection Frequency: Monthly, quarterly, and annually

Distribution: All proceeds are deposited into the general fund

Summary of Legislative Action:

[SB 124](#) changes the multi-state tax apportionment from a three factor with double-weighted sales apportionment, to a single factor apportionment based on sales.

[SB 246](#) eliminates the list of countries considered tax havens that under current law are included in the tax base of corporations that elect water’s edge filing status for Montana corporate income tax.

[SB 506](#) increases the maximum charitable endowment credit amount from \$10,000 to \$20,000 starting in TY 2024. The bill also eliminates the sunset of the endowment tax credit after TY 2025.

Corporation Income Tax – Legislation Passed by 68th Legislature			
General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
SB0124 Revise corporate income tax apportionment	\$0.000	\$0.000	\$4.884
SB0246 Revise corporate income tax water's-edge election laws	0.000	(1.386)	(1.357)
SB0506 Increase and repeal termination of Montana charitable endowment tax credit	0.000	0.000	(0.010)
Total General Fund Impact	\$0.000	(\$1.386)	\$3.517

Forecast Risks

- Stock market activity
- Oil price
- Housing market outlook

Revenue Estimate Methodology

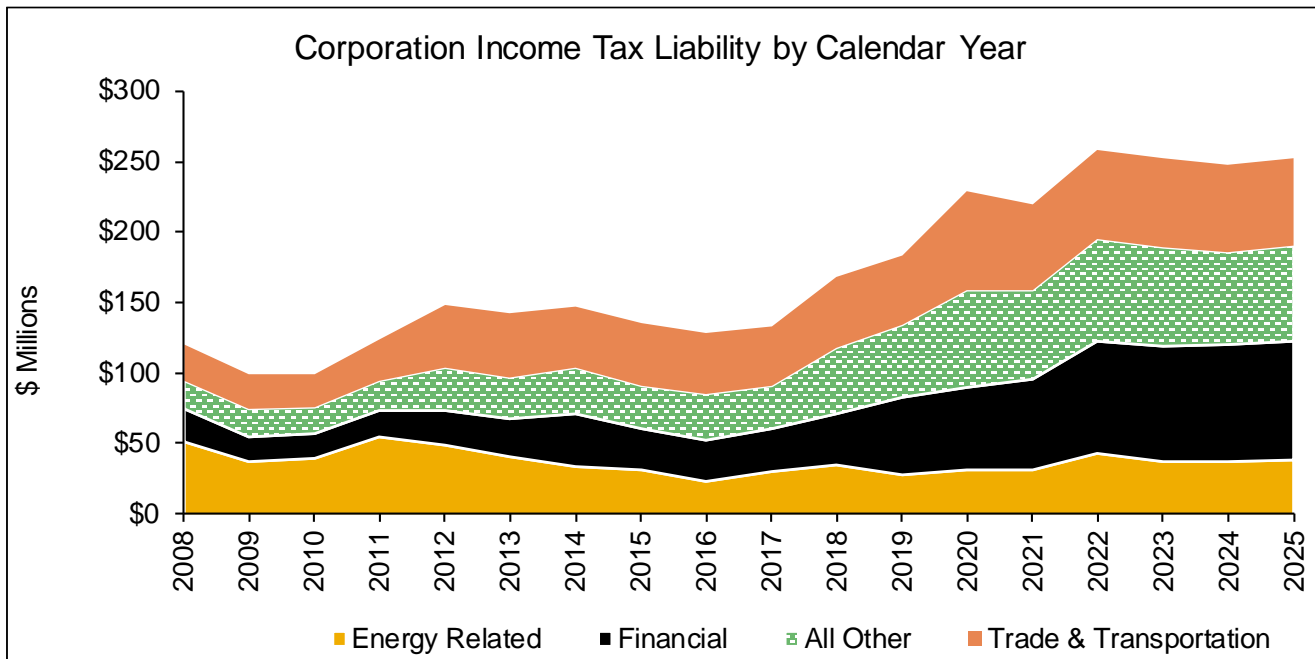
Data

The estimate for this source is based on collection data from SABHRS, corporation income tax return data from DOR, and various historical and forecast economic indicators from IHS Markit. The return data is lagged by nearly two years for two main reasons: each tax year includes all returns from corporations whose fiscal year began in that particular tax year; and corporations are allowed up to 10.5 months after the end of the tax year to file a return.

Analysis

Montana corporation tax liability is forecast using a variety of IHS Markit economic variables as predictors. These variables are used to forecast calendar year tax liability by sector. Major sectors include manufacturing, financial services, retail trade, and mining. Once estimates have been produced individually for all relevant sectors, they are combined to form a total estimate of calendar year liability. The calendar year estimate is converted to a fiscal year estimate, with adjustments made to account for refunds, audits, penalties, and credit reimbursements.

As shown in the figure below, energy related sectors have historically accounted for a significant portion of total tax liability. The underlying volatility of the energy industry is a large contributor to the overall volatility of this tax source.



Corporation income tax revenues are quite volatile from year to year, resulting in a revenue stream that is difficult to predict. The volatility can be attributed to many factors: sensitivity of corporation income to business cycles, industry composition in the state, reliance on a limited number of large taxpayers, and federal and state tax policy. For example, Montana law allows corporations to carry back current year losses for three years, and carry forward losses for up to ten years [HB 550 \(2017 Session\)](#). The carry back provision may result in magnifying a downturn to the extent that corporations file amended prior year tax returns that include current year losses, and are thereby owed a refund of taxes paid in those previous years.

Forecasting error is produced through three main channels: timing of data, in the inherent error of IHS Markit forecast economic variables, and in the model itself as past collections are not predicted perfectly by selected IHS Markit variables. Combined with the uncertainty involved in predicting audit and refund amounts, these sources of error can lead to revenues that may significantly deviate from forecast values and prior year collections.

While corporations' tax behavior introduces forecasting error that is difficult to predict, [research by the LFD](#) explores methods to minimize the errors associated with the IHS Markit forecasts of underlying economic variables and compares the relative accuracy of various model types. The research suggests that using a sector-based modeling approach consistently performs better than models that used a single variable as a predictor. While corporation income tax will likely continue to be a volatile source, the methods utilized by this research should direct modeling choices that will minimize the error introduced by IHS Markit forecast error.

Assumptions

Each of the 11 sectors are listed below, followed by the five-year average share of tax liability, a brief description of the sector, and the underlying economic variables used to develop the projection. The variables used to develop most of the projections are the average price of West Texas Intermediate (WTI) oil price, Montana retail sales, and Montana median home prices.

- Manufacturing (14.0%): the manufacturing industry in Montana is highly correlated with energy prices and is therefore relatively variable with respect to its aggregate tax liability. This sector is modeled using IHS Markit forecast of WTI price.
- Financial services (25.0%): this sector includes banks, bank holding corporations, and companies involved in investment activities. Financial sector tax liability is modeled on median existing home prices in Montana as well as Montana wholesale employment
- Wholesale and retail trade (18.0%): this combined sector trends well with Montana retail sales and therefore uses retail sales to predict future sector revenue
- Mining (0.3%): the mining industry in Montana is heavily dependent on energy prices; it is modeled on gold and copper prices
- Professional and business services (16.0%): the professional service sector comprises establishments that specialize in performing professional, scientific, and technical activities for others. The business service sector comprises establishments performing routine support activities for the day-to-day operations of other organizations. This sector is modeled using a five-year moving average
- Transportation and warehousing (13.0%): the transportation and warehousing sector includes industries providing transportation of passengers and cargo, warehousing and storage for goods, scenic and sightseeing transportation, and support activities related to modes of transportation. Its tax liability is modeled on forecast WTI price and Montana population
- Information (5.0%): the main components of this sector are the publishing industries, the motion picture and sound recording industries, the broadcasting industries, the telecommunications industries, and the information services industries. Its tax liability is modeled on 3-month commercial paper
- Utilities (1.0%): the utilities sector includes establishments engaged in the provision of electric power, natural gas, steam supply, water supply, and sewage removal. The tax liability of this sector is modeled on the average number of housing starts per year. This sector is modeled using a five-year moving average
- Agriculture (3.0%): the tax liability of the agriculture sector is modeled on forecast cattle prices.
- Social and educational services (2.0%): this is a broad grouping of educational and health services, and arts, entertainment, and recreation. The tax liability is modeled on GDP. This sector is modeled using a five-year moving average
- Construction (2.0%): next to the utility sector, the construction industry is the smallest contributor to corporation tax liability, likely because most construction companies are organized as S-corps or limited liability companies. Its tax liability is modeled on WTI price and wholesale employment

Business and Personal Taxes**Corporation Income Tax**

Calendar year corporation income tax liabilities are modeled by sectors as described above and summed by year to produce a total calendar year estimate of tax liabilities. The calendar year estimates are converted to fiscal year using historical trends.

Adjustments

After the estimate for the fiscal year gross corporation tax liability is complete, several adjustments are required. The adjustments and the corresponding estimate process for each is described below.

- Refunds – Projected on a historical average ratio of current fiscal year liability
- Audits, penalties & interest – Projected on a historical average ratio of prior fiscal year liability

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Total FY Liability \$ Millions	Refunds \$ Millions	Audit, P&I Payments \$ Millions
A 2012	\$127.771	\$127.771	\$77.930	(\$24.381)	\$14.174
A 2013	177.50	177.50	102.15	(14.53)	10.60
A 2014	147.55	147.55	156.70	(13.86)	10.83
A 2015	172.73	172.73	176.89	(26.20)	26.81
A 2016	118.39	118.39	171.37	(27.90)	16.87
A 2017	133.99	133.99	155.20	(19.88)	31.04
A 2018	167.10	167.10	109.64	(37.12)	15.38
A 2019	186.54	186.54	122.73	(29.80)	26.12
A 2020	187.36	187.36	138.64	(38.76)	27.89
A 2021	266.51	266.51	171.69	(11.00)	16.81
A 2022	293.68	293.68	158.49	(21.71)	10.77
F 2023	284.34	284.34	161.93	(17.97)	28.78
F 2024	277.21	277.21	140.28	(31.39)	9.49
F 2025	271.36	271.36	147.69	(25.85)	12.16
F 2026	275.60	275.60	165.47	(24.23)	25.86
F 2027	280.76	280.76	189.90	(16.76)	13.39

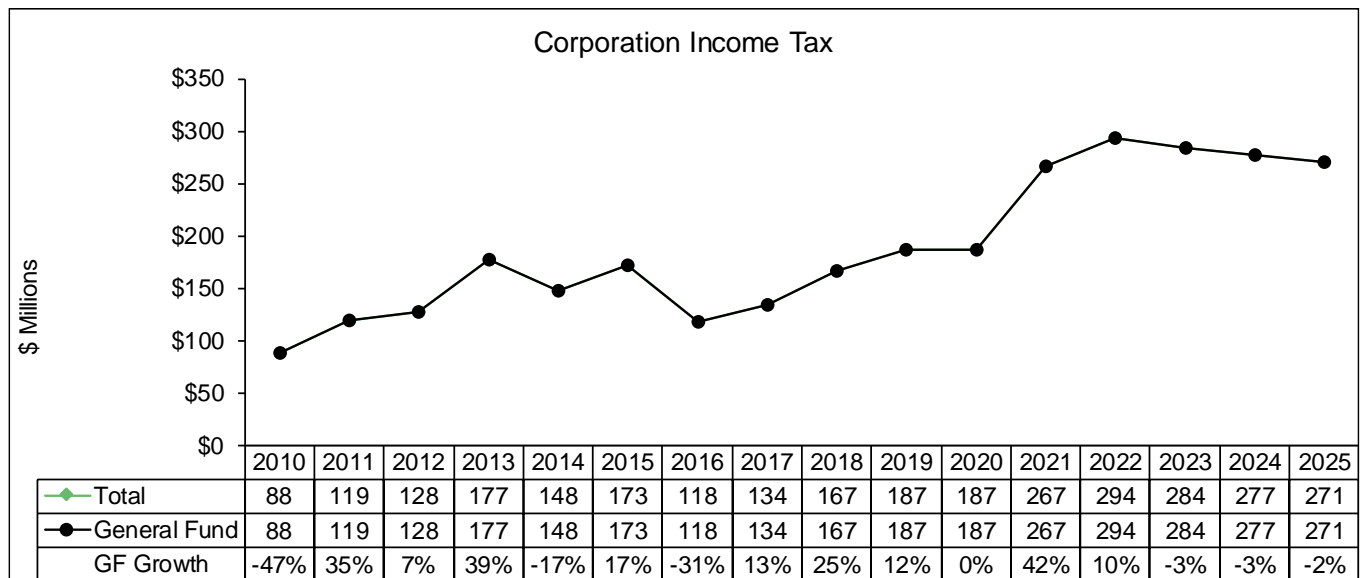
CY	Agriculture \$ Millions	Mining \$ Millions	Utilities \$ Millions	Construction \$ Millions	Manufacture \$ Millions	Trade \$ Millions	Transport \$ Millions
A 2012	\$4.993	\$7.805	\$0.751	\$3.643	\$40.489	\$24.484	\$19.96
A 2013	4.93	4.25	0.97	2.25	35.99	25.56	20.22
A 2014	5.92	4.00	1.55	1.75	29.75	24.92	18.84
A 2015	4.33	1.97	0.79	2.09	28.91	25.63	18.08
A 2016	4.07	2.21	0.37	1.40	20.62	25.61	17.67
A 2017	3.87	4.08	1.65	1.75	26.47	22.58	19.75
A 2018	4.68	3.43	1.98	2.40	31.15	25.55	25.58
A 2019	5.10	1.24	1.72	2.47	26.80	25.20	24.17
A 2020	6.23	0.62	2.83	4.93	31.04	40.66	29.16
A 2021	4.97	2.32	1.71	4.32	29.32	35.34	25.46
A 2022	5.25	2.34	1.98	5.20	40.85	37.33	25.70
F 2023	5.39	1.99	2.04	5.38	35.08	37.03	25.73
F 2024	5.46	1.70	2.06	5.44	35.24	37.82	24.28
F 2025	5.26	1.79	2.12	5.46	35.95	38.90	23.50
F 2026	5.34	2.03	1.98	5.52	35.82	40.12	22.55
F 2027	5.36	1.97	2.04	5.59	36.72	41.23	21.50

Business and Personal Taxes

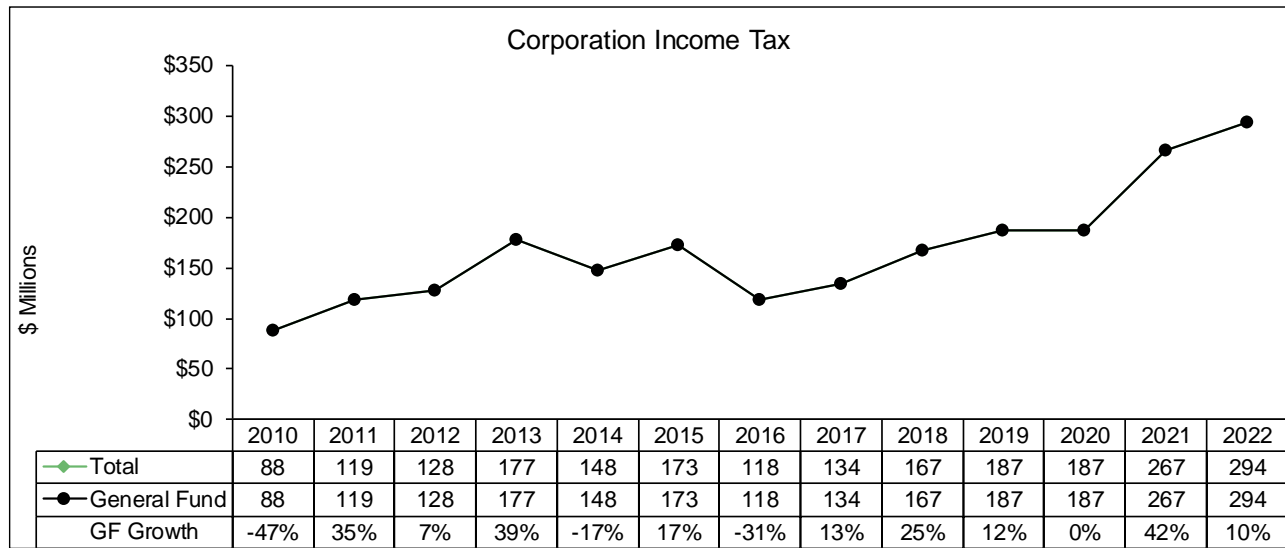
Corporation Income Tax

	Information	Professional	Large Banks	Social	Unknown	Total
CY	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	CY Liability \$ Millions
A 2012	\$7.363	\$9.286	\$25.323	\$3.696	\$0.007	\$147.799
A 2013	9.54	8.14	26.92	3.24	0.03	142.87
A 2014	6.49	11.20	37.20	5.03	0.66	147.32
A 2015	8.70	9.36	29.83	4.33	1.16	135.17
A 2016	10.29	13.14	29.68	3.27	0.32	128.64
A 2017	6.83	11.73	30.12	3.99	0.16	132.98
A 2018	10.54	20.86	36.80	4.14	1.59	168.71
A 2019	10.66	23.35	54.09	6.50	1.97	183.28
A 2020	11.67	35.89	58.07	4.99	2.71	228.82
A 2021	10.95	35.75	63.51	4.58	1.35	219.59
A 2022	11.09	42.69	79.42	4.84	1.56	258.24
F 2023	11.24	39.37	81.82	5.01	1.84	251.91
F 2024	11.09	33.80	83.57	5.18	1.89	247.53
F 2025	11.14	36.69	84.92	4.92	1.87	252.54
F 2026	11.16	38.82	86.41	4.91	1.70	256.35
F 2027	11.13	40.59	87.73	4.97	1.77	260.60

Revenue Projection



Revenue History



Driver's License Fees

Revenue Description

A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays fees. The fees are collected by Department of Justice, Motor Vehicle Division staff or county treasurers and are forwarded to the state treasurer for deposit. If collected by the county treasurers, a portion is retained by the county. The estimates shown in this source are net of revenue retained by the counties. The fees included in this source are from regular driver's licenses, commercial driver's licenses, motorcycle endorsements, duplicate driver's licenses, and renewal notices.

Statutory Reference

Tax Rates – Duplicate licenses: [61-5-114, MCA](#); all others: [61-5-111\(6\), MCA](#)

Tax Distribution – [61-5-121, MCA](#)

Date Due – Upon application

Applicable Tax Rates

- Driver's license, except a commercial driver's license: \$5.00 per year or fraction of a year
- Motorcycle endorsement: \$0.50 per year or fraction of a year
- Commercial driver's licenses (includes the basic license fee of \$5.00)
 - Interstate: \$10.00 per year or fraction of a year
 - Intrastate: \$8.50 per year or fraction of a year
- Duplicate license: \$10.00
- Renewal notice: \$0.50

Collection Frequency: Monthly

Distribution

The distribution of license fee revenue varies by the type of license and who collects the fee. The table below shows the current statutory distribution. Note that the portion allocated to counties applies only when the county collects the fee. Otherwise, the county allocation is added to the general fund distribution.

Distribution of Driver's License Fees					
Allocation	Driver's License	Replacement License	Motorcycle Endorsement	Commercial Driver's License	Renewal Notice
County or State General Fund	2.50%	3.75%	3.34%	2.50%	
Motorcycle Safety Account			63.46%		
Traffic Education Account	20.70%	8.75%		16.94%	
State General Fund	<u>76.80%</u>	<u>87.50%</u>	<u>33.20%</u>	<u>80.56%</u>	<u>100.00%</u>
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Summary of Legislative Action:

The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Growth of population over age 16
- Potential impact from youth driving habits

Revenue Estimate Methodology

The driver's license revenue estimate is based on the number of the six various licenses and fees, multiplied by the applicable fee. The number of licenses is modeled on the Montana driving age population.

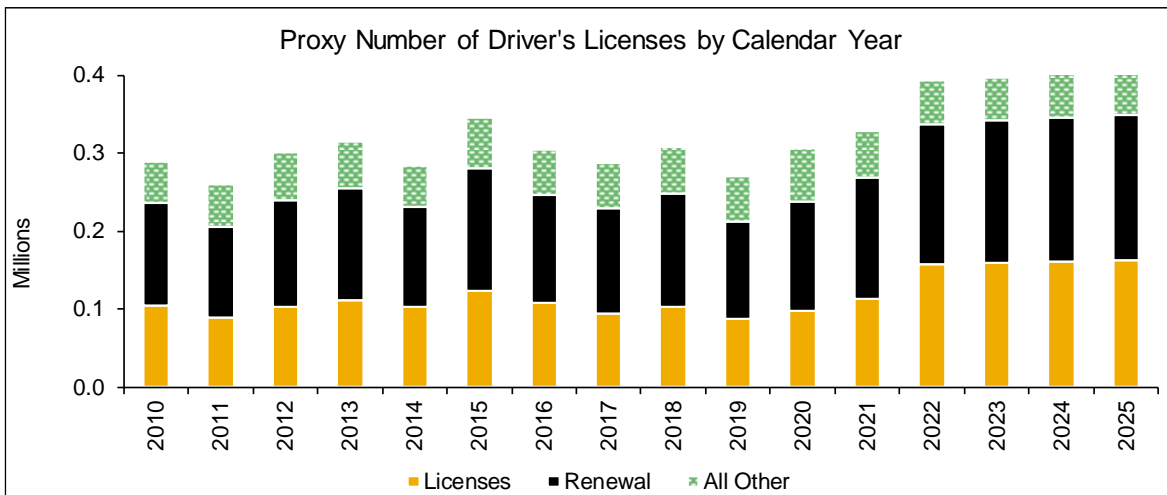
Data

There are six different sources of revenue—five different driver's licenses and the renewal notice. The best source of data for the number of licenses and the renewal notice is contained in the history of revenue collections for each of these six items from SABHRS.

Analysis

The methodology used to determine the number of each license or fee differs slightly:

1. The proxy numbers for driver's and motorcycle licenses are obtained by multiplying the driving age population estimate for each year by the last known actual ratio of driver's licenses to driving age population. This ratio differs between odd and even years, and is applied accordingly.
2. For duplicate licenses, the proxy number is derived by multiplying the number of driver's licenses by the previous year's ratio between the number of duplicates and drivers licenses. Because the driver's license proxy includes the effects of population change, these effects are also included in the proxy for duplicate licenses.
3. The proxies for the number of interstate and intrastate licenses are the amounts from the last known fiscal year.
4. To approximate the number of renewal notices, the ratio between the previous years' number of notices to the proxy number of licenses is multiplied by the estimated number of licenses. Since the license proxy includes the effects of population change, these effects are also included in the proxy for renewal notices.
5. Based on historical percentages, amounts retained by the counties are calculated and subtracted from the total revenue to derive the state's portion.



Adjustments and Distribution

Once the proxy number for each license has been estimated, adjustments, if any, are made. After any adjustments, the applicable distribution percentage of the revenue for each license fee is applied (see the "Distribution" section).

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

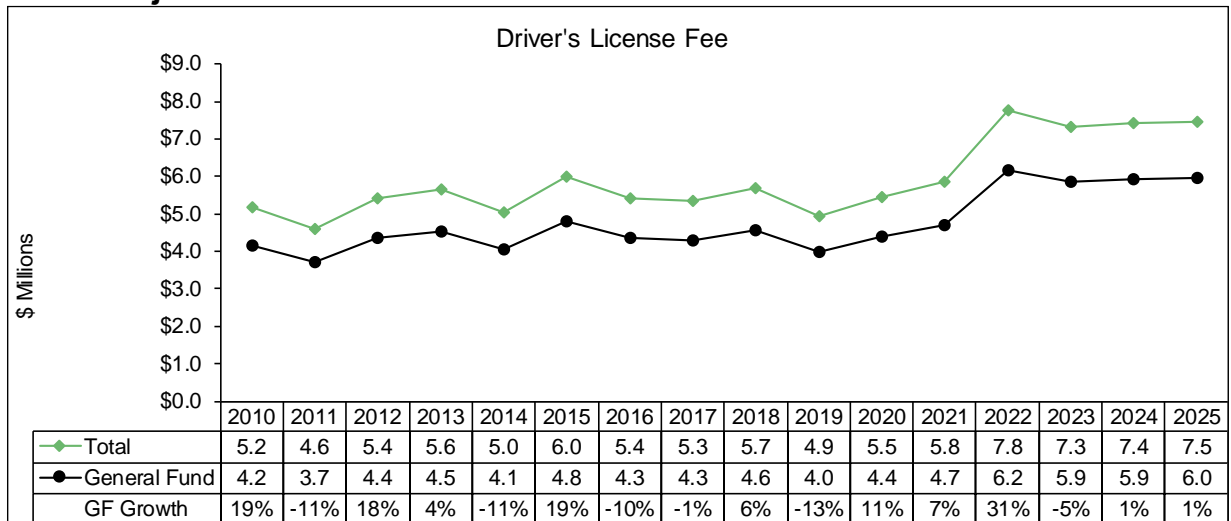
Business and Personal Taxes

Driver's License Fees

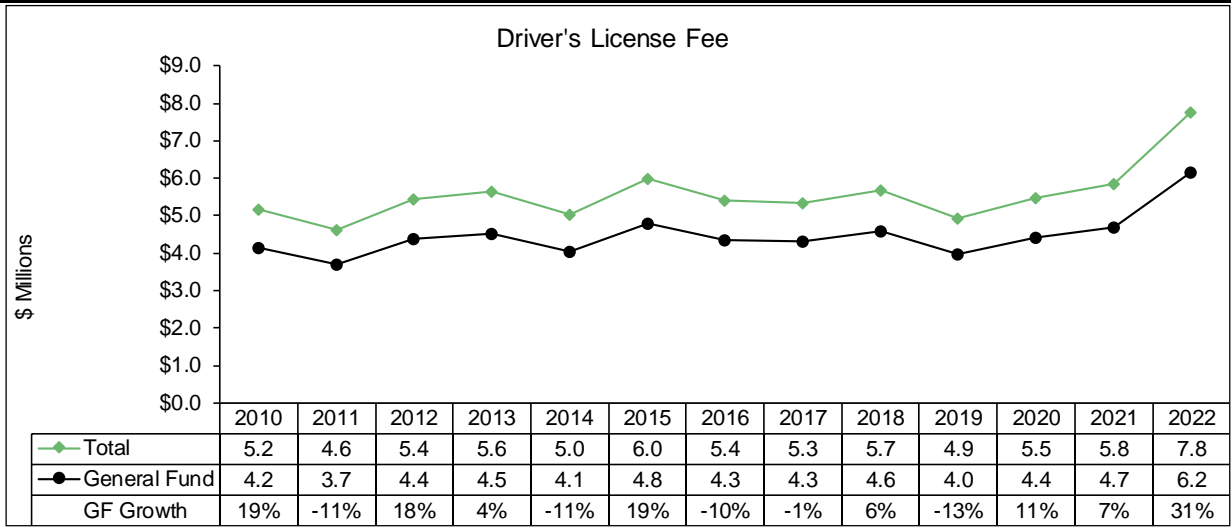
FY	Total Fee \$ Millions	GF Fee \$ Millions	GF Fee Licenses \$ Millions	GF Fee Duplicates \$ Millions	GF Fee Cycle \$ Millions	GF Fee Commercial \$ Millions	GF Fee Renewal \$ Millions
A 2012	\$5.432	\$4.369	\$3.259	\$0.295	\$0.018	\$0.689	\$0.07
A 2013	5.64	4.53	3.53	0.30	0.02	0.57	0.07
A 2014	5.04	4.05	3.26	0.31	0.01	0.37	0.06
A 2015	6.00	4.81	3.89	0.32	0.02	0.67	0.08
A 2016	5.40	4.34	3.37	0.30	0.02	0.51	0.07
A 2017	5.35	4.31	2.95	0.33	0.01	0.49	0.07
A 2018	5.69	4.58	3.22	0.34	0.02	0.44	0.07
A 2019	4.93	3.98	2.77	0.37	0.01	0.33	0.06
A 2020	5.46	4.41	3.10	0.43	0.01	0.40	0.07
A 2021	5.84	4.70	3.53	0.35	0.02	0.38	0.08
A 2022	7.75	6.17	4.96	0.29	0.02	0.44	0.09
F 2023	7.32	5.85	5.02	0.29	0.02	0.44	0.09
F 2024	7.41	5.92	5.07	0.30	0.02	0.44	0.09
F 2025	7.47	5.97	5.13	0.30	0.02	0.44	0.09
F 2026	7.55	6.03	5.18	0.30	0.02	0.44	0.09
F 2027	7.60	6.08	5.22	0.31	0.02	0.44	0.09

FY	Proxy Licenses Millions	Proxy Duplicates Millions	Proxy Cycle Millions	Proxy Interstate Millions	Proxy Intrastate Millions	Proxy Renewal Millions
A 2012	\$0.104	\$0.033	\$0.013	\$0.015	\$0.002	\$0.136
A 2013	0.11	0.03	0.01	0.01	0.00	0.14
A 2014	0.10	0.03	0.01	0.01	0.00	0.13
A 2015	0.12	0.04	0.01	0.02	0.00	0.16
A 2016	0.11	0.03	0.01	0.01	0.00	0.14
A 2017	0.09	0.04	0.01	0.01	0.00	0.13
A 2018	0.10	0.04	0.01	0.01	0.00	0.15
A 2019	0.09	0.04	0.01	0.01	0.00	0.12
A 2020	0.10	0.05	0.01	0.01	0.00	0.14
A 2021	0.11	0.04	0.01	0.01	0.00	0.16
A 2022	0.16	0.03	0.01	0.01	0.00	0.18
F 2023	0.16	0.03	0.01	0.01	0.00	0.18
F 2024	0.16	0.03	0.01	0.01	0.00	0.18
F 2025	0.16	0.03	0.01	0.01	0.00	0.19
F 2026	0.16	0.03	0.01	0.01	0.00	0.19
F 2027	0.17	0.03	0.01	0.01	0.00	0.19

Revenue Projection



Revenue History



Individual Income Tax**Revenue Description**

The tax is levied against taxable income, which is defined as Montana adjusted gross income less exemptions and deductions. Once tax liability is determined, the amount of tax due is computed by subtracting allowable credits.

Statutory Reference

Tax Rate – [15-30-2103, MCA](#) through [15-30-2105, MCA](#)

Tax Distribution – [17-2-124\(2\), MCA](#)

Date Due – 15th day of the fourth month of the filer's fiscal year ([15-30-2604, MCA](#)). Withholding taxes are due monthly, quarterly, or on an accelerated schedule depending on income ([15-30-2504, MCA](#)). Estimated taxes are due on the 15th day of the 4th, 6th, and 9th month and the month following the close of the tax year ([15-30-2512, MCA](#)).

Applicable Tax Rates

Tax rates vary from 1.0% to 6.75% (4.7% and 5.9% beginning in CY 2024), depending on the level of taxable income. Tax brackets, personal exemption amounts, and the standard deduction are adjusted for inflation each year. Due to the capital gains income tax credit, the effective tax rate on capital gains income is less than the tax rate on ordinary income by 2.0%. Beginning in TY 2024, net long-term capital gains are taxed at either 3.0% or 4.1%.

Collection Frequency: Quarterly, monthly, bi-weekly, and weekly

Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action:

[HB 192](#) transferred \$180 million from the general fund to a state special revenue fund for an income tax rebate and exempts the rebate from Montana personal income tax.

[HB 221](#) replaces the present law 30.0% net long-term capital gains deduction set to take effect in TY 2024 with two separate capital gains tax rates: 3.0% and 4.1%.

[HB 222](#) provides a rebate of up to \$500 for Montana property taxes paid in TY 2022 and again for taxes paid in TY 2023. Taxpayers who receive a rebate and itemized their federal income tax deductions for TY 2022 may need to report a portion of taxable income for TY 2023. This may reduce their Montana income tax liability because of a larger federal liability.

[HB 225](#) creates a state refundable individual income tax credit for taxpayers who legally adopt a child. The state credit is \$7,500 if the adopted child was in the state foster care system and \$5,000 for all other adoptions.

[HB 245](#) expands the Trades Education and Training tax credit to include additional occupations and industries and to extend the expiration date of the credit to December 31, 2028.

[HB 408](#) increases the tax credit caps available under the Innovative Educational Program (IEP) public-school tax credit and the Student Scholarship Organization (SSO) program for non-public schools.

[HB 816](#) provides a supplemental property tax rebate in FY 2024 and FY 2025. Similar to HB 222, those taxpayers who itemize at the federal level may see a reduced state income tax liability.

[SB 104](#) exempts, for up to five years, a portion of certain military retirement pay from Montana personal income tax for taxpayers who become residents of the state after June 30, 2023, or who were a resident of the state before receiving military retirement income and remained a resident.

[SB 121](#) reduces the top personal income tax rate from 6.5% to 5.9% and increases the state Earned Income Tax Credit (EITC) rate from 3.0% of the federal credit to 10.0%.

[SB 124](#) changes the multi-state tax apportionment from a three factor with double-weighted sales apportionment, to a single factor apportionment based on sales. Individual income tax revenue from ownership of pass-through entities will also be impacted by this bill.

[SB 506](#) increases the maximum charitable endowment credit amount from \$10,000 to \$20,000 starting in TY 2024.

[SB 550](#) makes several changes to Montana’s personal income tax language. It also extends and expands the Montana Medical Savings Account personal income tax exemption.

[SB 303](#) increases fines for not filing necessary wage withholding or mineral royalty withholding annual statements with the Department of Revenue.

Individual Income Tax – Legislation Passed by 68th Legislature General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0192 Use surplus revenue for income tax and property tax refunds and payment c	\$0.000	(\$0.352)	\$0.000
HB0221 Revise income tax rates for net-long term capital gains	0.000	0.534	2.780
HB0222 Provide rebates of property taxes paid on a principal residence	0.000	(0.100)	(0.100)
HB0225 Establish adoption tax credit	0.000	(3.255)	(2.170)
HB0245 Revise tax credit for trades education and training	0.000	(0.819)	(0.819)
HB0408 Revise student scholarship organization and innovative education tax credits	0.000	0.000	(5.200)
HB0816 Revise distribution of surplus revenue	0.000	(0.091)	(0.033)
SB0104 Exempt retired military pensions from state income tax	0.000	(0.831)	(4.350)
SB0121 Reduce top marginal income tax rate and increase EITC	0.000	(28.266)	(159.433)
SB0124 Revise corporate income tax apportionment	0.000	0.000	0.000
SB0506 Increase and repeal termination of Montana charitable endowment tax credit	0.000	0.000	(0.276)
SB0550 Generally revise income tax laws and clarify income tax reform provisions	0.000	(0.316)	(1.720)
SB0303 Revise withholding penalties for certain taxes	0.000	0.893	0.893
Total General Fund Impact	\$0.000	(\$32.604)	(\$170.429)

Forecast Risks

- Changes to the national economic growth outlook
- Changes to Montana’s economic growth outlook
- Changes to the outlook for Montana wages
- Stock market activity
- Housing prices and sales

Revenue Estimate Methodology

Data

The estimate for this source is based on collection data from SABHRS, individual income tax return data supplied by DOR, state and national historical and forecast data on income, inflation, employment, and other economic variables from IHS Markit.

Analysis

Overview

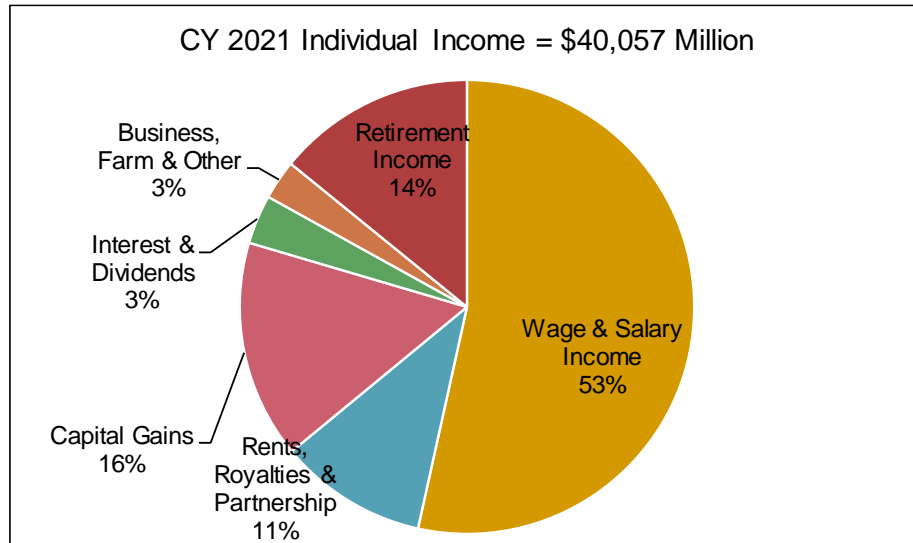
An individual income tax simulation model is used to forecast Montana calendar year individual income tax liability for all residents. The calendar year state tax liability forecast is developed by applying modeled growth rates to each resident taxpayer’s income and deduction items. The result is a forecast of calendar year state individual income tax liability for each resident, the sum of which produces a statewide forecast of individual income tax liability for each year.

The statewide forecast of resident liability is adjusted for the growth in resident taxpayers and multiplied by an all-filers percentage to include the tax liability for nonresidents and partial-year residents. This results in a forecast of total calendar year individual income tax liability before credits.

Fiscal year collections before audit, penalty, and interest income are modeled on total calendar year liability before credits and forecast fiscal year collections are then augmented by expected future audit, penalty, and interest collections to produce the total individual income tax revenue estimate.

Growth Rates

Growth rates are modeled for each of the income, adjustment, addition, reduction, and deduction line items. The models for most of the income line items are highlighted in this section, along with corresponding forecast risks. Nearly two-thirds of all income reported is from wages and salaries; the broad revenue categories are shown in the adjacent chart.



The table below summarizes the growth rates used for returns, inflation, and income items. Growth estimates for all other line items—adjustments, additions, reductions, and itemized deductions—are included in the revenue estimate assumptions section, which is available online.

Individual Income Growth Rates						
	CY 2022	CY 2023	CY 2024	CY 2025	CY 2026	CY 2027
FYR Returns (Annual)	2.7%	0.9%	-0.1%	0.1%	0.3%	0.4%
FYR Returns (Cumulative)	102.7%	103.6%	103.5%	103.6%	103.9%	104.3%
Inflation State	5.1%	8.4%	3.9%	2.5%	2.3%	2.2%
Inflation Federal	2.9%	6.3%	4.3%	2.2%	2.0%	2.0%
Wages and salaries	10.3%	5.3%	4.0%	4.0%	4.2%	4.1%
Interest income	-0.1%	7.4%	10.9%	3.4%	1.6%	3.0%
Dividend income	28.5%	9.6%	0.0%	1.9%	2.9%	3.5%
Taxable refunds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Alimony received	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net business income	6.2%	-1.0%	-1.8%	-0.2%	2.4%	2.8%
Capital gains	-25.0%	-4.8%	5.0%	11.2%	10.9%	-0.2%
Supplemental gains	-16.8%	0.0%	0.0%	0.0%	0.0%	0.0%
IRA distributions	-10.0%	1.8%	4.6%	4.3%	3.9%	3.6%
Taxable pensions	9.2%	5.9%	4.2%	4.3%	4.2%	3.8%
Rents, royalties, etc.	5.3%	-2.4%	2.5%	3.1%	3.4%	3.6%
Farm income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unemp. compensation	-72.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Taxable social security	7.6%	9.0%	5.1%	4.6%	4.2%	3.7%
Other income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Wage and salary income is the largest source of individual income and is modeled on the IHS Markit series for Montana wage and salary distributions.

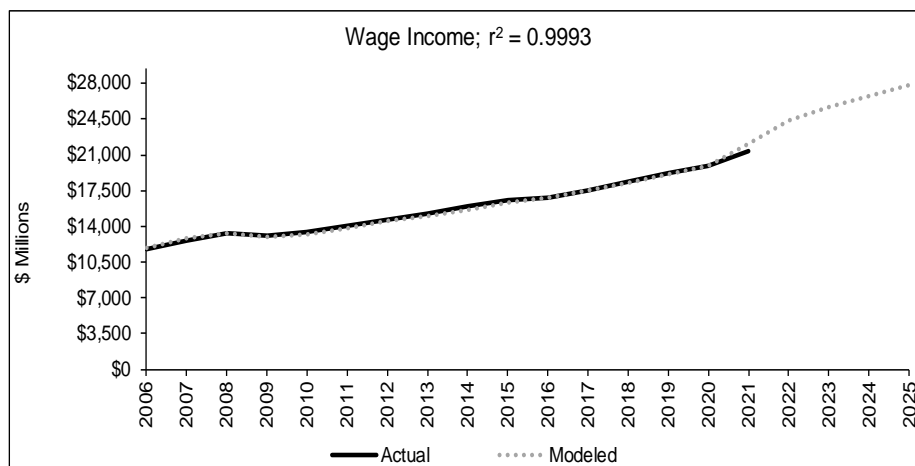
Reasons for Decline in Upcoming Biennium

Individual income tax collections are forecast to decline by 15.0% in FY 2023, then grow by 2.6% and 4.4% respectively in FY 2024 and FY 2025. The decline is driven by forecasted declines in capital gains

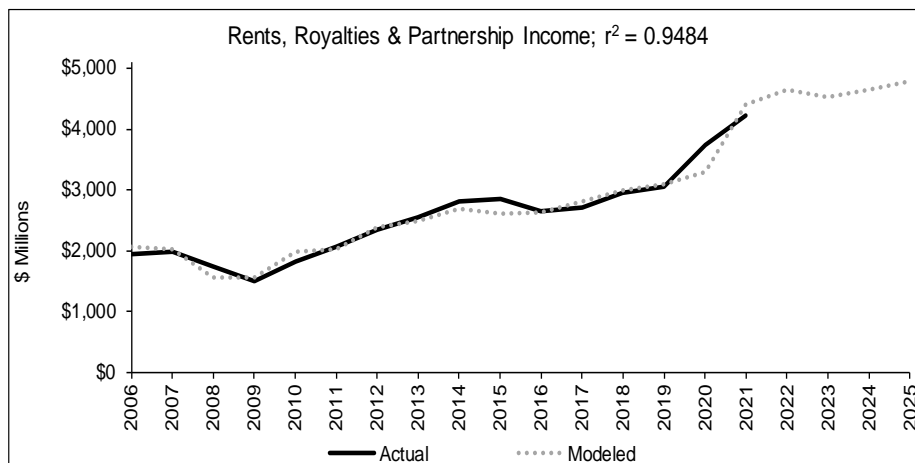
and IRA income, and the assumption that a portion of collections in FY 2022 were not a product of ongoing economic activity.

In CY 2021, the full-year-resident statewide tax liability was \$1,728.9 million. In FY 2022 the state collected \$2,393.8 million. While fiscal year collections typically surpass the calendar year liability, last year was quite drastic. CY liabilities typically represent 87.0% of FY collections, though last year it was only 72.2%.

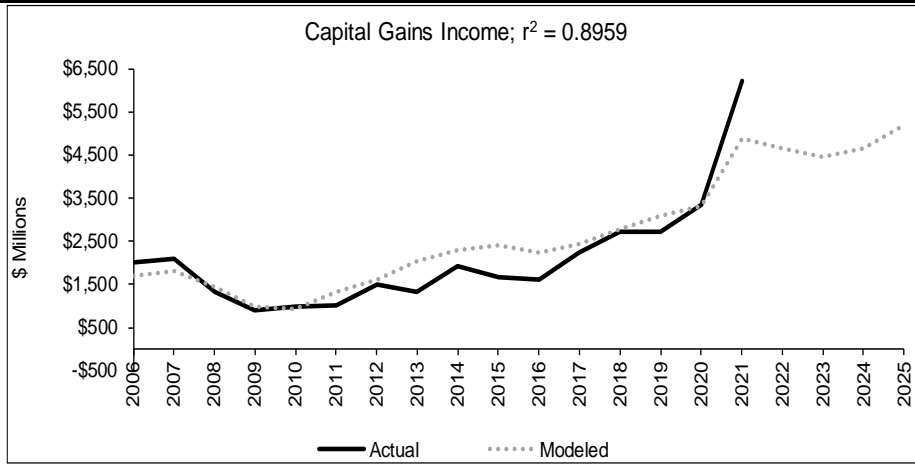
The discrepancy between calendar year liabilities and fiscal year collections suggests that there was upwards of \$400 million in collections that was not explained by the prior year liabilities. Given this discrepancy, it is possible that individuals made significant capital gains realizations in early CY 2022 and have already paid taxes on that income as opposed to paying them in April 2023 when they are due. It is also possible that taxpayers opted to move their refunds from this past April to future years. In addition, taxpayer may be making safe harbor payments on their estimated payments, in which case they are paying based upon their known liability from the prior year. These assumptions could result in higher refunds and lower payments in this upcoming spring tax season.



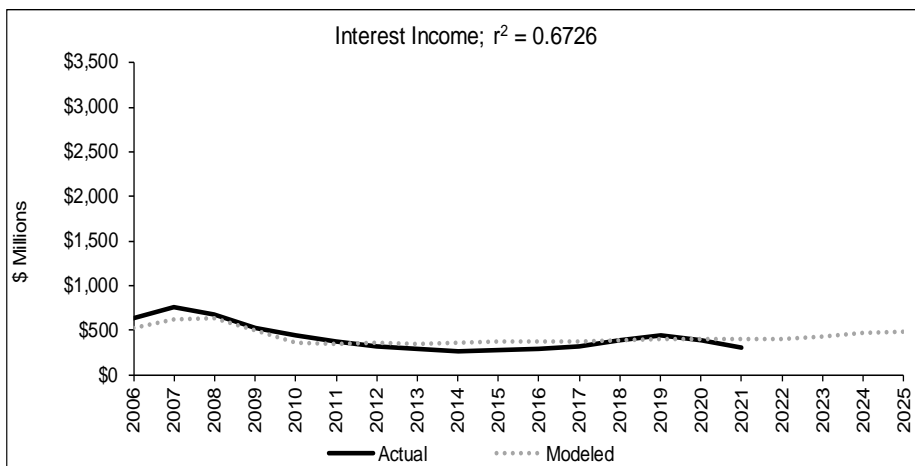
Rent, royalty & partnership (schedule E) income is modeled on S&P 500 and before tax corporate profits and in recent years has trended quite well.



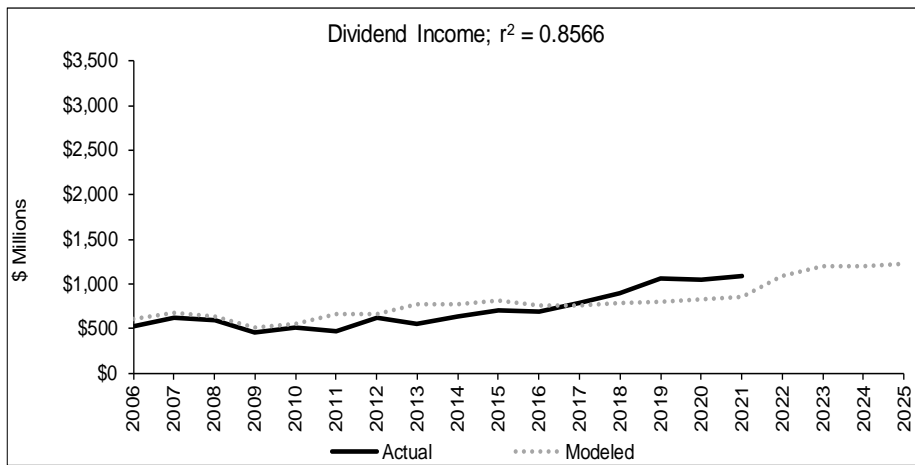
Capital gains income is modeled on a three-year difference of the S&P 500 stock market index, Montana median house price, and the annual number of Montana home sales.



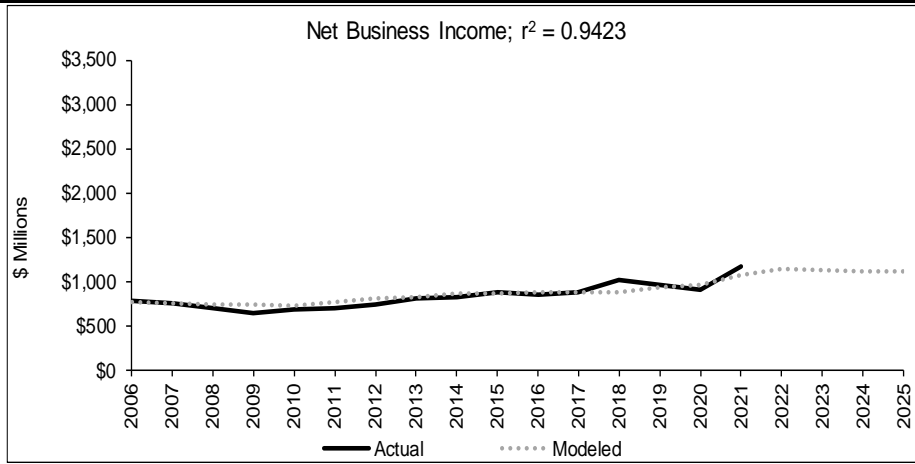
Interest income is modeled on the rate of 3-month negotiable CDs (Certificate of Deposit) and national personal interest income.



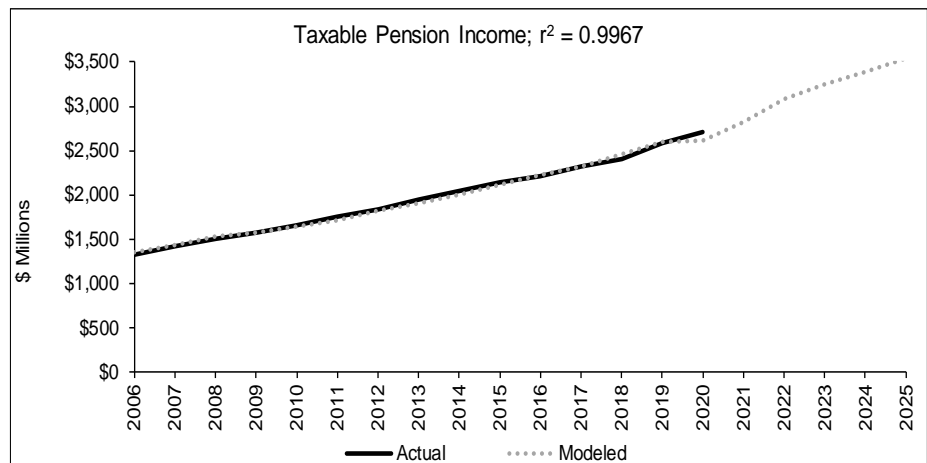
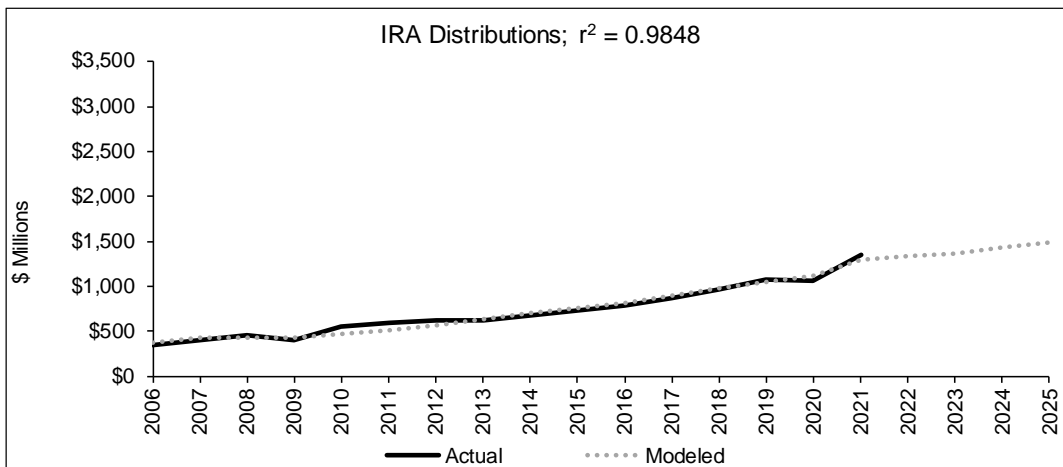
Dividend income is modeled on before-tax corporate profits.



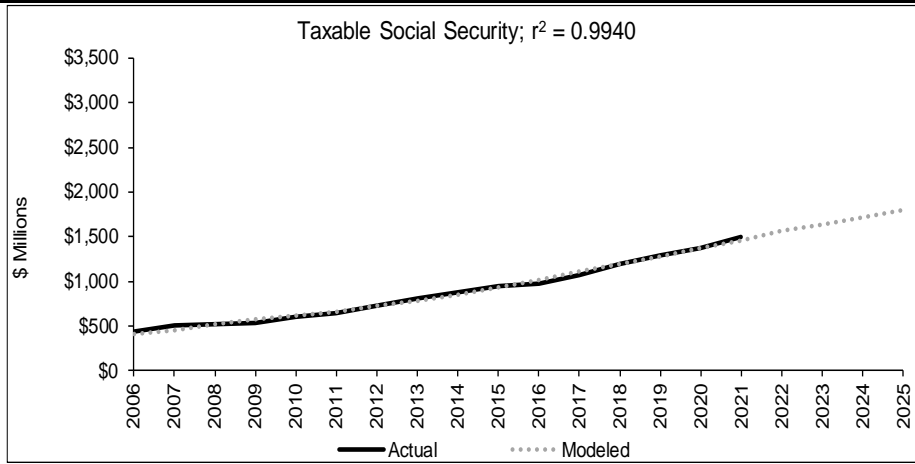
Net business income is modeled on national non-farm proprietor's income, Montana farm proprietor's income, and gross state product for the construction industry.



The two of the three retirement income sources—IRA distributions and pension income—are modeled on the S&P 500 stock market index, gross domestic product, and the number of Montanans age 65 and older. The projected drop in IRA distributions is due to a provision in the federal CARES Act which deferred required minimum distributions from certain retirement accounts.



Taxable social security is modeled on federal transfer payments to Montana and Montana population age 65 or older.



All remaining income sources, including farm income, sum to a negative amount. These sources are forecasted individually but are generally anticipated to remain at about the same as the level as the last known year.

Audits and Other Assumptions

Fiscal year audit, penalty and interest revenue is assumed to remain at a recent historical average of the prior calendar year tax liability before credits. Audit, and penalty and interest revenue are added to the modeled fiscal liability, resulting in total fiscal year collections.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Audit, P&I \$ Millions	Earned Income	
				Tax Credit \$ Millions	
A 2012	\$898.851	\$898.851	\$28.307		
A 2013	1,047.79	1,047.79	31.83		
A 2014	1,063.28	1,063.28	41.01		
A 2015	1,175.74	1,175.74	43.47		
A 2016	1,184.83	1,184.83	51.72		
A 2017	1,168.22	1,168.22	40.76		
A 2018	1,297.78	1,297.78	44.23		
A 2019	1,429.01	1,429.01	48.99		
A 2020	1,435.24	1,435.24	48.21		
A 2021	1,765.42	1,765.42	59.20		
A 2022	2,393.81	2,393.81	71.97		
F 2023	2,033.78	2,033.78	72.86	(4.27)	
F 2024	2,086.76	2,086.76	74.56	(4.65)	
F 2025	2,178.32	2,178.32	77.87	(4.75)	
F 2026	2,291.57	2,291.57	81.82	(4.75)	
F 2027	2,431.76	2,431.76	87.44	(4.75)	

Business and Personal Taxes
Individual Income Tax

	Modeled FYR	Population	FYR	Non-Resident	Total Liability	Elderly H/R	All Other
	Liability	Adjustment	Liability	Factor	Before Credits	Credit	Credits
CY	\$ Millions	Percent	\$ Millions	Percent	\$ Millions	\$ Millions	\$ Millions
A 2012	\$874.595	100.0%	\$874.595	107.4%	\$939.072	\$7.286	\$39.356
A 2013	903.847	100.0%	903.847	107.2%	969.219	6.697	43.459
A 2014	997.892	100.0%	997.892	107.2%	1,069.590	6.119	48.085
A 2015	1,034.358	100.0%	1,034.358	106.9%	1,106.240	6.182	50.352
A 2016	1,022.467	100.0%	1,022.467	107.3%	1,096.673	6.510	46.481
A 2017	1,118.513	100.0%	1,118.513	107.0%	1,196.354	6.950	52.617
A 2018	1,244.186	100.0%	1,244.186	105.3%	1,310.193	7.609	68.095
A 2019	1,308.844	100.0%	1,308.844	104.7%	1,370.571	6.617	69.052
A 2020	1,500.731	100.0%	1,500.731	106.5%	1,597.994	7.883	80.684
A 2021	1,728.872	100.0%	1,728.872	108.0%	1,866.974	7.049	99.391
A 2022	1,729.058	102.7%	1,775.530	108.0%	1,917.359	7.049	98.413
F 2023	1,753.693	103.6%	1,816.858	108.0%	1,961.988	7.049	96.682
F 2024	1,832.790	103.5%	1,897.558	108.0%	2,049.135	7.049	99.059
F 2025	1,924.211	103.6%	1,993.827	108.0%	2,153.093	7.049	102.022
F 2026	2,050.048	103.9%	2,130.776	108.0%	2,300.982	7.049	105.318
F 2027	2,121.827	104.3%	2,213.128	108.0%	2,389.912	7.049	108.888

	Wage	Rent, Royalty	Capital Gains	Interest	Dividend	Net Business	IRA
	Income	& Part. Inc.	Income	Income	Income	Income	Distributions
CY	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions
A 2012	\$14,686.234	\$2,340.911	\$1,491.198	\$313.117	\$627.612	\$740.894	\$618.964
A 2013	15,189.766	2,554.830	1,314.178	294.150	550.135	820.125	623.888
A 2014	15,912.285	2,812.599	1,925.151	265.414	641.446	834.812	678.718
A 2015	16,521.665	2,855.278	1,676.972	279.892	702.495	886.486	728.904
A 2016	16,791.933	2,650.879	1,616.570	295.853	690.232	862.602	782.898
A 2017	17,475.754	2,717.294	2,241.133	318.210	791.880	889.821	870.507
A 2018	18,366.344	2,950.771	2,709.171	380.543	893.176	1,019.461	965.712
A 2019	19,198.827	3,056.390	2,735.219	437.553	1,063.585	966.356	1,069.311
A 2020	19,948.240	3,745.380	3,354.864	387.849	1,041.364	913.917	1,067.211
A 2021	21,415.879	4,228.359	6,226.900	306.748	1,093.004	1,175.959	1,354.410
F 2022	23,630.203	4,452.011	4,670.175	306.457	1,404.139	1,248.309	1,218.969
F 2023	24,891.343	4,347.220	4,446.813	329.186	1,538.942	1,235.628	1,241.414
F 2024	25,891.312	4,455.025	4,669.154	365.136	1,539.142	1,213.846	1,298.127
F 2025	26,927.726	4,593.087	5,193.552	377.502	1,568.716	1,211.697	1,353.954
F 2026	28,050.779	4,748.203	5,758.891	383.651	1,614.394	1,240.526	1,406.832
F 2027	29,191.670	4,917.340	5,749.886	394.983	1,670.167	1,274.724	1,457.435

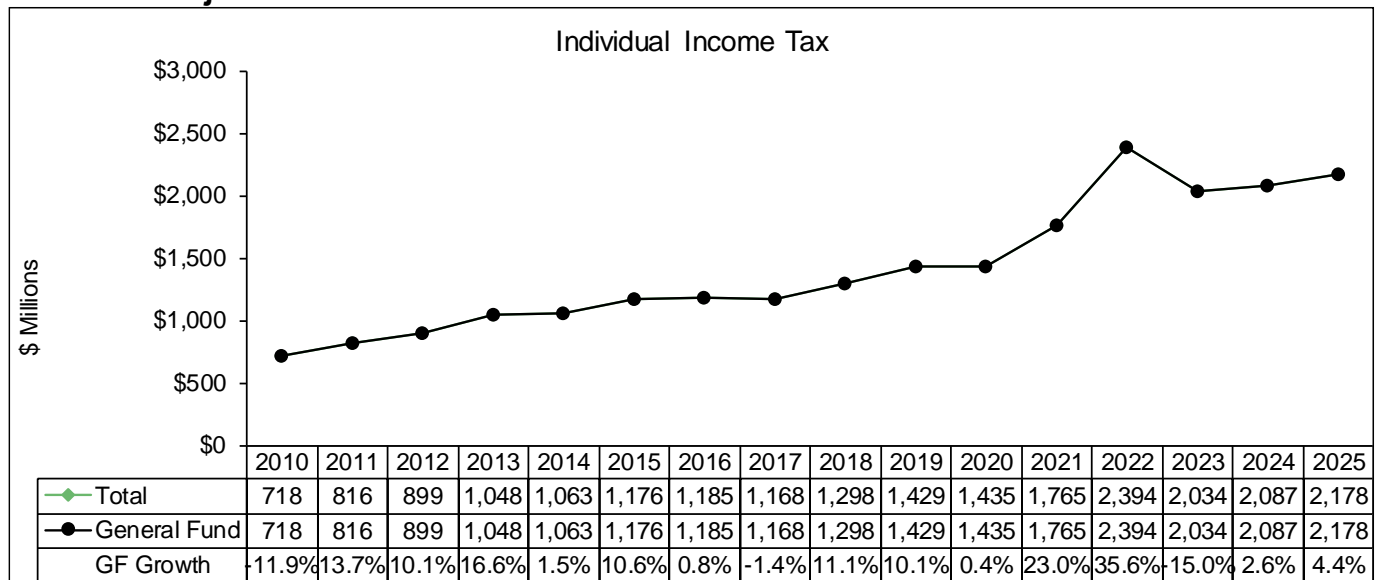
	Pension	Social	Farm	Other	Adjustments	Additions	Reductions
	Income	Security	Income	Income	to Income	to Income	to Income
CY	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions
A 2012	\$1,840.957	\$721.661	(\$135.869)	(\$552.855)	\$445.516	\$834.573	\$1,518.641
A 2013	1,945.506	803.831	(138.640)	(523.590)	487.773	803.607	1,404.220
A 2014	2,050.104	882.266	(115.194)	(509.221)	499.660	783.984	1,399.342
A 2015	2,139.286	941.299	(150.769)	(509.770)	522.819	788.052	1,446.849
A 2016	2,215.681	981.545	(230.849)	(545.399)	536.806	797.821	1,477.005
A 2017	2,322.764	1,072.081	(231.618)	(414.158)	550.496	836.955	1,585.401
A 2018	2,401.327	1,191.853	(311.489)	(565.262)	488.838	875.544	1,807.497
A 2019	2,586.974	1,293.289	(341.346)	(604.465)	500.283	910.792	1,882.259
A 2020	2,715.371	1,371.543	(255.046)	(1,100.004)	496.927	1,360.050	3,052.518
A 2021	2,808.826	1,495.527	(322.809)	(295.992)	510.950	713.207	2,159.556
F 2022	3,066.647	1,609.521	(322.809)	(295.992)	524.973	698.283	1,981.589
F 2023	3,246.973	1,754.378	(322.809)	(295.992)	538.995	688.774	2,023.309
F 2024	3,383.782	1,844.385	(322.809)	(295.992)	-	-	-
F 2025	3,530.922	1,929.335	(322.809)	(295.992)	-	-	-
F 2026	3,678.310	2,009.940	(322.809)	(295.992)	-	-	-
F 2027	3,816.801	2,085.182	(322.809)	(295.992)	-	-	-

Business and Personal Taxes

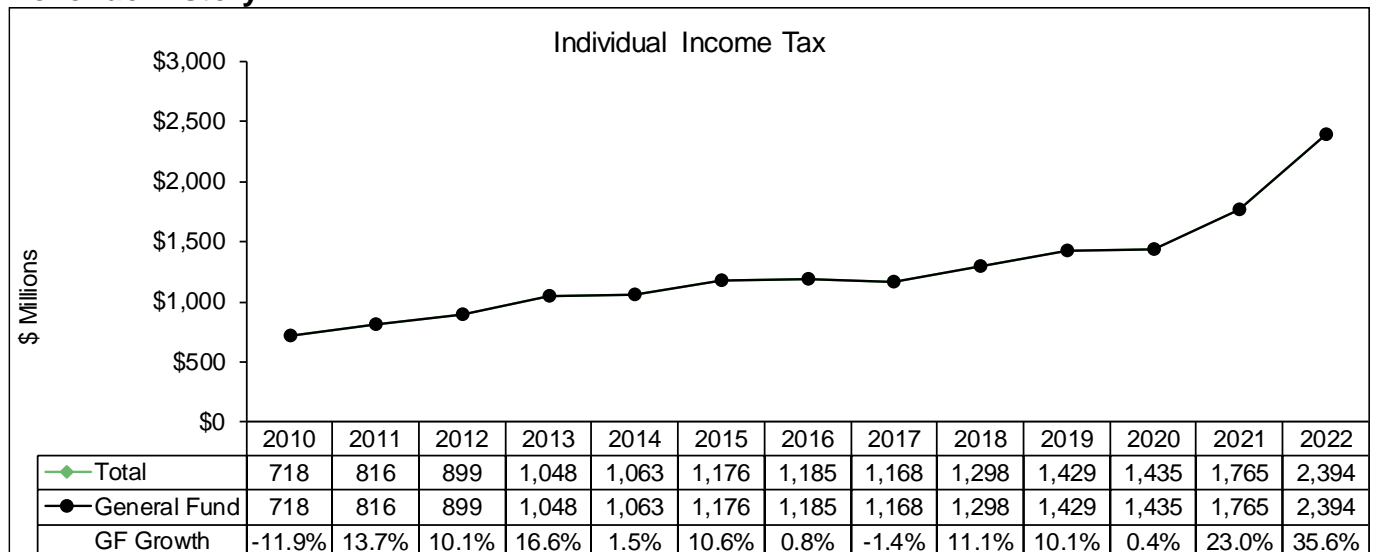
Individual Income Tax

	Itemized Deductions	Montana Adj. Gross Income	Capital Gains Credit	FYR Returns Annual Gr.	Federal Inflation	State Inflation
CY	\$ Millions	\$ Millions	\$ Millions	Percent	Percent	Percent
A 2012	\$4,137.027	21,690.849	31.235	7.9%	2.4%	1.7%
A 2013	4,241.199	22,477.954	27.523	2.0%	2.6%	1.8%
A 2014	4,274.492	24,390.092	39.533	0.9%	1.7%	2.1%
A 2015	4,488.435	25,025.551	34.639	1.6%	1.6%	0.1%
A 2016	4,591.664	25,198.944	33.576	0.3%	0.5%	0.0%
A 2017	4,706.078	26,903.031	44.759	1.4%	0.8%	1.6%
A 2018	4,452.909	29,107.663	55.202	1.0%	1.6%	2.9%
A 2019	4,445.662	30,259.841	55.709	1.0%	2.0%	1.6%
A 2020	4,380.851	32,063.665	68.290	-2.5%	1.6%	0.6%
A 2021	4,635.392	39,531.790	125.400	3.9%	1.2%	5.4%
F 2022				2.7%	2.9%	5.1%
F 2023				0.9%	6.3%	8.4%
F 2024				-0.1%	4.3%	3.9%
F 2025				0.1%	2.2%	2.5%
F 2026				0.3%	2.0%	2.3%
F 2025				0.4%	2.0%	2.2%

Revenue Projection



Revenue History



Insurance Tax & License Fees

Revenue Description

An insurance premiums tax is levied on the net premiums or gross underwriting profit for each insurance company operating in Montana. Various insurance and license fees are also collected.

Statutory Reference

Tax Rate – [33-2-705\(2\), MCA](#); [33-2-311, MCA](#); [33-28-201\(1&2\), MCA](#); [50-3-109\(1\), MCA](#);

Fee Rate – Many of the fees are contained in [33-2-708\(1&2\), MCA](#); all other fees are listed in various chapters of [Title 33, MCA](#)

Tax Distribution – [33-2-708\(3\), MCA](#); [33-2-712, MCA](#); [50-3-109\(1\), MCA](#); [33-28-120, MCA](#)

Date Due – March 1st each year ([33-2-705\(1\), MCA](#); [33-2-712, MCA](#); [33-28-201\(1&2\), MCA](#)). Quarterly payments due the 15th of April, June, September and December (Administrative Rules [6.6.2704](#) and [6.6.2705](#))

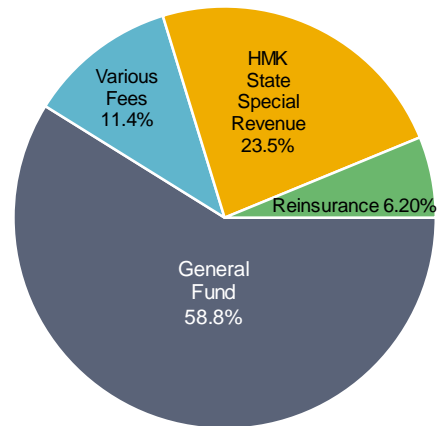
Applicable Tax Rates

- 2.75% of net premiums on policies sold in Montana
- An additional 2.5% tax on the fire portion of net premiums for selected risks
- 0.4% on the first \$20 million of net direct premiums and 0.3% on each subsequent dollar collected by captive insurance companies
- 1.2% reinsurance assessment on most health policies

Collection Frequency: Quarterly and annually

Distribution

Insurance tax and license fee revenue is distributed primarily between the general fund and the Healthy Montana Kids state special revenue fund. Exceptions include fire insurance premiums which are deposited fully to the general fund, captive insurance company premiums which are deposited 95.0% to the general fund and 5.0% (along with any fees and assessments to captive companies) to a fund for administration of such companies, the genetics fee which is deposited into a state special fund for genetic testing, and the remaining fees which are deposited in a state special fund for use by the State Auditor. A 1.2% assessment on health policies is deposited into the reinsurance pool to be matched with federal funds to cover high cost claims. The following chart shows the FY 2020 distribution of insurance tax and license fee revenue.



Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

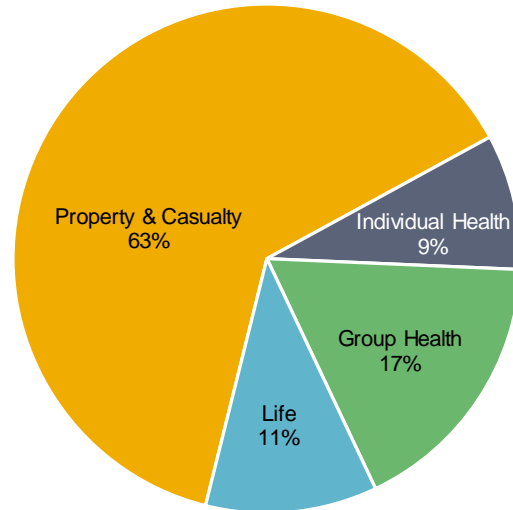
Forecast Risks

- Changes in the forecast for personal consumption expenditures for the finance and insurance services sector
- Changes in health insurance premium costs
- Changes in health insurance purchases on the exchange

Data

The insurance tax and license fee estimate is based on data obtained from SABHRS, the State Auditor’s Office (SAO) and IHS Markit. Fiscal year collections come from SABHRS; detailed historical data and future estimates for offsets and refunds are from the SAO; forecasts for independent economic variables are produced by IHS Markit.

CY 2021 Premium Tax by Type



Analysis

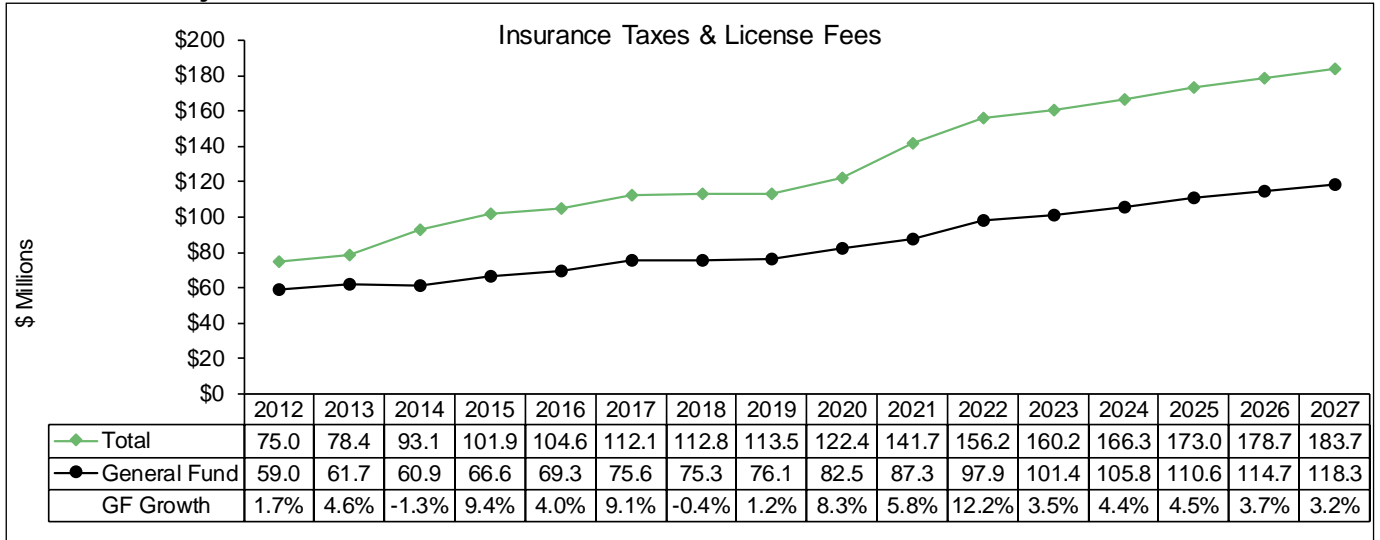
Total taxes and fees are calculated by summing the forecasts for premium taxes and all other fees as estimated individually. Premium taxes are forecast with a regression model using the independent, IHS Markit-provided values for the Montana personal consumption expenditure (PCE) series for finance and insurance. Changes in health insurance spending due to the Affordable Care Act are assumed to be captured in the IHS Markit forecast of Montana PCE for finance and insurance. Estimates for the various fees are based on time trends or an assumption of no growth.

Revenue Estimate Assumptions

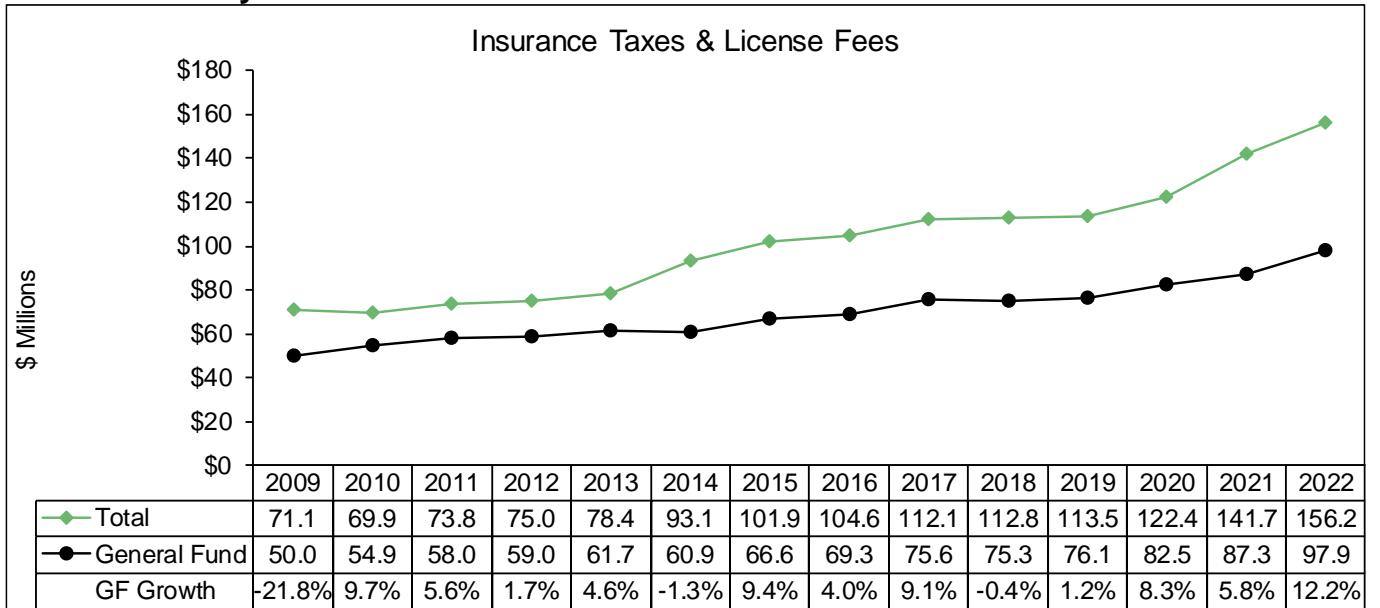
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Revenue \$ Millions	GF Tax \$ Millions	Proxy Insurance Tax \$ Millions	MT PCE Fin. & Ins. \$ Millions	GF Insurance Fees \$ Millions	Non-GF Ins. Fees \$ Millions
A 2012	\$75.012	\$58.951	\$72.406	\$2,370.744	\$6.981	\$5.661
A 2013	78.39	61.68	75.53	2,387.63	7.74	5.92
A 2014	93.05	60.87	78.65	2,449.40	8.34	6.06
A 2015	101.94	66.58	86.89	2,594.61	8.80	6.26
A 2016	104.56	69.25	87.20	2,614.21	11.00	6.36
A 2017	112.12	75.56	91.07	2,756.57	14.76	6.30
A 2018	112.78	75.27	92.28	2,890.57	13.75	6.74
A 2019	113.46	76.14	92.63	3,006.33	14.39	6.45
A 2020	122.37	82.49	100.18	3,015.15	15.70	6.49
A 2021	141.70	87.30	106.86	3,313.27	16.06	8.75
A 2022	156.16	97.94	117.52	3,640.71	19.59	8.72
F 2023	160.19	101.39	122.18	3,752.26	19.52	8.14
F 2024	166.30	105.84	126.50	3,897.44	21.08	8.38
F 2025	173.03	110.61	131.74	4,073.66	22.34	8.61
F 2026	178.70	114.68	135.86	4,212.26	23.65	8.84
F 2027	183.72	118.32	139.36	4,329.70	24.95	9.07

Revenue Projection



Revenue History



Investment License Fee

Revenue Description

Investment advisors and investment companies pay fees to the state for registration of securities and agents, registration of securities by notification, notice of a federal filing of a federally secured security, and name changes.

Statutory Reference

Fee Rate – [30-10-209, MCA](#) and [30-10-904, MCA](#)

Fee Distribution – Excess to general fund: [30-10-115, MCA](#) and [30-10-209\(6\), MCA](#); portfolio notice fee: [30-10-209\(1d\), MCA](#), [30-10-210\(2\), MCA](#) and [30-10-907, MCA](#)

Date Due – Dealers: upon registration and annually before December 31st thereafter ([30-10-201 \(9&11\), MCA](#)); securities: upon registration ([30-10-206, MCA](#)) and renewal ([30-10-209\(1b\)](#))

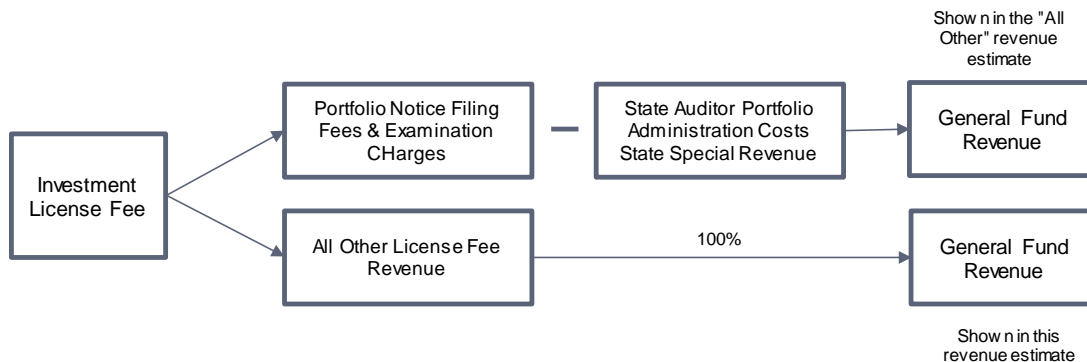
Applicable Tax Rate

Initial and annual security registration fees vary based on the offering price of securities but cannot be less than \$200 or more than \$1,000. Initial and annual registration fees for a broker-dealer, investment adviser, and federal covered adviser are \$400. Initial and annual registration fees for a salesperson or investment adviser are \$100 for an out-of-state salesperson and \$50 for an in-state salesperson. The fee for name changes to series, portfolio, or a subdivision of an investment company is \$50.

Collection Frequency: Varies

Distribution

All fees except portfolio notice filing fees and examination charges are deposited to the general fund. Portfolio notice filing fees and examination charges are deposited in a state special revenue account from which the State Auditor pays for expenses associated with the regulation of portfolio activities. The excess in this account is transferred to the general fund throughout the year as a non-budgeted transfer and is shown under the “All Other” revenue category.



Summary of Legislative Action:

The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Changes in the forecast for personal consumption expenditures for the finance and insurance services sector

Revenue Estimate Methodology

Investment license fee revenue is obtained from two major sources: portfolio notice filing and examination fees, and various other fees. The portfolio notice filing fees, examination fees, and other permit revenue are estimated separately and then summed.

Data

The estimate for this source is based on historical collection data from SABHRS, historical license purchases by type from the State Auditor’s Office (SAO), and actual and forecast Montana personal consumption expenditures series for finance and insurance services from IHS Markit.

Analysis

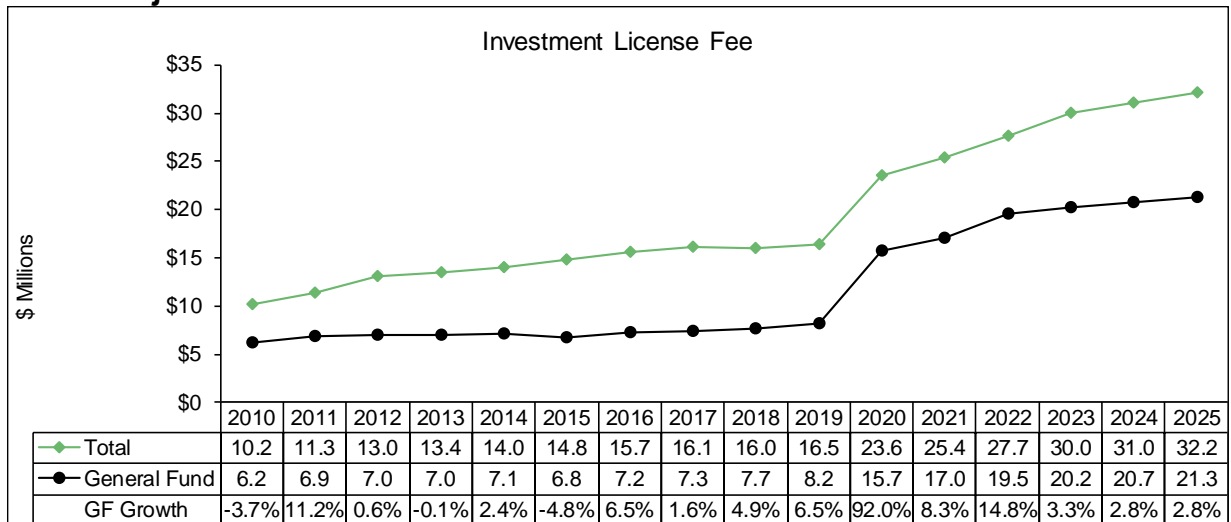
Licenses and permits receipts, and portfolio notice filing fees are modeled separately on the Montana personal consumption expenditures series for finance and insurance services.

Revenue Estimate Assumptions

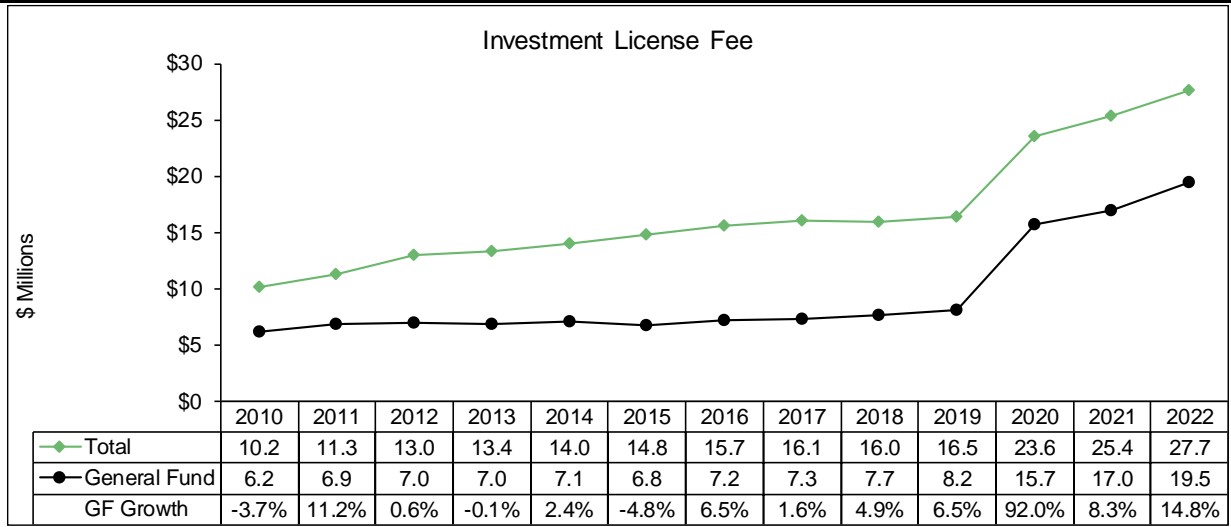
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Licenses & Permits \$ Millions	Portfolio Registration \$ Millions	Exam Fee \$ Millions	Portfolio Expenses \$ Millions	MT PCE Fin. & Ins. \$ Millions
A 2012	\$13.026	\$6.961	\$6.961	\$6.055	\$0.010	\$1.128	\$2,370.744
A 2013	13.423	6.951	6.951	6.441	0.030	1.237	2,387.633
A 2014	14.047	7.115	7.115	6.911	0.021	1.389	2,449.396
A 2015	14.821	6.773	6.773	8.048	-	1.442	2,594.607
A 2016	15.661	7.212	7.212	8.449	-	1.490	2,614.213
A 2017	16.071	7.327	7.327	8.702	0.042	1.464	2,756.571
A 2018	16.015	7.683	7.683	8.292	0.039	1.418	2,890.571
A 2019	16.457	8.182	8.182	8.275	-	1.388	3,006.334
A 2020	23.605	15.711	15.711	7.894	-	1.449	3,015.155
A 2021	25.411	17.020	17.020	8.391	-	1.588	3,313.266
A 2022	27.666	19.535	19.535	9.458	-	1.462	3,640.708
F 2023	30.003	20.182	20.182	9.821	-	1.461	3,752.262
F 2024	31.035	20.741	20.741	10.294	-	1.469	3,897.444
F 2025	32.182	21.314	21.314	10.868	-	1.486	4,073.665
F 2026	33.220	21.900	21.900	11.320	-	1.493	4,212.255
F 2027	34.173	22.470	22.470	11.702	-	1.474	4,329.704

Revenue Projection



Revenue History



Lodging Taxes

Revenue Description

The state imposes two taxes on room charges collected by lodging facilities and campgrounds: a lodging sales tax and a lodging facility use tax. The taxes only apply for rooms used for lodging which includes hotels, motels, campgrounds, resorts, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, and bed and breakfast facilities. Exempt are facilities for health care, facilities owned by non-profit corporations for use by youth for camping, facilities whose average daily charge is less than 60.0% of the amount the state of Montana reimburses for lodging, and facilities rented for 30 days or more. The 4.0% lodging sales tax also applies to online travel agencies, and exempts sales to the U.S. government.

Statutory Reference

Tax Rate – [15-65-111, MCA](#) (4.0% lodging facility use tax); [15-68-102, MCA](#) (4.0% lodging sales tax)

Tax Distribution – [15-65-121, MCA](#) (4.0% lodging facility use tax), [15-68-820, MCA](#) (4.0% lodging sales tax)

Date Due – The 4.0% lodging facility use tax is due before the end of calendar quarter ([15-65-112, MCA](#)). The 4.0% lodging sales tax is due the last day of the month following the calendar quarter ([15-68-502\(1\), MCA](#)).

Applicable Tax Rates

The lodging sales tax is 4.0% of the sales price. The lodging facility use tax is 4.0% of room charges.

Collection Frequency: Quarterly

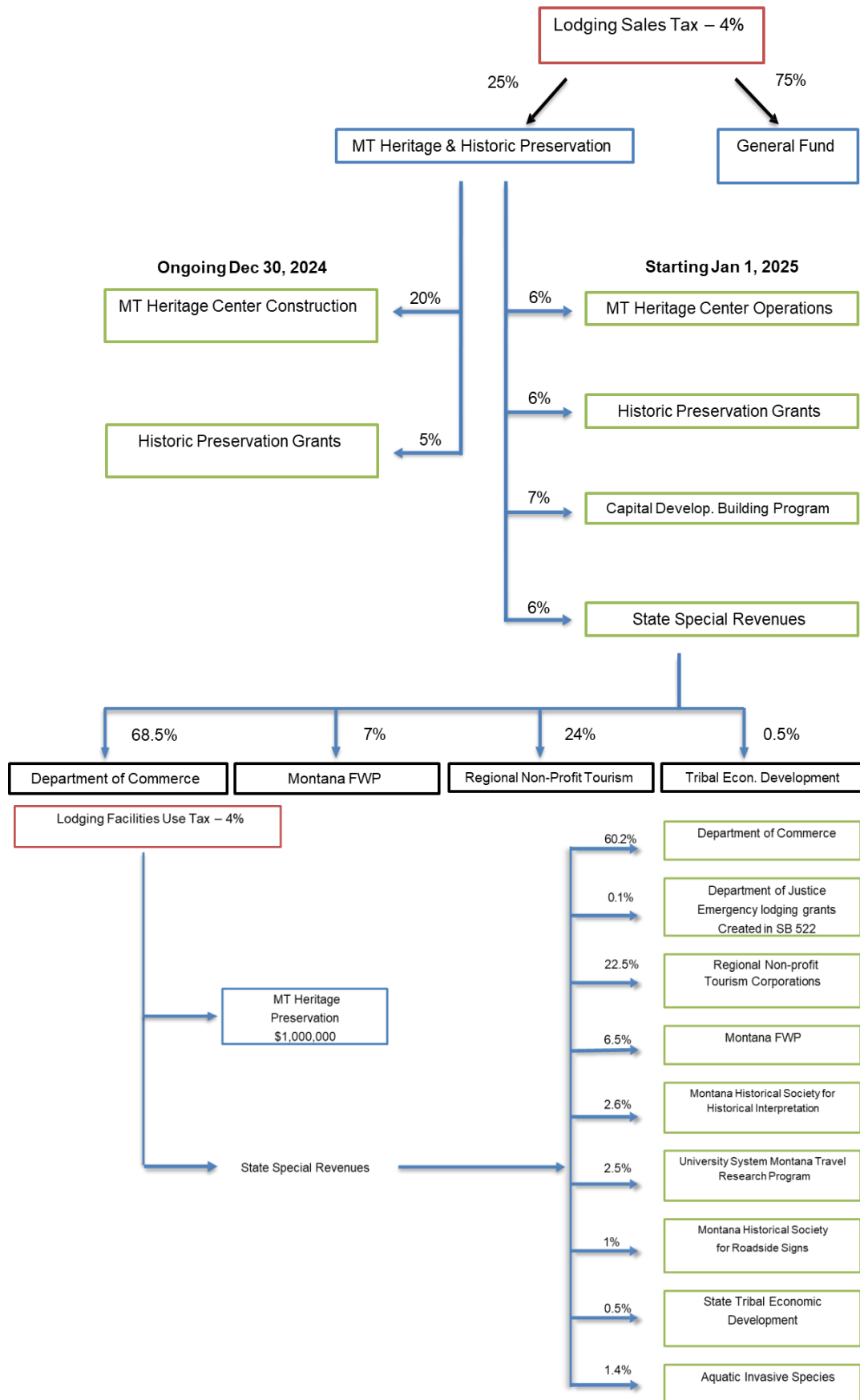
Distribution

[15-68-820](#) - Lodging Sales Tax)

- 75.0% of collections from the Lodging Sales Tax are deposited to the General Fund
- Until Dec 31, 2024, the remaining revenue will be distributed as:
 - 20.0% for funding the construction of the MT Heritage Center administered by the Dept. of Administration's Architecture & Engineering Division
 - 5.0% for historic preservation grants administered by the Dept. of Commerce
- Starting January 1, 2025, the remaining revenue will be distributed as:
 - 6.0% to the Historical Society for the operation and maintenance of the MT Heritage Center
 - 6.0% for historic preservation grants administered by the Dept. of Commerce
 - 7.0% to the Capital developments long-range building program account
 - 6.0% to the Dept. of Commerce for tourism promotion. This is further divided as:
 - 68.5% to be used directly by the Dept. of Commerce
 - 7.0% to Fish Wildlife and Parks for maintenance of facilities in state parks
 - 24.0% to regional nonprofit tourism corporations, conventions, and city visitor bureaus

[15-65-121](#) - Lodging Facility Use Tax)

- 60.2% to be used directly by the Department of Commerce
- 0.1% to be used by the Department of Justice for emergency lodging grants created in SB 522
- 22.5% to regional nonprofit tourism corporations, conventions, and city visitor bureaus
- 6.5% to Fish Wildlife and Parks for maintenance of facilities in state parks
- 2.6% to the Montana historical interpretation SSR
- 2.5% to the university system for the administration of a Montana travel research program
- 1.4% to the invasive species SSR
- 1.0% to the MT Historical Society to be used for roadside historical signs and historic sites
- 0.5% to the SSR for use by state-tribal economic development commission
- 2.7% or \$1 million, whichever is less, to the Montana heritage preservation and development acct



Summary of Legislative Action:

[SB 522](#) diverts 0.1% of the allocation of the lodging facilities use tax from the Department of Commerce and statutorily appropriates the funding to the Department of Justice to establish a grant program to provide lodging for victims of domestic violence or human trafficking. This has no general fund impact.

Forecast Risks

- Change in outlook for U.S. consumer spending on accommodations

Revenue Estimate Methodology

Data

The estimate for this source is based on historical collection data from SABHRS, and actual and forecast U.S. consumer spending on accommodations from IHS Markit.

Analysis

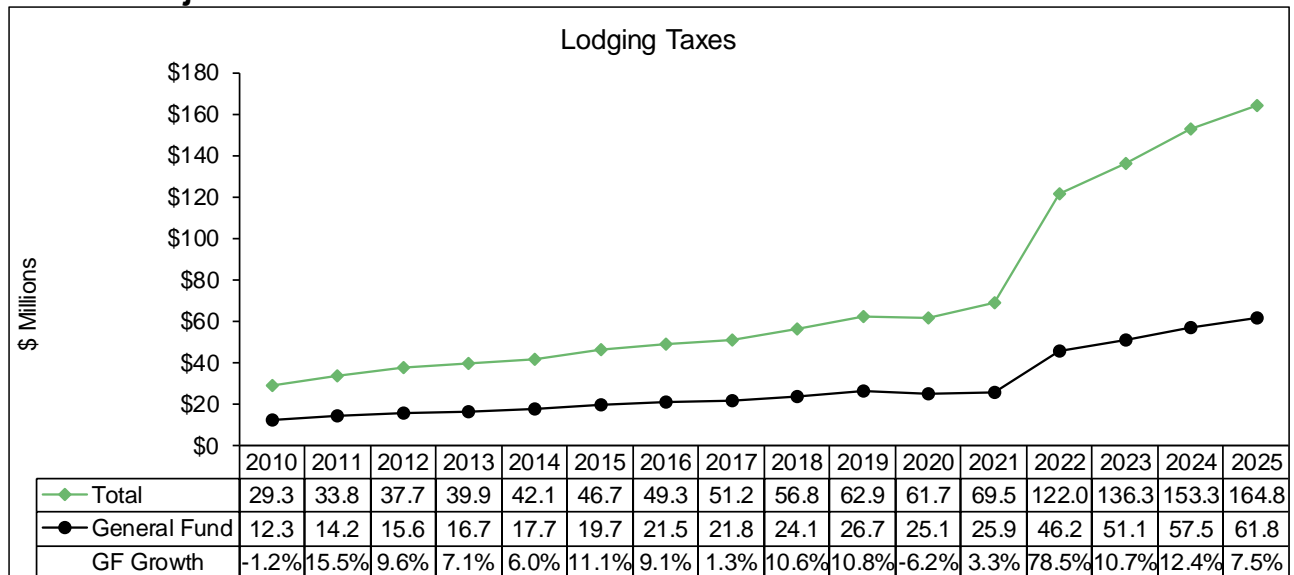
Total lodging taxes are made up of two separate taxes, the lodging facility use tax and the lodging sales tax; a proxy for taxable room charges—tax collections divided by the appropriate tax rate—is used as the starting point both sources. This proxy is modeled on U.S. consumer spending on accommodations to produce a forecast of taxable room charges. Estimates of taxable room charges are multiplied by the corresponding tax rate and summed to produce the total lodging tax estimate.

Revenue Estimate Assumptions

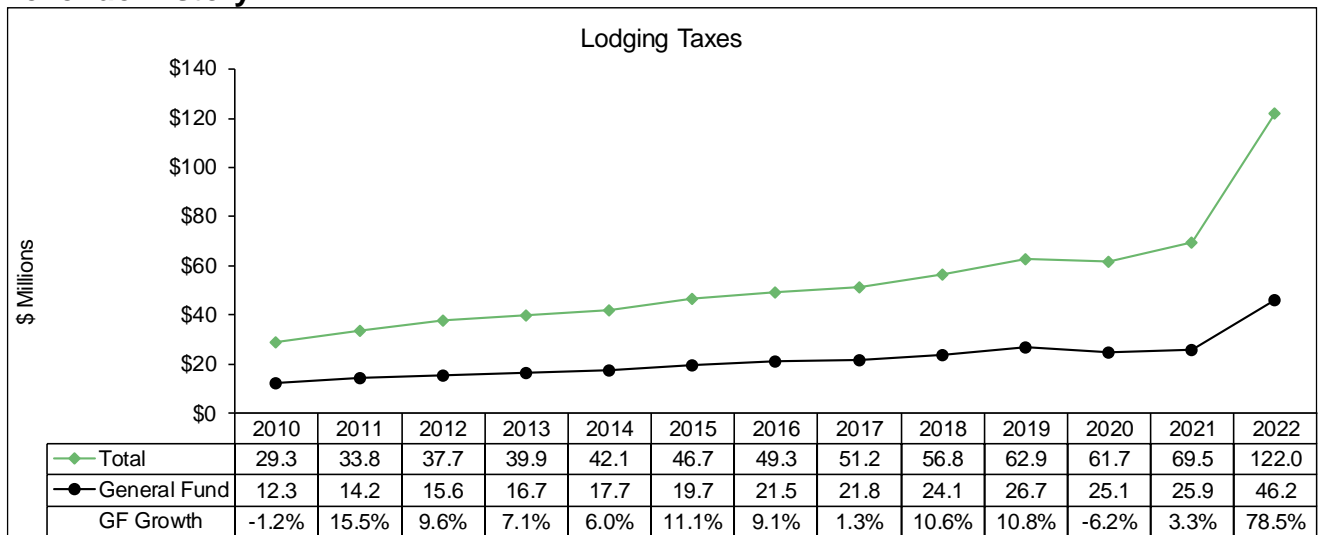
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Proxy Gross Sales \$ Millions	US Consumer Spending Acc. \$ Billions	Calculated Gross Sales \$ Millions
A 2012	\$37.724	\$15.606	\$529.048	\$109.588	\$540.548
A 2013	39.919	16.720	555.249	116.536	573.406
A 2014	42.059	17.725	582.894	123.161	604.739
A 2015	46.696	19.697	647.805	132.682	649.766
A 2016	49.290	21.493	667.212	139.179	680.491
A 2017	51.169	21.780	705.970	145.084	708.415
A 2018	56.751	24.091	791.592	152.508	743.526
A 2019	62.874	26.703	876.641	159.017	774.311
A 2020	61.676	25.058	839.140	124.231	609.797
A 2021	69.453	25.874	875.092	90.359	449.606
A 2022	122.007	46.175	1,518.111	169.336	868.282
F 2023	136.331	51.124	1,704.133	190.601	974.677
F 2024	153.271	57.476	1,915.883	214.807	1,095.787
F 2025	164.777	61.792	2,059.718	231.249	1,178.054
F 2026	171.274	64.228	2,140.928	240.533	1,224.501
F 2027	176.106	66.040	2,201.322	247.437	1,259.044

Revenue Projection



Revenue History



Motor Vehicle Fee

Revenue Description

The state assesses a variety of motor vehicle fees, including fees for the filing of motor vehicle liens, fees for new license plates, title fees, and annual and permanent registration fees. The fees vary according to the type of vehicle and the type of license plate. There are also Gross Vehicle Weight (GVW) fees on trucks and pickups, special fees for senior citizen transportation, veteran services, the highway patrol pension fund, salaries for the highway patrol, motorcycle safety, electronic commerce applications, and an optional registration fee on light vehicles for state parks and fishing access sites.

All fees on motorcycles and quadricycles, trailers, travel trailers, snowmobiles, off-highway vehicles, and watercraft are one-time only and permanent, except upon change of ownership. Fees on other vehicles are annual. Light vehicles older than ten years old may be licensed permanently, at the option of the owner.

Statutory Reference

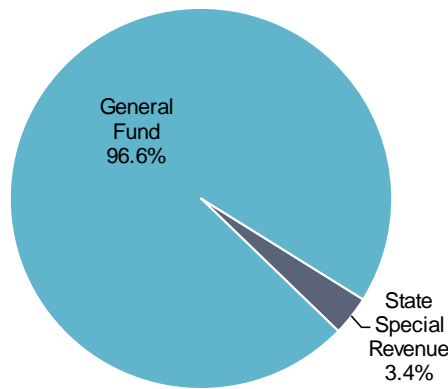
Fee Rate – multiple, but generally in [Title 61, Chapter 3, MCA](#); permanent registration: [61-3-562, MCA](#)
Tax Distribution – [61-3-108, MCA](#)

Applicable Tax Rates: Various

Collection Frequency: Monthly

Distribution

Most motor vehicle fees are allocated to the general fund. Some fees, or a portion of them, are distributed to the specific state special revenue accounts, or to the county general fund.



Summary of Legislative Action:

[HB 224](#) allows Montana residents on active military duty who entered service from outside the state to apply for a waiver of motor vehicle registration fees.

[HB 333](#) changes the fee schedule for travel trailers and boats of certain lengths.

[HB 519](#) authorizes the use of digital driver’s licenses.

[SB 221](#) Allows persons who are currently serving, or who have previously served, aboard the USS Montana to title and register a vehicle in Montana and apply for USS Montana specialty plates.

Motor Vehicle Fee – Legislation Passed by 68th Legislature General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0224 Revise vehicle registration law regarding military personnel	\$0.000	(\$0.030)	(\$0.030)
HB0333 Generally revise motorized recreation laws	0.000	(0.020)	(0.041)
HB0519 Authorize digital drivers licenses through a mobile application	0.000	0.000	0.000
SB0221 Allow USS Montana crew to apply for license plates	0.000	0.008	0.016
Total General Fund Impact	\$0.000	(\$0.042)	(\$0.055)

Forecast Risks

- Changes in forecast growth of Montana vehicle stock
- Changes to forecast growth of new vehicle sales

Revenue Estimate Methodology

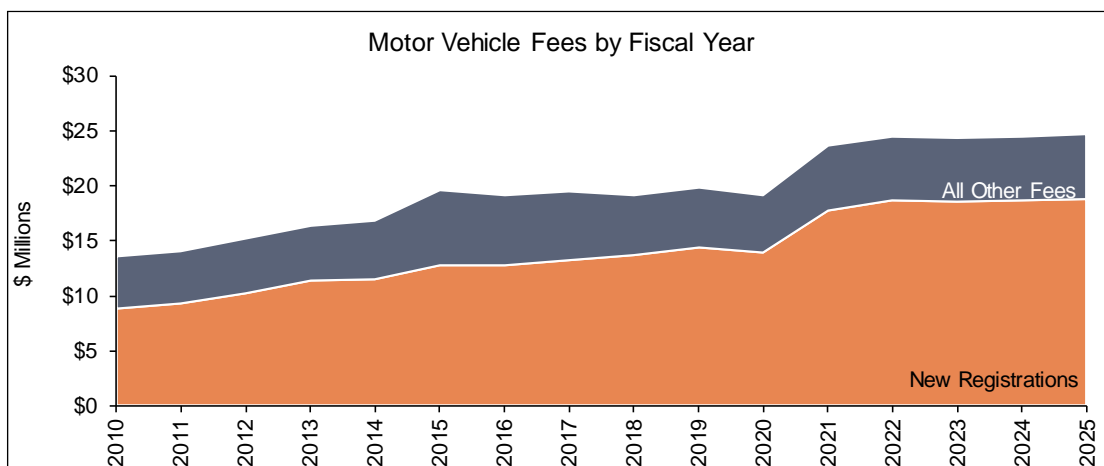
Data

The data used to estimate the motor vehicle (MV) fees are obtained from SABHRS and IHS Markit.

Analysis

MV fees are currently imposed at different rates on eight major categories. Included in the fees assessed on motor vehicles in Montana are registration fees, two types of record liens, title fees, personal and new plate fees, senior transit fees, and veteran’s administration fees. The ninth category is made up of other miscellaneous fees assessed on motor vehicles.

With constant fees, the future change in MV fees results from change in the vehicle stock in Montana. Growth rates for the stock of Montana vehicles are modeled on IHS Markit estimates for the national and Montana-specific vehicle stock and new car sales nationwide. The growth rate is applied to the base year revenues of each fee category and projected forward at the same rate for all estimated fiscal years. The estimated tax collections of each category are then combined to create the total estimates for the MV fees.



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

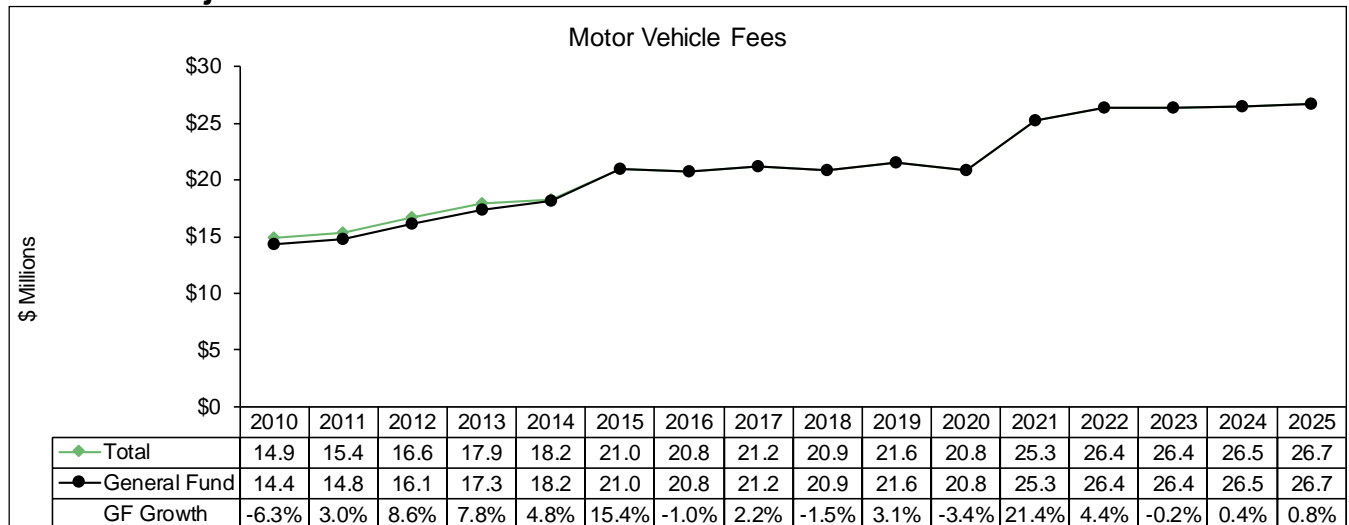
Business and Personal Taxes

Motor Vehicle Fee

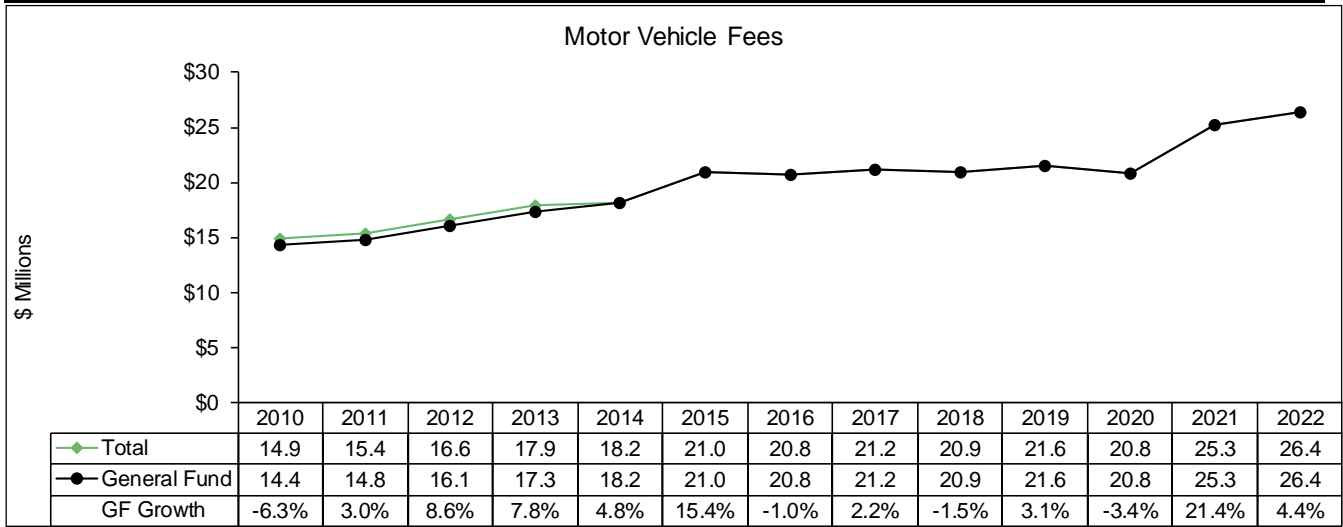
FY	Total Tax \$ Millions	GF Tax \$ Millions	GF Fee Registration \$ Millions	GF Fee Record \$ Millions	GF Fee Titles \$ Millions	GF Fee Personal \$ Millions	GF Fee VA Cemetery \$ Millions
A 2012	\$16.643	\$16.084	\$10.242	\$0.559	\$2.387	\$1.246	\$0.195
A 2013	17.921	17.334	11.418	0.588	2.444	1.250	0.196
A 2014	18.208	18.162	11.494	0.593	2.457	1.240	0.201
A 2015	20.961	20.961	12.783	0.610	2.749	1.267	0.208
A 2016	20.751	20.751	12.791	0.641	2.794	1.259	0.211
A 2017	21.216	21.216	13.204	0.603	2.750	1.252	0.216
A 2018	20.903	20.903	13.769	0.614	2.742	1.239	0.218
A 2019	21.553	21.553	14.418	0.590	2.817	1.179	0.210
A 2020	20.828	20.828	13.968	0.595	2.707	1.134	0.208
A 2021	25.281	25.281	17.745	0.615	3.125	1.168	0.212
A 2022	26.400	26.400	18.643	0.585	3.164	1.108	0.210
F 2023	26.358	26.358	18.614	0.584	3.159	1.106	0.209
F 2024	26.456	26.456	18.683	0.586	3.171	1.110	0.210
F 2025	26.660	26.660	18.827	0.590	3.195	1.119	0.212
F 2026	26.893	26.893	18.992	0.595	3.223	1.129	0.214
F 2027	27.121	27.121	19.153	0.601	3.250	1.138	0.215

FY	GF Fee New Plate \$ Millions	GF Fee Other \$ Millions	Non GF Fee Lien \$ Millions
A 2012	\$0.554	\$1.459	\$2.387
A 2013	0.535	1.491	2.444
A 2014	0.850	1.374	2.457
A 2015	1.953	1.391	2.749
A 2016	1.481	1.574	2.794
A 2017	1.538	1.654	2.750
A 2018	0.598	1.723	2.742
A 2019	0.591	1.749	2.817
A 2020	0.596	1.620	2.707
A 2021	0.788	1.628	3.125
A 2022	0.751	1.939	3.164
F 2023	0.750	1.936	3.159
F 2024	0.752	1.944	3.171
F 2025	0.758	1.959	3.195
F 2026	0.765	1.976	3.223
F 2027	0.771	1.992	3.250

Revenue Projection



Revenue History



Public Contractors Tax

Revenue Description

A license fee is applied to the gross receipts of each separate project let by any of the listed public entities. Part, or all, of a contractor’s fee may be refunded through class 8 business equipment property or vehicle taxes or claimed as a credit on individual or corporation income tax returns.

Statutory Reference

Tax Rate – [15-50-205, MCA](#)

Tax Distribution – [15-50-311, MCA](#)

Date Due – within 30 days after payment to the contractor ([15-50-309, MCA](#))

Applicable Tax Rates

A 1.0% license fee is applied to all public contracts over \$5,000.

Collection Frequency: Monthly

Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action:

[SB 253](#) raises the value of contracts that are exempt from the contractor’s gross receipts tax from \$5,000 to \$80,000.

Public Contractors Tax – Legislation Passed by 68th Legislature General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
SB0253 Revise contractor's gross receipts tax	\$0.000	(\$0.098)	(\$0.100)
Total General Fund Impact	\$0.000	(\$0.098)	(\$0.100)

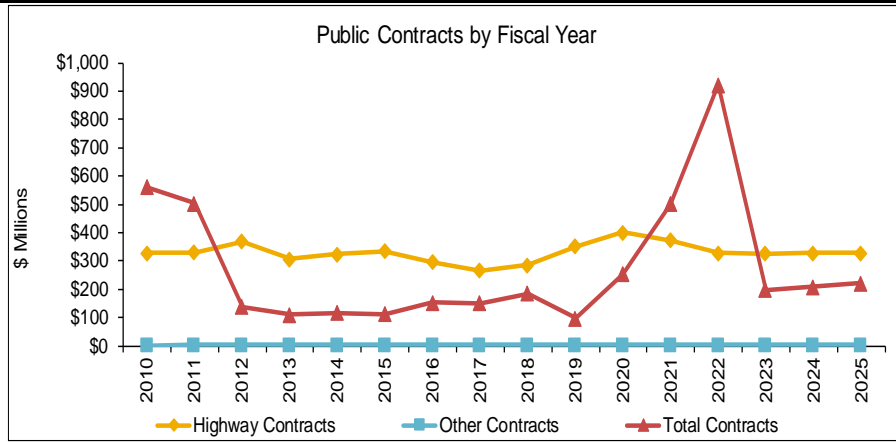
Forecast Risks

- Federal highway trust fund status
- State legislative funding of infrastructure projects

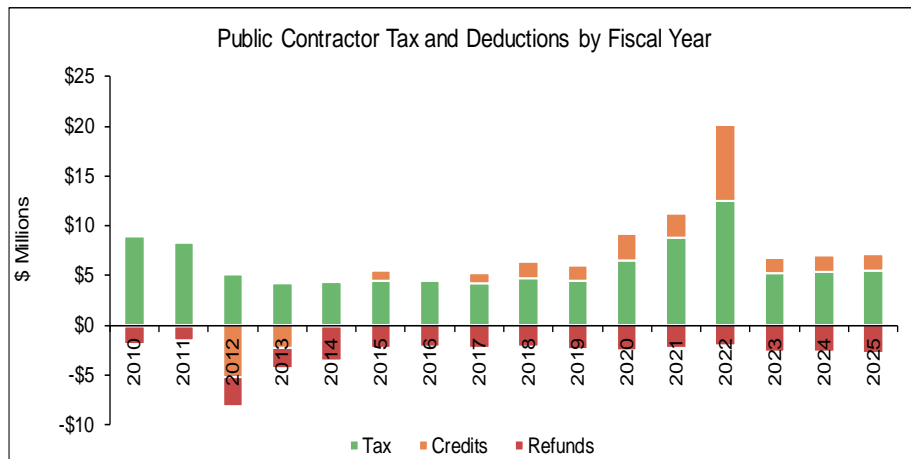
Revenue Estimate Methodology

Data

The estimate for this source is based on historical revenue collection and highway expenditure data from SABHRS. A proxy for gross tax collections is developed by adjusting the SABHRS total collection data to account for refunds and credits. The gross proxy is disaggregated into two contract classifications, highway payments and all other contracts.



Public contractor’s tax revenue has been highly variable due to inconsistencies in processing payment of refunds and credits; in addition, there has been recent volatility because of the increased number of public projects funded through the American Recovery & Reinvestment Act (ARRA) in 2009 and 2010, followed by higher levels of credits and refunds in subsequent years.



Refunds are made up primarily of refund claims against the class 8-business property tax. Credits are authorized for both individual income tax and the corporation license tax. There is a significant time lag between the date of the contract and the reimbursement of the tax through credits or refunds, so large fluctuations in public construction projects may continue to produce unusual future collection patterns.

Analysis

Highway payments are forecast on a time trend; all other contracts are forecast as an approximate historical average. This sum of these two categories is multiplied by 1.0% to obtain the gross tax revenue. Gross taxes are reduced by an aggregate forecast of refunds and credits to produce net tax collections.

Revenue Estimate Assumptions

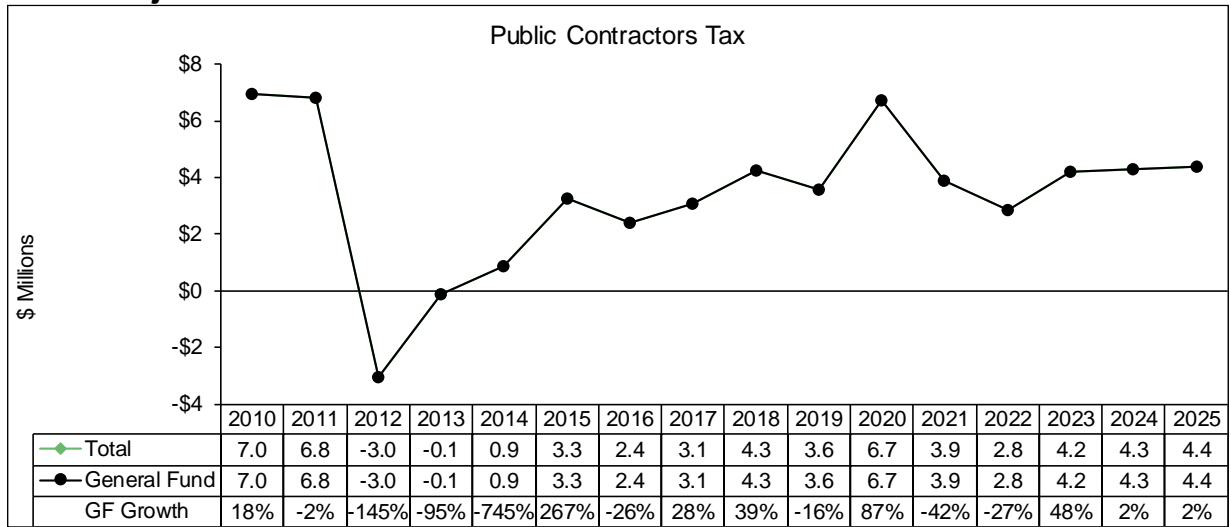
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

Business and Personal Taxes

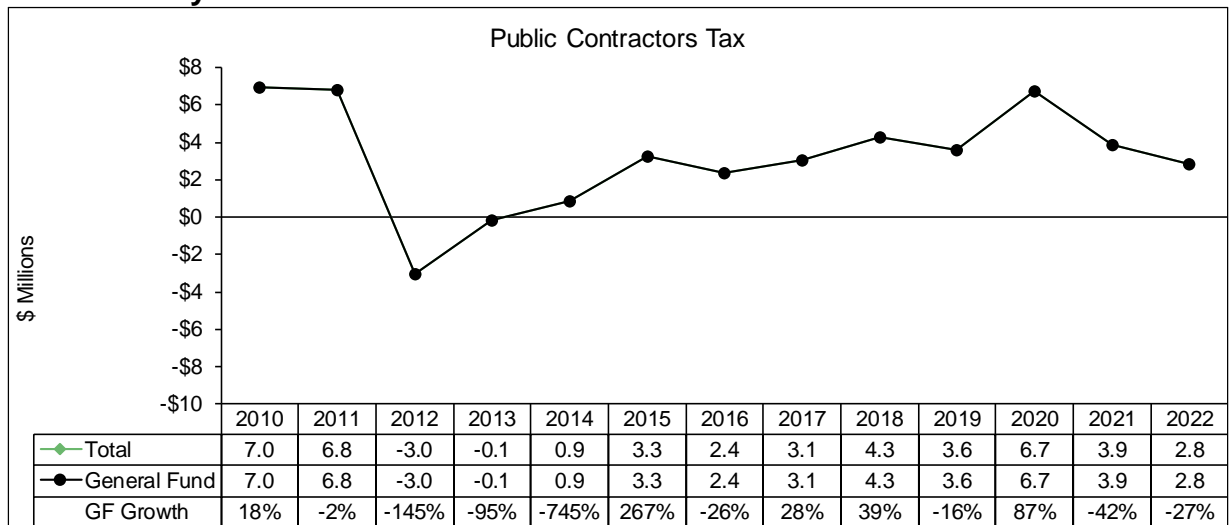
Public Contractors Tax

FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross Tax \$ Millions	Credits & Refunds \$ Millions	Highway Payments \$ Millions	Other Contracts \$ Millions
A 2012	(\$3.042)	(\$3.042)	\$5.068	\$8.110	\$368.229	\$138.576
A 2013	(0.138)	(0.138)	4.162	4.299	306.053	110.109
A 2014	0.887	0.887	4.407	3.520	324.791	115.932
A 2015	3.257	3.257	4.481	1.224	335.646	112.452
A 2016	2.397	2.397	4.481	2.084	295.287	152.845
A 2017	3.078	3.078	4.188	1.110	266.975	151.813
A 2018	4.267	4.267	4.703	0.436	284.639	185.642
A 2019	3.597	3.597	4.486	0.888	351.279	97.281
A 2020	6.729	6.729	6.539	(0.189)	400.298	253.593
A 2021	3.897	3.897	8.743	(0.183)	372.423	501.848
A 2022	2.840	2.840	12.492	(5.521)	327.357	921.890
F 2023	4.196	4.196	5.245	1.049	326.475	198.029
F 2024	4.300	4.300	5.375	1.075	328.517	209.019
F 2025	4.396	4.396	5.495	1.099	328.890	220.655
F 2026	4.499	4.499	5.624	1.125	328.214	234.180
F 2027	4.607	4.607	5.759	1.152	331.507	244.347

Revenue Projection



Revenue History



Railroad Car Tax

Revenue Description

The railroad car tax applies to the rolling stock owned by railroad companies, and the tax rate is equal to the average property tax rate for commercial and industrial property. Railroad car companies, which operate in several states, pay taxes on the portion of the property value allocated to Montana, based on the ratio of the car miles traveled within Montana to the total number of car miles traveled in all states, as well as time spent in the state relative to time spent in other states.

Statutory Reference

Tax Rate – [15-23-214\(1\), MCA](#)

Tax Distribution – [15-23-215, MCA](#)

Date Due – Report due to the Department of Revenue (DOR) by April 15th of each year for the previous calendar year ([15-23-103\(2\), MCA](#); [15-23-212, MCA](#)). The department calculates the tax due by the third Monday in October ([15-23-214\(1\), MCA](#)). Half of the tax is due by November 30th and half is due by May 31st ([15-23-214\(3\), MCA](#); [15-16-102\(1\), MCA](#)).

Applicable Tax Rates

The tax rate is equal to the previous year's average statewide tax rate for commercial and industrial property; in recent years, the rate has been about 3.0%. The rate is multiplied by the statewide average mill levy for commercial and industrial property.

Collection Frequency: Semi-annually

Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

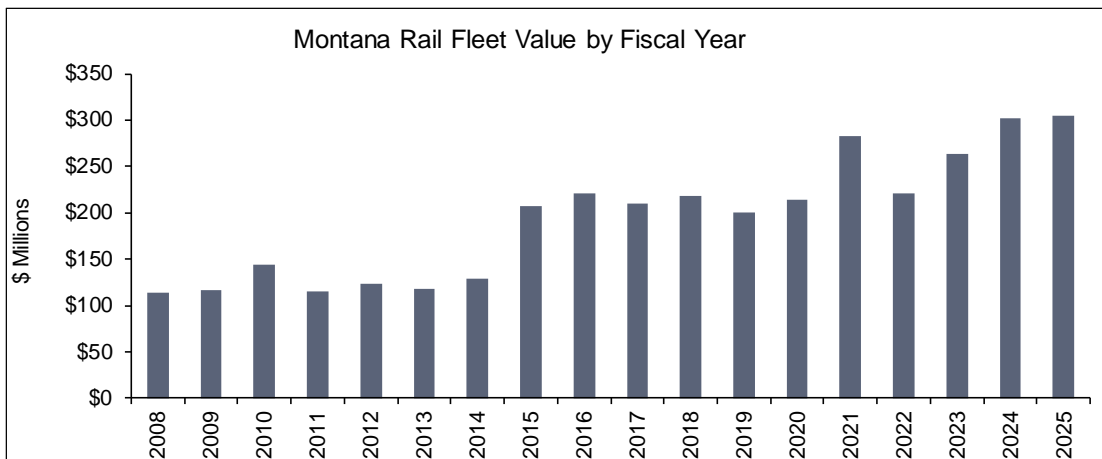
Forecast Risks

- Changing outlook for Montana retail sales

Revenue Estimate Methodology

Data

Data from DOR provides the value of national railroad car fleet, Montana’s rolling stock, railroad car tax assessed by company, the average mill levy and applicable tax rate. SABHRS data are used to check the estimates against the historic values.



Analysis

Although the railcar tax appears somewhat volatile, most of the volatility is caused by shifts in average mill levies and tax rates, both of which are controlled in large part by factors outside of the growth in rail shipments. The volatility can also be traced to litigation brought by rail companies and settled in federal legislation. In 1993, some rail companies protested tax rates, which reduced tax payments for four years. In 1997, the litigation was settled, and the companies were required to make both past and current payments.

Railroad properties are taxed as class 12 properties. To calculate total railroad car tax collections, the market value of the Montana fleet is multiplied by the average mill levy and tax rate. The market value of the rail fleet in Montana is based on a relationship with market value of the U.S. fleet. An estimate for the value of the national fleet is developed using the average rate of growth in the U.S. fleet value, based on a four-year pattern of growth. Montana's average share of the total fleet value is applied to the national estimate. Since 2004, the market value of Montana's rail fleet has been ranged between 0.41% and 0.60% of the nation's fleet. Growth in Montana-allocated value is expected to grow with the national fleet value.

After the Montana market fleet value is determined, the average commercial and industrial mill levy and tax rate must be calculated. The rate of the mill levy is calculated from the average of statewide commercial and industrial mill levies. The average mill levy is expected to increase because counties are able to raise levies at a rate equal to half of the annual rate of inflation. Furthermore, the increasing costs of school budgets will further force the average mill levy to increase.

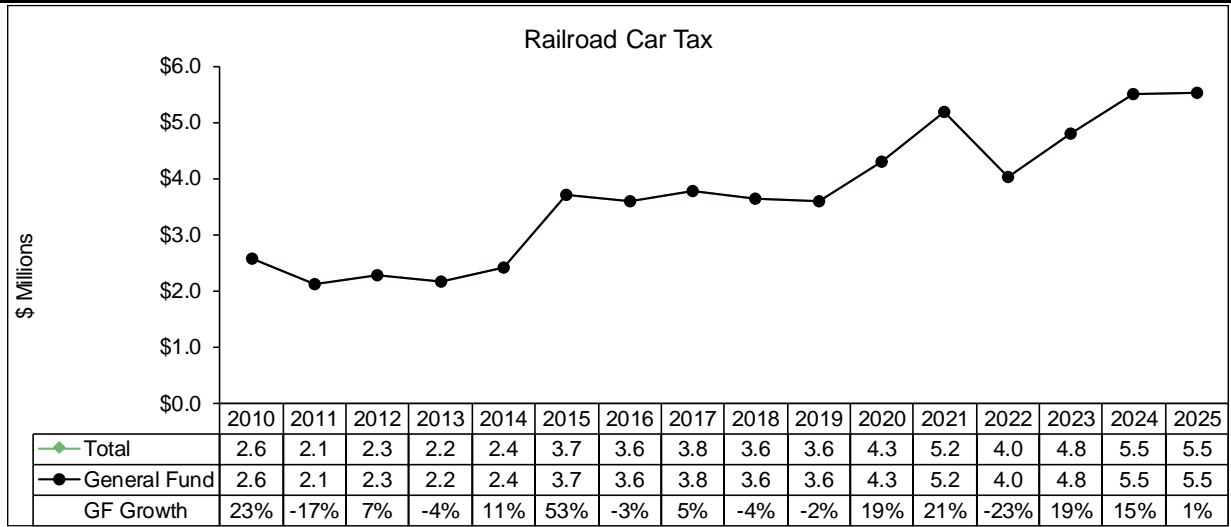
The tax rate for the railroad property is created from a weighted average of six property classes containing commercial and industrial property: class 4, 7, 8, 9, 13 and 14. Class 4 property tax, which contains commercial real estate, is weighted more heavily than the other classes due to its higher market value. The estimated tax rate is shown for forecast years in the revenue estimate assumptions table below. The rail car tax estimates are completed by multiplying the Montana market value by the average mills and the tax rate.

Revenue Estimate Assumptions

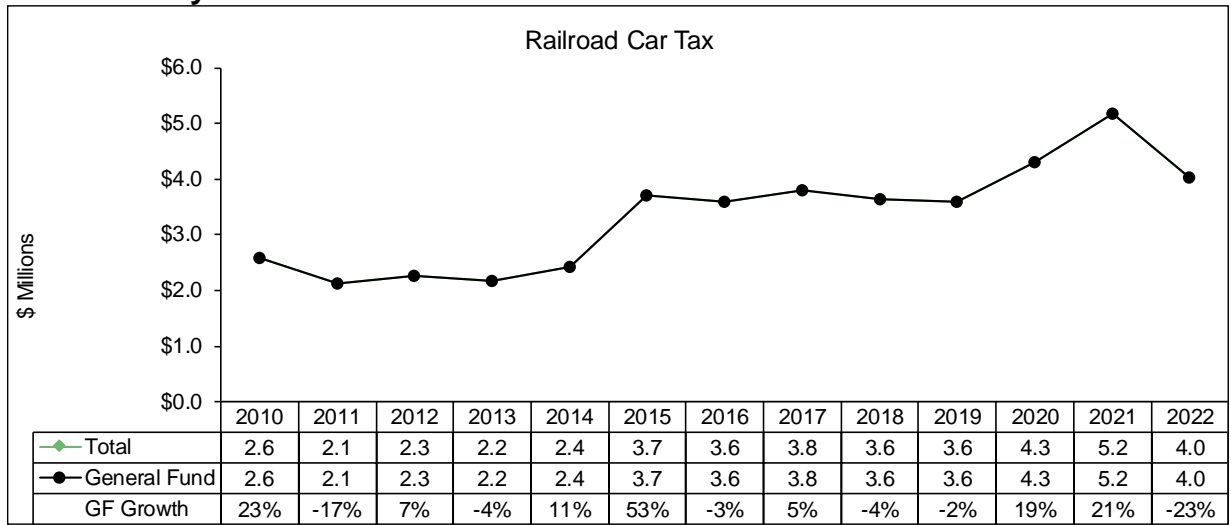
This section contains the assumptions used to generate the LFD revenue recommendation.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Total MV of Fleet \$ Millions	MT Allocation Percent	Tax Rate	Mills	Montana Retail Sales \$ Millions
A 2012	\$2.273	\$2.273	\$14,217.040	0.48%	3.45%	0.533	\$14,217
A 2013	2.18	2.18	14,806.80	0.44%	3.45%	0.530	14,807
A 2014	2.42	2.42	15,611.68	0.44%	3.39%	0.538	15,612
A 2015	3.71	3.71	16,088.72	0.60%	3.28%	0.536	16,089
A 2016	3.59	3.59	16,640.17	0.59%	2.97%	0.545	16,640
A 2017	3.79	3.79	17,030.38	0.51%	3.04%	0.538	17,030
A 2018	3.65	3.65	16,696.73	0.47%	3.07%	0.546	16,697
A 2019	3.59	3.59	17,067.80	0.46%	3.12%	0.557	17,068
A 2020	4.29	4.29	17,235.67	0.48%	3.20%	0.583	17,236
A 2021	5.19	5.19	17,389.50	0.54%	3.20%	0.580	17,389
A 2022	4.02	4.02	17,715.32	0.45%	3.12%	0.583	17,715
F 2023	4.80	4.80	20,677.09	0.45%	3.12%	0.583	20,677
F 2024	5.50	5.50	23,287.62	0.45%	3.12%	0.583	23,288
F 2025	5.53	5.53	23,429.93	0.45%	3.12%	0.583	23,430
F 2026	5.59	5.59	23,631.59	0.45%	3.12%	0.583	23,632
F 2027	5.72	5.72	24,122.23	0.45%	3.12%	0.583	24,122

Revenue Projection



Revenue History



Rental Car Sales Tax

Revenue Description

The 4.0% sales tax is imposed on the base rental charge for rental vehicles. The base rental charge includes use charges for time and mileage, insurance, accessory equipment, and charges for additional or underage drivers. It does not include price discounts, charges for operating an airport concession, motor fuel, intercity drop charges, and government taxes. Rental vehicles include light vehicles, motorcycles, motor-driven cycles, quadricycles, motorboats and sailboats, and off-highway vehicles. Sales to the U.S. government are exempt from the sales tax. Vendors can claim 5.0% of the tax as an allowance, up to \$1,000 per quarter.

Statutory Reference

Tax Rate – [15-68-102\(1b\), MCA](#)

Tax Distribution – [15-68-820, MCA](#)

Date Due – Before the last day of the month following the calendar quarter ([15-68-502\(1\), MCA](#))

Applicable Tax Rates: A 4.0% sales tax is imposed on the base rental charge for rental vehicles.

Collection Frequency: Quarterly

Distribution

Rental car sales tax revenue is distributed 75.0% to the general fund and 25.0% to the senior citizen and persons with disabilities transportation services state special revenue account.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Changing outlook for Montana personal consumption expenditures for transportation services

Revenue Estimate Methodology

Data

The estimate for this source is based on historical collection data from SABHRS, and historical and forecast Montana personal consumption expenditures for transportation services from IHS Markit.

Analysis

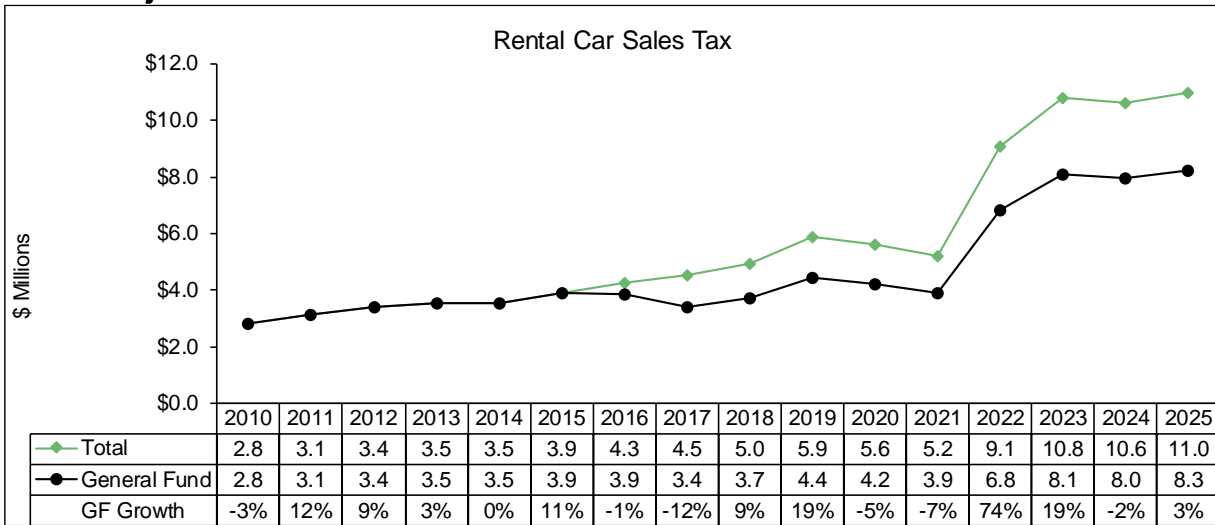
A proxy of rental car receipts is made by dividing historic tax receipts by the current tax rate. Future proxy values are modeled on Montana personal consumption expenditures for transportation services and then multiplied by the applicable tax rate to obtain projected tax revenues.

Revenue Estimate Assumptions

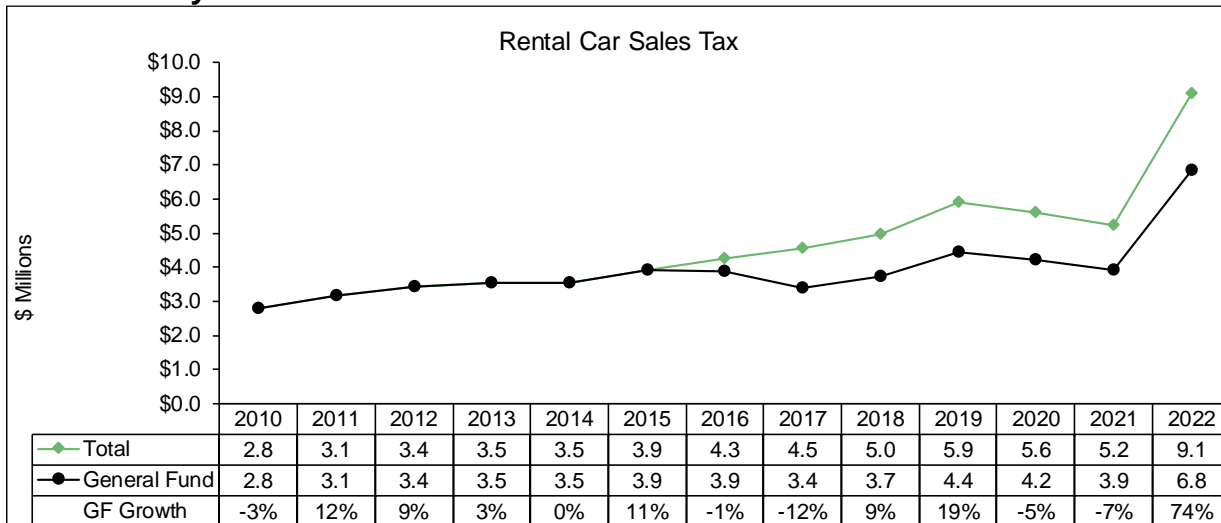
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Proxy Sales \$ Millions	MT PCE Transportation \$ Millions
A 2012	\$3.420	\$3.420	\$85.494	\$1,055.321
A 2013	3.523	3.523	88.080	1,101.709
A 2014	3.521	3.521	88.033	1,173.188
A 2015	3.907	3.907	97.669	1,242.549
A 2016	4.269	3.878	106.736	1,292.923
A 2017	4.536	3.402	113.406	1,361.666
A 2018	4.959	3.719	123.965	1,484.882
A 2019	5.908	4.431	147.691	1,565.326
A 2020	5.617	4.224	140.415	1,571.613
A 2021	5.221	3.916	130.519	1,485.561
A 2022	9.097	6.823	227.427	1,927.677
F 2023	10.819	8.114	270.483	2,020.379
F 2024	10.638	7.978	265.940	1,993.472
F 2025	11.000	8.250	275.004	2,047.152
F 2026	11.586	8.690	289.660	2,133.934
F 2027	12.170	9.128	304.251	2,220.337

Revenue Projection



Revenue History



Telecommunications Excise Tax**Revenue Description**

The retail telecommunications excise tax is levied on the sales price of retail telecommunications services originating or terminating in the state. It is paid by the retail purchaser and collected by the provider.

Statutory Reference

Tax Rate – [15-53-130, MCA](#)

Tax Distribution – [15-53-156, MCA](#)

Date Due – 60 days after the end of the calendar quarter ([15-53-139, MCA](#))

Applicable Tax Rates

A tax of 3.75% is applied to the sales price of retail telecommunications services. Sales price includes payment for services such as distribution, supply, transmission, and delivery, but excludes federal taxes, relocation of service, equipment repair, prepaid calling cards, and other items. Gross receipts from pre-paid wireless sales by third parties and internet services are also exempt.

Collection Frequency: Quarterly

Distribution: After retaining an allowance for refunds, all proceeds are deposited into the general fund.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

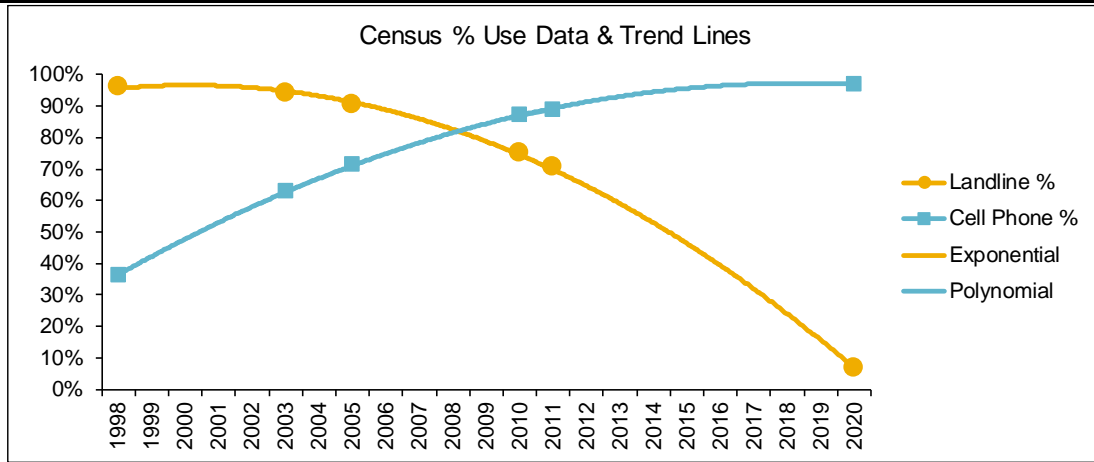
- Changing rate of landline usage
- Changing market share of prepaid smartphones, which are not taxable

Revenue Estimate MethodologyData

The estimate for this source is based on historical revenue data from SABHRS, U.S. Census Bureau data for landline use decline and cell phone use growth, International Data Corporation (IDC) Mobile Phone Tracker statistics, Google smartphone statistics, Centers for Disease Control and Prevention (CDC) Wireless Substitution Reports, and the IHS Markit forecast of Montana population.

Analysis

Telecommunication services have changed with users—especially younger users and those in higher populated areas—trending toward exclusive reliance on cell phones. Data collected by the U.S. Census Bureau on consumer trends suggests that many users had both landline and cell services as the cell phones increased in popularity, but now that cell service reliability is well established, users are dropping their land line service. The graph below shows the national trends, which are applied to the Montana forecast.



Total revenue has been declining since FY 2011 in part due to the DOR's loss of the pre-paid wireless case in 2011. The impact of the case was initially estimated to be an annual reduction in revenue of about \$1.0 million. However, the growth in the market share of prepaid smartphones was likely underestimated, resulting in an underestimate of the revenue reduction.

The current estimate assumes the prepaid wireless market share plateaus at 40.0% of all wireless service; however, if trends follow that of European countries, the prepaid market share could go above 80.0%, which would result in lower revenue.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

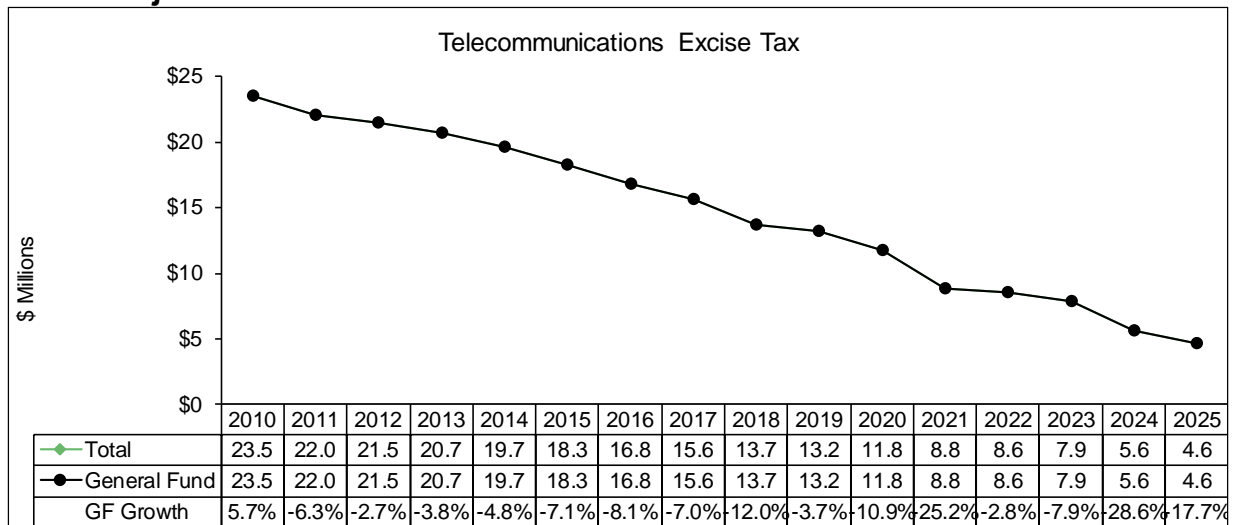
FY	Total Tax \$ Millions	GF Tax \$ Millions	Proxy Sales \$ Millions	Calculated Landline % Calendar	Calculated Cell Phone % Calendar	Prepaid Smartphone % Calendar	Taxable % Cell Phone % Calendar
A 2012	\$21.459	\$21.459	\$568.306	72%	89%	18%	73%
A 2013	20.652	20.652	548.968	67%	91%	21%	72%
A 2014	19.657	19.657	523.635	62%	93%	26%	69%
A 2015	18.257	18.257	486.114	57%	94%	30%	66%
A 2016	16.775	16.775	447.095	56%	95%	35%	62%
A 2017	15.603	15.603	415.784	52%	96%	40%	57%
A 2018	13.726	13.726	299.306	47%	96%	40%	58%
A 2019	13.224	13.224	352.112	41%	96%	40%	58%
A 2020	11.788	11.788	314.342	36%	96%	40%	58%
A 2021	8.814	8.814	234.991	30%	96%	40%	57%
A 2022	8.571	8.571	227.852	24%	96%	40%	58%
F 2023	7.891	7.891	-	18%	96%	40%	58%
F 2024	5.631	5.631	-	11%	96%	40%	58%
F 2025	4.634	4.634	-	5%	96%	40%	58%
F 2026	4.194	4.194	-	5%	96%	40%	58%
F 2027	4.324	4.324	-	5%	96%	40%	58%

Business and Personal Taxes

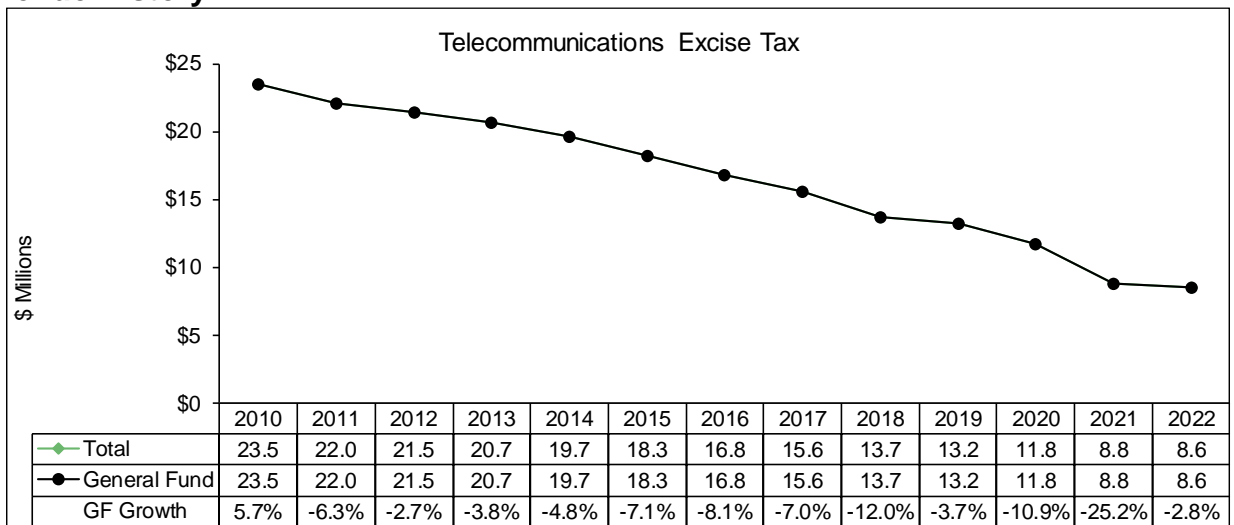
Telecommunications Excise Tax

	Calculated Total % FY	Calculated Total % Fiscal	MT Pop. Age >=16 Millions	Calculated Tax. Phones Millions	Trend Taxable Sales \$ Millions
A 2012	145%	154%	0.804	1.236	\$569.949
A 2013	139%	142%	0.812	1.152	523.817
A 2014	131%	135%	0.820	1.107	498.894
A 2015	123%	127%	0.828	1.051	467.920
A 2016	118%	120%	0.837	1.008	444.650
A 2017	109%	113%	0.847	0.962	419.000
A 2018	104%	107%	0.857	0.914	392.618
A 2019	99%	102%	0.866	0.881	374.453
A 2020	94%	96%	0.876	0.844	354.300
A 2021	88%	91%	0.890	0.806	333.419
A 2022	82%	85%	0.905	0.767	311.632
F 2023	76%	79%	0.917	0.722	286.917
F 2024	69%	72%	0.928	0.671	204.734
F 2025	62%	66%	0.938	0.616	168.506
F 2026	63%	62%	0.948	0.592	152.487
F 2027	63%	63%	0.957	0.599	157.220

Revenue Projection



Revenue History



Vehicle Tax

Revenue Description

Light vehicles, motorcycles and quadricycles, snowmobiles, buses, trucks, truck tractors having a manufacturer’s rated capacity of more than 1 ton, motor homes, and certain trailers and travel trailers are taxed under a fee schedule that varies by age and weight.

Statutory Reference

Tax Rate – Watercraft, snowmobiles, off-highway vehicles (OHV), and light vehicles registrations: [61-3-321, MCA](#); vehicles greater than 1 ton: [61-3-529, MCA](#)

Tax Distribution – [61-3-509, MCA](#)

Date Due – Revenue for prior month is due on or before the 20th of the month ([15-1-504, MCA](#); [61-3-509, MCA](#)).

Applicable Tax Rates: Varies

Collection Frequency: Monthly

Distribution

Most fees-in-lieu-of-tax are deposited into the general fund. Exceptions are:

- Fees for luxury motor homes and vehicles is deposited in the motor vehicle division administration account
- Administration fee of 3.0% is deposited in the motor vehicle division administration account
- Fee of \$10 that is collected to partially fund highway patrol officers’ salaries

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Changing outlook for Montana total vehicle stock
- Changing outlook for new vehicle sales

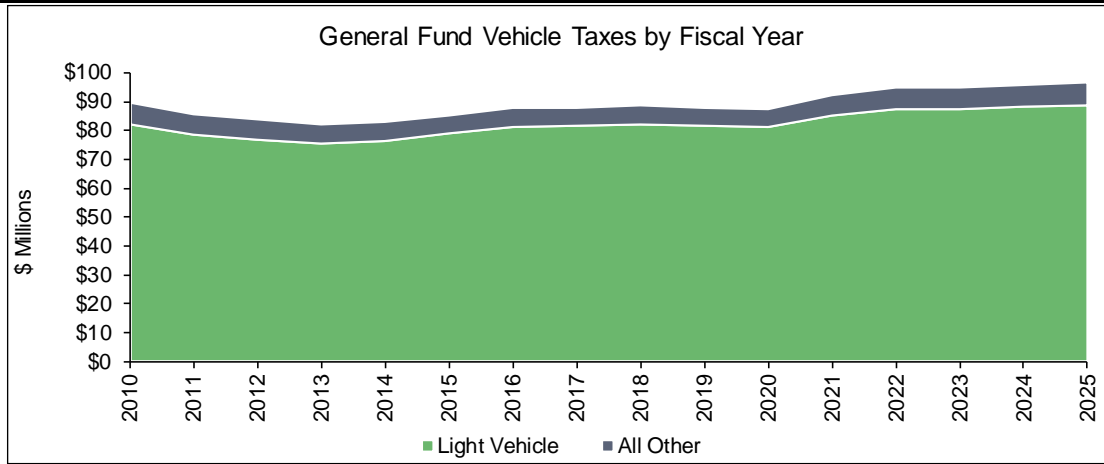
Revenue Estimate Methodology

Data

The data used to estimate the motor vehicle tax are obtained from SABHRS and IHS Markit.

Analysis

Vehicle taxes are currently imposed at different rates on five categories of vehicles (tax schedule varies by age and weight) including light vehicles, large trucks, motor homes, motorcycles (including tri-cycles), and boats and snowmobiles.



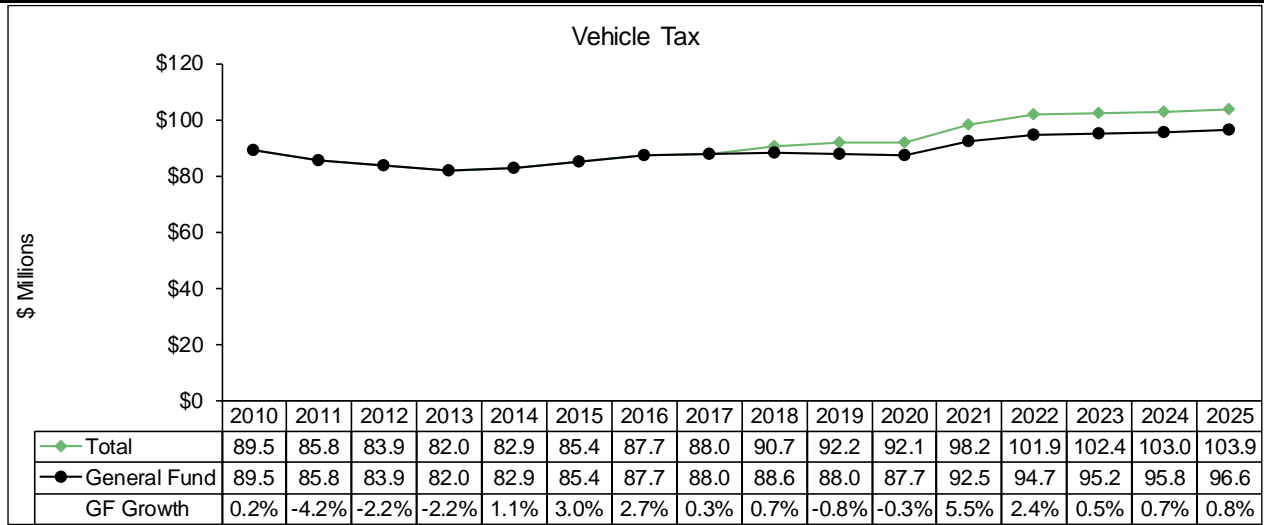
With constant fees, the future change in vehicle tax revenue results from change in the vehicle stock in Montana. Growth rates for the stock of Montana vehicles are modeled on IHS Markit estimates for the national and Montana-specific vehicle stock and new car sales nationwide. The growth rate is applied to the base year revenues and projected forward at the same rate for the forecast period.

Revenue Estimate Assumptions

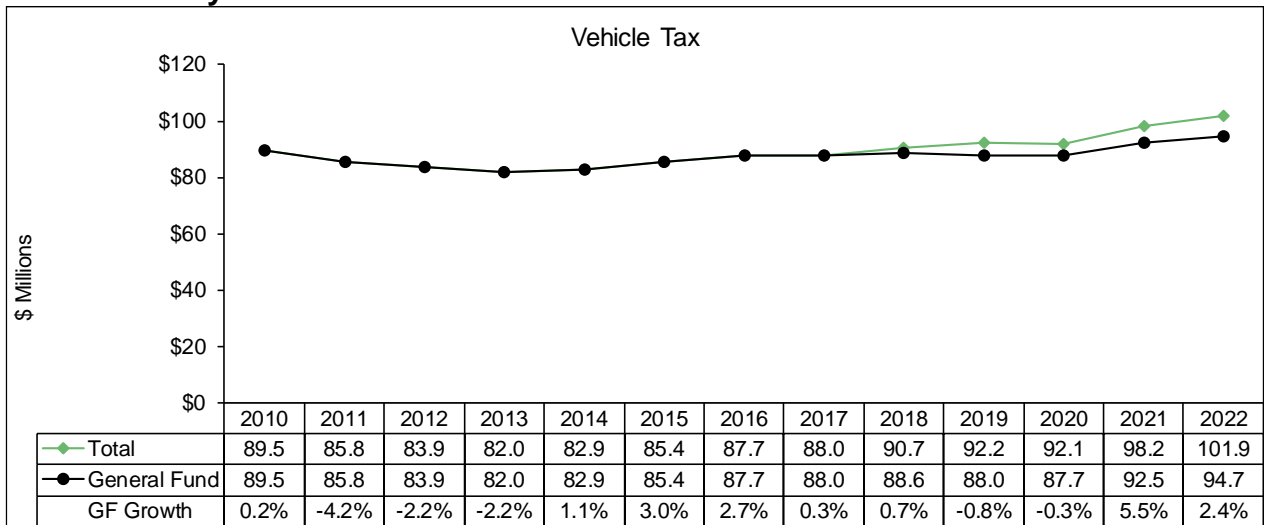
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Large Truck Millions	Motor Home Millions	Light Vehicle Millions	Boats/ Snow Millions	MVD Funding Ferrari Tax Millions
A 2012	\$83.871	\$83.871	\$2.745	\$3.035	\$76.880	\$1.211	-
A 2013	82.018	82.018	2.783	2.373	75.585	1.277	-
A 2014	82.927	82.927	2.768	2.249	76.534	1.377	-
A 2015	85.420	85.420	2.768	2.249	78.982	1.494	-
A 2016	87.729	87.729	2.785	2.133	81.361	1.450	-
A 2017	87.982	87.982	2.702	2.181	81.598	1.500	-
A 2018	90.670	88.637	2.738	2.179	82.277	1.443	2
A 2019	92.166	87.955	2.753	2.097	81.693	1.411	4
A 2020	92.107	87.654	2.785	2.101	81.356	1.412	4.454
A 2021	98.233	92.510	2.946	2.405	85.204	1.955	5.723
A 2022	101.940	94.739	3.048	2.598	87.336	1.801	7.201
F 2023	102.377	95.187	3.061	2.609	87.708	1.809	7.190
F 2024	103.024	95.807	3.081	2.626	88.279	1.821	7.217
F 2025	103.858	96.586	3.106	2.648	88.997	1.835	7.272
F 2026	104.737	97.401	3.132	2.670	89.748	1.851	7.336
F 2027	105.595	98.197	3.158	2.692	90.481	1.866	7.398

Revenue Projection

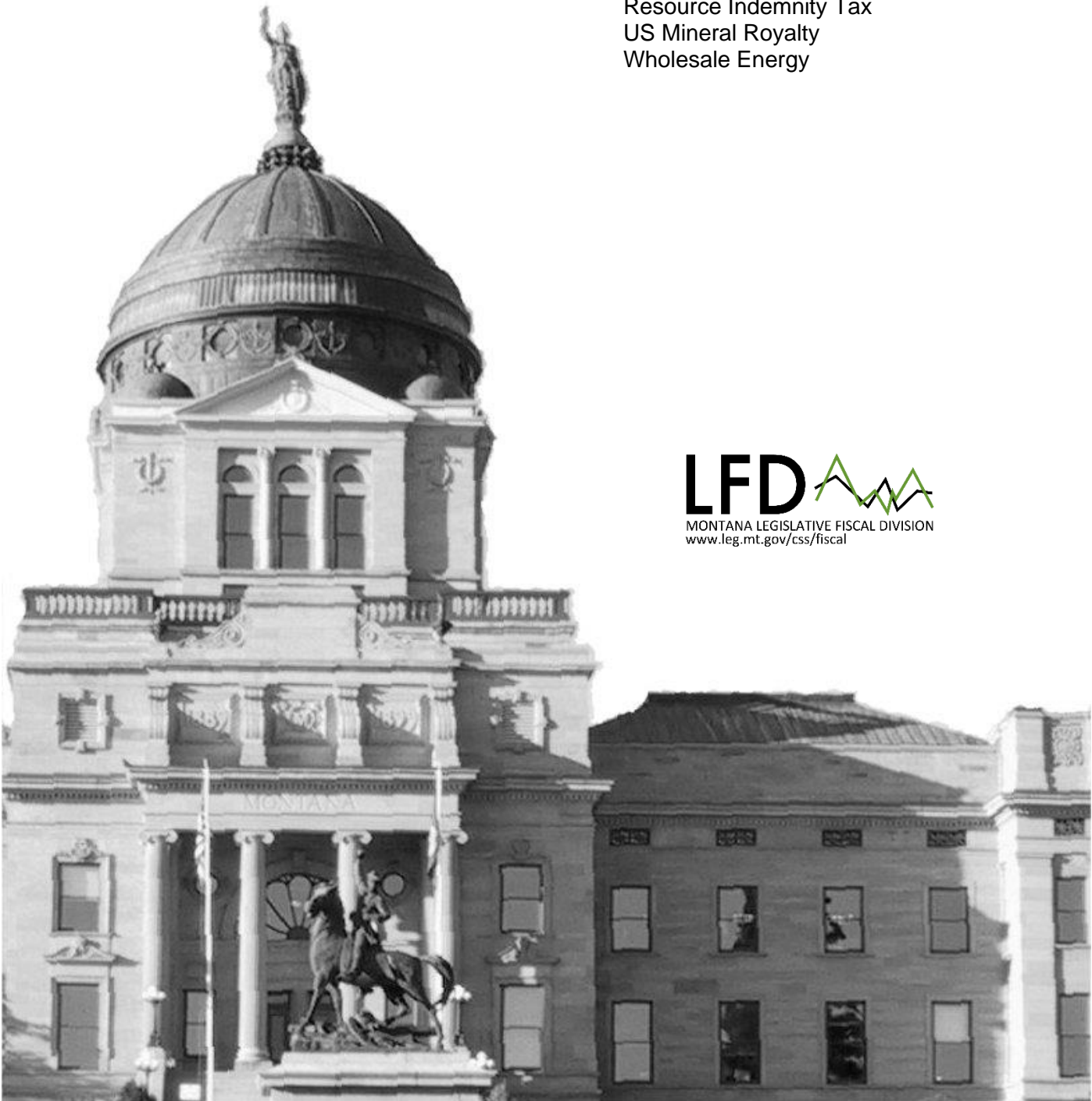


Revenue History



NATURAL RESOURCE TAXES

Coal Severance Tax
Electrical Energy Tax
Federal Forest Receipts
Metalliferous Mines Tax
Oil & Natural Gas Production Tax
Resource Indemnity Tax
US Mineral Royalty
Wholesale Energy



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MONTANA LEGISLATIVE FISCAL DIVISION
www.leg.mt.gov/css/fiscal

Coal Severance Tax

Revenue Description

For large producers, the coal severance tax is imposed on all coal production, except that on reservations, in excess of 20,000 tons per company per calendar year. Producers of 50,000 tons or less in any calendar year are exempt from the tax.

Statutory Reference

Tax Rate – [15-35-103, MCA](#)

Tax Distribution – [Montana Constitution, Article IX, Section 5](#); [15-35-108, MCA](#); [17-5-703, MCA](#)

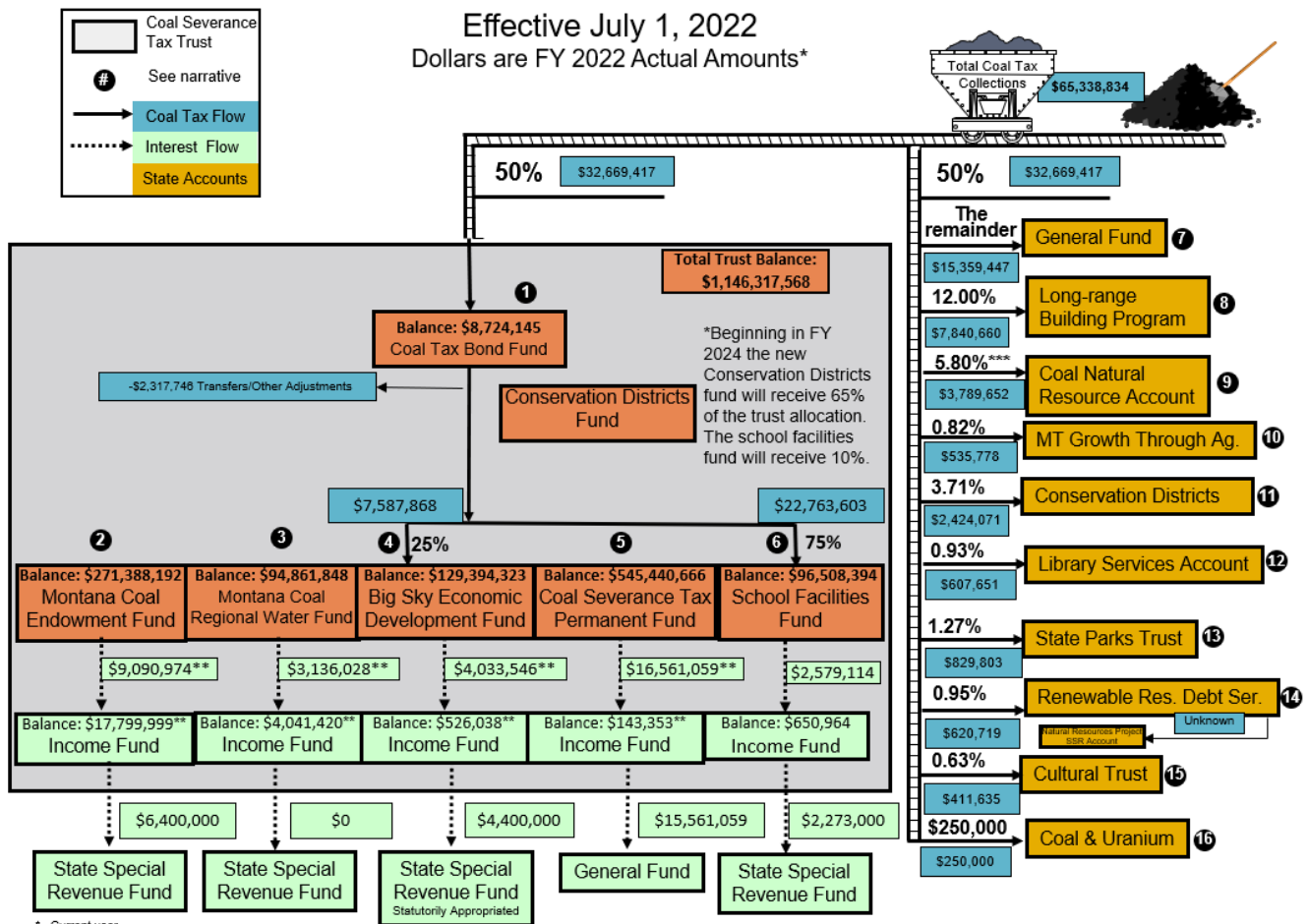
Date Due – Thirty days following the close of the quarter ([15-35-104, MCA](#))

Applicable Tax Rates

- 10.0% on the value of surfaced mined coal with a heating quality < 7,000 BTU
- 15.0% on the value surfaced mined coal with a heating quality ≥ 7,000 BTU
- 3.0% on the value underground mined coal with a heating quality < 7,000 BTU
- 4.0% on the value underground mined coal with a heating quality ≥ 7,000 BTU
- 3.75% on the value of auger mined coal with a heating quality < 7,000 BTU
- 5.0% on the value of auger mined coal with a heating quality ≥ 7,000 BTU

Collection Frequency: Quarterly

Distribution



Natural Resource Taxes

Coal Severance Tax

As directed by [Article IX, Section 5](#) of the Montana Constitution, the coal severance tax trust fund receives 50.0% of total coal severance tax collections. The money flows through sub-trust funds within the trust. These sub-trusts are:

❶ Coal Tax Bond Fund ([Title 17, Chapter 5, Part 7](#)) – The legislature authorizes the sale of coal severance tax bonds to finance renewable resource projects ([Title 85, Chapter 1, Part 6](#)) and local government infrastructure projects ([Title 90, Chapter 6, Part 7](#)). A maximum of \$250 million in bonds is authorized as loans for renewable resource projects ([17-5-719, MCA](#)) to provide:

- a healthy economy
- alleviation of social and economic impacts created by coal development
- a clean and healthful environment

The total amount of outstanding principal of renewable resource bonds at any time cannot exceed \$30 million ([85-1-624, MCA](#)). An amount equal to the following year's principal and interest payments is maintained in the fund. Money in the fund is pledged to pay the debt service on the bonds if interest and principal payments by the loan recipients are insufficient to fully pay the debt service. Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to the Department of Natural Resources and Conservation (DNRC) in HB 8.

❷ Montana Coal Endowment Fund ([Title 90, Chapter 6, Part 7](#)) – In June 1992, the voters approved a legislative referendum establishing the treasure state endowment program. Initially funded with \$10 million from the permanent fund, the fund received 75.0% (37.5% of the total) of the remaining coal severance tax revenue after deposits (if any) to the coal tax bond fund and the school bond contingency loan fund (HB 44 in the 2007 Session eliminated this fund) through the 2003 biennium. From then through FY 2016, the fund received 50.0% (25.0% of the total). Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in House Bill 11 as grants for local government infrastructure projects. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016. In the 2021 Legislative Session, [SB 258](#) changed the name of this fund to the Montana Coal Endowment Fund.

❸ Montana Coal Endowment Regional Water System Fund – The treasure state endowment program was established in [SB 220 \(1999 Session\)](#) to fund regional water system projects. Projects are restricted to drinking water systems that provide water for domestic, industrial, and stock water use for communities and rural residences that lie in specific north central and northeastern geographic areas. Projects are approved and interest earnings from the fund are appropriated to the Department of Commerce by the legislature in HB 11 as grants for local government infrastructure projects. Until the end of FY 2016, the fund received 25.0% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. The deposit of coal severance tax revenue into this fund terminated at the end of FY 2016, and the fund terminates at the end of FY 2031. In the 2021 Legislative Session, [SB 258](#) changed the name of this fund to the Montana Coal Endowment Regional Water Fund.

❹ Big Sky Economic Development Fund – The big sky economic development program was established by [HB 249 \(2005 Session\)](#) to fund qualified economic development projects. The fund receives 25.0% (12.5% of the total) of the remaining coal severance tax revenue after deposits in the coal tax bond fund. With the passage of [HB 881](#) in the 2023 Legislative Session, the deposits of coal severance tax revenue to this fund now terminate at the end of FY 2035. Grants and loans are available to local governments for economic development projects and to certified regional development corporations for the purposes of:

- 1) creating good-paying jobs for Montana residents;
- 2) promoting long-term, stable economic growth;
- 3) encouraging local economic development organizations; and
- 4) retaining or expanding existing businesses

Interest earnings are deposited to a state special revenue fund and are statutorily appropriated to the Department of Commerce to pay administrative expenses with the remainder for:

Natural Resource Taxes

Coal Severance Tax

- 75.0% to local governments to be used for job creation; and
- 25.0% to certified regional development corporations and economic development organizations

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 75.0% 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
 - \$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. With the passage of [HB 321](#) in the 2023 Legislative Session, the school facilities fund was filled to its \$100 million cap, and now receives 10.0% (was originally 75.0%) of the remaining coal severance tax revenue after deposits in the coal tax bond fund.

Coal Severance Tax Related Funds:

The other 50.0% 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 (12.0%) – 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 5.8% 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 (3.71%) – The money is distributed to the conservation districts program within the Department of Natural Resources and Conservation on the basis of need.

Natural Resource Taxes

Coal Severance Tax

- ① Basic Library Services Fund (0.93%) – The money is distributed by the commission to public library federations.
- ⑫ Growth through Agriculture Fund (0.82%) – Money is granted or loaned by the Agriculture Development Council to businesses for agricultural development projects that stimulate agriculture.
- ⑬ 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.
- ⑭ 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 (① above). Bonds are authorized, projects approved, loan rates established, and bond proceeds are appropriated by the legislature to DNRC in HB 8.
- ⑮ 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.
- ⑯ 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](#)).

Summary of Legislative Action:

[HB 188](#) extended the 5.8% allocation of coal severance tax to the Coal Board indefinitely. Originally, this allocation was set to be reduced to 2.9% on July 1, 2023.

[HB 321](#) established a conservation district fund and coal board fund within the coal tax trust fund. The new conservation district fund will receive 65.0% of the coal severance tax revenue deposited into the coal tax trust fund beginning in FY 2024.

Coal Severance Tax – Legislation Passed by 68th Legislature			
General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0188 Extend funding to Coal Board	\$0.000	(\$2.224)	(\$1.835)
Total General Fund Impact	\$0.000	(\$2.224)	(\$1.835)

Forecast Risks

- Energy prices
- Production and shipping costs
- Type of coal (BTU)
- Length of company contracts
- Decreased demand domestically

Revenue Estimate Methodology

Data

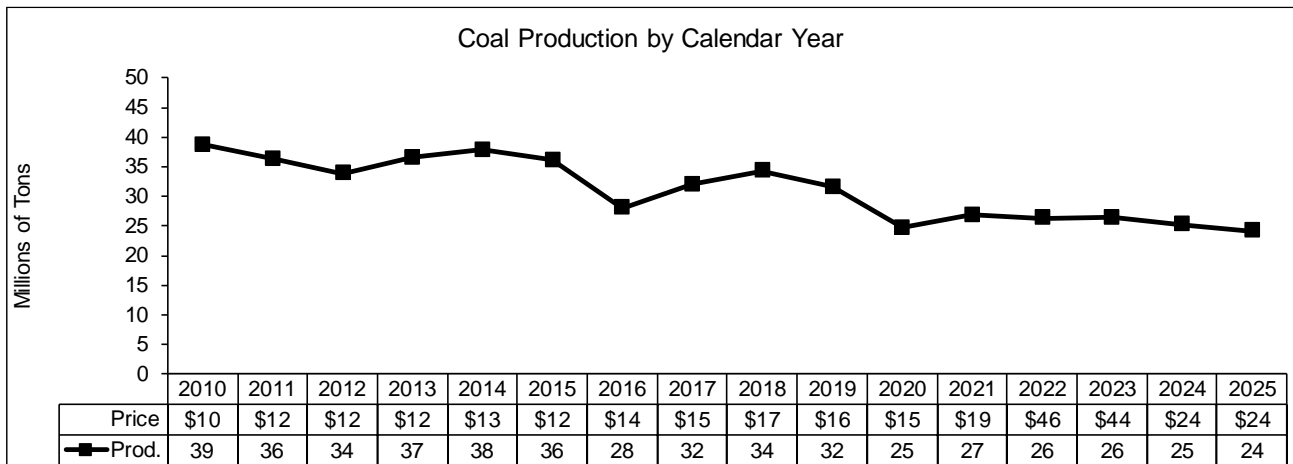
The estimate for this revenue source is based on collection data from SABHRS, historical price and production data from DOR, and anticipated production from surveys of major coal companies.

Analysis

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

1. The future coal production for each company, based upon most recent years' trends.
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.

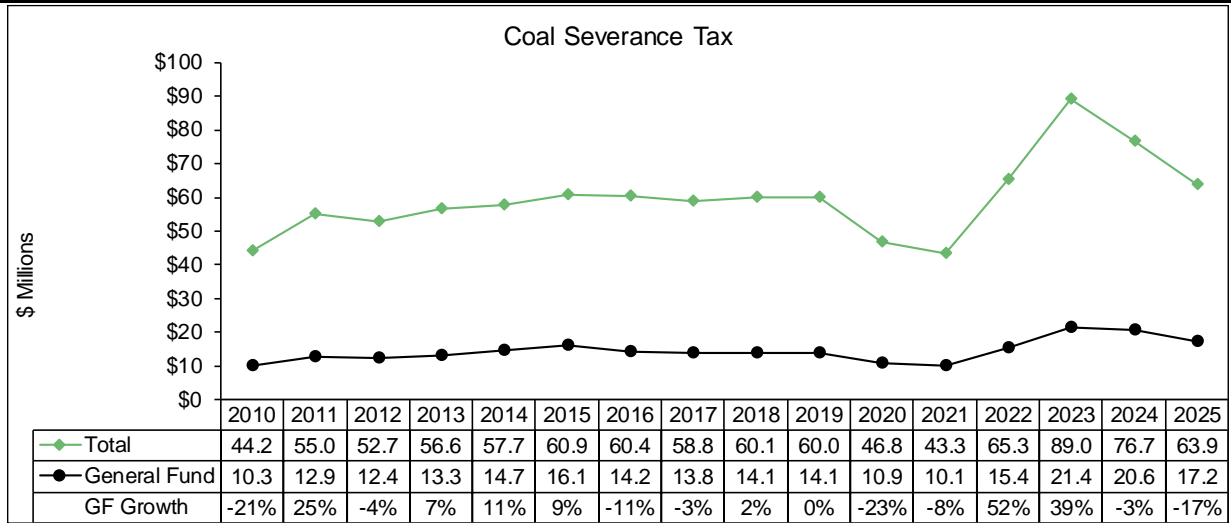


Revenue Estimate Assumptions

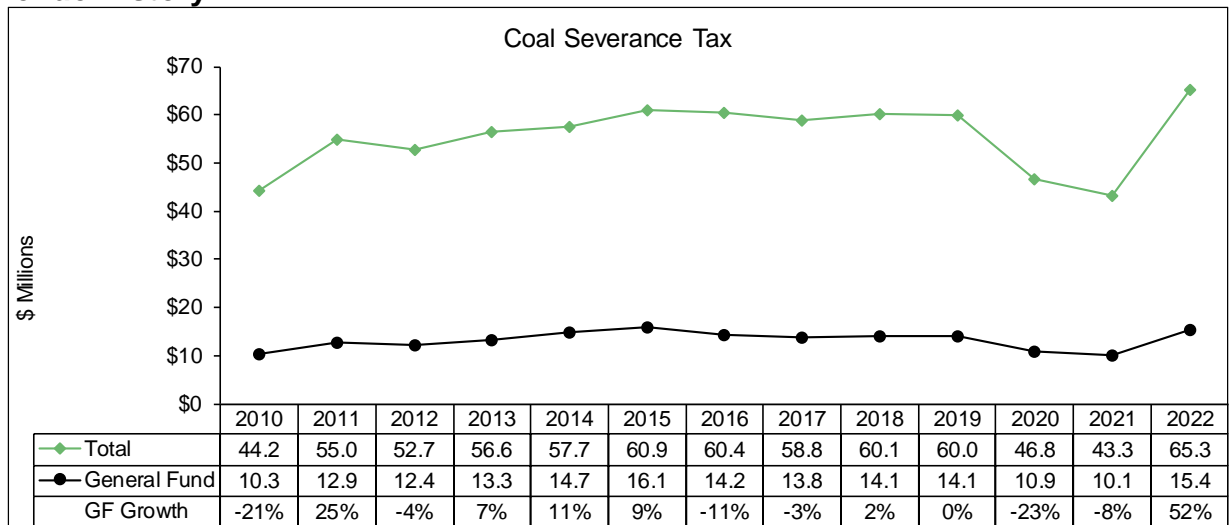
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FY	Total Tax \$ Millions	GF Tax \$ Millions	Tons (CY) Millions	CSP (CY) \$/Ton
A 2012	\$52.743	\$12.350	33.870	\$12.150
A 2013	56.574	13.265	36.540	12.30
A 2014	57.676	14.745	37.810	12.56
A 2015	60.891	16.063	36.075	12.38
A 2016	60.359	14.236	28.089	14.02
A 2017	58.808	13.799	31.987	14.82
A 2018	60.097	14.107	34.311	16.51
A 2019	60.028	14.091	31.543	16.29
A 2020	46.754	10.920	24.728	15.39
A 2021	43.256	10.084	26.875	18.96
A 2022	65.339	15.359	26.301	46.49
F 2023	88.961	21.374	26.405	43.89
F 2024	76.664	20.644	25.241	24.00
F 2025	63.876	17.218	24.166	24.28
F 2026	61.829	16.670	23.160	24.56
F 2027	59.846	16.138	22.169	24.85

Revenue Projection



Revenue History



Electrical Energy Tax

Revenue Description

The electrical energy license tax is imposed on each person or organization engaged in generating, manufacturing, or producing electrical energy in Montana. This tax is in addition to the wholesale energy transaction tax.

Statutory Reference

Tax Rate – [15-51-101, MCA](#)

Tax Distribution – [17-2-124\(2\), MCA](#); [15-51-103, MCA](#)

Date Due – Thirty days after the end of the calendar quarter ([15-51-101, MCA](#); [15-51-102, MCA](#))

Applicable Tax Rates

A tax of \$0.0002 per kilowatt-hour is levied against all electrical energy produced within the state. A deduction is allowed for energy used by the plant for the production of the energy.

Collection Frequency: Quarterly

Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Generation variability

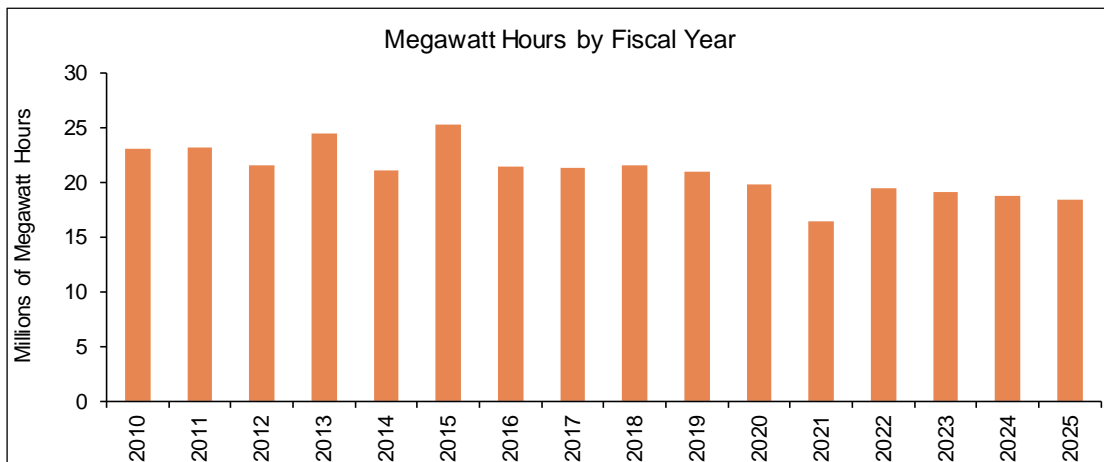
Revenue Estimate Methodology

Data

Data from quarterly reports produced by DOR provide a history of kilowatt hours produced for each individual company.

Analysis

Historic data of kilowatt hours are used to trend forecast future kilowatt hours by year. Taxable kilowatt hours are then multiplied by the tax rate to produce total revenue from this source.



Revenue Estimate Assumptions

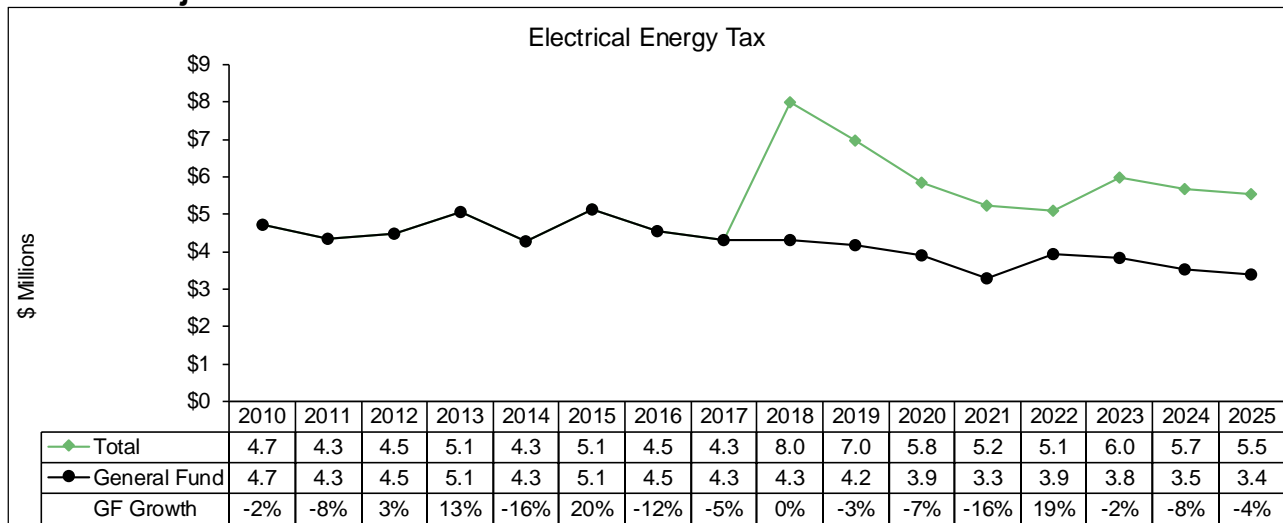
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Natural Resource Taxes

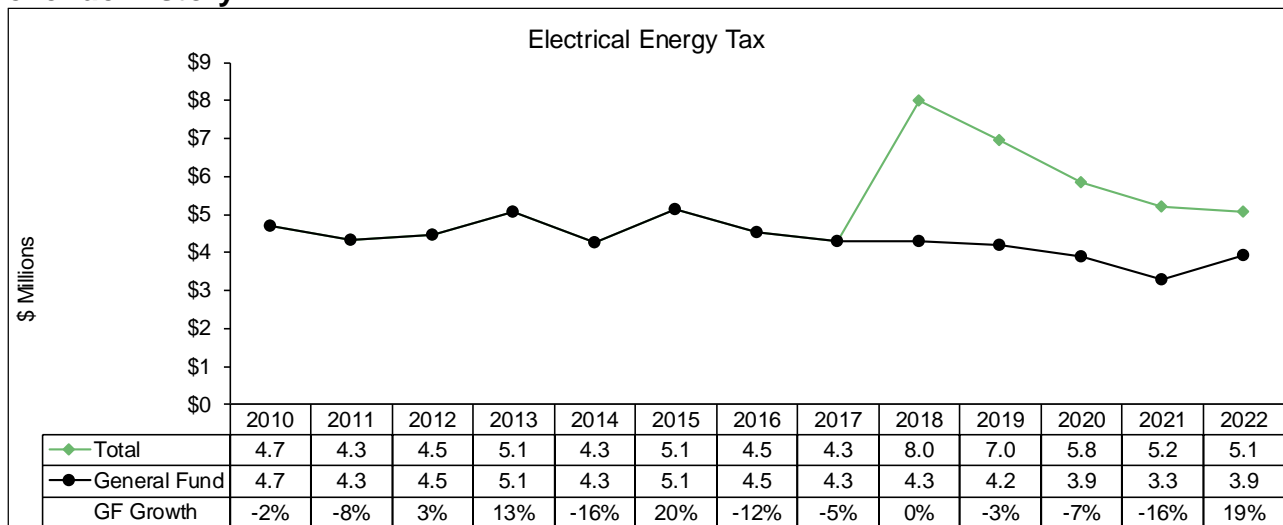
Electrical Energy Tax

FY	Total Tax \$ Millions	GF Tax \$ Millions	KWH Millions
A 2012	\$4.481	\$4.481	21,624
A 2013	5.067	5.067	24,519
A 2014	4.280	4.280	21,139
A 2015	5.133	5.133	25,358
A 2016	4.536	4.536	21,541
A 2017	4.314	4.314	21,368
A 2018	7.997	4.302	21,667
A 2019	6.961	4.185	20,997
A 2020	5.847	3.910	19,863
A 2021	5.223	3.298	16,492
A 2022	5.079	3.930	19,473
F 2023	5.990	3.841	19,206
F 2024	5.685	3.536	18,758
F 2025	5.532	3.383	18,482
F 2026	5.540	3.391	18,980
F 2027	5.594	3.445	18,857

Revenue Projection



Revenue History



Federal Forest Receipts

Revenue Description

Federal forest receipts are payments from the federal government in lieu of revenues from the sale of forest products of federal land. The federal government authorizes logging operations on forest lands located within the borders of Montana. The sale of timber generates revenue that the federal government shares with the state in the following year. FY 2025 has a significant drop in revenue as [Secure Rural Schools](#) was not extended at the federal level and payments reverted to the formula described below.

Statutory Reference

Tax Distribution – [17-3-211, MCA](#); [17-3-212, MCA](#)

Date Due – The state treasurer distributes the funds within thirty days of receiving full payment.

Applicable Tax Rates: N/A

Collection Frequency: Twice annually (usually October and December)

Distribution

The county treasurer apportions federal forest receipts as follows:

- 66.7% to the road fund of the county
- 33.3% to the following county wide accounts, based on the mill ratios of each to total mills in the current year:
 - The county equalization accounts (55 mills)
 - The county transportation account
 - The county retirement accounts

This revenue source represents one component used to calculate total non-levy property tax revenue; this is the 55 mills portion.

Summary of Legislative Action: The 67th Legislature did not enact legislation impacting this source.

Forecast Risks

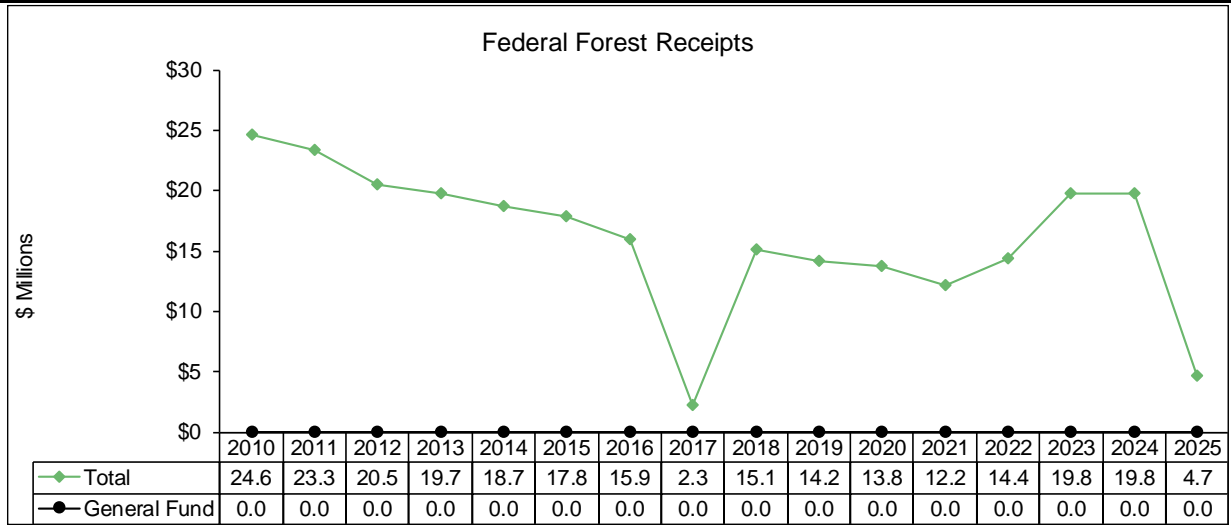
- Timber harvests
- Federal policy on reauthorizing [Secure Rural Schools](#)

Revenue Estimate Methodology

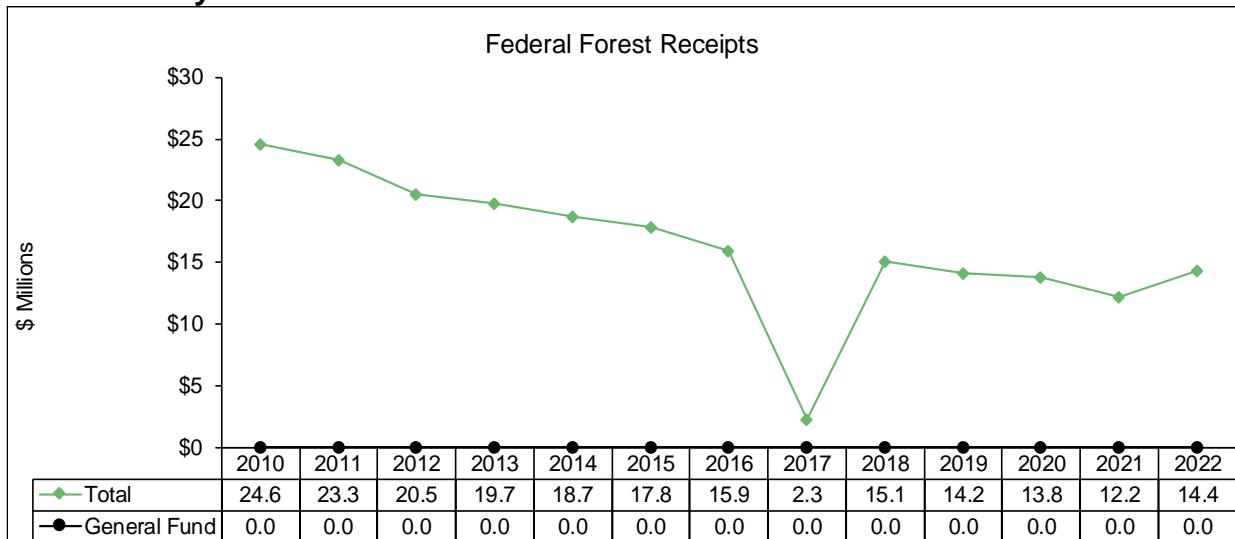
Counties receive 25.0% of the seven-year rolling average value of timber sold, lagged due to timing of production and payments. The estimate is based on average historical collections. The average state 55 mill share is applied to this and added to non-levy property revenue.

Revenue Estimate Assumptions

Revenue Projection



Revenue History



Metalliferous Mines Tax

Revenue Description

The metalliferous mines license tax is imposed on the production of metals, gems, or stones in the state. The tax rate is applied to the gross value of the product, which is defined as the market value of the commodity multiplied by the quantity produced. The first \$250,000 of value is exempt from taxation. A company taxed at both rates can claim both exemptions.

Statutory Reference

Tax Rate – [15-37-103, MCA](#)

Tax Distribution – [15-37-117, MCA](#); [17-2-124\(2\), MCA](#)

Date Due – August 15th for the period January through June, March 31st for the period July through December ([15-37-105, MCA](#))

Applicable Tax Rates

There are two tax rates which depend on the extraction type:

- 1.60% for ore, bullion, or matte that is sent to a refinery
- 1.81% for concentrate sent to a smelter, mill, or reduction work

The appropriate tax rate is applied to the gross value less allowable deductions and the \$250,000 exemption.

Collection Frequency: Biannually

Distribution

Nearly half of metal mine tax is allocated to the general fund, with impacted counties receiving most of the remaining amount:

- 47.0% to the general fund
- 8.5% to the hard-rock mining reclamation debt service fund
- 7.0% to the natural resource operations state special revenue account
- 2.5% to the hard rock mining impact trust account
- 35.0% impacted counties

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Commodity prices
- Changes to production outlook
- Environmental regulations

Revenue Estimate Methodology

Data

The estimate for this source is based on historical prices from the U.S. Geological Survey, historical revenue collections from SABHRS, and historical price and production data from DOR. Forecast prices are based on World Bank's Commodity Market Outlook.

Analysis

Production for each metal type is forecast as a five-year rolling average. Production multiplied by price results in the total gross value for each metal type. Total taxable value is obtained by reducing the total gross value by a time trended value of refining and other costs. The calendar year estimate is obtained by multiplying the total taxable value by the effective tax rate. Since a company's taxable value could be subject to two tax rates—1.81% for concentrates shipped to a smelter, mill, or reduction work and

Natural Resource Taxes

Metalliferous Mines Tax

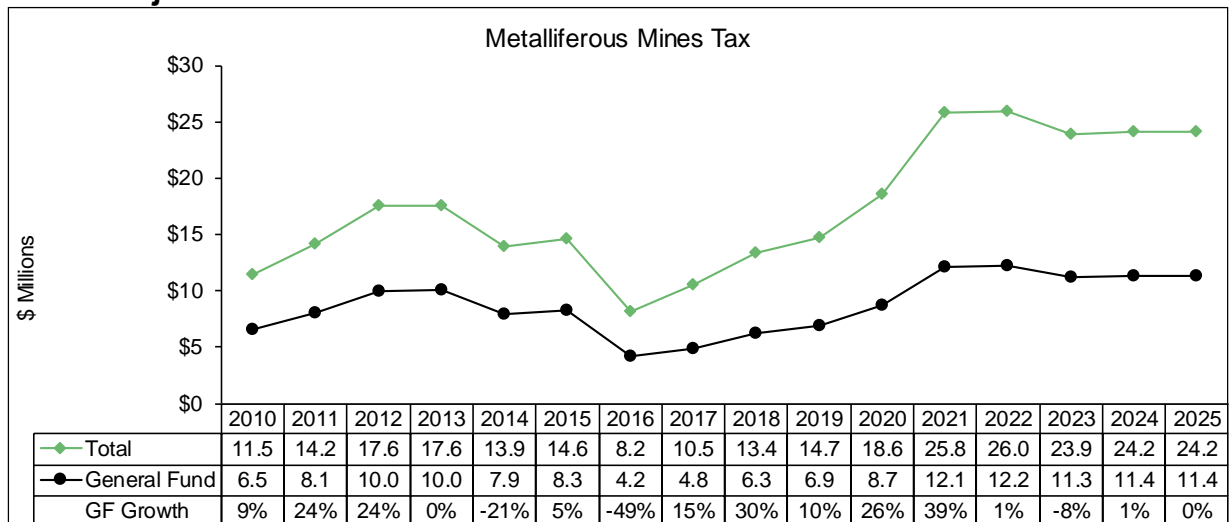
1.6% for ore, bullion, or matte that is shipped to a refinery—an effective tax rate is used to capture both these rates. Calendar year estimates are converted to fiscal year estimates by an equal allocation.

Revenue Estimate Assumptions

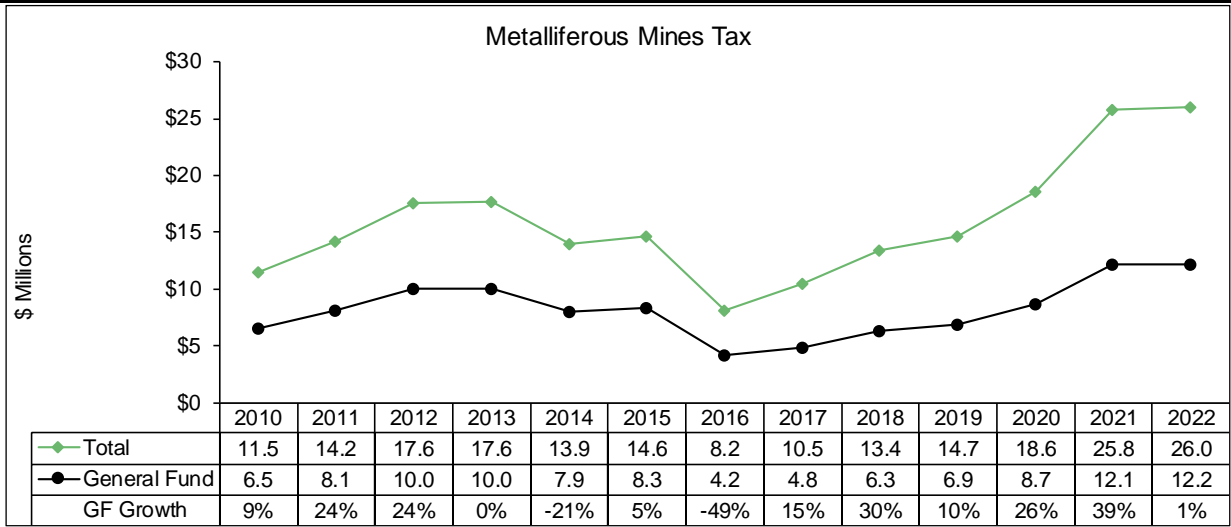
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FY	Total Tax \$ Millions	GF Tax \$ Millions	Net Value CY \$ Millions	Effective CY Rate
A 2012	\$17.562	\$10.010	\$1,114.512	1.8%
A 2013	17.630	10.049	871.153	1.6%
A 2014	13.943	7.948	899.995	1.9%
A 2015	14.597	8.320	660.993	1.3%
A 2016	8.164	4.221	609.557	1.5%
A 2017	10.516	4.839	755.910	1.6%
A 2018	13.386	6.291	880.629	1.5%
A 2019	14.695	6.907	1,073.070	1.5%
A 2020	18.562	8.724	1,374.152	1.8%
A 2021	25.821	12.136	1,481.300	1.8%
A 2022	25.978	12.210	1,452.570	1.6%
F 2023	23.945	11.254	1,457.522	1.6%
F 2024	24.177	11.363	1,472.430	1.6%
F 2025	24.190	11.369	1,468.409	1.6%
F 2026	24.526	11.527	1,474.068	1.6%
F 2027	24.899	11.702	1,487.249	1.6%

Revenue Projection



Revenue History



Oil & Natural Gas Production Tax

Revenue Description

The oil and natural gas production tax is imposed on the production of oil and natural gas in the state. Gross taxable value of oil and natural gas production is based on the type of well and type of production. A portion of the revenue from the tax may be returned to Indian tribes per agreements between DOR and the tribes.

Statutory Reference

Tax Rate – [15-36-304, MCA](#); Privilege & license tax – [82-11-131, MCA](#); Administrative Rules [36.72.1242](#)

Tax Distribution – [15-36-331\(4\), MCA](#); [15-36-332\(2&3\), MCA](#)

Date Due – within 60 days after the end of the calendar quarter ([15-36-311\(1\), MCA](#))

Applicable Tax Rates

The oil and natural gas production tax has numerous tax rates depending on several factors. The following table shows tax rate percentages for each type of pre- and post-1999 oil, excluding the Privilege & License (P & L) tax and the local impact tax. The P & L and local impact taxes account for less than 0.3% and are shown on the distribution diagram.

Oil Tax Rates	
<u>Working Interest</u>	
Primary recovery production	
First 12 months of qualifying production	0.5%
After 12 months for pre-1999 wells	12.5%
After 12 months for post-1999 wells	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil<\$30)	
1 through 10 barrels a day production	5.5%
>10 through 14 barrels a day production	9.0%
Stripper oil production (>3 and < 15 barrels/day if oil>=\$30)	Primary Recovery Rates
Stripper wells (3 barrels or less/day)	
Stripper well exemption production (if oil <\$38)	0.5%
Stripper well bonus production (if oil >=\$38)	6.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months for pre-1999 wells	12.5%
After 18 months for post-1999 wells	9.0%
Incremental production (if oil <\$30/barrel)	
New or expanded secondary recovery production	8.5%
New or expanded tertiary production	5.8%
Incremental production (if oil >=\$30/barrel)	
Pre-1999 wells	12.5%
Post-1999 wells	9.0%
Horizontally recompleted well	
First 18 months	5.5%
After 18 months for pre-1999 wells	12.5%
After 18 months for post-1999 wells	9.0%
<u>Nonworking Interest</u>	14.8%
Board of Oil & Gas	0.3%

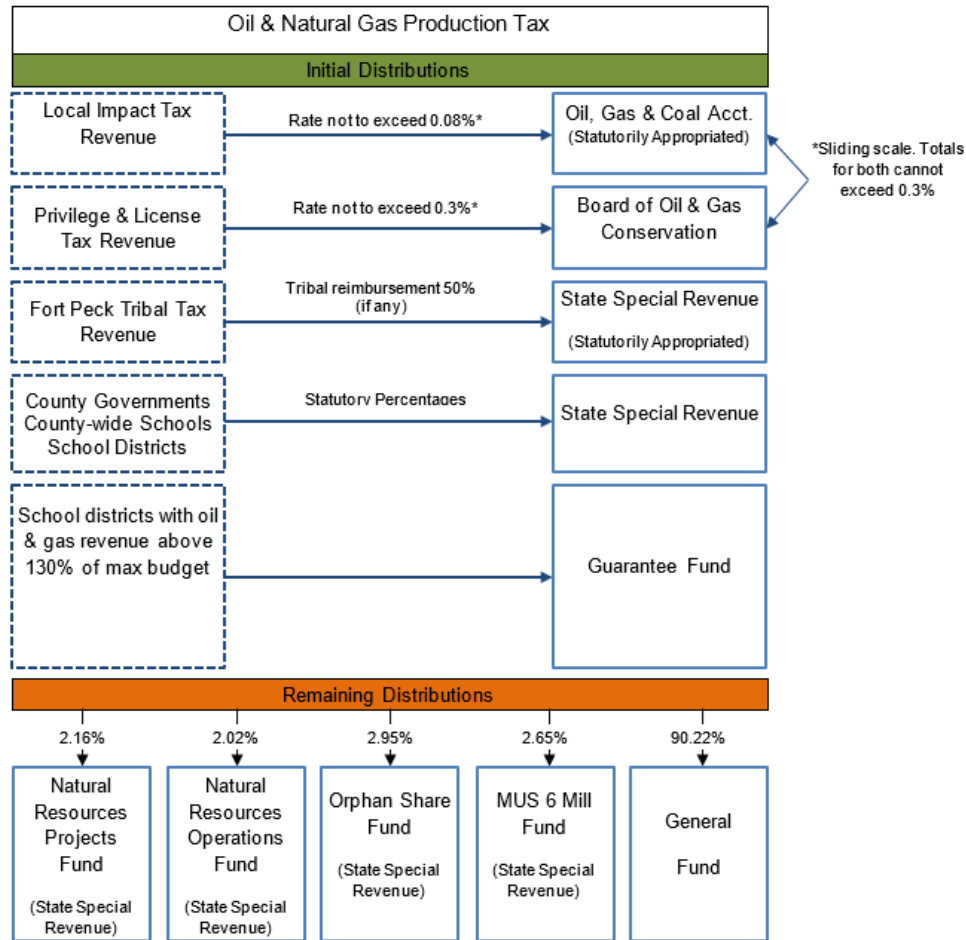
Natural Gas Tax Rates	
<u>Working Interest</u>	
Qualified production	
First 12 months	0.5%
After 12 months for pre-1999 wells	14.8%
After 12 months for post-1999 wells	9.0%
Stripper natural gas pre-1999 wells	11.0%
Horizontally completed well production	
First 18 months of qualifying production	0.5%
After 18 months	9.0%
<u>Nonworking Interest</u>	14.8%
Board of Oil & Gas	0.3%

Collection Frequency: Quarterly

Distribution

After the oil and natural gas production taxes have been collected, the revenue is distributed based on the amounts collected from the P & L and local impact taxes. The P & L tax is distributed to the Board of Oil and Gas Conservation. The amounts from the Local Impact tax are distributed to the oil and gas natural resource state special revenue account. The amounts received by the Board and the oil and gas natural resource account vary based on a sliding tax scale based on the P & L tax set by the Board. Counties producing oil and natural gas receive the next share of total revenue with each county having its own statutory distribution percentage of total revenue, including the revenue generated by the P & L and Local Impact taxes.

A portion of the revenue may be returned to Indian tribes per agreements between the DOR and the tribes. The remainder of the revenue is distributed to other state accounts, shown in the distribution chart below. The distributions of county shares and the amount of oil and natural gas production tax revenue deposited in the oil and gas natural resource account are statutorily appropriated and are based on the statutorily set percentages for each county.



Summary of Legislative Action:

[HB 485](#) lowers tax rates on three types of stripper wells and reinstates a \$30 per barrel price trigger for post-1999 wells with output between 3 and 15 barrels per day to qualify as stripper wells.

Oil & Natural Gas Production Tax – Legislation Passed by 68th Legislature			
General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0485 Revise tax rates for stripper oil production	\$0.000	(\$0.033)	(\$0.064)
Total General Fund Impact	\$0.000	(\$0.033)	(\$0.064)

Forecast Risks

- Price
- Production
- New drilling

Revenue Estimate Methodology

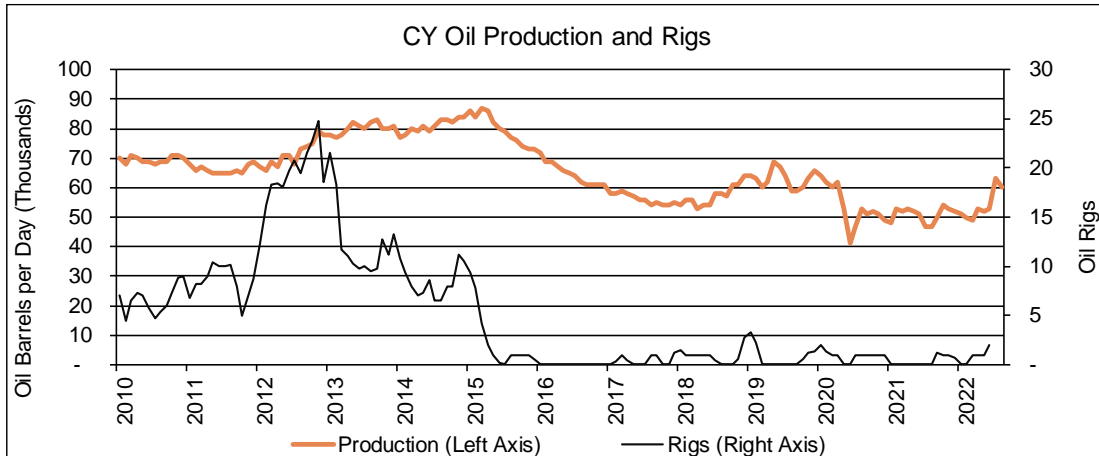
Data

Data from the Board of Oil and Gas Conservation are used extensively to isolate monthly historical production of oil and natural gas by field and by individual well. IHS Markit provides future estimates of West Texas Intermediate oil and national well head natural gas prices. Production, price, value, and revenue collections, by oil type, are provided on a quarterly basis by DOR. Drilling rigs from Baker

Natural Resource Taxes

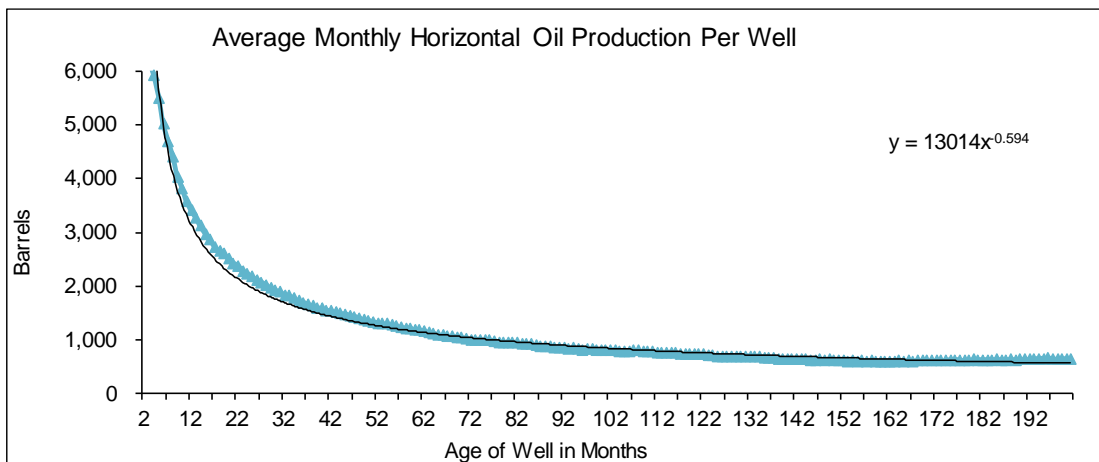
Oil & Natural Gas Production Taxes

Hughes along with production numbers from the U.S. Energy Information Administration are shown below.

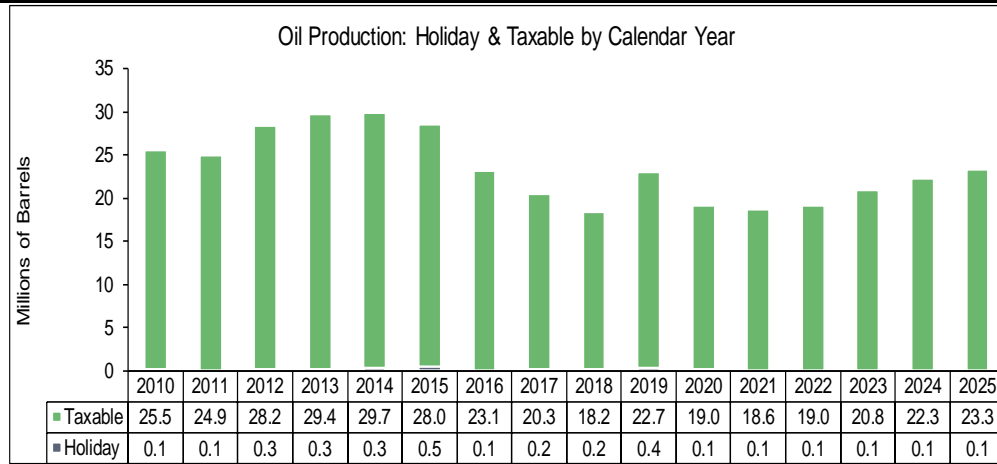


Analysis

Production is estimated independently for oil and natural gas. The estimate is developed on a quarterly basis with production from horizontal wells separate from all other production. Existing horizontal wells follow a production decline curve unique to the characteristics of those wells. Future production from completed wells can be estimated by developing a normalized production decline curve from the producing wells. In doing so, the difficulty of having different starting time for each well can be eliminated by averaging each well's production from a common time point. The result is a curve that represents the average production of horizontal wells by month of production.

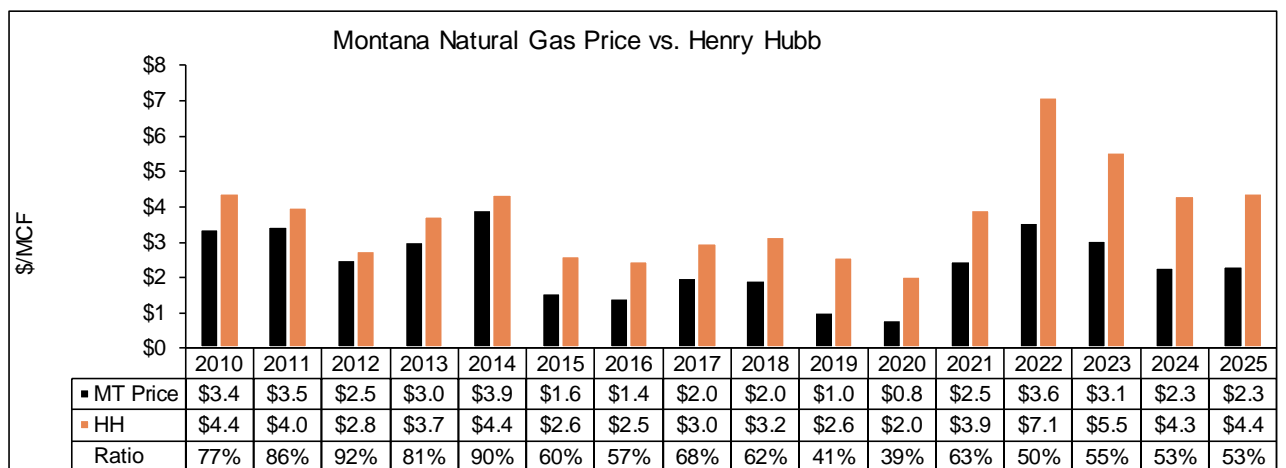
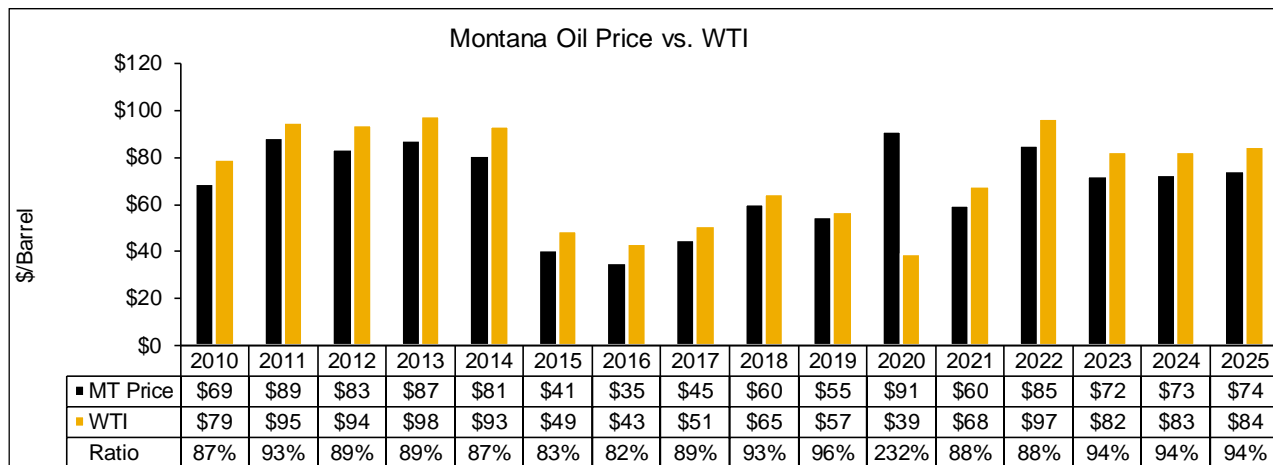


Production from future wells can be estimated by applying the production curve coefficients to an estimate of future spudded wells. Knowing monthly production from each well and the date it was placed into production is essential for estimating oil tax revenue because tax rates vary based on the length of time a well has been in production. The dynamics in the timing of when wells enter and fall out of the various tax rates and the changes in production at the various stages are complex but need to be modeled to create more accurate estimates given future price variability.



Production from all other wells is also estimated on an annual basis and by the different taxation types. For each year, the estimate is produced by multiplying the previous year by the ratio of the results of a regression analysis for the current and the previous year. The results for each tax type are then summed by year.

The price for each quarter is estimated by adjusting the IHS Markit West Texas Intermediate oil price estimate or Henry Hub natural gas price estimate by a Montana-specific ratio. The Montana price is lower than the national price primarily due to transportation costs.



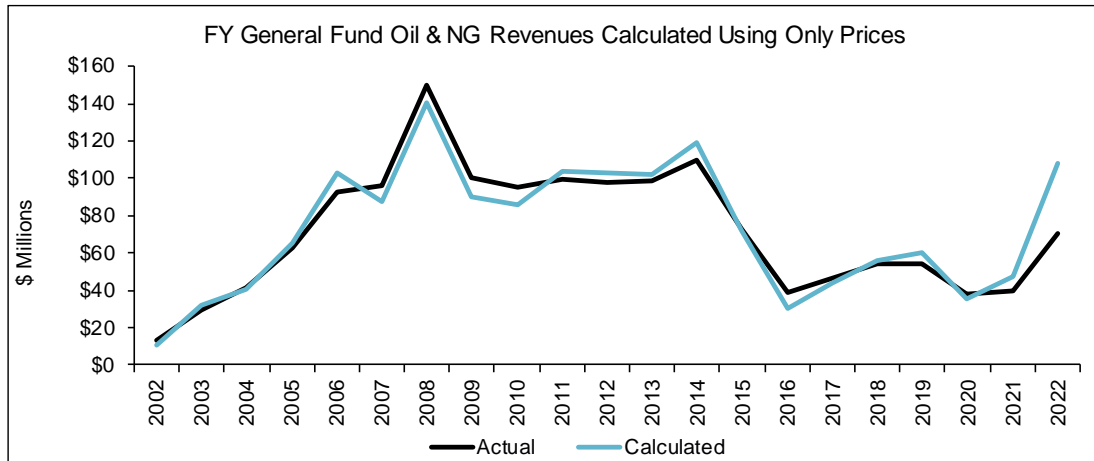
Once production and prices have been estimated, the value can be calculated by the product of the two. The quarterly value of each tax type is then multiplied by the applicable tax rate to obtain the

Natural Resource Taxes

Oil & Natural Gas Production Taxes

estimate. The sum of the revenue from all tax types for each fiscal year determines the oil and natural gas production revenue estimate.

Price—not production—is the larger driver of the overall estimate. Modeling on only WTI oil prices and Henry Hub gas prices, predicted revenues are extremely close to actuals, although this relies on already known prices. As prices are never known with such accuracy, the oil and gas model uses historical production data from each well in the state to model forecast production based on an average decline curve. The additional production modeling essentially acts as a buffer against price forecast volatility.



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

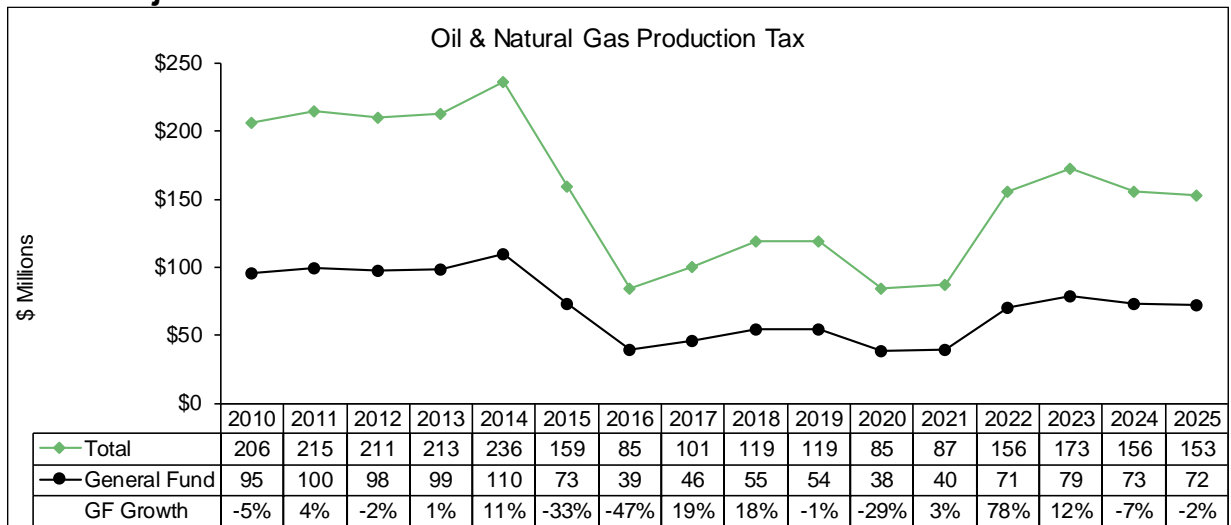
FY	Total Tax \$ Millions	GF Tax \$ Millions	CY WTI Price \$/Barrel	CY Montana Price \$/Barrel	CY WTI / MT Oil Price Ratio	CY Total Production Million Barrels	CY Holiday Production Million Barrels
A 2012	\$210.644	\$97.560	\$94.20	83.45	0.89	28.469	0.272
A 2013	213.23	98.68	97.94	87.22	0.89	29.713	0.269
A 2014	236.50	109.61	93.26	80.67	0.87	29.955	0.299
A 2015	159.11	73.18	48.69	40.60	0.83	28.553	0.508
A 2016	84.97	39.08	43.21	35.47	0.82	23.198	0.121
A 2017	100.77	46.33	50.96	45.34	0.89	20.464	0.165
A 2018	119.13	54.51	64.89	60.08	0.93	18.353	0.155
A 2019	118.85	54.18	56.98	54.69	0.96	23.048	0.363
A 2020	84.61	38.38	39.25	91.16	2.32	19.109	0.140
A 2021	87.35	39.54	67.99	59.83	0.88	18.737	0.091
A 2022	155.82	70.51	96.66	85.06	0.88	19.141	0.107
F 2023	172.69	78.71	82.30	72.43	0.94	20.947	0.098
F 2024	155.64	73.26	82.71	72.78	0.94	22.343	0.088
F 2025	153.06	72.04	84.47	74.33	0.94	23.331	0.078
F 2026	154.66	72.80	84.16	74.06	0.94	24.855	0.068
F 2027	177.44	83.52	86.40	76.03	0.94	31.186	0.058

Natural Resource Taxes

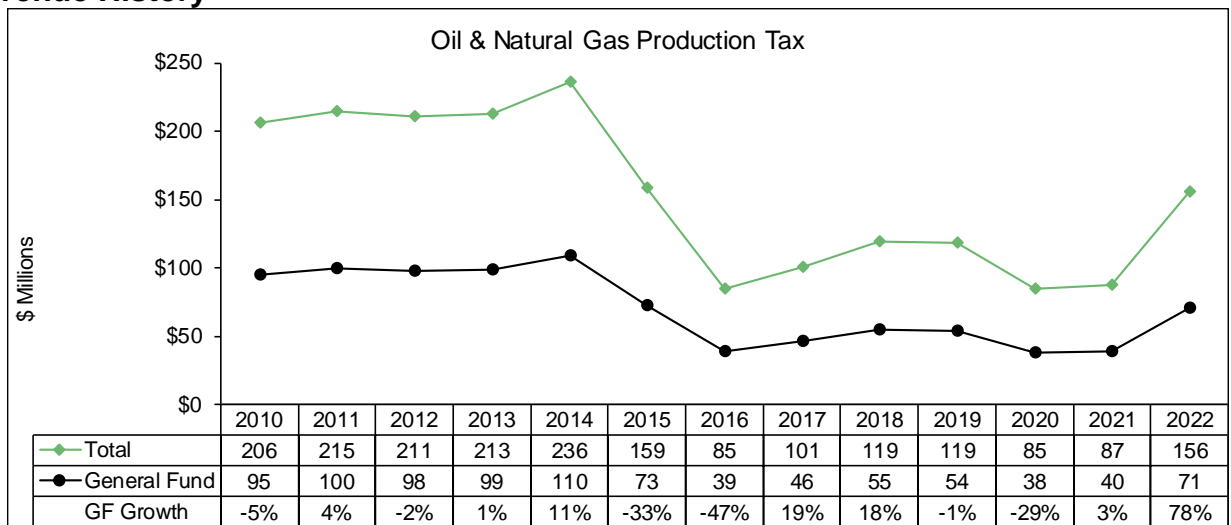
Oil & Natural Gas Production Taxes

CY	Henry Hub Price \$/MCF	Montana NG Price \$/MCF	HH/MT NG Price Ratio	Total Production Million MCFs	Holiday Production Million MCFs
A 2012	\$2.75	\$2.52	0.92	62.449	3.298
A 2013	3.73	3.01	0.81	63.354	5.415
A 2014	4.37	3.93	0.90	66.235	4.938
A 2015	2.61	1.58	0.60	78.803	4.384
A 2016	2.49	1.42	0.57	80.442	0.665
A 2017	2.97	2.02	0.68	82.595	0.379
A 2018	3.17	1.95	0.62	93.086	0.444
A 2019	2.57	1.04	0.41	101.195	1.796
A 2020	2.03	0.80	0.39	109.528	1.480
A 2021	3.91	2.47	0.63	96.088	1.404
A 2022	7.12	3.57	0.50	96.276	3.472
F 2023	5.55	3.06	0.55	91.314	3.247
F 2024	4.33	2.29	0.53	87.734	3.617
F 2025	4.40	2.34	0.53	85.196	1.570
F 2026	5.05	2.64	0.52	82.378	0.879
F 2027	5.51	2.90	0.53	80.444	0.871

Revenue Projection



Revenue History



Resource Indemnity Tax

Revenue Description

The state imposes a resource indemnity and ground water assessment (RIGWA) tax on the gross value of coal (based on the contract sales price), as well as most minerals, but not gravel, metals, oil, or natural gas.

Statutory Reference

Tax Rate – [15-38-104, MCA](#)

Tax Distribution – [15-38-106, MCA](#)

Date Due (metal producers) – March 31st following the end of the calendar year ([15-38-105, MCA](#); [15-38-106\(1\), MCA](#))

Date Due (mineral producers) – 60 days following the end of the calendar year ([15-38-105, MCA](#); [15-38-106\(1\), MCA](#))

Applicable Tax Rates

Coal: \$25 plus 0.4% of the gross value of coal produced in the preceding year in excess of \$6,250

Minerals: \$25 plus 0.5% of the gross value of minerals (excluding gravel and metals, and excluding oil and natural gas since the resource indemnity trust has reached \$100 million) produced in the preceding year in excess of \$5,000

Talc: \$25 plus 0.4% of the gross value of talc produced in the preceding year in excess of \$625

Vermiculite: \$25 plus 2.0% of the gross value of vermiculite produced in the preceding year in excess of \$1,250

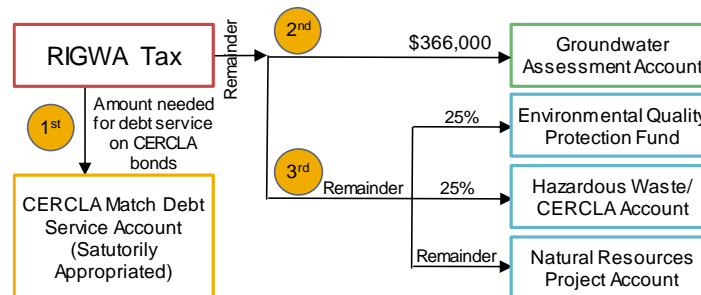
Limestone: \$25 plus 10.0% of the gross value of limestone produced in the preceding year in excess of \$250

Garnets: \$25 plus 1.0% of the gross value of garnets produced in the preceding year in excess of \$2,500

Collection Frequency: Annually

Distribution

Beginning FY 2004, the amount needed to cover debt service on Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) bonds (after amounts transferred from the CERCLA cost recovery account) is deposited first to the CERCLA match debt service account. Money is then apportioned in steps 2-3 as shown in the distribution chart.



Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Coal and mineral prices
- Production

Revenue Estimate Methodology

Data

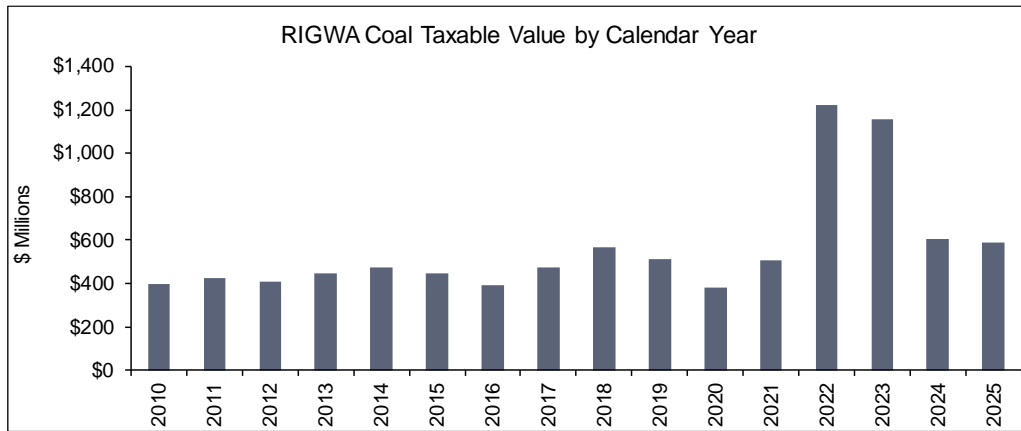
Natural Resource Taxes

Resource Indemnity Tax

The data used to estimate the resource indemnity and groundwater assessment (RIGWA) tax are obtained from the coal severance tax estimate and SABHRS.

Analysis

The gross value estimates prepared for the coal severance tax are used in the estimate for the RIGWA tax. The future taxable value of coal, produced by all mines, is estimated in the coal severance tax source. The future taxable value of other mineral production is estimated at the amount of the last known year.



The tax rates are applied to the production value of each of the components, coal and other minerals. The tax estimates for the two components are summed to produce the total estimate of the RIGWA tax.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

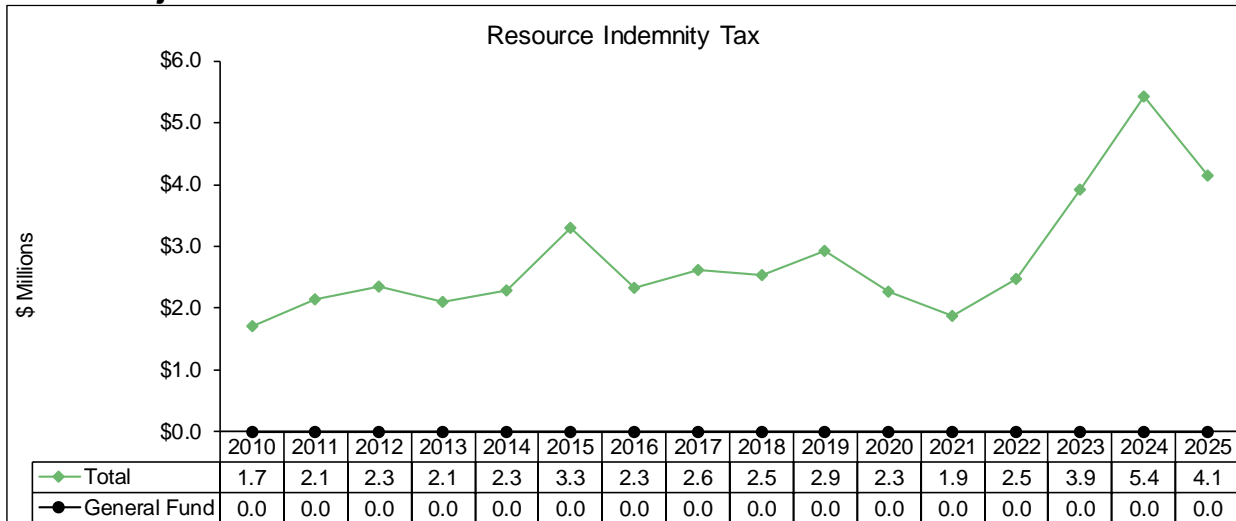
FY	Total Tax \$ Millions	GF Tax \$ Millions	Oil & NG \$ Millions	Coal \$ Millions	Other \$ Millions
A 2012	\$2.344	-	-	\$1.914	\$0.429
A 2013	2.11	-	-	1.76	0.35
A 2014	2.28	-	-	1.96	0.32
A 2015	3.30	-	-	2.22	1.08
A 2016	2.34	-	-	2.09	0.25
A 2017	2.62	-	-	1.80	0.82
A 2018	2.53	-	-	2.09	0.44
A 2019	2.92	-	-	2.27	0.65
A 2020	2.27	-	-	2.37	(0.10)
A 2021	1.87	-	-	1.99	(0.12)
A 2022	2.47	-	-	1.99	0.49
F 2023	3.92	-	-	3.83	0.09
F 2024	5.43	-	-	5.27	0.15
F 2025	4.15	-	-	3.91	0.24
F 2026	2.80	-	-	2.64	0.16
F 2027	2.75	-	-	2.56	0.19

Natural Resource Taxes

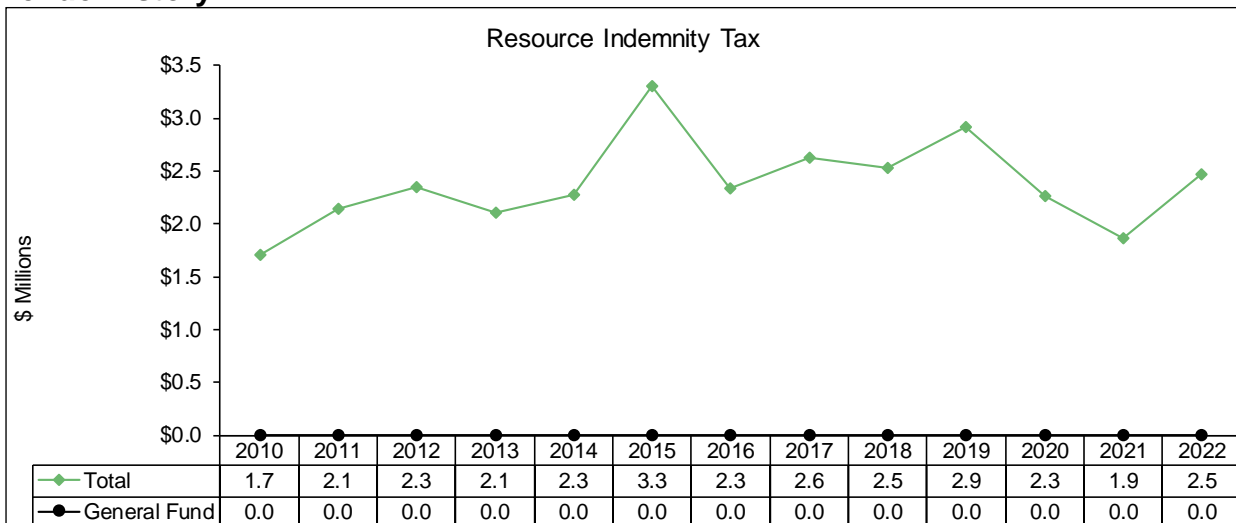
Resource Indemnity Tax

FY	Debt Service \$ Millions	Water Storage \$ Millions	Protection Fund \$ Millions	Ground \$ Millions	CERCLA Account \$ Millions	Projects Account \$ Millions
A 2012	\$0.267	\$0.150	\$0.390	\$0.366	\$0.390	\$0.780
A 2013	0.270	-	0.369	0.366	0.369	0.738
A 2014	0.272	0.150	0.373	0.366	0.373	0.745
A 2015	0.268	-	0.667	0.366	0.667	1.334
A 2016	0.270	0.150	0.387	0.366	0.387	0.774
A 2017	0.148	-	0.527	0.366	0.527	1.054
A 2018	0.144	0.150	0.468	0.366	0.468	0.936
A 2019	0.145	-	0.603	0.366	0.603	1.206
A 2020	0.145	0.150	0.402	0.366	0.402	0.804
A 2021	0.145	-	0.340	0.366	0.340	0.680
A 2022	0.145	0.150	0.452	0.366	0.452	0.905
F 2023	0.270	-	0.822	0.366	0.822	1.644
F 2024	0.270	0.150	1.160	0.366	1.160	2.320
F 2025	0.270	-	0.878	0.366	0.878	1.757
F 2026	0.270	0.150	0.504	0.366	0.504	1.009
F 2027	0.270	-	0.527	0.366	0.527	1.055

Revenue Projection



Revenue History



U.S. Mineral Royalties

Revenue Description

Under the federal Mineral Lands Leasing Act ([30 USC, Section 191](#)), 50.0% of all sales, bonuses, royalties, and rentals received from federal lands in Montana must be paid to the state; however, that rate is currently at 48.0%. The money is to be used as the legislature may direct, giving priority to those subdivisions of the state socially or economically impacted by development of minerals leased under the federal act. The revenue produced on federal public lands includes royalties and bonuses from oil, gas, coal, and other mineral exploration and extraction.

Statutory Reference

Distribution – [17-3-240, MCA](#)

Collection Frequency: Monthly

Distribution

Receipts are deposited 75.0% to the general fund and 25.0% to the state special revenue mineral impact account. Money in the mineral impact account is statutorily appropriated for distribution to eligible counties in which the minerals were extracted.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Coal, oil, and other mineral prices
- The amount of production on federal lands
- Federal legislative impacts

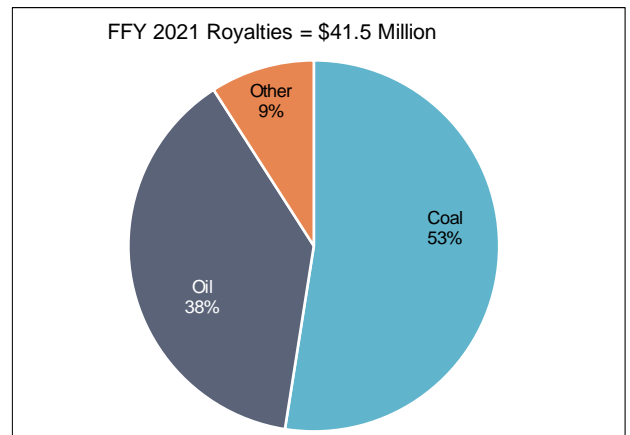
Revenue Estimate Methodology

Data

Federal fiscal year data on receipts by mineral type as well as royalty, bonus, rents, and other categories are combined with growth and distribution data from the coal and oil & natural gas analysis.

Analysis

The estimate for mineral royalties is obtained by multiplying together estimates for production & price (based on data from other natural resource analysis) and recent trends in the applicable royalty collections. Rents, bonuses, and other revenues are then simply trended as they are much more volatile than royalties. The estimates are based on the federal fiscal year, so a 25/75 split is used to convert to a state fiscal year. The adjacent chart shows royalties by source.



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

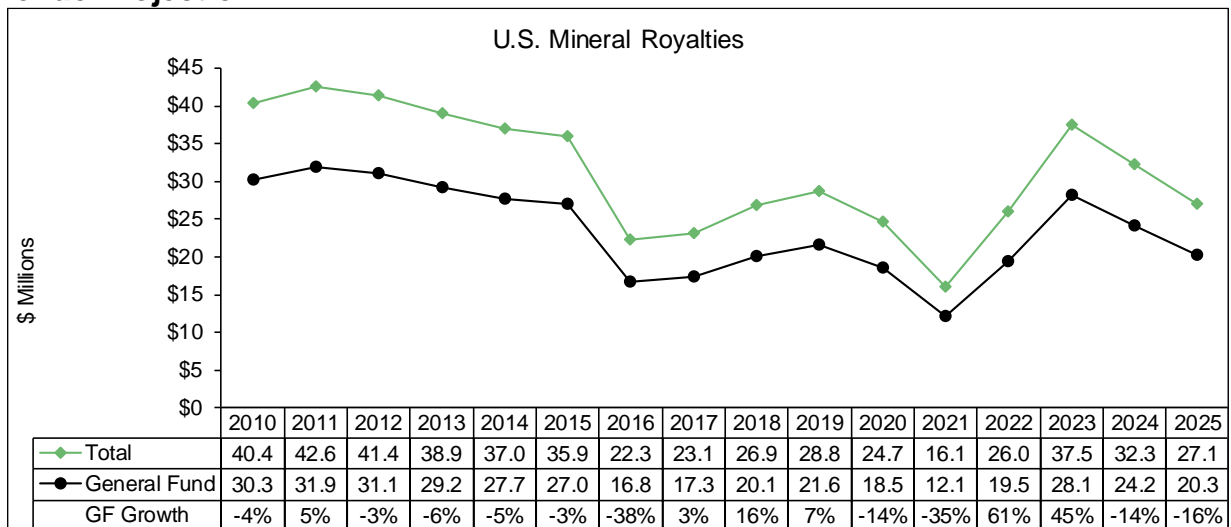
Natural Resource Taxes

U.S. Mineral Royalties

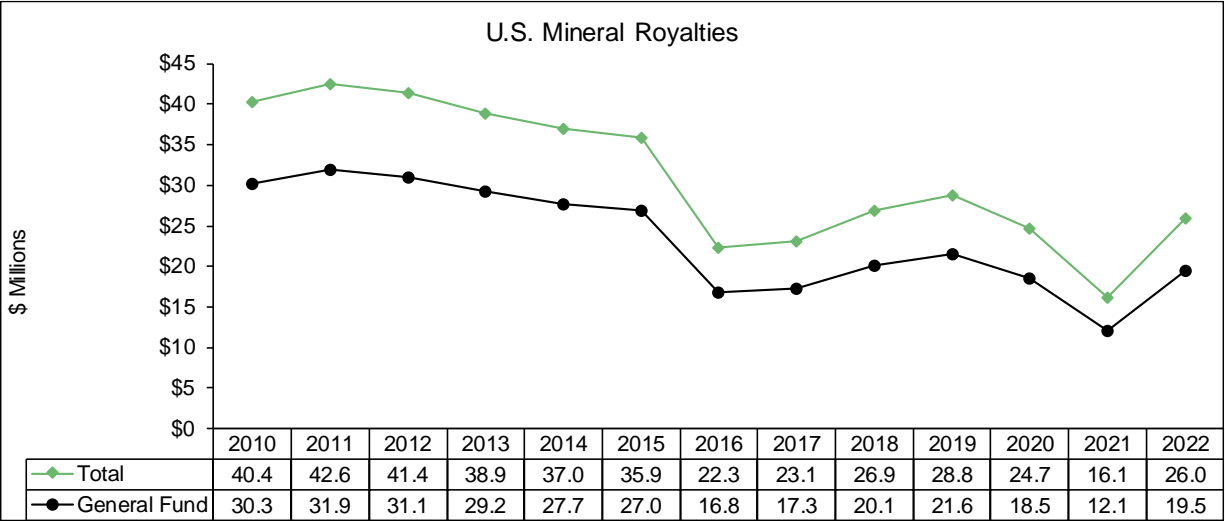
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	FFY Total Rents \$ Millions	FFY Total Bonuses \$ Millions	FFY Total Royalties \$ Millions	FFY Total Other \$ Millions
A 2012	\$41.409	\$31.057	\$2.404	\$18.859	\$77.207	\$0.236
A 2013	38.940	29.205	2.247	3.143	72.476	1.844
A 2014	36.992	27.744	1.688	1.461	77.147	0.200
A 2015	35.947	26.960	1.368	0.139	68.839	0.149
A 2016	22.345	16.759	0.946	0.038	43.705	(0.241)
A 2017	23.096	17.322	0.870	0.763	47.650	0.671
A 2018	26.852	20.139	1.023	0.768	50.555	0.850
A 2019	28.760	21.570	0.840	2.598	59.146	1.280
A 2020	24.703	18.527	0.406	0.014	40.713	0.975
A 2021	16.109	12.082	0.333	0.236	41.131	1.061
A 2022	25.952	19.464	0.694	0.236	59.114	1.042
F 2023	37.523	28.143	0.659	0.236	81.933	1.042
F 2024	32.283	24.212	0.587	0.236	60.372	0.524
F 2025	27.054	20.291	0.536	0.236	53.282	0.524
F 2026	25.746	19.309	0.562	0.236	52.001	0.524
F 2027	25.429	19.072	0.608	0.236	51.493	0.524

FFY	Oil Royalties Millions	Coal Royalties Millions	Natural Gas Royalties Millions
A 2012	27.471	44.508	4.133
A 2013	25.158	42.946	3.956
A 2014	26.606	43.107	7.435
A 2015	21.680	43.148	3.905
A 2016	10.622	31.549	1.486
A 2017	12.831	33.265	1.488
A 2018	16.804	30.952	2.719
A 2019	17.811	37.706	3.435
A 2020	11.189	27.588	1.742
A 2021	15.959	21.806	2.880
A 2022	23.722	31.336	3.706
F 2023	20.145	57.897	3.547
F 2024	20.190	36.453	3.335
F 2025	20.564	29.157	3.198
F 2026	20.436	28.235	2.964
F 2027	20.922	27.347	2.850

Revenue Projection



Revenue History



Wholesale Energy Tax

Revenue Description

The wholesale energy transaction tax is imposed on the amount of electricity transmitted by a transmission services provider in the state.

Statutory Reference

Tax Rate – [15-72-104\(1\), MCA](#)

Tax Distribution – [15-72-106\(3\), MCA](#)

Date Due – 30th day of the month following the end of the calendar quarter ([15-72-110, MCA](#))

Applicable Tax Rates

The tax rate of \$0.15 per megawatt is applied to the number of megawatt hours transmitted. If the electricity is produced in-state and sold out-of-state, the taxpayer is the owner of the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider.

The tax does not apply to the following:

- Electricity that is transmitted through the state that is neither produced nor consumed in the state
- Electricity generated in the state by an agency of the federal government for delivery outside the state
- Electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition
- Electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the U.S. government
- Electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996
- Electricity that has been subject to the transmission tax in another state
- A 5.0% line loss exemption for transmission of electricity produced in the state for delivery outside of the state

Collection Frequency: Quarterly

Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Electricity prices
- Generation and transmission capacity
- Production outages

Revenue Estimate Methodology

Data

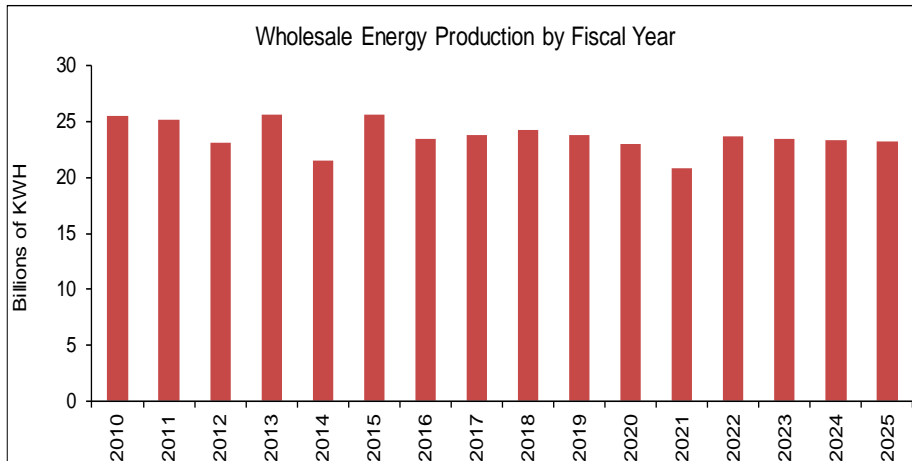
Data from quarterly reports produced by DOR provide a history of in-state and out-of-state kilowatt hours transmitted by each company.

Analysis

Natural Resource Taxes

Wholesale Energy Tax

A trend of historical in and out-of-state kilowatt hour data is applied to the previous gross production amount and line loss is subtracted. Net taxable kilowatt hours are multiplied by the tax rate to produce total revenue from this source.

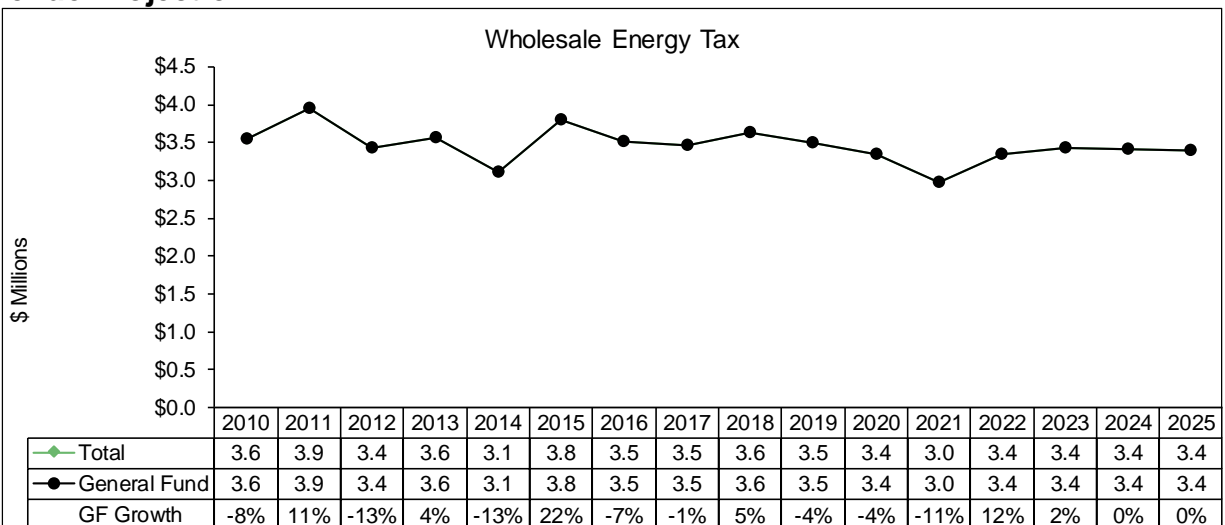


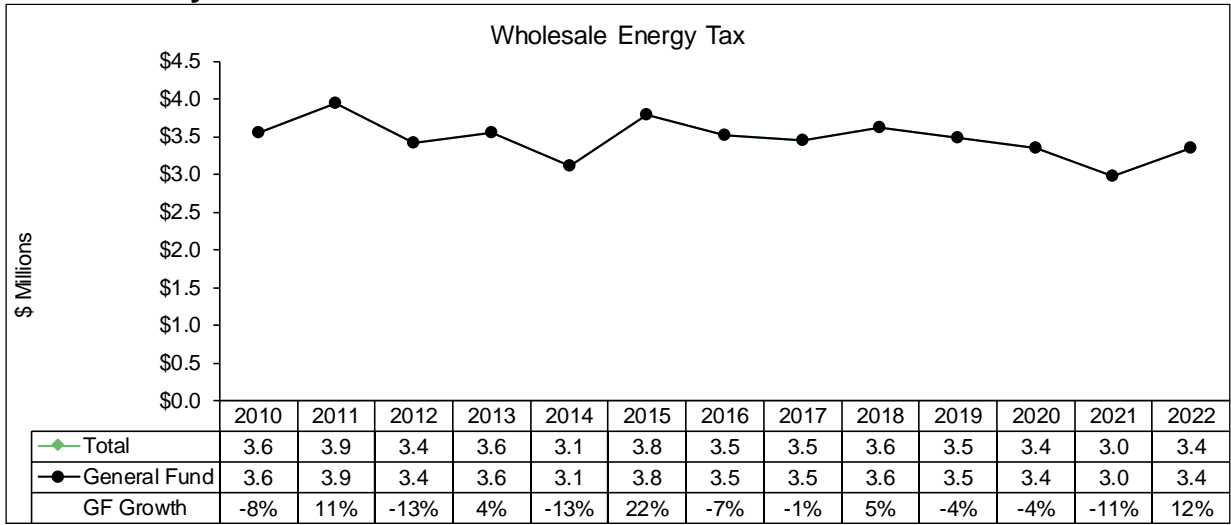
Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Line Loss	
			KWH Millions	KWH Millions
A 2012	\$3.427	\$3.427	23,183	663
A 2013	3.558	3.558	25,620	781
A 2014	3.112	3.112	21,557	595
A 2015	3.795	3.795	25,661	783
A 2016	3.516	3.516	23,534	659
A 2017	3.464	3.464	23,799	670
A 2018	3.628	3.628	24,239	680
A 2019	3.490	3.490	23,830	635
A 2020	3.351	3.351	22,987	608
A 2021	2.981	2.981	20,813	513
A 2022	3.352	3.352	23,678	654
F 2023	3.427	3.427	23,485	642
F 2024	3.410	3.410	23,369	634
F 2025	3.398	3.398	23,284	630
F 2026	3.390	3.390	23,227	628
F 2027	3.403	3.403	23,320	634

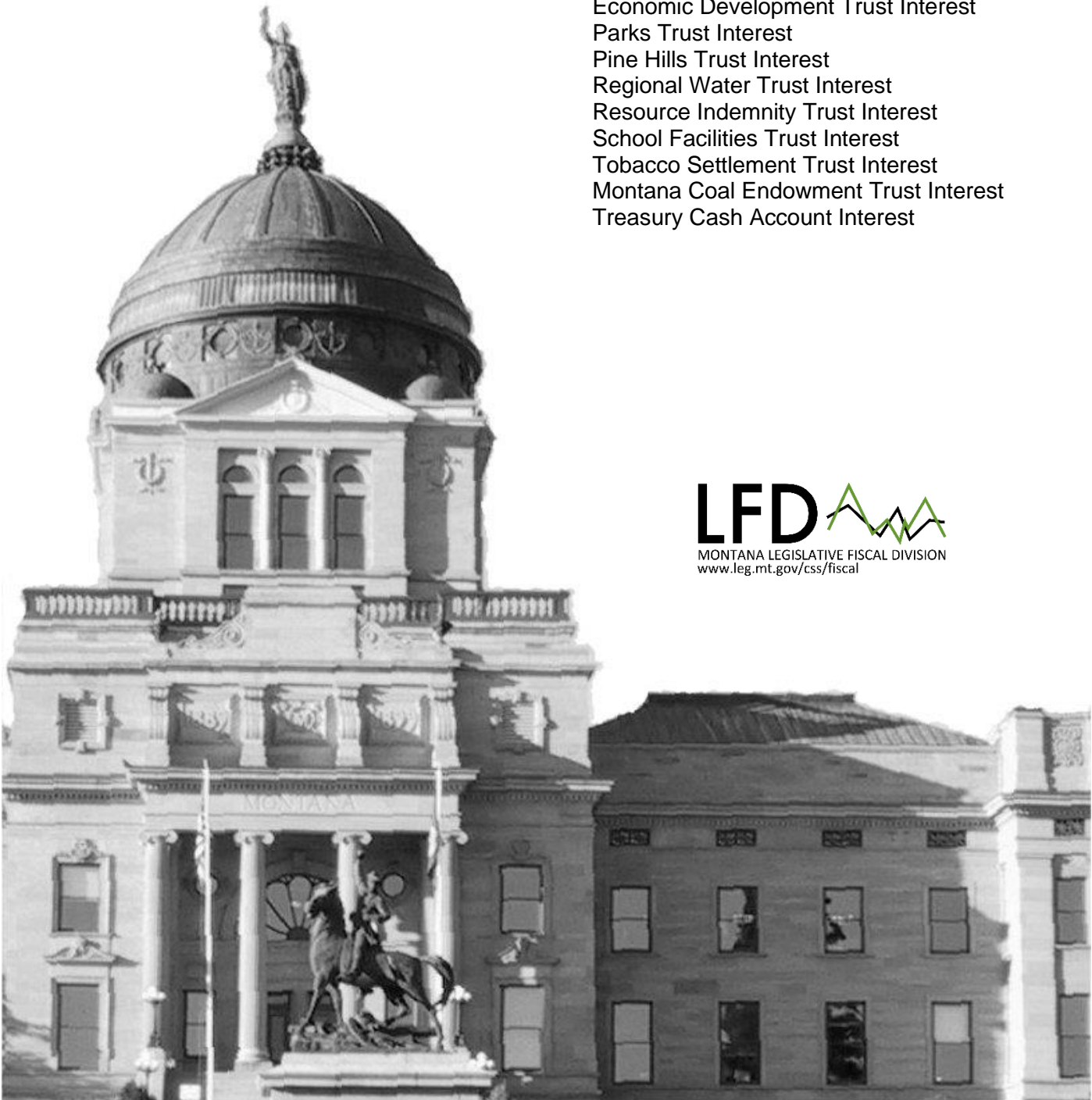
Revenue Projection





INTEREST EARNINGS

Capital Land Grant
Coal Trust Interest
Common School Interest & Income
Cultural & Aesthetics Trust Interest
Deaf & Blind Trust Interest
Economic Development Trust Interest
Parks Trust Interest
Pine Hills Trust Interest
Regional Water Trust Interest
Resource Indemnity Trust Interest
School Facilities Trust Interest
Tobacco Settlement Trust Interest
Montana Coal Endowment Trust Interest
Treasury Cash Account Interest



LFD 
MONTANA LEGISLATIVE FISCAL DIVISION
www.leg.mt.gov/css/fiscal

Capital Land Grant Interest and Income**Revenue Description**

The capital land grant fund is a fund set up for public buildings at the state capital for construction, repair, renovation, and other permanent improvements of state buildings. Capital land grant funds can also be used for the acquisition of land for such buildings, as well as the payment of principal and interest on bonds issued for any of these purposes. The funds for this come from lands granted by the federal government to the state, which generate income from a variety of sources, as well as interest from principal in the account. Section 12 of the *Enabling Act* requires that income generated on certain sections of federally granted land be used for this purpose.

Statutory Reference

Distribution – [18-2-107, MCA](#)
[Enabling Act](#), Sections 10, 12 & 17

Other – Department of Natural Resources & Conservation (DNRC) trust land administration diversion ([77-1-108, MCA](#) & [77-1-109, MCA](#)); DNRC land bank administration diversion ([77-2-362, MCA](#))

Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

After diversions for DNRC administration, all remaining capital land grant income is deposited into a capital projects fund to be used for projects on the state capital complex in accordance with the provisions of Section 12 of the *Enabling Act*.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Prices and rental charges set by the Board of Land Commissioners
- Commodity prices and production
- Administration costs

Revenue Estimate Methodology

The estimate for interest and income from the capital land grant trust determines the net amount of revenue that will be distributed to the trust beneficiary. Since all the trust income is distributed, the trust has no monetary corpus.

Data

Data from SABHRS provide a history of each individual interest and income revenue component. Department of Natural Resources and Conservation (DNRC) annual reports and other data provide additional information such as mineral prices and production. Budget submissions on the state budgeting system (IBARS) provide anticipated diversions.

Analysis

The estimate is produced by estimating the revenue components and then subtracting estimated diversion amount. The revenue components for this source are made up of timber, grazing, and agricultural fees, oil and gas bonuses, leases and penalties, mineral royalties, and miscellaneous rentals. They are typically estimated using a moving average of recently completed fiscal years' collections. DNRC's estimated operational costs are used for the forecast of diversion amounts.

Revenue Estimate Assumptions

Interest Earnings**Capital Land Grant Interest and Income**

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

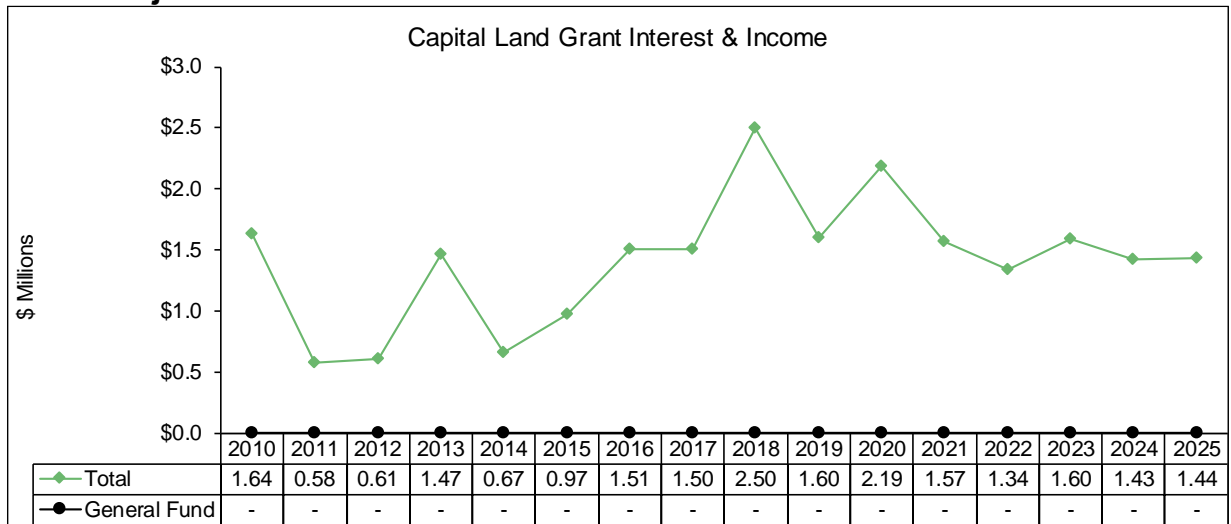
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	Grazing \$ Millions	Agriculture \$ Millions	O&G Lease \$ Millions	O&G Bonus \$ Millions	O&G Penalty \$ Millions
A 2012	\$0.610	-	\$0.240	\$0.103	\$0.032	\$0.109	\$0.011
A 2013	1.47	-	0.29	0.14	0.03	-	0.01
A 2014	0.67	-	0.33	0.10	0.03	0.00	0.02
A 2015	0.97	-	0.41	0.10	0.03	0.01	0.02
A 2016	1.51	-	0.56	0.07	0.00	0.00	0.00
A 2017	1.50	-	0.40	0.10	0.00	-	0.00
A 2018	2.50	-	0.32	0.10	0.00	0.01	(0.00)
A 2019	1.60	-	0.38	0.13	0.00	-	0.00
A 2020	2.19	-	0.38	0.11	0.00	-	0.00
A 2021	1.57	-	0.39	0.13	0.00	-	0.00
A 2022	1.34	-	0.37	0.13	0.00	-	0.00
F 2023	1.60	-	0.36	0.12	0.01	-	0.00
F 2024	1.43	-	0.37	0.13	0.00	-	0.00
F 2025	1.44	-	0.37	0.13	0.00	-	0.00
F 2026	1.49	-	0.37	0.13	0.00	-	0.00
F 2027	1.46	-	0.37	0.13	0.00	-	0.00

FY	Misc. Rentals \$ Millions	Res. Dev. \$ Millions	Timber Cost \$ Millions	Oil Roy. \$ Millions	Gas Roy. \$ Millions	Timber \$ Millions	Misc. \$ Millions
A 2012	\$0.267	\$0.000	\$0.000	\$0.006	\$0.005	\$0.742	\$0.016
A 2013	0.28	-	-	0.01	0.00	1.60	0.11
A 2014	0.37	-	-	0.01	0.01	0.67	0.02
A 2015	0.72	-	-	0.00	0.04	0.41	0.01
A 2016	0.17	-	-	0.00	0.00	1.80	0.01
A 2017	0.19	-	-	0.00	0.00	1.99	0.01
A 2018	0.18	-	-	0.49	0.06	2.25	0.03
A 2019	0.20	-	-	0.15	0.02	1.75	0.02
A 2020	0.19	-	-	0.10	0.01	2.49	0.01
A 2021	0.19	-	-	0.06	0.01	1.26	0.02
A 2022	0.19	-	-	0.09	0.03	1.37	-
F 2023	0.19	-	-	0.04	0.01	1.71	0.01
F 2024	0.19	-	-	0.04	0.01	1.44	0.01
F 2025	0.19	-	-	0.05	0.01	1.51	0.01
F 2026	0.19	-	-	0.05	0.01	1.55	0.01
F 2027	0.19	-	-	0.05	0.02	1.50	0.01

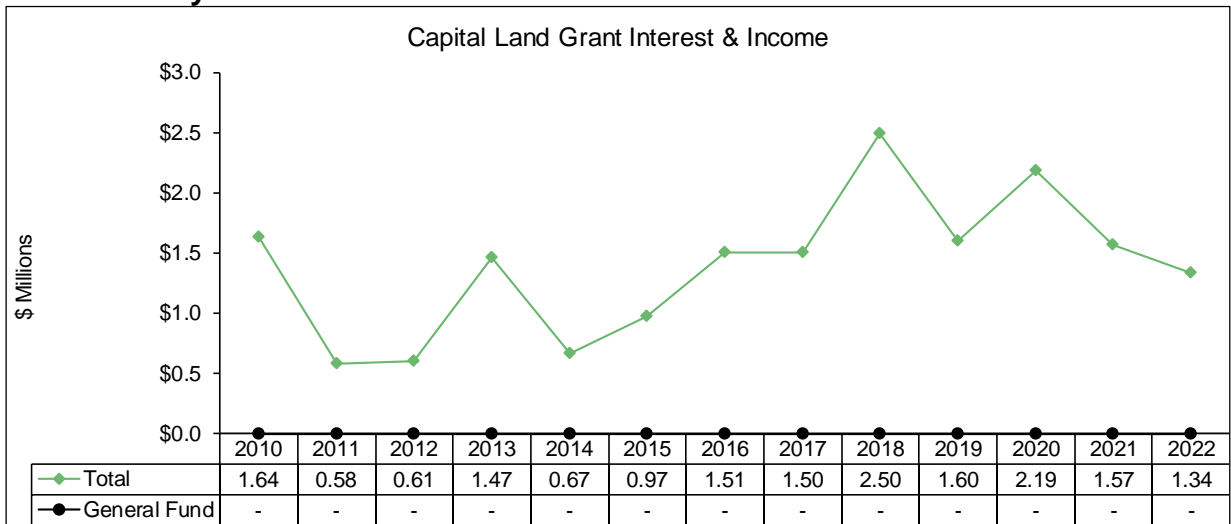
FY	Trust Land Admin. \$ Millions
A 2012	(\$0.905)
A 2013	(0.81)
A 2014	(0.89)
A 2015	(0.79)
A 2016	(0.80)
A 2017	(0.95)
A 2018	(0.94)
A 2019	(1.06)
A 2020	(1.09)
A 2021	(0.62)
A 2022	(0.86)
F 2023	(0.86)
F 2024	(0.78)
F 2025	(0.83)
F 2026	(0.82)
F 2027	(0.81)

**Interest Earnings
Revenue Projection**

Capital Land Grant Interest and Income



Revenue History



Coal Trust Interest

Revenue Description

The coal trust is one of several trusts set up with money from the Coal Severance Tax. The interest money from this fund is for a variety of purposes with the majority going to fund the Public Employees Retirement System.

[Article IX, Section 5](#) of the Montana Constitution requires that 50.0% of all coal severance tax revenue be deposited in a permanent coal trust fund in which appropriation of the principal requires a three-fourths vote of each house of the legislature. Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. The remaining funds are then split 25.0% (12.5% of total revenue) to the Big Sky Economic Development trust fund and the remaining 75.0% (37.5% of total revenue) to the school facilities fund.

For more information on the coal permanent trust earnings and distributions, see the chart in the [Coal Severance Tax](#) section.

Statutory Reference

Distribution – [Montana Constitution, Article IX, Section 5](#); [17-5-704, MCA](#); [15-35-108, MCA](#)

Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

Interest earned on the coal severance tax permanent trust fund that is deposited to the general fund is statutorily appropriated as follows:

- \$65,000 to the cooperative development center
- \$900,000 for the growth through agriculture program provided for in [Title 90, chapter 9](#)
- \$600,000 for the Montana food and agricultural development program
- to the Department of Commerce for specific projects
 - \$325,000 for a small business development center
 - \$50,000 for a small business innovative research program
 - \$625,000 for certified regional development corporations
 - \$500,000 for the Montana manufacturing extension center at MSU-Bozeman
 - \$300,000 for export trade enhancement
- After the above payments, the remaining funds are distributed to the state general fund

Summary of Legislative Action:

[HB 881](#) extended the distribution of coal severance tax funds to the big sky economic development fund through June 30, 2035. This allocation was originally set to sunset at the end of FY 2025, at which point its allocation would have reverted to the coal permanent fund.

Coal Trust Interest – Legislation Passed by 68th Legislature General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0881 Generally revise economic development laws	\$0.000	\$0.000	\$0.000
Total General Fund Impact	\$0.000	\$0.000	\$0.000

Forecast Risks

- Short- and long-term interest rates
- Bond rates

Revenue Estimate Methodology

Data

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future long-term interest rates are provided by the BOI and short-term rates are provided by IHS Markit.

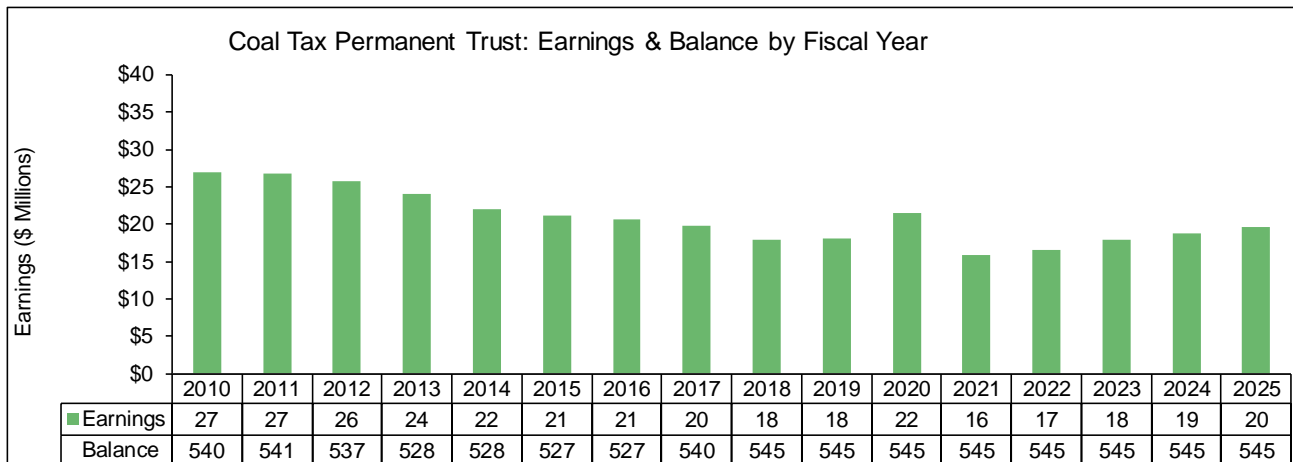
Analysis

The coal trust was created from distributions of the coal severance tax. The Constitution requires that 50.0% of the coal severance tax collections be distributed into the coal trust; currently, the required coal tax revenue flows into two of the sub-trusts and none of the tax revenue is deposited into the permanent coal trust.

Each of the following interest or income components are estimated independently and combined to produce the estimate:

- Trust funds bond pool (TFBP)
- In-state investments
- Short-term investment pool (STIP)

The TFBP was formed in 1995 to manage the fixed investments held in the state’s major trust funds. Each trust owns “shares” of the pool and interest earnings are paid to each trust on a per-share basis. Yearly return rate estimates provided by the BOI are applied to the current and estimated future trust balance to produce a TFBP earnings estimate.



The BOI is required by statute to invest 25.0% of the coal tax trust in the Montana economy. In-state investments primarily consist of loans to Montana business entities and earnings are equal to the interest charged on the loans.

STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. STIP earnings are modeled on an average short-term interest rate based on IHS Markit projections of three short-term investments.

Interest Earnings

Coal Trust Interest

After the estimates are calculated, the projected earnings of the sources are combined to reach total coal trust interest revenue, and the revenues are distributed as described above.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

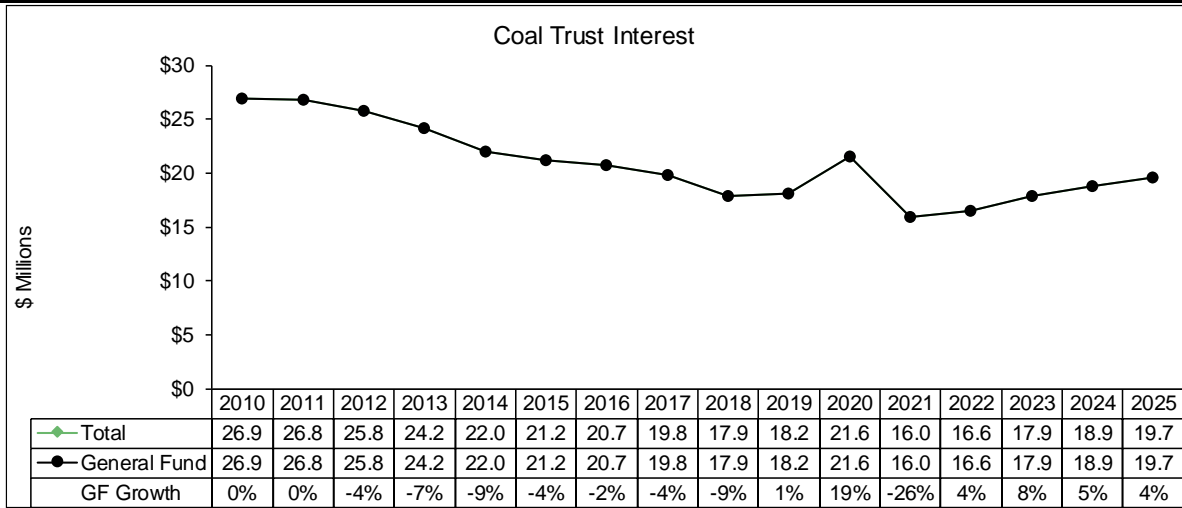
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	In_State Interest \$ Millions	Other Interest \$ Millions	STIP Interest \$ Millions
A 2012	\$25.840	\$25.840	\$17.618	\$8.701	\$0.128	\$0.041
A 2013	24.153	24.153	16.664	7.083	0.453	0.032
A 2014	21.996	21.996	16.058	5.114	0.112	0.013
A 2015	21.168	21.168	15.360	4.585	0.149	0.019
A 2016	20.722	20.722	14.171	4.109	(0.091)	0.064
A 2017	19.799	19.799	12.838	4.216	(0.299)	0.219
A 2018	17.938	17.938	12.417	4.094	0.865	0.219
A 2019	18.172	18.172	12.749	3.911	1.099	0.398
A 2020	21.600	21.600	11.865	3.732	1.272	0.422
A 2021	15.967	15.967	11.100	3.667	1.154	0.041
A 2022	16.561	16.561	11.629	3.441	1.111	0.046
F 2023	17.947	17.947	12.338	3.752	1.386	0.471
F 2024	18.857	18.857	13.223	3.752	1.279	0.603
F 2025	19.657	19.657	14.092	3.752	1.331	0.482
F 2026	21.737	21.737	16.287	3.752	1.306	0.393
F 2027	22.039	22.039	16.586	3.752	1.319	0.383

FY	TFBP Long Term Rate	Non Pool STIP Rate	Non Pool In State Rate	Non Pool STIP Bal \$ Millions	Non Pool In-State Bal \$ Millions	Invested TFBP Bal. \$ Millions
A 2012	4.9%	0.3%	5.6%	\$13.821	\$139.779	\$369.515
A 2013	4.5%	0.2%	5.5%	20.57	116.90	373.83
A 2014	4.3%	0.1%	4.6%	9.24	105.82	380.29
A 2015	4.1%	0.1%	4.5%	21.04	97.10	375.33
A 2016	3.9%	0.3%	3.9%	20.34	111.76	355.02
A 2017	3.6%	0.9%	3.7%	27.61	115.71	354.76
A 2018	3.5%	1.1%	3.3%	13.12	134.29	353.46
A 2019	3.6%	2.1%	3.1%	24.60	119.15	353.73
A 2020	3.4%	1.8%	2.8%	22.77	143.77	353.73
A 2021	3.2%	0.2%	2.6%	19.53	133.34	334.44
A 2022	3.4%	0.3%	2.6%	14.61	129.70	341.44
F 2023	3.6%	3.2%	2.9%	14.61	129.70	347.36
F 2024	3.8%	4.1%	2.9%	14.61	129.70	346.14
F 2025	4.1%	3.3%	2.9%	14.61	129.70	344.62
F 2026	4.4%	2.7%	2.9%	14.61	129.70	373.72
F 2027	4.4%	2.6%	2.9%	14.61	129.70	380.58

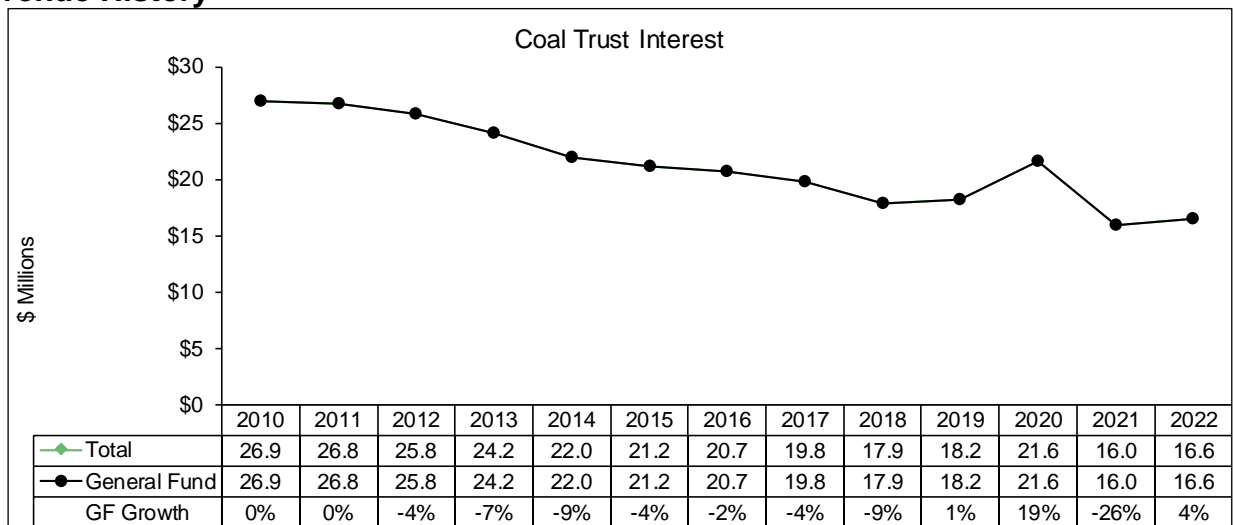
Revenue Projection

Interest Earnings

Coal Trust Interest



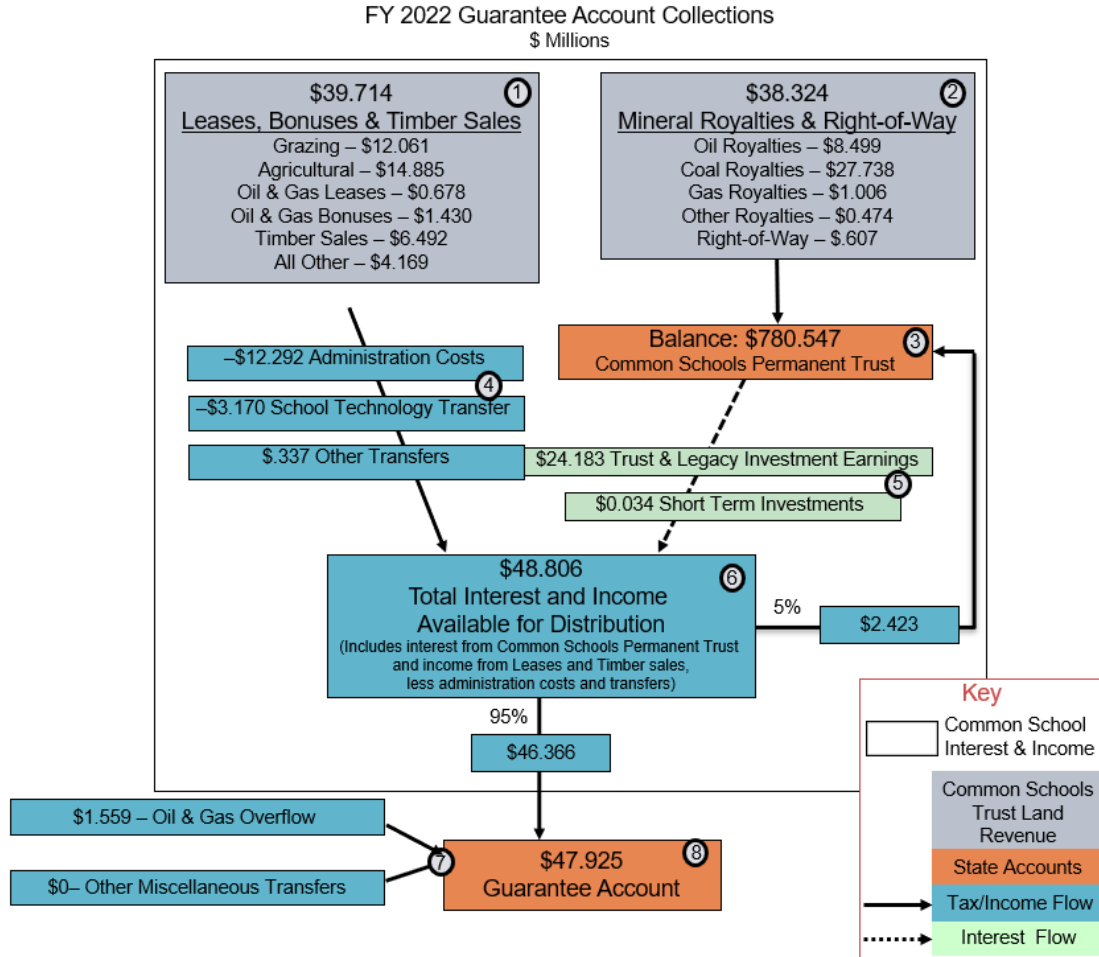
Revenue History



Common School Interest and Income

Revenue Description

The Common School Trust is a fund set up for the support of public schools using income generated from state common school trust land and the subsequent interest on the account. Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. The revenue estimate is net of administration costs for the Department of Natural Resources and Conservation (DNRC) and any other school-related transfers. The chart below shows the FY 2016 earnings and distribution, with subsequent descriptions of each numbered box.



*Totals may not sum exactly due to rounding

1 Leases, Bonuses & Timber Sales: Lands granted by the federal government to the state for the benefit of public schools generate income. Common school lands produce two kinds of revenue: 1) distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and 2) permanent income that is returned to the trust as income from the sale of minerals, land, and easements.

Box 1 is the distributable income. This common school land revenue includes leases, bonuses and timber sales under 18 million board feet. Revenue from timber sales over 18 million board feet is transferred to the school facility and technology account ([20-9-516, MCA](#)).

Interest Earnings

Common School Interest and Income

② Mineral Royalties & Right-of-Way: This portion is deposited directly into the common schools' permanent trust and includes sales of part of all of a piece of common schools' trust land including extractable resources such as oil, natural gas, and coal.

③ Common Schools Permanent Trust: The [Enabling Act](#) states that "proceeds from the sale and other permanent disposition of any of the said lands and from every part thereof, shall constitute permanent funds for the support and maintenance of the public schools and the various State institutions for which the lands have been granted." The Common Schools Permanent Trust is the permanent trust account in which school dedicated funds are held.

④ Costs & Transfer: The amount of revenue deposited to the guarantee account is net of amounts diverted for DNRC administration costs and those deposited directly to the school facility and technology account shown in Box 4. The administration costs diversion funds operational costs in DNRC for common school lands. The school facility and technology account receives timber revenue in excess of 18 million board feet ([77-1-218, MCA](#)). This reduces the amount of revenue distributable to the guarantee account.

⑤ Investment Earnings: Funds in the Common Schools Permanent Trust are invested by the [Montana Board of Investments](#), with the interest earned available for distribution. Most of the revenue, the Trust & Legacy Investment Earnings, comes from fixed-income investments. A small amount comes from short-term investments which is interest on the cash when it comes into the Montana Board of Investments and before it is invested in the longer-term Trust Funds Investment Pool.

⑥ Common School Trust Land Interest and Income: This amount is commonly referred to as common school interest and income. It is comprised of the income from leases, bonuses, and timber (Box 1) less costs and transfers (Box 4), plus interest from the Common Schools Permanent Trust (Box 5). The money is distributed as follows:

- 95.0% is transferred to the state special revenue guarantee account which is statutorily appropriated for schools
- 5.0% is reinvested in the Common Schools Permanent Trust

⑦ Additional transfers which are not shown here but are included in the [Guarantee Account](#) section.

⑧ Guarantee Account: This is the state special revenue fund ([20-9-104, MCA](#)) which is statutorily appropriated to schools in the form of BASE aid. It is comprised of common school interest and income and other appropriations and is the first source of state school funding (used before general fund).

Note that the common school revenue is not the only source of guarantee account revenue; see the [Guarantee Account](#) section for more information on total revenue transferred to that account.

Statutory Reference

Distribution – [Montana Constitution Article X, Section 5](#); [20-9-342, MCA](#); [20-9-622, MCA](#)
[Enabling Act](#), Section 10

Other – DNRC trust land administration diversion ([77-1-108, MCA](#) & [77-1-109, MCA](#))
DNRC land bank administration diversion ([77-2-362, MCA](#))

Date Due – Last business day of February following the calendar year in which the money was received ([20-9-342, MCA](#)).

Applicable Tax Rates: N/A

Collection Frequency

Revenue is received monthly; distribution to the state special revenue fund occurs three times per year.

Distribution

Interest Earnings

Common School Interest and Income

As described above, 95.0% of interest and income from the common school permanent trust fund (excluding a portion of timber sale revenue and after amounts diverted for DNRC administration) is distributed to the state special revenue guarantee account and is statutorily appropriated for schools. The remaining 5.0% is deposited to the permanent trust fund. The amount of timber sale revenue over 18 million board feet is deposited to the school facility and technology account. The amounts deposited to the guarantee account are shown in this revenue source.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Commodity prices and production
- Bond rates

Revenue Estimate Methodology

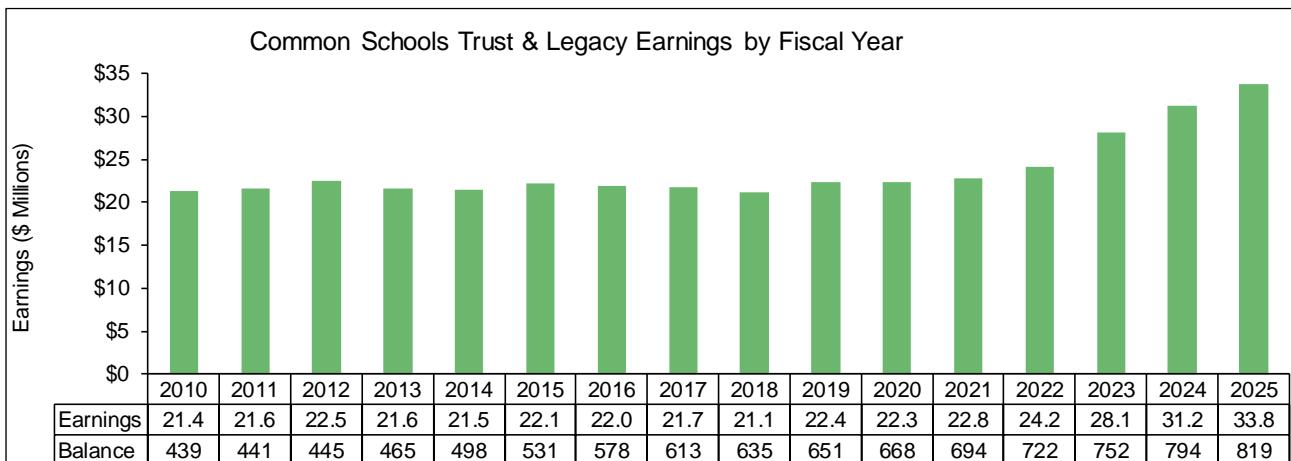
Data

Data from SABHRS provides a history of each individual interest and income revenue component from which estimates can be made. DNRC annual reports and other data provide additional information such as mineral prices and production. DNRC provided data for easement sales and timber harvest volumes. IHS Markit provides future estimates of West Texas Intermediate oil and national well head natural gas prices.

Analysis

In addition to interest earnings, the revenue components for this source are made up of timber, grazing, and agricultural fees, oil and gas bonuses, leases and penalties, mineral royalties, and miscellaneous rentals. They are typically estimated using a moving average of recently completed fiscal years' collections

The monetary assets of the common school trust are pooled with monetary assets of other land trusts (termed "Trust and Legacy") and invested by the Board of Investments (BOI) in the trust funds bond pool (TFBP). To forecast the total interest earned, estimated rates of return provided by the BOI are applied to the current and forecast invested balance. Money not invested in the TFBP earns interest at a short-term rate which is forecast by IHS Markit.



Diversions fund operational costs in DNRC but reduce the amount of permanent and distributable revenue that would have been deposited to the common school trust or distributed to the trust beneficiaries. The cost estimates are provided by DNRC.

The estimate assumes that distributable revenue is used to fund DNRC costs. The total expenditures requested to be made from the trust land administration account can be funded from distributable

Interest Earnings**Common School Interest and Income**

revenue, permanent revenue, or a combination of the two. It is up to the DNRC to decide. If permanent revenue is chosen, the corpus of the trust will not grow as rapidly as it would have and interest earnings from the trust will be less. If distributable revenue is chosen, the amount deposited to the guarantee account to fund public schools will be less, thus requiring more funding from the general fund.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Common School Share T&L	Trust Land Admin
A 2012	\$102.391	-	\$24.175	\$0.028	93.0%	(\$8.717)
A 2013	61.10	-	23.19	0.02	0.93	(9.20)
A 2014	49.73	-	23.04	0.01	0.93	(9.03)
A 2015	48.35	-	24.04	0.00	0.92	(9.55)
A 2016	47.01	-	23.89	0.00	0.92	(10.42)
A 2017	43.06	-	23.61	0.01	0.92	(10.87)
A 2018	41.85	-	22.92	0.03	0.92	(10.80)
A 2019	45.98	-	24.26	0.06	0.92	(10.61)
A 2020	41.19	-	23.98	0.09	0.93	(11.94)
A 2021	47.76	-	24.60	0.01	0.93	(9.51)
A 2022	46.37	-	26.15	0.02	0.92	(12.29)
F 2023	49.48	-	28.27	0.30	0.92	(10.90)
F 2024	53.19	-	31.42	0.39	0.92	(11.60)
F 2025	55.80	-	34.63	0.31	0.92	(11.25)
F 2026	58.48	-	37.92	0.25	0.92	(11.42)
F 2027	59.25	-	38.73	0.25	0.92	(11.34)

FY	Trust Income New Deposit \$ Millions	T&L Balance \$ Millions	TFBP Long Term Rate	STIP Balance \$ Millions	STIP Rate
A 2012	\$31.633	\$498.053	5.0%	\$11.492	0.2%
A 2013	35.482	531.053	4.5%	13.436	0.2%
A 2014	35.440	578.053	4.2%	2.546	0.1%
A 2015	26.197	612.524	4.0%	2.927	0.1%
A 2016	20.343	634.528	3.8%	2.585	0.2%
A 2017	16.456	650.603	3.7%	5.141	0.3%
A 2018	17.678	667.803	3.5%	7.514	0.5%
A 2019	24.635	693.503	3.6%	8.903	0.8%
A 2020	23.109	721.603	3.4%	5.898	1.2%
A 2021	31.019	751.963	3.3%	9.113	0.1%
A 2022	40.196	793.552	3.4%	9.445	0.2%
F 2023	30.836	818.647	3.5%	9.445	3.2%
F 2024	27.448	839.285	3.7%	9.445	4.1%
F 2025	23.889	858.154	4.0%	9.445	3.3%
F 2026	24.398	876.669	4.3%	9.445	2.7%
F 2027	24.603	895.368	4.3%	9.445	2.6%

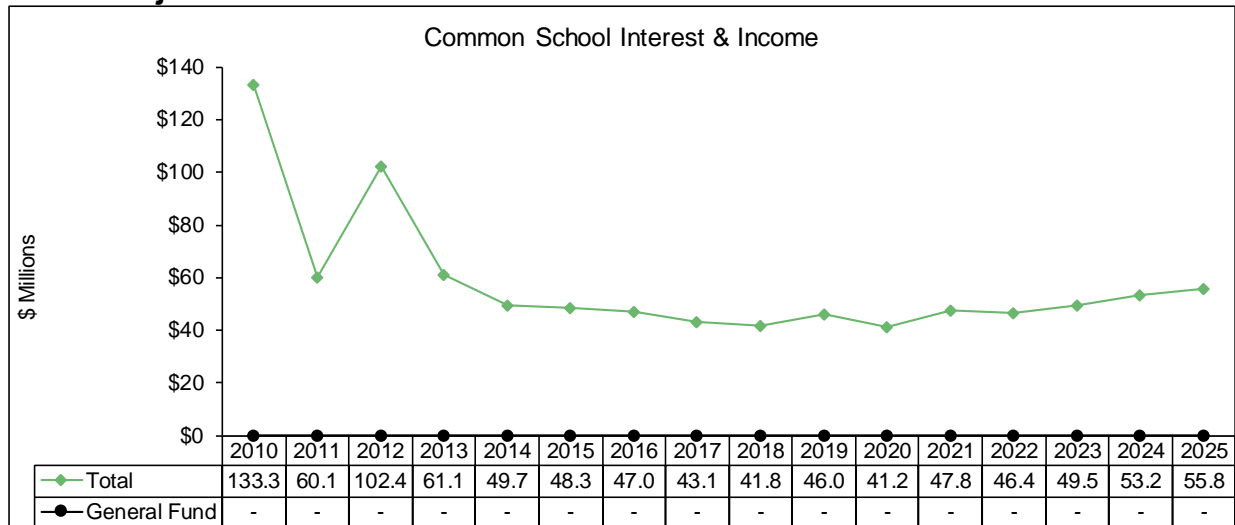
Interest Earnings

Common School Interest and Income

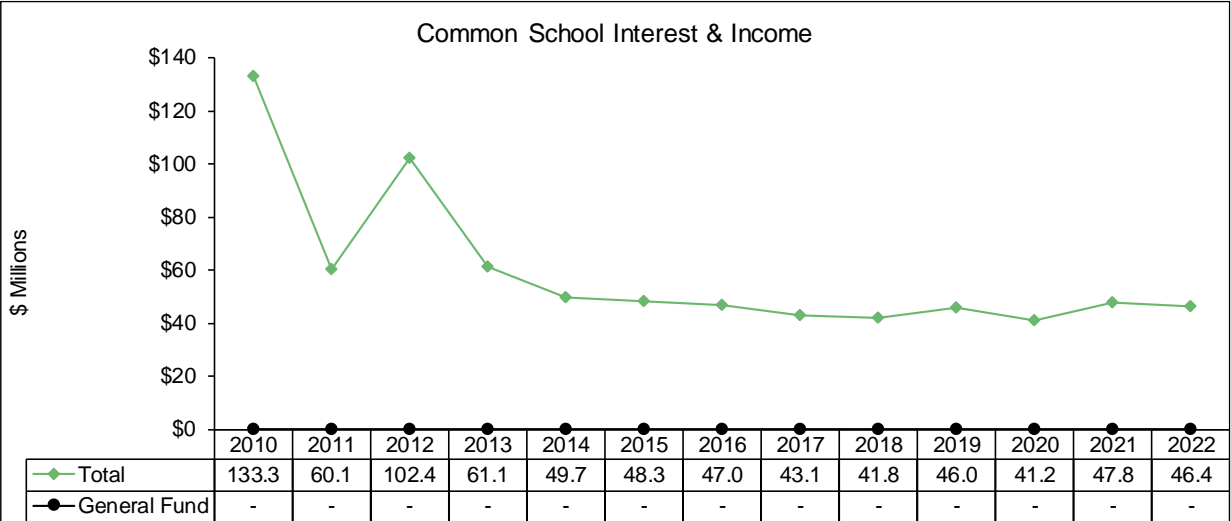
FY	Grazing \$ Millions	Agriculture \$ Millions	Oil & Gas Lease \$ Millions	Oil & Gas Bonus \$ Millions	Oil & Gas Penalty \$ Millions	Misc./Other Rentals \$ Millions	Avista Lease \$ Millions
A 2012	\$7.471	\$15.009	\$3.672	\$15.104	\$1.411	\$3.162	\$4.382
A 2013	9.27	16.93	3.42	2.02	1.30	2.95	4.504
A 2014	10.52	16.26	2.82	3.08	1.25	3.14	4.573
A 2015	13.12	13.76	1.89	1.89	1.12	3.38	-
A 2016	17.63	11.94	0.95	0.01	0.48	3.48	-
A 2017	12.85	13.16	0.83	0.33	0.43	3.63	-
A 2018	10.36	14.22	0.85	1.77	0.44	3.57	-
A 2019	12.23	15.94	0.70	1.14	0.32	4.02	-
A 2020	12.09	14.11	0.67	0.34	0.16	3.92	-
A 2021	12.48	16.02	0.56	0.10	0.05	2.70	-
A 2022	12.06	14.88	0.68	1.43	0.04	4.12	-
F 2023	11.70	13.70	1.12	1.43	0.07	3.58	-
F 2024	12.08	14.93	0.98	1.43	0.06	3.47	-
F 2025	11.95	14.73	0.96	1.43	0.06	3.73	-
F 2026	11.91	14.85	0.97	1.43	0.06	3.59	-
F 2027	11.98	14.62	1.16	1.43	0.08	3.60	-

FY	Int. STIP \$ Millions	Int. Trust \$ Millions	Timber \$ Millions	Oil Royalties \$ Millions	Gas Royalties \$ Millions	Coal Royalties \$ Millions	Other Royalties \$ Millions
A 2012	\$0.053	\$22.515	\$1.886	\$14.371	\$1.468	\$7.400	\$0.894
A 2013	0.03	21.56	3.21	17.13	1.20	6.80	0.83
A 2014	0.01	21.50	2.80	17.61	1.59	8.13	1.07
A 2015	0.01	22.13	3.13	12.58	1.22	7.86	0.53
A 2016	0.05	21.97	3.39	6.80	0.53	9.12	0.25
A 2017	0.08	21.72	3.16	6.30	0.54	6.80	0.33
A 2018	0.11	21.11	2.42	7.19	0.77	6.83	0.63
A 2019	0.23	22.38	3.01	8.58	0.64	11.37	0.48
A 2020	0.11	22.29	2.56	5.81	0.41	13.67	0.49
A 2021	0.02	22.83	3.47	4.47	0.92	13.12	0.37
A 2022	0.03	24.18	3.32	8.50	1.01	27.74	0.47
F 2023	0.30	28.11	2.96	6.26	5.03	13.33	0.47
F 2024	0.39	31.17	3.06	6.41	2.52	11.24	0.47
F 2025	0.31	33.75	3.07	7.06	2.28	9.06	0.47
F 2026	0.25	36.73	3.18	6.57	2.76	8.71	0.47
F 2027	0.25	37.48	3.12	6.68	3.17	8.37	0.47

Revenue Projection



Revenue History



Cultural Trust Interest**Revenue Description**

The Cultural Trust is one of several trusts set up with money from the coal severance tax. The interest money from this fund is used primarily for works of art in the capitol and for other cultural and aesthetic projects. For more information on the coal permanent trust earnings and distributions, see the chart in the Coal Severance Tax section.

Statutory Reference

Distribution – [15-35-108\(6\), MCA](#); [22-2-305, MCA](#)

Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

All income from the trust is deposited in a state special revenue fund to be appropriated for protection of art in the state capitol and for other cultural and aesthetic projects.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Short and long-term interest rates
- Bond rates
- Coal price and production

Revenue Estimate MethodologyData

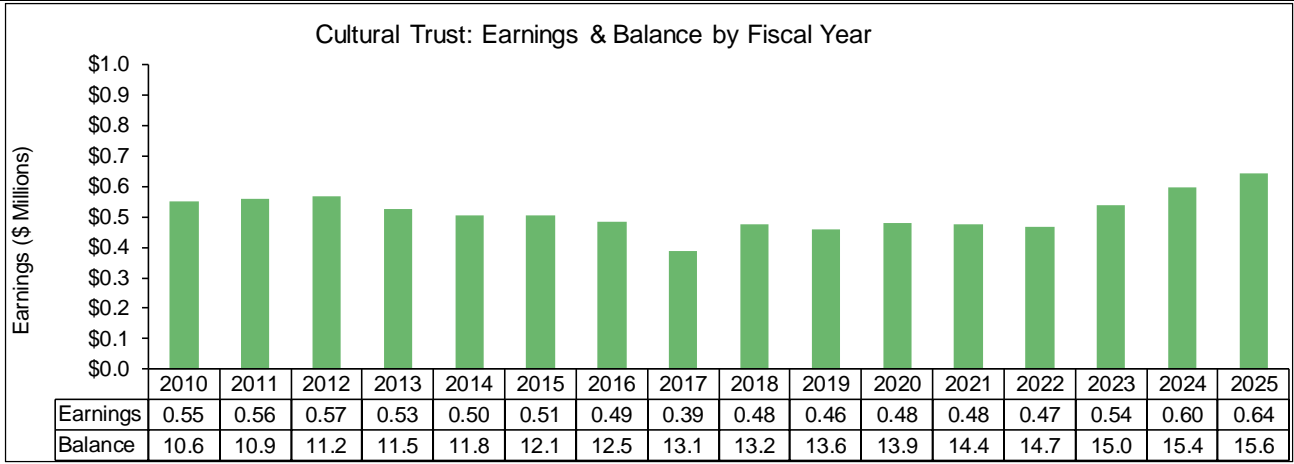
The Board of Investments (BOI) provides historic interest earnings from the trust as well as the gains and losses from the sale of investment instruments. Projections of interest rates are provided by the BOI, and historic earnings are provided from SABHRS.

Analysis

Each of the following interest or income components are estimated independently and combined to produce the estimate:

- Trust fund bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. Short-term interest forecasts from IHS Markit are applied to money not invested in the TFBP to calculate future STIP earnings.

The 0.63% coal severance tax distribution to the cultural trust is considered new deposits. New deposits are transferred to the trust on a quarterly basis. These new trust deposits are forecast using estimates of coal severance tax collections.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

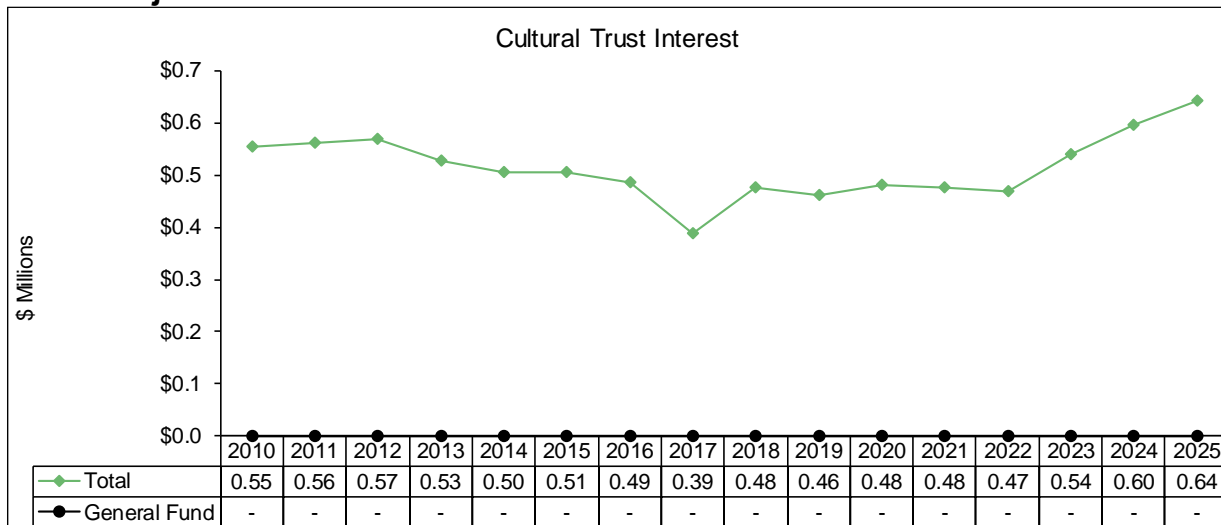
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2012	\$0.568	-	\$0.567	\$0.001	\$11.710	4.9%
A 2013	0.53	-	0.527	0.001	11.930	4.5%
A 2014	0.50	-	0.504	0.000	12.230	4.2%
A 2015	0.51	-	0.501	0.000	12.880	4.0%
A 2016	0.49	-	0.492	0.001	13.059	3.8%
A 2017	0.39	-	0.482	0.002	13.309	3.7%
A 2018	0.48	-	0.466	0.004	13.559	3.5%
A 2019	0.46	-	0.484	0.011	13.759	3.5%
A 2020	0.48	-	0.472	0.011	14.159	3.4%
A 2021	0.48	-	0.475	0.001	14.159	3.4%
A 2022	0.47	-	0.492	0.002	14.809	3.4%
F 2023	0.54	-	0.521	0.018	15.066	3.5%
F 2024	0.60	-	0.572	0.022	15.268	3.7%
F 2025	0.64	-	0.623	0.018	15.431	4.0%
F 2026	0.69	-	0.675	0.015	15.596	4.3%
F 2027	0.65	-	0.636	0.014	15.757	4.0%

Interest Earnings

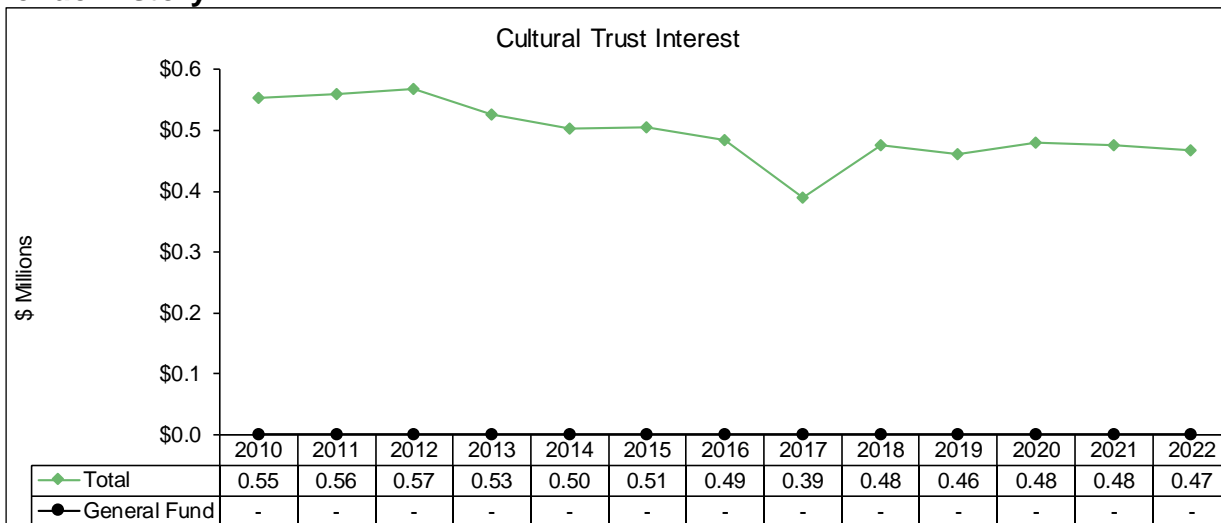
Cultural Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	Non Pool STIP Bal \$ Millions	Non Pool STIP Rate
A 2012	\$0.332	\$0.076	1.5%
A 2013	0.356	0.201	0.4%
A 2014	0.363	0.258	0.2%
A 2015	0.384	0.171	0.2%
A 2016	0.380	0.132	0.8%
A 2017	0.370	0.327	0.9%
A 2018	0.379	0.360	1.3%
A 2019	0.378	0.599	2.2%
A 2020	0.295	0.508	2.0%
A 2021	0.273	0.814	0.2%
A 2022	0.412	0.543	0.3%
F 2023	0.513	0.543	3.2%
F 2024	0.405	0.543	4.1%
F 2025	0.325	0.543	3.3%
F 2026	0.331	0.543	2.7%
F 2027	0.321	0.543	2.6%

Revenue Projection



Revenue History



Deaf and Blind Trust Interest and Income**Revenue Description**

The Deaf and Blind Trust is a fund set up for the support of the School for the Deaf and Blind using income generated from state land and the subsequent interest on the account. Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Up to 25.0% of distributable revenue may be diverted to the trust land administration account to fund the Department of Natural Resources & Conservation (DNRC) administrative costs.

Statutory Reference

Distribution – [20-8-110, MCA](#)
[Enabling Act](#), Sections 11 & 17

Other – DNRC trust land administration diversion ([77-1-108, MCA](#) & [77-1-109, MCA](#))
DNRC land bank administration diversion ([77-2-362, MCA](#))

Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

Interest and income from the trust, net of amounts to fund DNRC administration costs, are allocated to the School for the Deaf and Blind.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Short and long-term interest rates
- Bond rates

Revenue Estimate MethodologyData

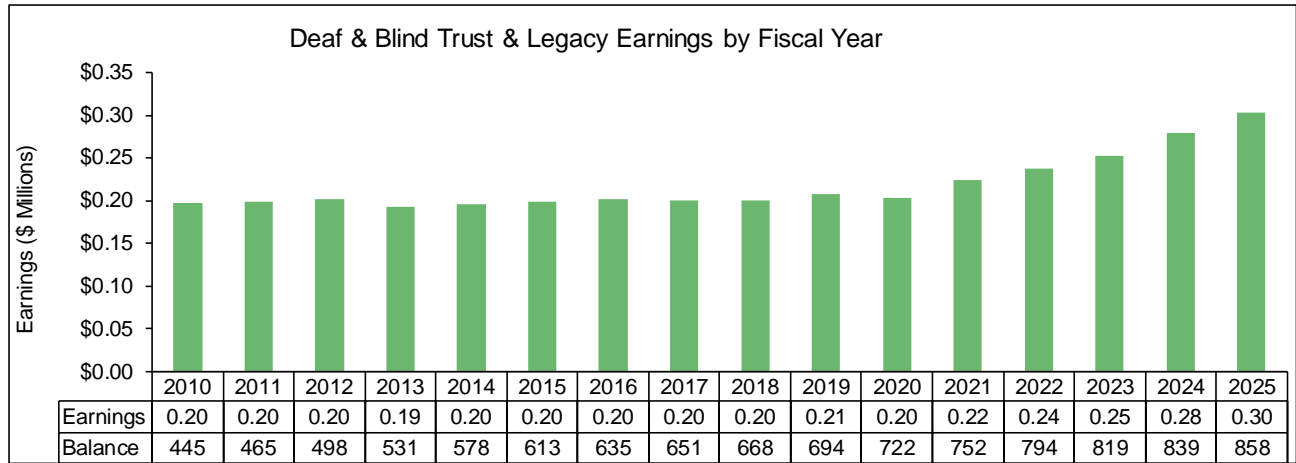
SABHRS data provide a history of each individual interest and income revenue component; DNRC annual reports and other data provide additional information such as mineral production and timber estimates; and DNRC estimates for operating costs are used for the forecast diversion amounts.

Analysis

Trust and Legacy Earnings: The monetary assets of the trust are pooled with monetary assets of other land trusts in the T & L and invested by the Board of Investment in the trust funds bond pool. Based on the number of share each trust owns, a share of the earnings is deposited in each trust. The Deaf and Blind trust share is 0.8%. The total pool earnings is a sum of the following:

- Earnings from new deposits – New deposits in the pool initially earn interest at the short-term rate before it is invested in a longer-term investment. IHS Markit forecasts for short-term interest rates are used to project these interest earnings
- Earnings from existing balance – Most of these funds have been invested in bonds purchased over the past several years. Estimated return rates from the BOI are applied to the current and forecast trust balance to calculate the estimate
- Non-portfolio earnings – Money not invested in the trust funds bond pool earns interest at the short-term rate

Once the total amount of the pool earnings has been estimated by summing the above three items, it is multiplied by the Deaf and Blind trust share of 0.8%.



Remaining revenue sources such as grazing and agricultural fees, as well as mineral royalties and oil and gas leases are typically estimated using a time series or assuming no growth from the previous fiscal year.

Future diversion amounts are based on estimates from the DNRC and are assumed to be funded with distributable revenue.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Deaf & Blind Share T&L	D&B T&L Interest \$ Millions
A 2012	\$0.242	-	\$24.175	\$0.028	0.8%	\$0.201
A 2013	0.30	-	23.189	0.022	0.8%	0.192
A 2014	0.28	-	23.042	0.007	0.8%	0.196
A 2015	0.31	-	24.044	0.003	0.8%	0.199
A 2016	0.34	-	23.894	0.004	0.8%	0.201
A 2017	0.28	-	23.612	0.013	0.8%	0.200
A 2018	0.26	-	22.923	0.033	0.8%	0.200
A 2019	0.32	-	24.257	0.062	0.8%	0.207
A 2020	0.28	-	23.984	0.091	0.8%	0.203
A 2021	0.28	-	24.603	0.008	0.8%	0.225
A 2022	0.25	-	26.149	0.019	0.8%	0.238
F 2023	0.28	-	28.268	0.305	0.8%	0.252
F 2024	0.31	-	31.423	0.390	0.8%	0.280
F 2025	0.33	-	34.627	0.311	0.8%	0.303
F 2026	0.36	-	37.925	0.254	0.8%	0.329
F 2027	0.36	-	38.734	0.247	0.8%	0.336

Interest Earnings

Deaf and Blind Interest and Income

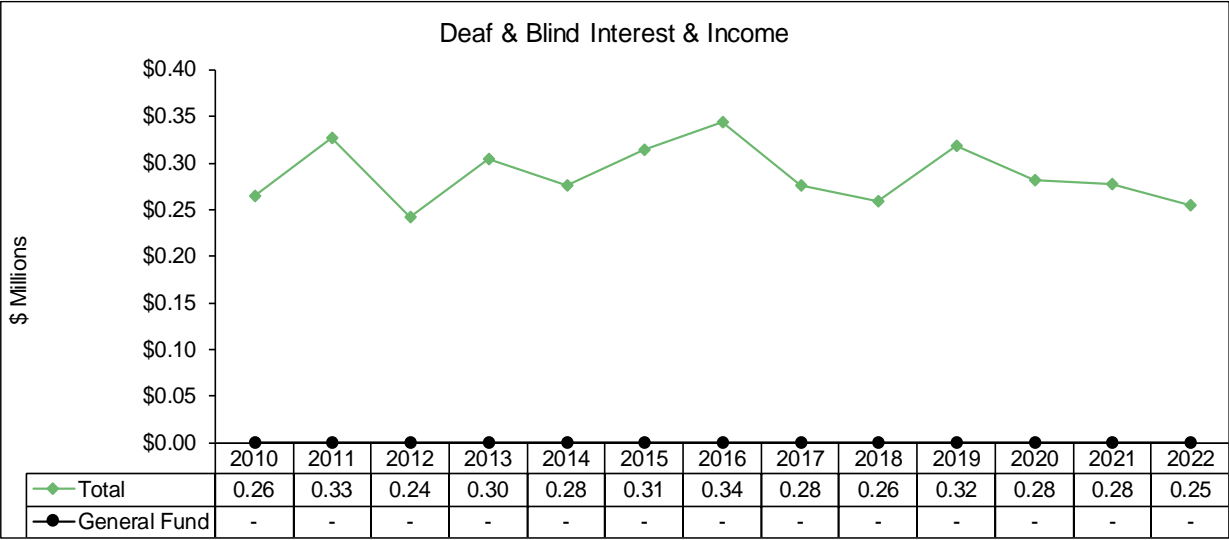
FY	Trust Income New Deposit \$ Millions	TFBP Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal \$ Millions	T&L Balance \$ Millions
A 2012	\$31.633	5.0%	0.1%	\$11.492	\$498.053
A 2013	35.482	4.5%	0.1%	13.436	531.053
A 2014	35.440	4.2%	0.1%	2.546	578.053
A 2015	26.197	4.0%	0.1%	2.927	612.524
A 2016	20.343	3.8%	0.3%	2.585	634.528
A 2017	16.456	3.7%	0.7%	5.141	650.603
A 2018	17.678	3.5%	1.5%	7.514	667.803
A 2019	24.635	3.6%	2.1%	8.903	693.503
A 2020	23.109	3.4%	1.3%	5.898	721.603
A 2021	31.019	3.3%	0.2%	9.113	751.963
A 2022	40.196	3.4%	1.0%	9.445	793.552
F 2023	30.836	3.5%	3.2%	9.445	818.647
F 2024	27.448	3.7%	4.1%	9.445	839.285
F 2025	23.889	4.0%	3.3%	9.445	858.154
F 2026	24.398	4.3%	2.7%	9.445	876.669
F 2027	24.603	4.3%	2.6%	9.445	895.368

FY	Grazing \$ Millions	Agriculture \$ Millions	Oil & Gas Lease \$ Millions	Oil & Gas Bonus \$ Millions	Oil & Gas Penalty \$ Millions	Misc. \$ Millions	TLMD Adm. \$ Millions
A 2012	\$0.066	\$0.043	\$0.010	0.042	\$0.000	\$0.092	(0.142)
A 2013	0.08	0.04	0.01	-	-	0.10	(0.12)
A 2014	0.09	0.03	0.01	-	0.00	0.11	(0.14)
A 2015	0.11	0.05	0.00	-	0.00	0.11	(0.15)
A 2016	0.15	0.05	-	-	-	0.10	(0.13)
A 2017	0.11	0.03	-	-	-	0.09	(0.14)
A 2018	0.08	0.03	-	-	-	0.09	(0.14)
A 2019	0.10	0.06	-	-	-	0.09	(0.14)
A 2020	0.10	0.07	-	-	-	0.13	(0.19)
A 2021	0.10	0.04	-	-	-	0.10	(0.20)
A 2022	0.10	0.04	-	-	-	0.12	(0.23)
F 2023	0.10	0.04	-	-	-	0.10	(0.21)
F 2024	0.10	0.04	-	-	-	0.10	(0.21)
F 2025	0.10	0.04	-	-	-	0.10	(0.22)
F 2026	0.10	0.04	-	-	-	0.10	(0.21)
F 2027	0.10	0.04	-	-	-	0.10	(0.21)

Revenue Projection



Revenue History



Economic Development Trust Interest**Revenue Description**

The Economic Development trust is one of several trusts set up with money from the coal severance tax. The interest money from this fund is used primarily for economic development by local governments and certified regional and economic development organizations. The deposits of coal severance tax revenue to this fund terminate at the end of FY 2025. For more information on the coal permanent trust earnings and distributions, see the chart in the [Coal Severance Tax](#) section.

[Article IX, Section 5](#) of the Montana Constitution requires that 50.0% of all coal severance tax revenue be deposited in a permanent coal trust fund in which appropriation of the principal requires a three-fourths vote of each house of the legislature. Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. The remaining funds are then split 25.0% (12.5% of total revenue) to the Big Sky Economic Development trust fund and the remaining 75.0% (37.5% of total revenue) to the school facilities fund under passage of [SB 260 \(2017 Session\)](#).

Statutory Reference

Distribution – [Montana Constitution, Article IX, Section 5; 17-5-703 \(5b\), MCA; 90-1-205, MCA](#)
Date Due – Monthly ([17-5-703\(5b\), MCA](#))

Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

Interest earnings are deposited to a state special revenue fund and are statutorily appropriated to the Department of Commerce to pay administrative expenses with the remainder for:

- 75.0% to local governments to be used for job creation; and
- 25.0% to certified regional development corporations and economic development organizations

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Short and long-term interest rates
- Bond rates
- Coal price and production

Revenue Estimate MethodologyData

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

Analysis

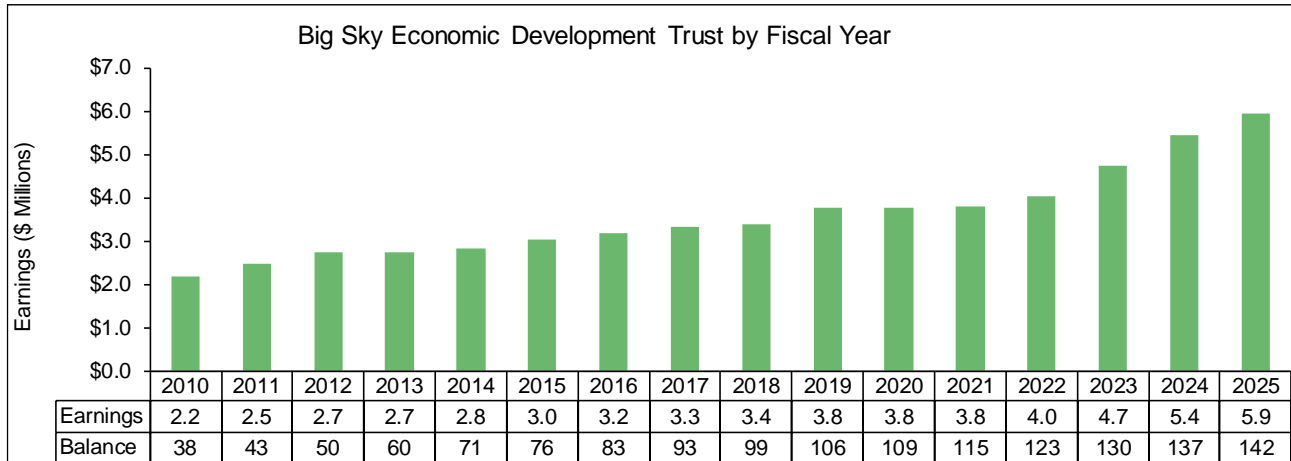
Each of the following interest or income components are estimated independently and combined to produce the overall estimate:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

Interest Earnings

Economic Development Trust Interest

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. Short-term interest forecasts from IHS Markit are applied to money not invested in the TFBP to calculate future STIP earnings.

Coal severance tax distributions to the trust are considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. These new trust deposits are forecast using estimates of coal severance tax collections.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

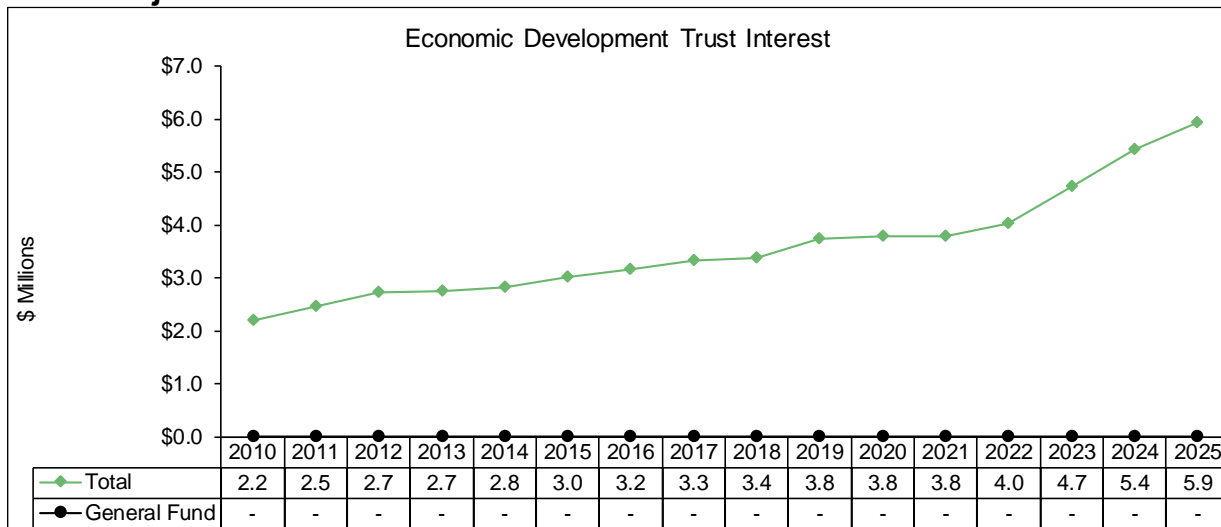
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2012	\$2.731	-	\$2.711	\$0.020	\$58.549	4.6%
A 2013	2.75	-	2.722	0.023	65.999	4.1%
A 2014	2.82	-	2.807	0.015	72.749	3.9%
A 2015	3.02	-	3.009	0.014	82.292	3.7%
A 2016	3.17	-	3.126	0.045	87.999	3.6%
A 2017	3.33	-	3.227	0.099	94.349	3.4%
A 2018	3.39	-	3.229	0.158	98.849	3.3%
A 2019	3.76	-	3.562	0.194	107.249	3.3%
A 2020	3.78	-	3.650	0.133	114.249	3.2%
A 2021	3.79	-	3.768	0.021	118.999	3.2%
A 2022	4.03	-	3.998	0.036	126.499	3.2%
F 2023	4.74	-	4.370	0.337	132.026	3.3%
F 2024	5.43	-	4.969	0.432	136.785	3.6%
F 2025	5.93	-	5.568	0.345	140.745	4.0%
F 2026	6.30	-	6.022	0.281	140.745	4.3%
F 2027	5.84	-	5.568	0.274	140.745	4.0%

Interest Earnings

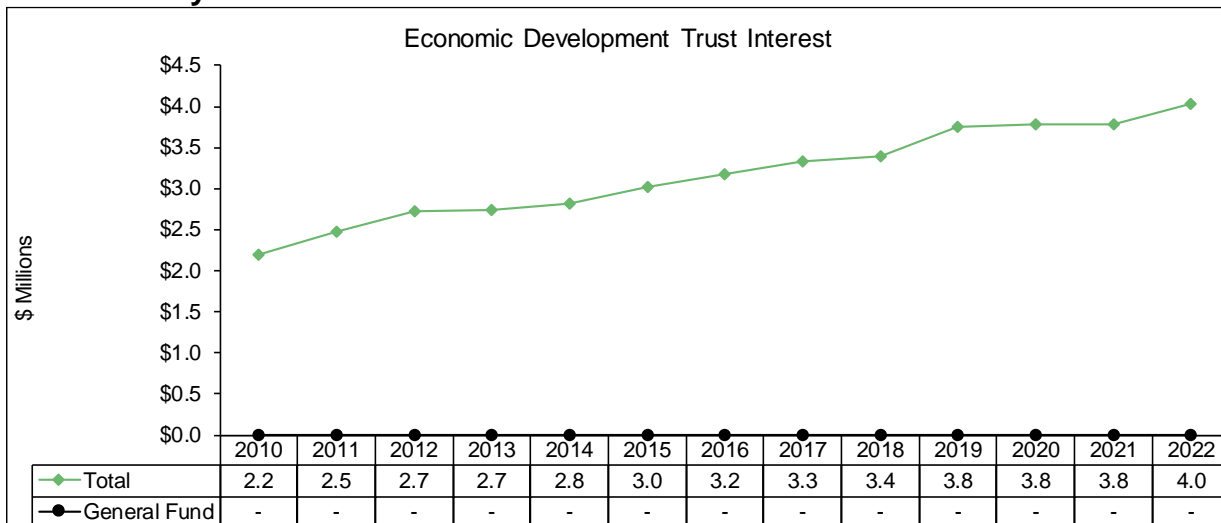
Economic Development Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	STIP Balance \$ Millions	Non Pool STIP Rate
A 2012	\$6.593	\$8.401	0.2%
A 2013	7.072	9.834	0.2%
A 2014	7.210	10.158	0.1%
A 2015	7.611	10.604	0.1%
A 2016	7.545	10.815	0.4%
A 2017	7.351	11.655	0.9%
A 2018	7.512	10.044	1.6%
A 2019	7.504	7.769	2.5%
A 2020	5.844	8.587	1.5%
A 2021	5.065	10.898	0.2%
A 2022	8.167	10.461	0.3%
F 2023	11.055	10.461	3.2%
F 2024	9.517	10.461	4.1%
F 2025	7.919	10.461	3.3%
F 2026	-	10.461	2.7%
F 2027	-	10.461	2.6%

Revenue Projection



Revenue History



Parks Trust Interest

Revenue Description

The Parks Trust is one of several trusts set up with money from the coal severance tax. Income from the parks trust must be appropriated for the acquisition, development, operation, and maintenance of state parks, state recreational areas, state monuments, and state historical sites under control of the Department of Fish, Wildlife and Parks (FWP). For more information on the coal permanent trust earnings and distributions, see the chart in the [Coal Severance Tax](#) section.

Statutory Reference

Distribution – [15-35-108\(4\), MCA](#)

Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

Interest earnings on the parks trust are allocated to FWP and deposited to a state special revenue fund.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Short- and long-term interest rates
- Bond rates
- Coal price and production

Revenue Estimate Methodology

Data

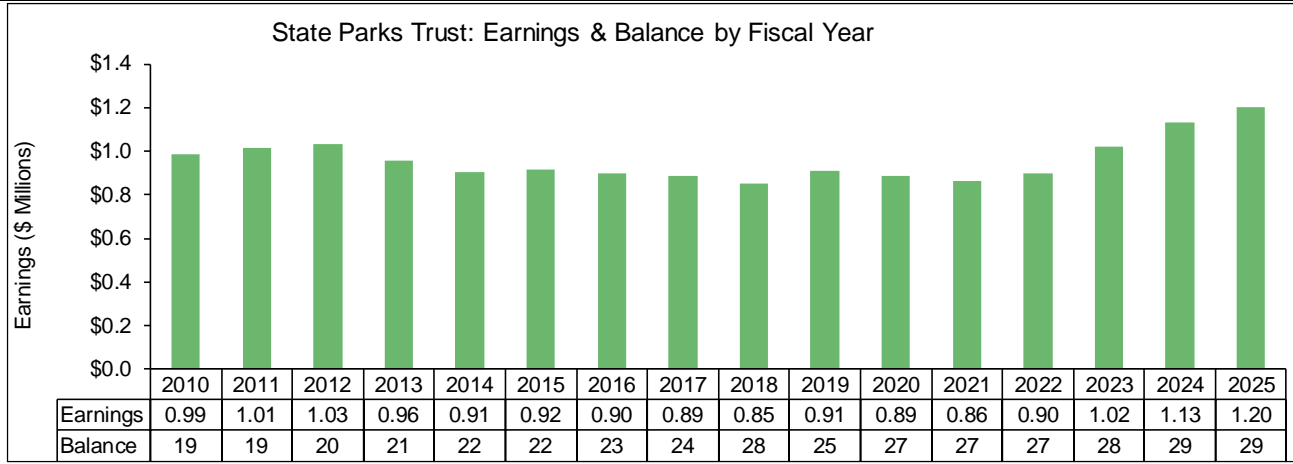
The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

Analysis

Each of the following interest or income components are estimated independently and combined to produce the overall estimate:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. Short-term interest forecasts from IHS Markit are applied to money not invested in the TFBP to calculate future STIP earnings.

The 1.27% coal severance tax distribution to the parks trust is considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. These new trust deposits are based on estimates of coal severance tax collections.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

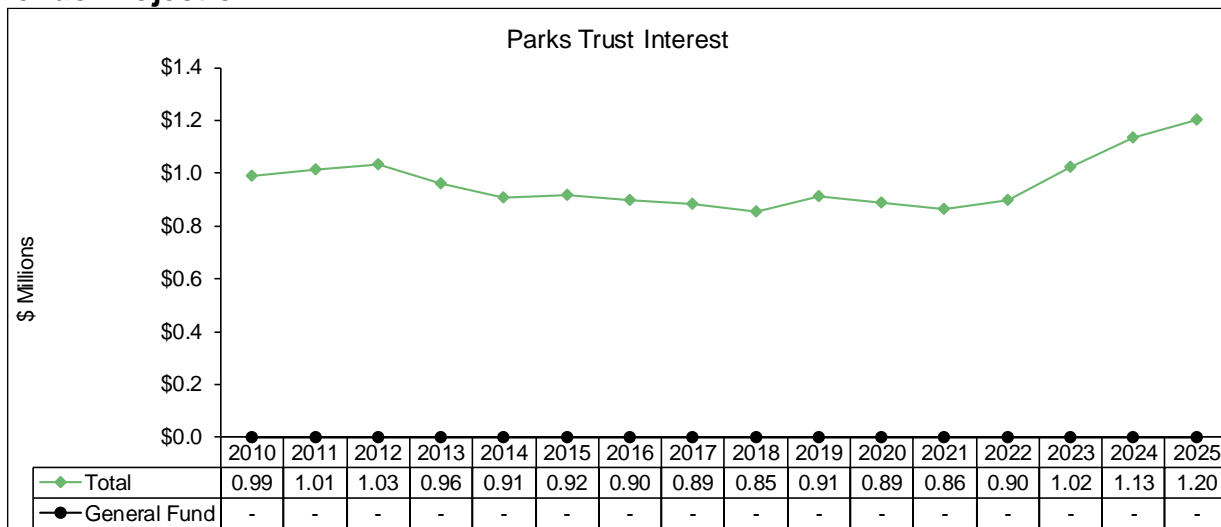
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2012	\$1.034	-	\$1.033	\$0.001	\$21.301	4.9%
A 2013	0.96	-	0.958	0.001	22.001	4.4%
A 2014	0.91	-	0.905	0.001	22.159	4.1%
A 2015	0.92	-	0.919	0.001	23.676	4.0%
A 2016	0.90	-	0.897	0.003	23.676	3.8%
A 2017	0.89	-	0.872	0.003	23.986	3.7%
A 2018	0.85	-	0.840	0.012	24.986	3.4%
A 2019	0.91	-	0.885	0.025	25.212	3.5%
A 2020	0.89	-	0.862	0.263	25.502	3.4%
A 2021	0.86	-	0.859	0.004	25.502	3.4%
A 2022	0.90	-	0.891	0.007	26.502	3.4%
F 2023	1.02	-	0.949	0.073	27.019	3.5%
F 2024	1.13	-	1.040	0.093	27.427	3.8%
F 2025	1.20	-	1.129	0.074	27.754	4.1%
F 2026	1.28	-	1.220	0.060	28.088	4.3%
F 2027	1.21	-	1.156	0.059	28.411	4.1%

Interest Earnings

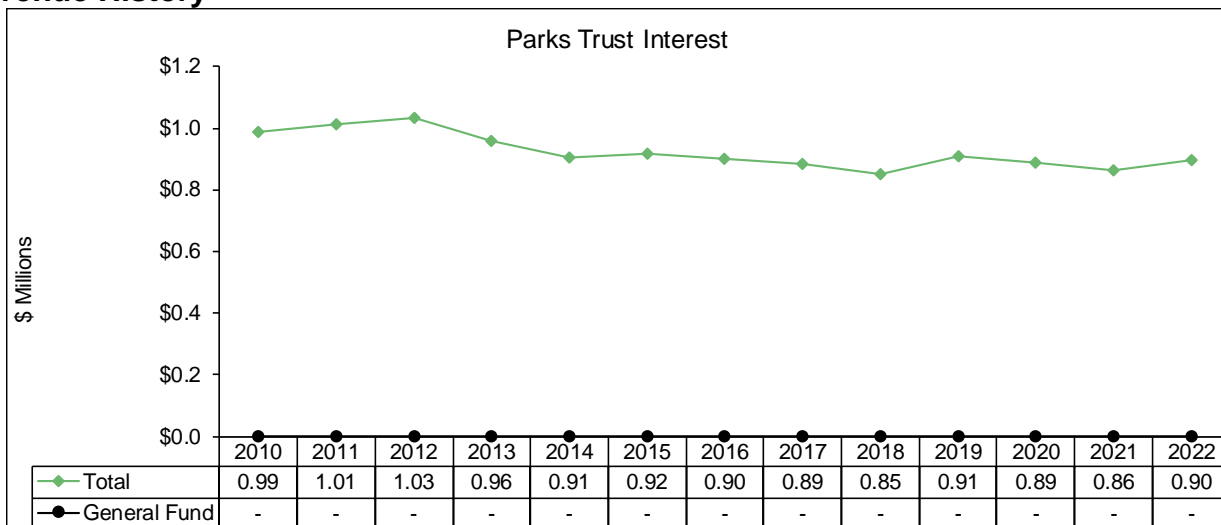
Parks Trust Interest

	Net Coal Tax New Deposit	STIP Balance	Non Pool STIP
FY	\$ Millions	\$ Millions	Rate
A 2012	\$0.670	\$0.289	0.3%
A 2013	0.718	0.551	0.3%
A 2014	0.732	0.994	0.2%
A 2015	0.773	0.499	0.1%
A 2016	0.767	0.937	0.4%
A 2017	0.747	1.265	0.3%
A 2018	0.763	1.822	0.8%
A 2019	0.762	1.530	1.5%
A 2020	0.594	1.887	15.4%
A 2021	0.549	2.431	0.2%
A 2022	0.830	2.188	0.3%
F 2023	1.033	2.188	3.2%
F 2024	0.816	2.188	4.1%
F 2025	0.655	2.188	3.3%
F 2026	0.668	2.188	2.7%
F 2027	0.646	2.188	2.6%

Revenue Projection



Revenue History



Pine Hills Interest and Income

Revenue Description

The Pine Hills trust is a fund set up for the support of the Pine Hills youth correctional facility using income generated from state land and the subsequent interest on the account. Lands granted by the federal government to the state for the benefit of public schools and various state institutions generate income through rents or crop shares for agricultural purposes, royalties from the sale of mineral rights, and sales of timber. Up to 25.0% of distributable revenue may be diverted to the trust land administration account to fund the Department of Natural Resources & Conservation (DNRC) administrative costs.

Statutory Reference

Distribution – [17-3-1003, MCA](#)
[Enabling Act](#), Sections 11 & 17

Other – DNRC trust land administration diversion ([77-1-108, MCA](#) & [77-1-109, MCA](#))
DNRC land bank administration diversion ([77-2-362, MCA](#))

Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

Interest and income from the trust, net of amounts to fund DNRC administration, is allocated to the Department of Corrections for support of the Pine Hills youth correctional facility.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Short- and long-term interest rates
- Bond rates

Revenue Estimate Methodology

Data

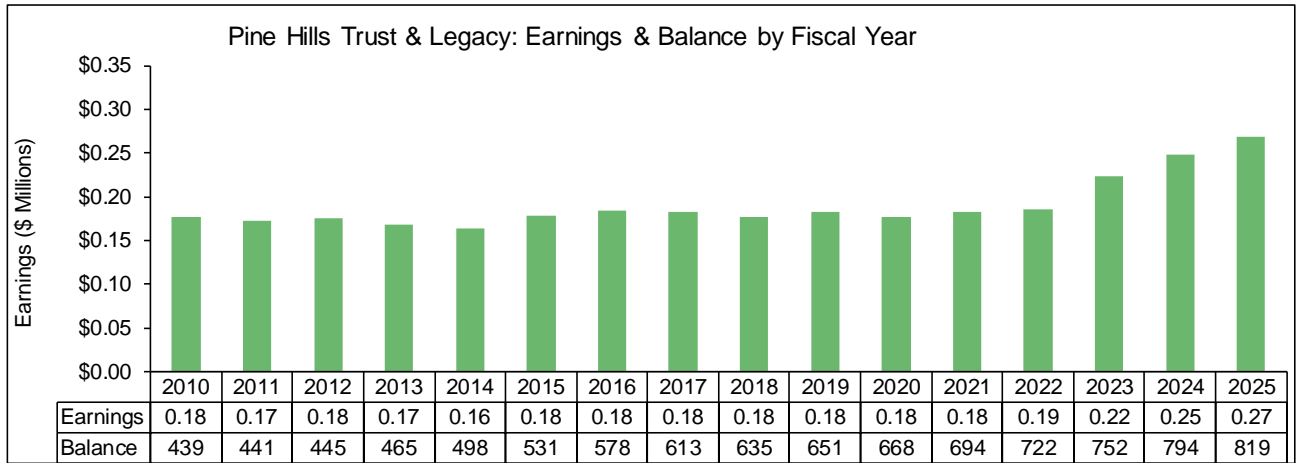
SABHRS data provide a history of each individual interest and income revenue component; DNRC annual reports and other data provide additional information such as mineral production and timber estimates; and DNRC estimates for operating costs are used for the forecast diversion amounts.

Analysis

Trust and Legacy Earnings: The monetary assets of the trust are pooled with monetary assets of other land trusts in the T & L and invested by the Board of Investments in the trust funds bond pool. Based on the number of share each trust owns, a share of the earnings is deposited in each trust. The Pine Hills trust share is 0.8%. The total pool earnings are a sum of the following:

- Earnings from new deposits – New deposits in the pool initially earn interest at the short-term rate before it is invested in a longer-term investment. IHS Markit forecasts for short-term interest rates are used to project these interest earnings
- Earnings from existing balance – Most of these funds have been invested in bonds purchased over the past several years. Estimated return rates from the BOI are applied to the current and forecast trust balance to calculate the estimate
- Non-portfolio earnings – Money not invested in the trust funds bond pool earns interest at the short-term rate

Once the total amount of the pool earnings has been estimated by summing the above three items, it is multiplied by the Pine Hills trust share of 0.8%.



Remaining revenue sources such as grazing and agricultural fees, as well as mineral royalties and oil and gas leases are typically estimated using a time series or assuming no growth from the previous fiscal year.

Future diversion amounts are based on estimates from the DNRC and are assumed to be funded with distributable revenue.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

	Total Rev.	GF Rev.	TFBP	STIP	Pine	Pine Hills
FY	\$ Millions	\$ Millions	Interest	Interest	Hills Share	T&L Interest
			\$ Millions	\$ Millions	T&L	\$ Millions
A 2012	\$0.393	-	\$24.175	\$0.028	0.7%	\$0.176
A 2013	0.30	-	23.189	0.022	0.7%	0.17
A 2014	0.34	-	23.042	0.007	0.7%	0.16
A 2015	0.36	-	24.044	0.003	0.7%	0.18
A 2016	0.39	-	23.894	0.004	0.8%	0.18
A 2017	0.39	-	23.612	0.013	0.8%	0.18
A 2018	0.34	-	22.923	0.033	0.8%	0.18
A 2019	0.39	-	24.257	0.062	0.8%	0.18
A 2020	0.36	-	23.984	0.091	0.7%	0.18
A 2021	0.37	-	24.603	0.008	0.7%	0.18
A 2022	0.32	-	26.149	0.019	0.7%	0.19
F 2023	0.36	-	28.268	0.305	0.7%	0.22
F 2024	0.36	-	31.423	0.390	0.7%	0.25
F 2025	0.40	-	34.627	0.311	0.7%	0.27
F 2026	0.42	-	37.925	0.254	0.7%	0.29
F 2027	0.43	-	38.734	0.247	0.7%	0.30

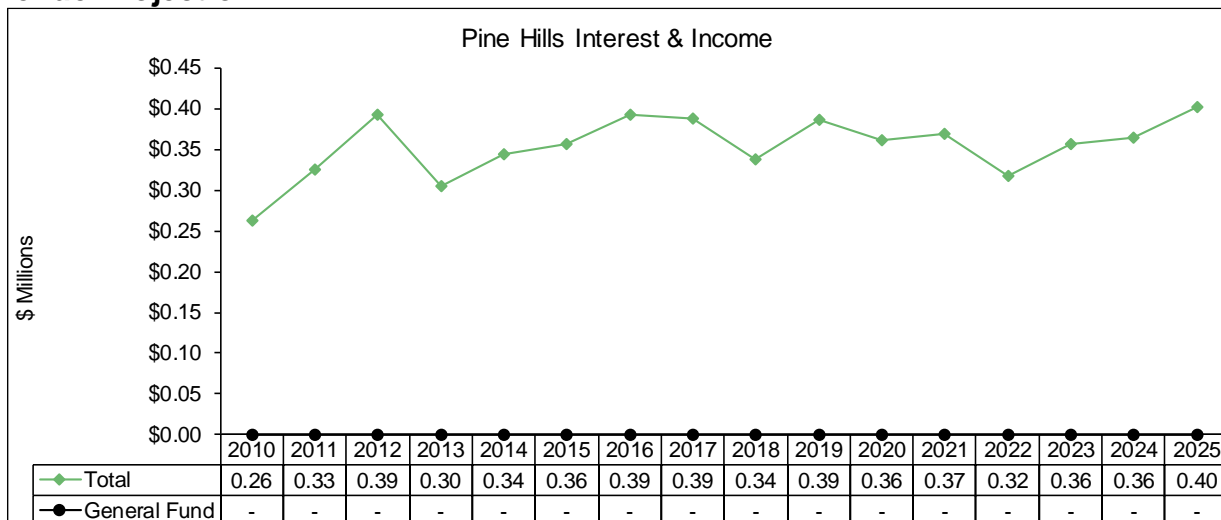
Interest Earnings

Pine Hills Interest and Income

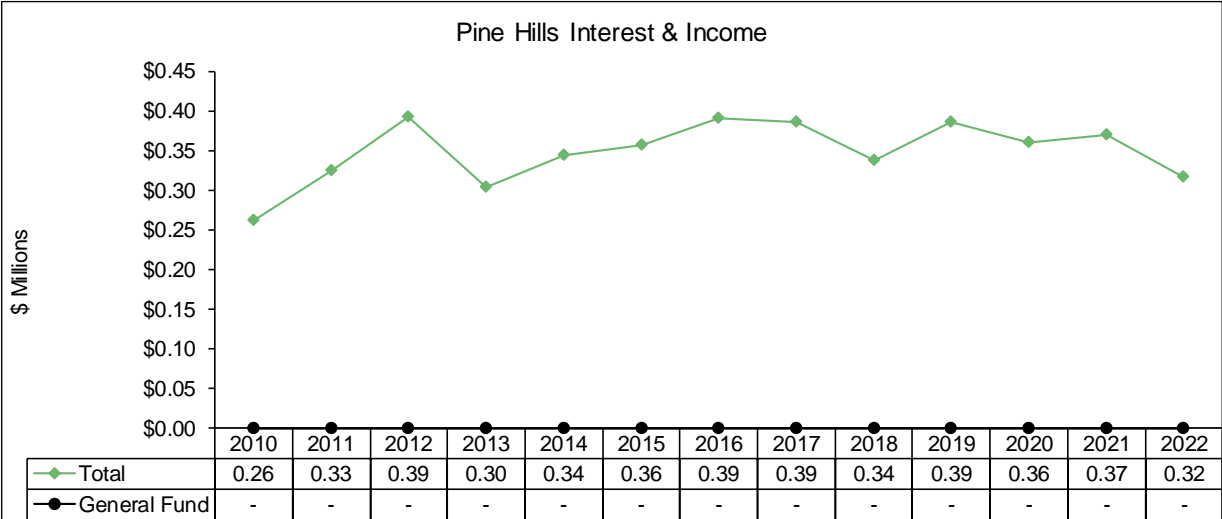
FY	Trust Income New Deposit \$ Millions	TFBP Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal \$ Millions	T&L Balance \$ Millions
A 2012	\$31.633	5.0%	0.1%	\$11.492	\$498.053
A 2013	35.482	4.5%	0.1%	13.436	531.053
A 2014	35.440	4.2%	0.1%	2.546	578.053
A 2015	26.197	4.0%	0.1%	2.927	612.524
A 2016	20.343	3.8%	0.3%	2.585	634.528
A 2017	16.456	3.7%	0.7%	5.141	650.603
A 2018	17.678	3.5%	1.5%	7.514	667.803
A 2019	24.635	3.6%	2.1%	8.903	693.503
A 2020	23.109	3.4%	1.3%	5.898	721.603
A 2021	31.019	3.3%	0.2%	9.113	751.963
A 2022	40.196	3.4%	1.0%	9.445	793.552
F 2023	30.836	3.5%	3.2%	9.445	818.647
F 2024	27.448	3.7%	4.1%	9.445	839.285
F 2025	23.889	4.0%	3.3%	9.445	858.154
F 2026	24.398	4.3%	2.7%	9.445	876.669
F 2027	24.603	4.3%	2.6%	9.445	895.368

FY	Grazing \$ Millions	Agriculture \$ Millions	Misc. Fees \$ Millions	Oil & Gas Lease \$ Millions	Oil & Gas Bonus \$ Millions	Oil & Gas Penalty \$ Millions	TLMD Adm. \$ Millions
A 2012	\$0.100	\$0.030	\$0.147	\$0.033	0.047	\$0.005	(0.115)
A 2013	0.12	0.02	0.15	0.03	-	0.01	(0.20)
A 2014	0.14	0.02	0.15	0.03	-	0.02	(0.18)
A 2015	0.18	0.02	0.16	0.02	0.00	0.01	(0.19)
A 2016	0.24	0.03	0.16	0.00	0.00	0.00	(0.19)
A 2017	0.17	0.02	0.17	-	-	-	(0.14)
A 2018	0.14	0.04	0.20	-	-	-	(0.16)
A 2019	0.16	0.03	0.22	-	-	-	(0.20)
A 2020	0.16	0.02	0.20	-	-	-	(0.21)
A 2021	0.16	0.03	0.19	-	-	-	(0.20)
A 2022	0.16	0.03	0.09	-	-	-	(0.15)
F 2023	0.15	0.03	0.14	-	-	-	(0.19)
F 2024	0.16	0.03	0.11	-	-	-	(0.19)
F 2025	0.16	0.03	0.13	-	-	-	(0.18)
F 2026	0.16	0.03	0.12	-	-	-	(0.18)
F 2027	0.16	0.03	0.12	-	-	-	(0.18)

Revenue Projection



Revenue History



Regional Water Trust Interest

Revenue Description

The Montana Coal Endowment Regional Water trust is one of several trusts set up with money from the coal severance tax. Interest earned on the fund is used to provide matching funds to plan and construct regional drinking water systems in Montana and fund state and local entity administrative expenses. Except for administrative expenses, state funds must be matched equally by local funds. The funds in the account are further restricted to finance regional drinking water systems from the waters of the Tiber Reservoir and the Missouri River within specific geographic areas.

The fund previously received 25.0% of the coal severance tax distribution to the coal trust fund. The deposit of coal severance tax revenue to this fund terminated at the end of FY 2016. For more information on the coal permanent trust earnings and distributions, see the chart in the [Coal Severance Tax](#) section.

Statutory Reference

Distribution – [Montana Constitution, Article IX, Section 5; 17-5-703 \(4b\), MCA; 90-6-715, MCA](#)

Date Due – Monthly ([17-5-703\(4d\), MCA](#))

Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

Interest earnings are deposited to a state special revenue fund and appropriated to the Department of Natural Resources and Conservation to fund eligible projects and pay administrative expenses.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Short and long-term interest rates
- Bond rates
- Coal price and production

Revenue Estimate Methodology

Data

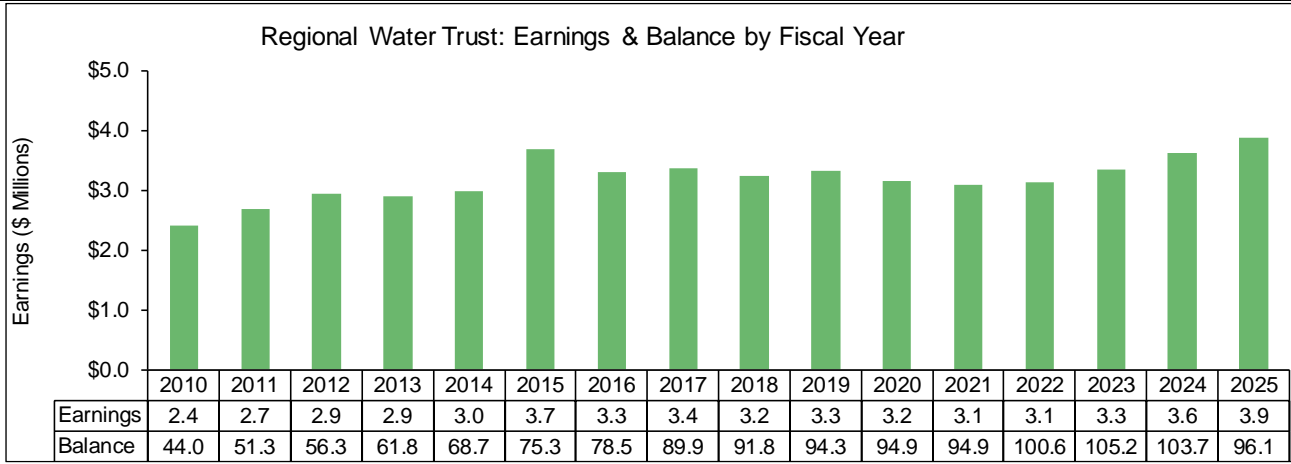
The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

Analysis

Each of the following interest or income components are estimated independently and combined:

- Trust fund bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



The regional water trust was projected to sunset at the end of FY 2016. However, [HB 180 \(2015 Session\)](#) extended the sunset of the trust until the end of FY 2031.

STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. Short-term interest forecasts from IHS Markit are applied to money not invested in the TFBP to calculate future STIP earnings.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

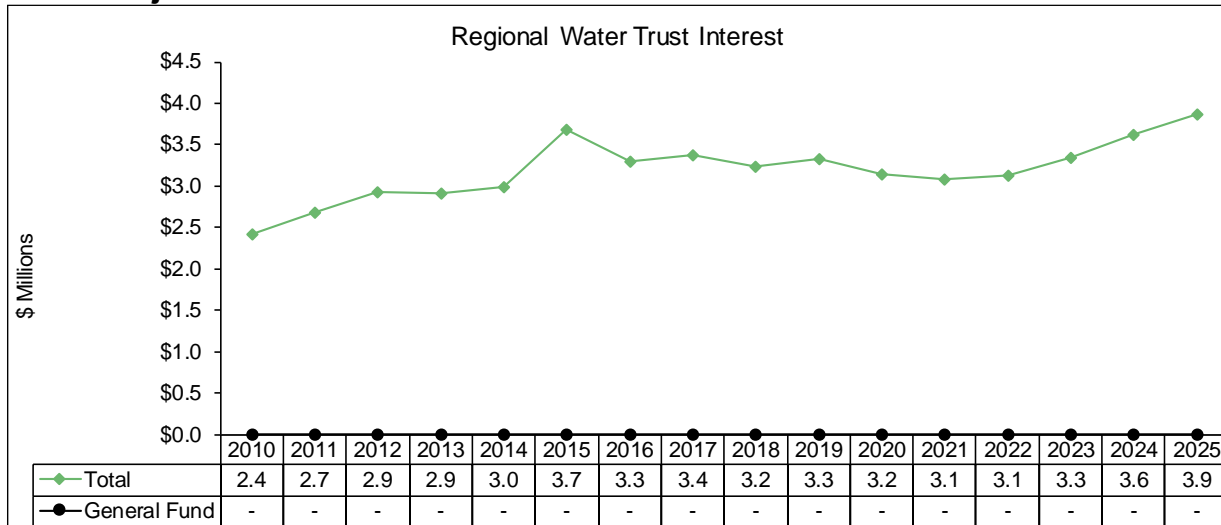
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2012	\$2.937	-	\$2.913	\$0.023	\$62.342	4.9%
A 2013	2.91	-	2.896	0.016	70.292	4.4%
A 2014	2.99	-	2.988	0.006	76.542	4.1%
A 2015	3.68	-	3.176	0.003	84.792	3.9%
A 2016	3.31	-	3.285	0.022	91.792	3.7%
A 2017	3.38	-	3.341	0.038	94.292	3.6%
A 2018	3.25	-	3.173	0.044	93.670	3.4%
A 2019	3.33	-	3.240	0.091	93.670	3.5%
A 2020	3.15	-	3.111	0.042	93.670	3.3%
A 2021	3.09	-	3.077	0.011	93.670	3.3%
A 2022	3.14	-	3.117	0.053	93.670	3.3%
F 2023	3.34	-	3.262	0.077	93.670	3.5%
F 2024	3.63	-	3.529	0.098	93.670	3.8%
F 2025	3.87	-	3.795	0.079	93.670	4.1%
F 2026	4.12	-	4.061	0.064	93.670	4.3%
F 2027	4.12	-	4.061	0.062	93.670	4.3%

Interest Earnings

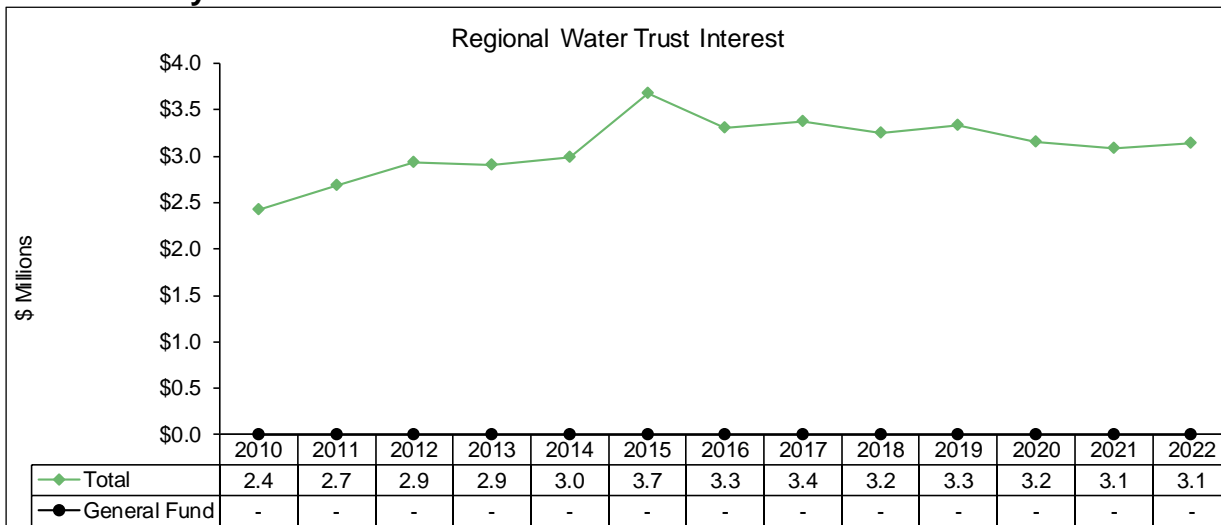
Regional Water Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	STIP Balance \$ Millions	Non Pool STIP Rate
A 2012	\$6.593	\$7.198	0.3%
A 2013	7.072	4.646	0.3%
A 2014	7.210	1.958	0.2%
A 2015	7.611	3.094	0.1%
A 2016	7.545	6.143	0.5%
A 2017	-	0.709	1.1%
A 2018	-	4.550	1.7%
A 2019	-	1.192	3.2%
A 2020	-	1.192	3.5%
A 2021	-	1.192	0.9%
A 2022	-	2.383	3.0%
F 2023	-	2.383	3.2%
F 2024	-	2.383	4.1%
F 2025	-	2.383	3.3%
F 2026	-	2.383	2.7%
F 2027	-	2.383	2.6%

Revenue Projection



Revenue History



Resource Indemnity Trust Interest

Revenue Description

The Resource Indemnity Trust was set up from resource extraction taxes. The interest money from this fund is used for a variety of purposes focusing on natural resource and environmental projects. For more information, see the [LFD brochure](#).

[Article IX, Section 2](#) of the Montana Constitution and [Title 15, Chapter 38, MCA](#), requires that certain resource extraction taxes, as determined by the legislature, be placed in a trust. The principal of the Resource Indemnity Trust (RIT), up to \$100 million, cannot be appropriated and is guaranteed by the state against loss or diversion. The principal of the trust reached \$100 million in FY 2003, and subsequently no longer receives additional tax deposits. Interest earnings on the RIT are spent to improve the total environment and rectify damage to the environment. It was also the legislature’s intent that the use of interest earnings for operations of state government be minimized.

Statutory Reference

Distribution – [Montana Constitution, Article IX, Section 2](#); [15-38-202\(2\), MCA](#); [15-38-203, MCA](#)

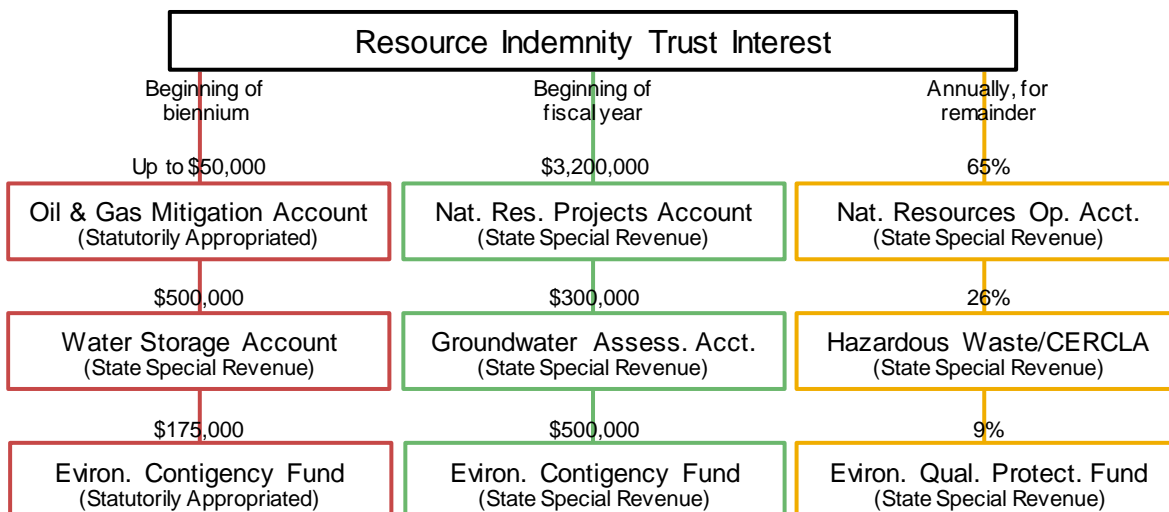
Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

Statute allocates RIT interest earnings in the following manner:

- 1) At the beginning of the biennium, an amount not to exceed \$50,000 to the oil and gas mitigation account to bring the balance up to \$200,000
- 2) At the beginning of the biennium, \$500,000 to the water storage state special revenue account
- 3) At the beginning of the biennium, \$175,000 to the environmental contingency fund
- 4) \$3.2 million annually to the natural resources projects state special revenue account
- 5) \$300,000 annually to the ground water assessment account
- 6) \$500,000 annually to the future fisheries program for bull trout and cutthroat trout recovery
- 7) Of the remaining RIT interest earnings:
 - a) 65.0% to the natural resources operations state special revenue account
 - b) 26.0% to the hazardous waste/CERCLA state special revenue account
 - c) 9.0% to the environmental quality protection state special revenue fund



Interest Earnings

Resource Indemnity Trust Interest

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Short and long-term interest rates

Revenue Estimate Methodology

Data

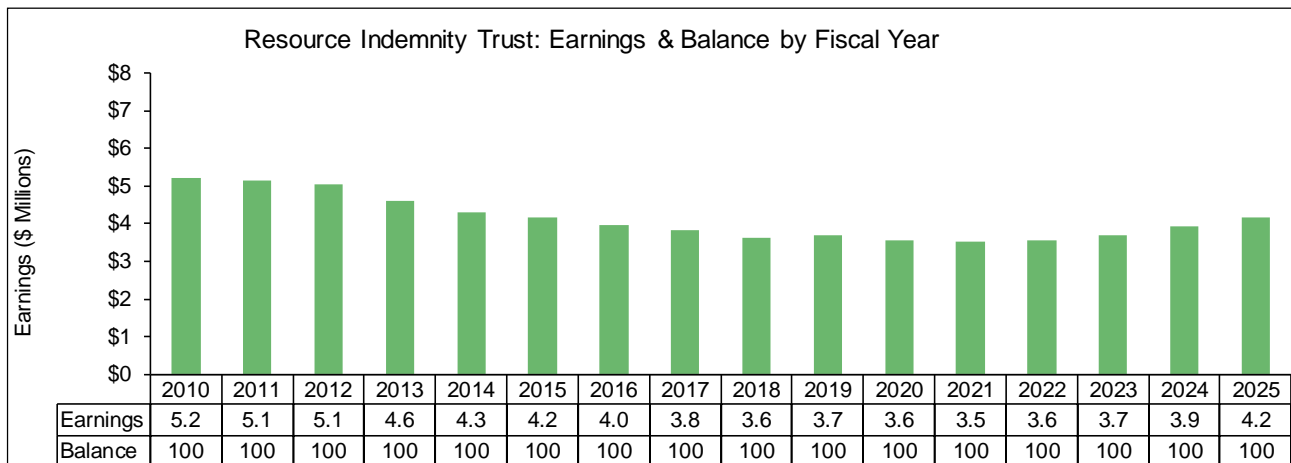
The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and IHS Markit, and historic interest collections are obtained from SABHRS.

Analysis

Each of the following interest or income components are estimated independently and combined:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. Short-term interest forecasts from IHS Markit are applied to money not invested in the TFBP to calculate future STIP earnings.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

Interest Earnings

Resource Indemnity Trust Interest

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate	Net Tax New Deposit \$ Millions
A 2012	\$5.064	-	\$5.062	\$0.001	\$100.000	5.1%	-
A 2013	4.60	-	4.60	0.00	100.00	4.6%	-
A 2014	4.30	-	4.30	0.00	100.00	4.3%	-
A 2015	4.18	-	4.18	0.00	100.00	4.2%	-
A 2016	3.97	-	3.97	0.00	100.00	4.0%	-
A 2017	3.82	-	3.82	0.00	100.00	3.8%	-
A 2018	3.62	-	3.62	0.00	100.00	3.6%	-
A 2019	3.70	-	3.70	0.00	100.00	3.7%	-
A 2020	3.56	-	3.55	0.00	100.00	3.6%	-
A 2021	3.52	-	3.52	0.00	100.00	3.5%	-
A 2022	3.56	-	3.56	0.00	100.00	3.6%	-
F 2023	3.69	-	3.69	0.00	100.00	3.7%	-
F 2024	3.93	-	3.93	0.00	100.00	3.9%	-
F 2025	4.17	-	4.17	0.00	100.00	4.2%	-
F 2026	4.40	-	4.40	0.00	100.00	4.4%	-
F 2027	4.17	-	4.17	0.00	100.00	4.2%	-

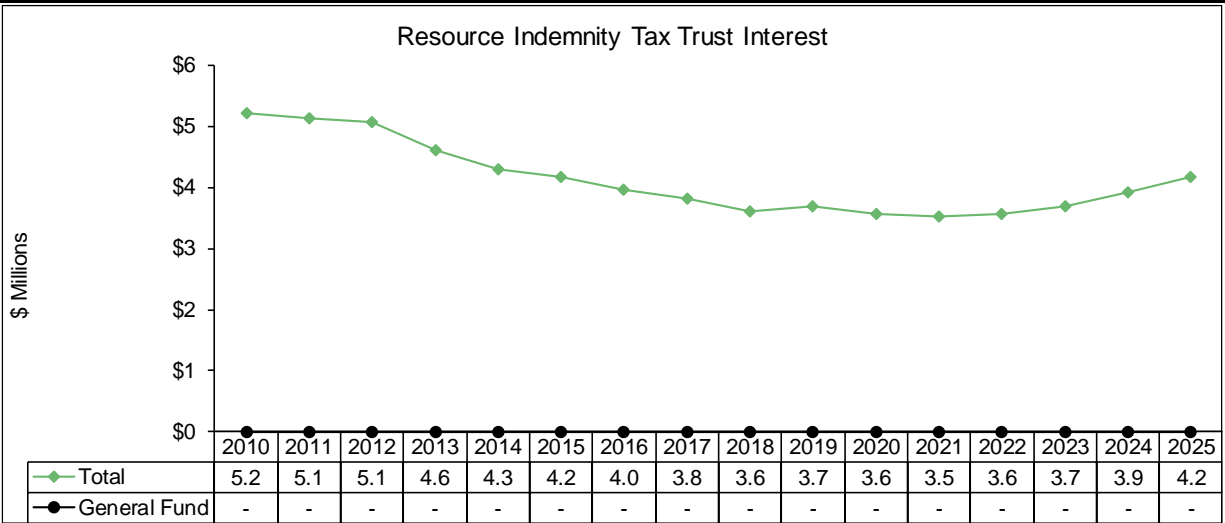
FY	STIP Balance \$ Millions	Non Pool STIP Rate	Hazardous Waste \$ Millions	Environmental Quality \$ Millions	Renewable Resource \$ Millions	Reclamation Development \$ Millions
A 2012	\$0.420	0.3%	\$0.048	\$0.017	\$0.000	\$0.000
A 2013	0.37	0.2%	0.08	0.03	-	-
A 2014	0.02	0.2%	-	-	-	-
A 2015	0.02	1.7%	-	-	-	-
A 2016	0.02	5.0%	-	-	-	-
A 2017	0.02	0.8%	-	-	-	-
A 2018	0.02	1.5%	-	-	-	-
A 2019	0.02	2.1%	-	-	-	-
A 2020	0.02	1.3%	-	-	-	-
A 2021	0.02	0.2%	-	-	-	-
A 2022	0.02	1.0%	-	-	-	-
F 2023	0.02	3.2%	-	-	-	-
F 2024	0.02	4.1%	-	-	-	-
F 2025	0.02	3.3%	0.04	0.02	-	-
F 2026	0.02	2.7%	-	-	-	-
F 2027	0.02	0.03	0.04	0.02	-	-

FY	Environmental Contingency \$ Millions	Water Storage \$ Millions	Oil & Gas Receipts \$ Millions	FWP Receipts \$ Millions	Groundwater Receipts \$ Millions	NR Operation Receipts \$ Millions	NR Projects Receipts \$ Millions
A 2012	\$0.028	\$0.500	\$0.050	\$0.500	\$0.300	\$0.121	\$3.500
A 2013	-	-	-	0.50	0.30	0.20	3.50
A 2014	0.15	0.43	-	0.43	0.26	-	3.02
A 2015	-	-	-	0.49	0.29	-	3.40
A 2016	0.09	0.38	0.49	0.38	0.23	-	2.42
A 2017	-	-	-	0.48	0.29	-	3.05
A 2018	0.13	0.37	0.13	0.37	0.22	-	2.39
A 2019	-	-	-	0.46	0.28	-	2.96
A 2020	0.12	0.34	0.38	0.34	0.20	-	2.18
A 2021	-	-	-	0.44	0.26	-	2.81
A 2022	0.12	0.35	0.32	0.35	0.21	-	2.22
F 2023	-	-	-	0.46	0.28	-	2.95
F 2024	0.13	0.37	0.43	0.37	0.22	-	2.36
F 2025	-	-	-	0.50	0.30	0.11	3.20
F 2026	0.14	0.41	0.43	0.41	0.25	-	2.65
F 2027	-	-	-	0.50	0.30	0.11	3.20

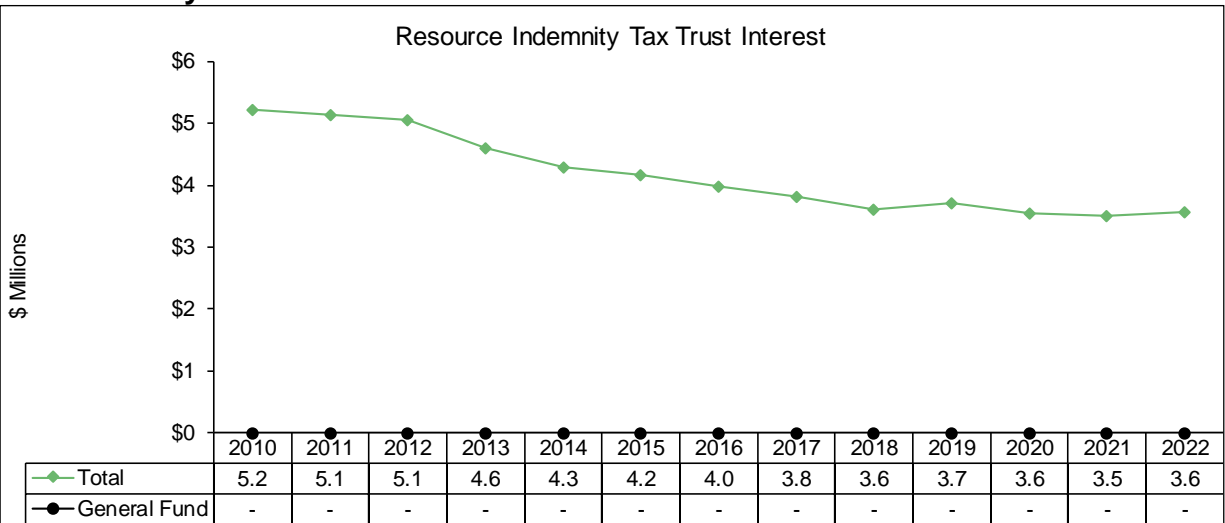
Revenue Projection

Interest Earnings

Resource Indemnity Trust Interest



Revenue History



School Facilities Trust Interest

Revenue Description

The School Facilities trust is one of several trusts set up with money from the coal severance tax. The interest money from this fund is used for school facility projects authorized by the legislature. The deposits of coal severance tax revenue to this fund terminate when the size of the balance of the fund reaches \$200 million, at which point the distribution reverts to the permanent fund. For more information on the coal permanent trust earnings and distributions, see the chart in the [Coal Severance Tax](#) section.

[Article IX, Section 5](#) of the Montana Constitution requires that 50.0% of all coal severance tax revenue be deposited in a permanent coal trust fund in which appropriation of the principal requires a three-fourths vote of each house of the legislature. Coal severance tax funds flowing into the trust fund are first used to secure and subsidize state bonds issued to finance water resource and renewable resource development projects and activities. The remaining funds are then split 25.0% (12.5% of total revenue) to the Big Sky Economic Development trust fund and the remaining 75.0% (37.5% of total revenue) to the school facilities fund under passage of [SB 260 \(2017 Session\)](#).

Statutory Reference

Distribution – [Montana Constitution, Article IX, Section 5](#); [17-5-703 \(5b\), MCA](#); [20-9-380, MCA](#)
Date Due – Monthly ([17-5-703\(5b\), MCA](#))

Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

Interest earnings are deposited in the school major maintenance aid account. The purpose of the account is to provide funding for basic school facility projects.

Summary of Legislative Action:

[HB 321](#) creates a general fund transfer to fill up the school facilities trust to its cap of \$200 million by August 2023. This increased balance will generate additional interest income.

Forecast Risks

- Short and long-term interest rates
- Bond rates
- Coal price and production

Revenue Estimate Methodology

Data

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

Analysis

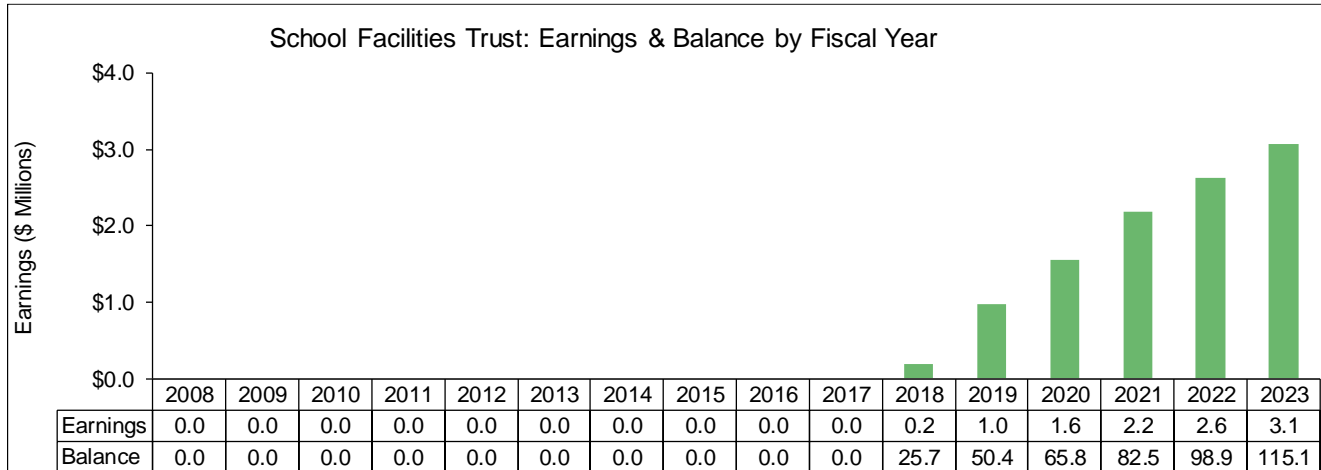
Each of the following interest or income components are estimated independently and combined to produce the overall estimate:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

Interest Earnings

School Facilities Trust Interest

The TFBP was formed in 1995 to manage the fixed investments held in the state’s major trust funds. Each trust owns “shares” of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance. Forecasted amounts are shown in the chart below.



STIP interest is earned on the temporary investment of trust funds. Funds are acquired from activities such as new deposits and investment sales. Funds are held in STIP until the BOI determines that conditions are favorable for deposit in the TFBP. Short-term interest forecasts from IHS Markit are applied to money not invested in the TFBP to calculate future STIP earnings.

Coal severance tax distributions to the trust are considered new deposits. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the coal tax transfer, the funds are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. These new trust deposits are forecast using estimates of coal severance tax collections.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

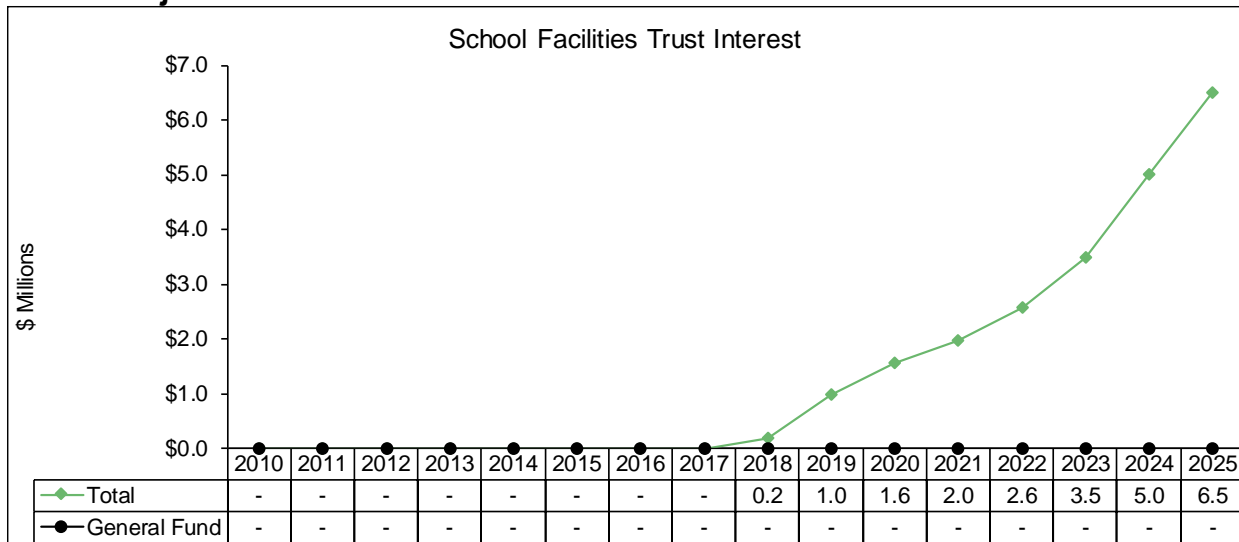
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	Loan Interest \$ Millions	Invested Balance \$ Millions	TFBP Long Term Rate
A 2012							
A 2013							
A 2014							
A 2015							
A 2016							
A 2017							
A 2018	\$0.193	-	\$0.173	\$0.020	-	\$22.537	0.8%
A 2019	0.97	-	0.79	0.12	-	45.05	2.3%
A 2020	1.55	-	1.47	0.08	-	62.58	2.7%
A 2021	1.96	-	1.95	0.01	-	77.77	2.8%
A 2022	2.58	-	2.57	0.02	-	94.10	3.0%
F 2023	3.47	-	3.26	0.22	-	127.26	2.9%
F 2024	5.00	-	4.74	0.26	-	155.82	3.3%
F 2025	6.49	-	6.30	0.20	-	179.57	3.8%
F 2026	8.10	-	7.95	0.16	-	202.56	4.2%
F 2027	8.53	-	8.42	0.10	-	202.56	4.2%

Interest Earnings

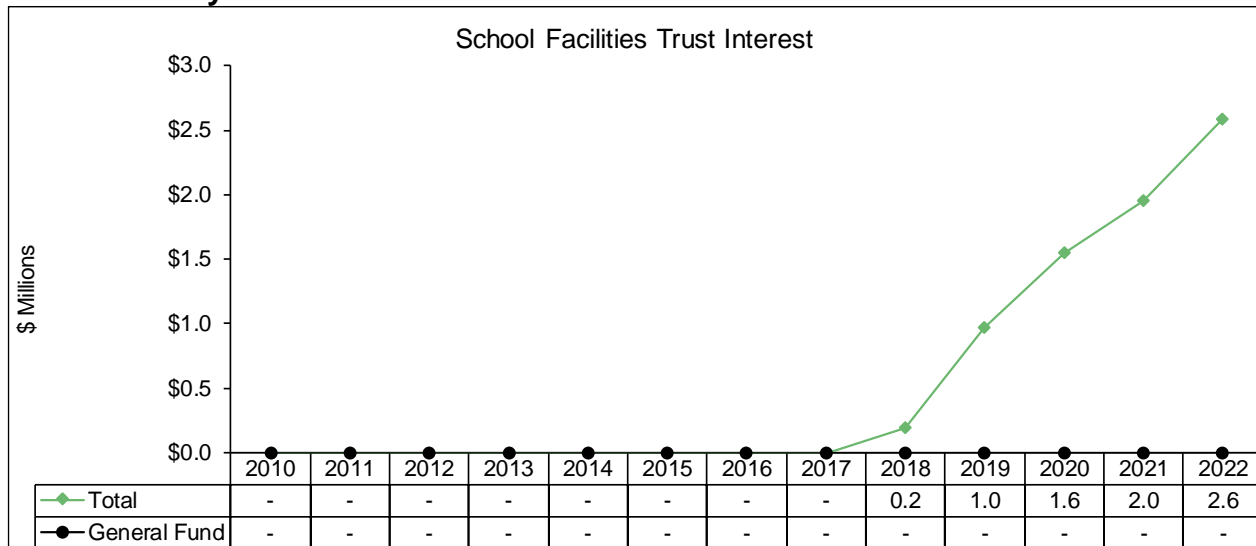
School Facilities Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	Non Pool STIP Bal \$ Millions	Non Pool STIP Rate
A 2012			
A 2013			
A 2014			
A 2015			
A 2016			
A 2017			
A 2018	22.537	3.196	1.5%
A 2019	22.511	5.380	2.1%
A 2020	17.533	3.201	1.3%
A 2021	15.194	3.789	0.2%
A 2022	24.502	3.938	1.0%
F 2023	33.164	3.938	3.2%
F 2024	28.552	3.938	4.1%
F 2025	23.757	3.938	3.3%
F 2026	22.989	3.938	2.7%
F 2027	-	3.938	2.6%

Revenue Projection



Revenue History



Tobacco Trust Interest

Revenue Description

The tobacco trust fund is set up with money from the tobacco settlement, which included 46 states and various United States territories. In 2000, as required by constitutional amendment, the state began depositing 40.0% of the tobacco settlement funds into a trust. As required in statute, 10.0% of the trust earnings must be deposited in the trust.

This revenue source is only the interest resulting from that account (highlighted in the distribution chart); revenue from continued payments from the tobacco settlement is explained in the Tobacco Settlement section under the Other General Funds section.

Statutory Reference

Distribution – [Montana Constitution Article XII, Section 4](#); [17-6-601, MCA](#); [17-6-603, MCA](#)

Date Due – Interest deposits are mostly made monthly, but none in July and two in June

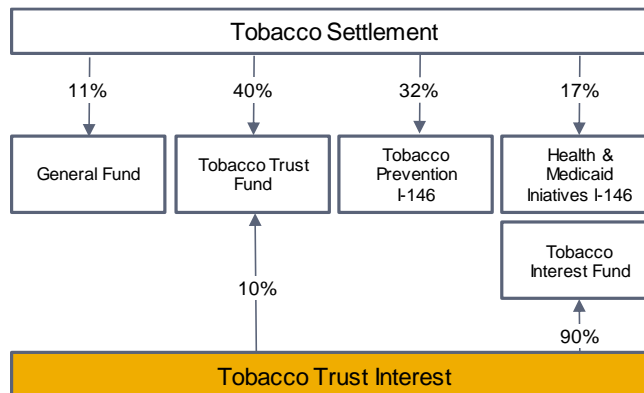
Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution

Interest earnings from the trust fund are distributed as follows

1. 90.0% to a state special revenue account for appropriation by the legislature for disease prevention programs (includes chronic disease programs) and state programs providing benefits, services, or coverage that are related to the health care needs of the people of Montana; and
2. 10.0% to the tobacco settlement trust fund



Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Short and long-term interest rates

Revenue Estimate Methodology

Data

The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

Analysis

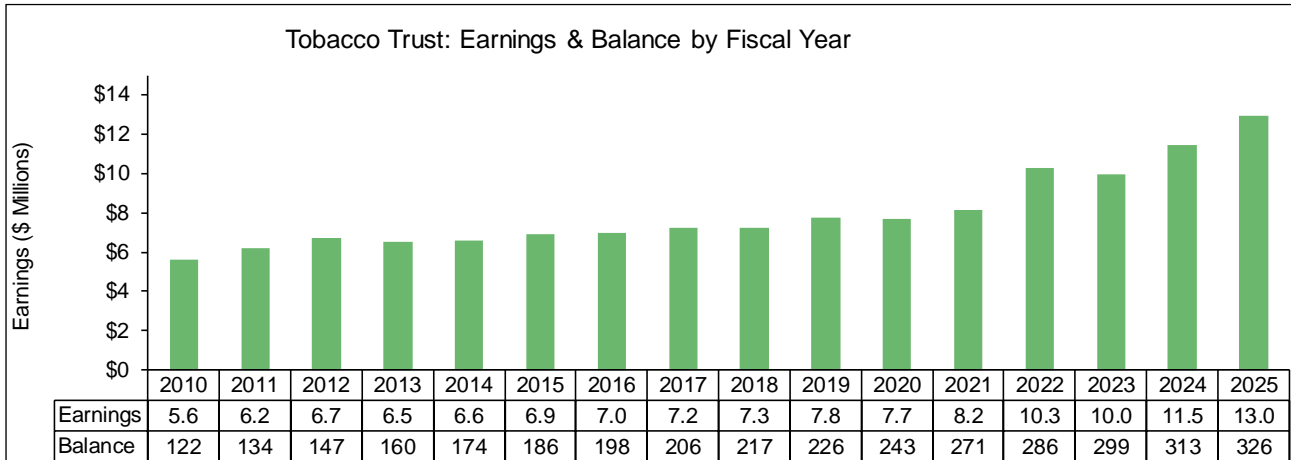
Interest Earnings

Tobacco Trust Interest

Each of the following interest or income components are estimated independently and combined:

- Trust funds bond pool (TFBP)
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state’s major trust funds. Each trust owns “shares” of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. Short-term interest forecasts from IHS Markit are applied to money not invested in the TFBP to calculate future STIP earnings.

The 40.0% distribution of tobacco settlement funds and 10.0% of retained interest earnings are considered new deposits in the tobacco settlement trust. New deposits are transferred to the trust on a quarterly basis. When the BOI receives the tobacco settlement funds, they are immediately invested in STIP. Funds are expected to remain in STIP for one month before being invested in the TFBP. The interest earned on new deposits is estimated by summing STIP earnings for one month with TFBP earnings for the remainder of the year.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

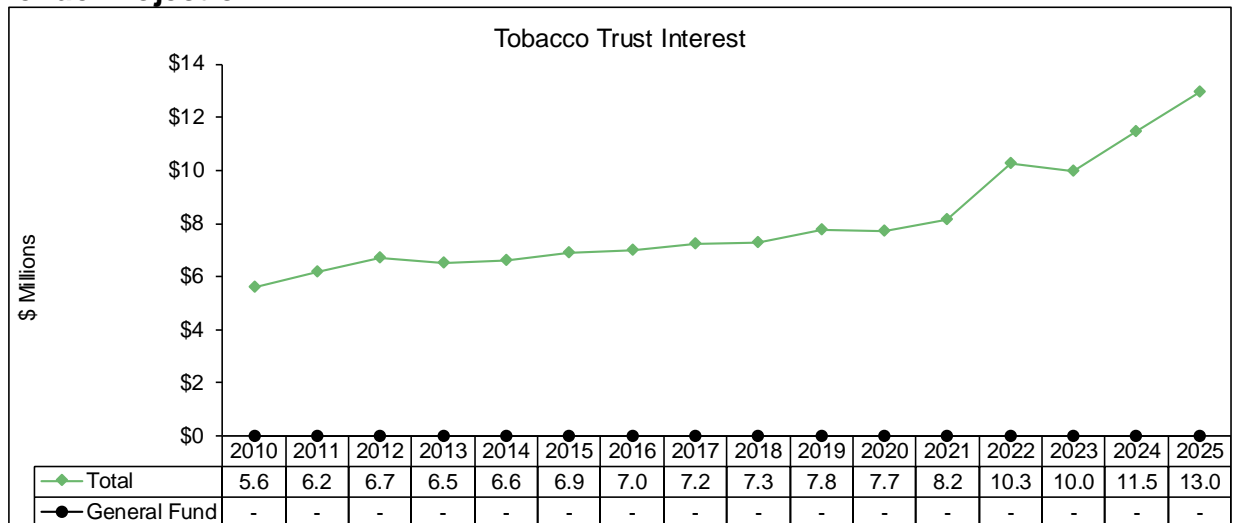
Interest Earnings

Tobacco Trust Interest

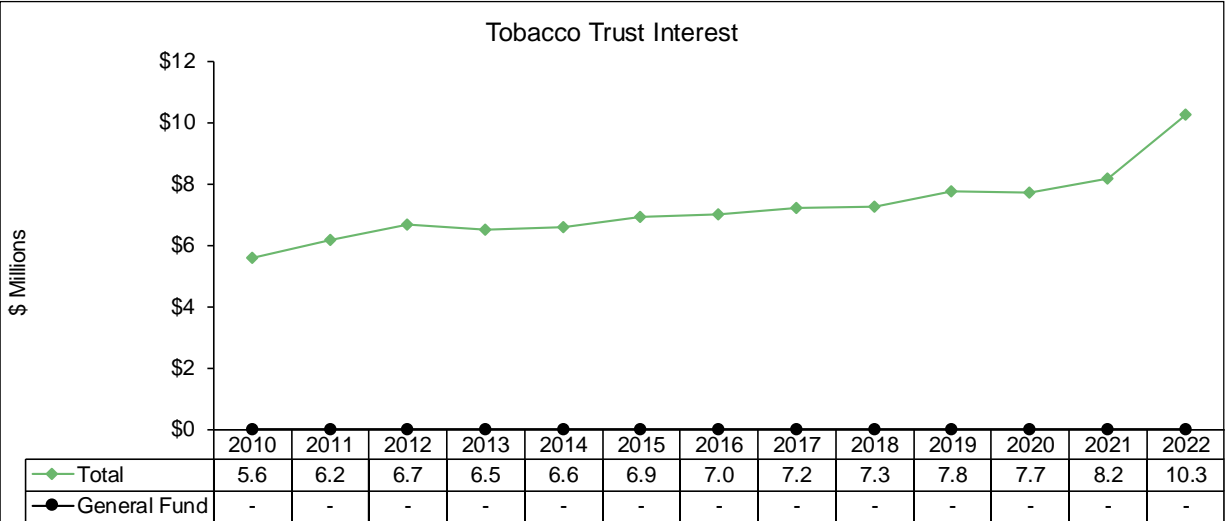
FY	Total Rev. \$ Millions	GF Rev. \$ Millions	TFBP Interest \$ Millions	STIP Interest \$ Millions	90 Percent Interest \$ Millions	10 Percent Interest \$ Millions
A 2012	\$6.701	-	\$6.615	\$0.003	\$6.031	\$0.670
A 2013	6.53	-	6.523	0.002	5.87	0.65
A 2014	6.59	-	6.591	0.001	5.93	0.66
A 2015	6.92	-	6.916	0.001	6.22	0.69
A 2016	7.01	-	7.003	0.006	6.31	0.70
A 2017	7.22	-	7.199	0.018	6.50	0.72
A 2018	7.26	-	7.100	0.064	6.53	0.73
A 2019	7.76	-	7.618	0.139	6.98	0.78
A 2020	7.72	-	7.594	0.131	6.95	0.77
A 2021	8.17	-	8.154	0.015	7.35	0.82
A 2022	10.28	-	9.098	0.014	9.26	1.03
F 2023	9.99	-	9.798	0.194	8.99	1.00
F 2024	11.48	-	11.233	0.248	10.33	1.15
F 2025	12.95	-	12.757	0.198	11.66	1.30
F 2026	14.53	-	14.369	0.161	13.08	1.45
F 2027	15.88	-	15.722	0.157	14.29	1.59

FY	Tobacco New Deposit \$ Millions	TFBP Long Term Rate	Non Pool STIP Rate	Non Pool STIP Bal \$ Millions	Invested Balance \$ Millions
A 2012	\$12.081	4.7%	0.3%	\$2.109	\$145.059
A 2013	12.078	4.3%	0.2%	0.294	159.609
A 2014	13.257	4.0%	0.2%	0.609	173.209
A 2015	11.727	3.9%	0.2%	0.277	185.959
A 2016	12.260	3.6%	1.1%	0.823	198.409
A 2017	12.157	3.6%	0.5%	6.507	205.604
A 2018	10.101	3.2%	1.0%	5.825	217.104
A 2019	11.032	3.4%	1.9%	9.118	225.604
A 2020	9.652	3.2%	2.2%	2.561	242.604
A 2021	31.820	3.2%	0.3%	6.673	271.104
A 2022	12.458	3.3%	0.2%	5.009	286.104
F 2023	12.153	3.4%	3.2%	5.009	292.490
F 2024	12.097	3.7%	4.1%	5.009	306.585
F 2025	12.042	4.0%	3.3%	5.009	320.680
F 2026	11.989	4.3%	2.7%	5.009	334.775
F 2027	11.936	4.5%	2.6%	5.009	348.870

Revenue Projection



Revenue History



Montana Coal Endowment Trust Interest**Revenue Description**

The Montana Coal Endowment Trust is one of several trusts set up with money from the coal severance tax. Interest earned on the fund is used to finance local infrastructure projects, as prioritized by the Departments of Commerce and Natural Resources and Conservation (DNRC) and authorized by the legislature via the Treasure State Endowment Program (TSEP).

This fund previously received 50.0% of the coal severance tax distribution to the coal trust fund. The deposit of coal severance tax revenue to this fund terminated at the end of FY 2016. For more information on the coal permanent trust earnings and distributions, see the chart in the Coal Severance Tax section.

Statutory Reference

Distribution – [17-5-703 \(4c\), MCA](#); [90-6-701\(2\), MCA](#)

Date Due – Monthly ([17-5-703 \(4c\), MCA](#))

Applicable Tax Rates: N/A

Collection Frequency: Monthly

Distribution: Interest earnings are allocated to the Department of Commerce to fund TSEP.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Short and long-term interest rates
- Bond rates
- Coal price and production

Revenue Estimate MethodologyData

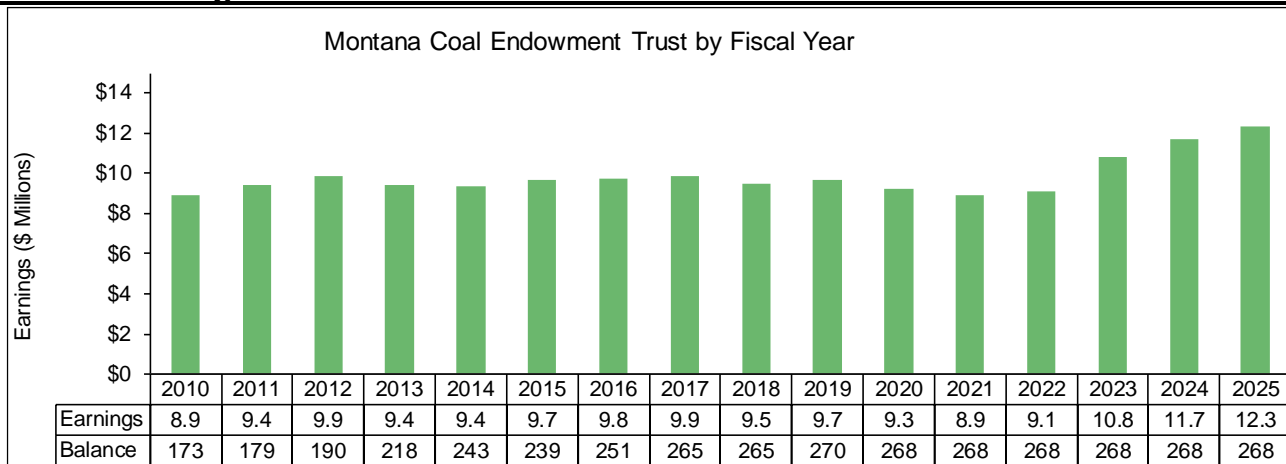
The Board of Investments (BOI) provides information on historic interest rates as well as the gains and losses from the sale of securities. Projections of future interest rates are provided by the BOI and historic interest collections are obtained from SABHRS.

Analysis

Each of the following interest or income components are estimated independently and combined:

- Trust funds bond pool (TFBP)
- In-state investments
- Short-term investment pool (STIP)
- New trust deposits

The TFBP was formed in 1995 to manage the fixed investments held in the state's major trust funds. Each trust owns "shares" of the pool and interest earnings are paid to each trust on a per-share basis. TFBP earnings are the largest source of earnings for the trust, as shown in the figure below. TFBP earnings are forecast by applying estimated return rates, provided by the BOI, to the current and forecast trust balance.



Earnings from in-state investments have historically been the second largest source of income to the TSEP trust. The BOI is required by statute to invest 25.0% of coal tax trust in the Montana economy. In-state investments primarily consist of loans to Montana business entities and earnings are equal to the interest charged on the loans.

STIP interest (including other interest) is earned on cash, prior to investment in long-term investments. Funds are acquired from new deposits and/or maturing securities in the forecast period. Funds are held in STIP until the BOI determines that conditions are favorable for investment in the TFBP. Short-term interest forecasts from IHS Markit are applied to money not invested in the TFBP to calculate future STIP earnings.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

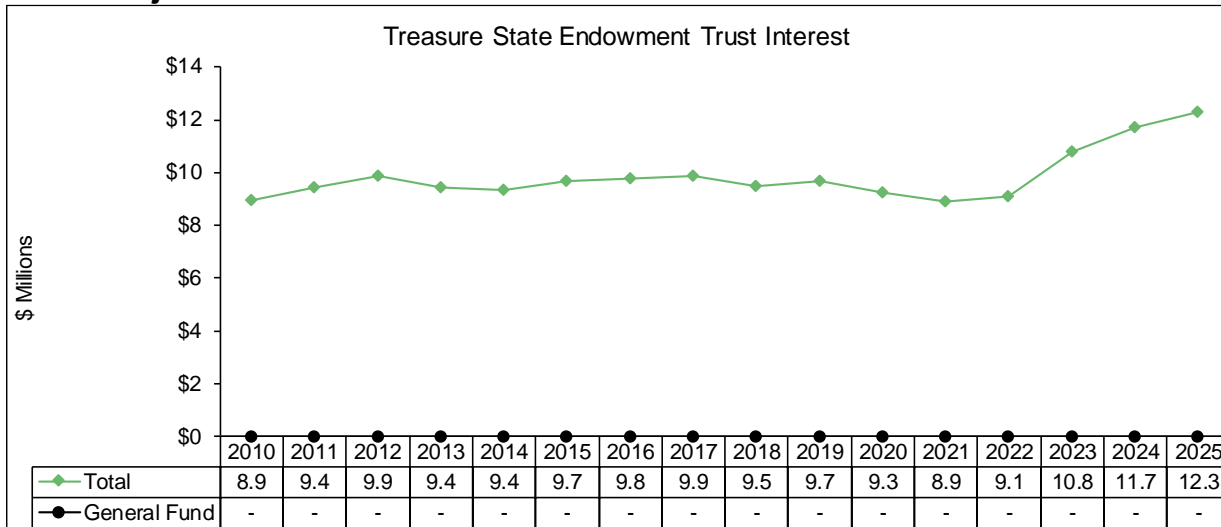
	Total Rev.	GF Rev.	TFBP	STIP	Loan	Invested	TFBP
FY	\$ Millions	\$ Millions	Interest \$ Millions	Interest \$ Millions	Interest \$ Millions	Balance \$ Millions	Long Term Rate
A 2012	\$9.866	-	\$9.742	\$0.049	\$0.079	\$205.133	4.9%
A 2013	9.45	-	9.344	0.053	0.054	219.433	4.4%
A 2014	9.36	-	9.297	0.029	0.003	233.933	4.1%
A 2015	9.65	-	9.616	0.018	0.023	251.183	4.0%
A 2016	9.77	-	9.668	0.078	0.021	266.273	3.7%
A 2017	9.85	-	9.660	0.180	0.013	269.683	3.6%
A 2018	9.48	-	9.158	0.227	0.009	268.044	3.4%
A 2019	9.67	-	9.354	0.312	0.008	268.044	3.5%
A 2020	9.25	-	8.981	0.266	0.006	268.044	3.4%
A 2021	8.92	-	8.882	0.039	0.004	268.044	3.3%
A 2022	9.09	-	9.007	0.113	0.000	268.319	3.5%
F 2023	10.80	-	10.159	0.636	0.000	268.319	3.8%
F 2024	11.72	-	10.907	0.815	0.000	268.319	4.1%
F 2025	12.31	-	11.656	0.651	0.000	268.319	4.3%
F 2026	12.77	-	12.239	0.530	0.000	268.319	4.6%
F 2027	13.37	-	12.850	0.517	0.000	268.319	4.8%

Interest Earnings

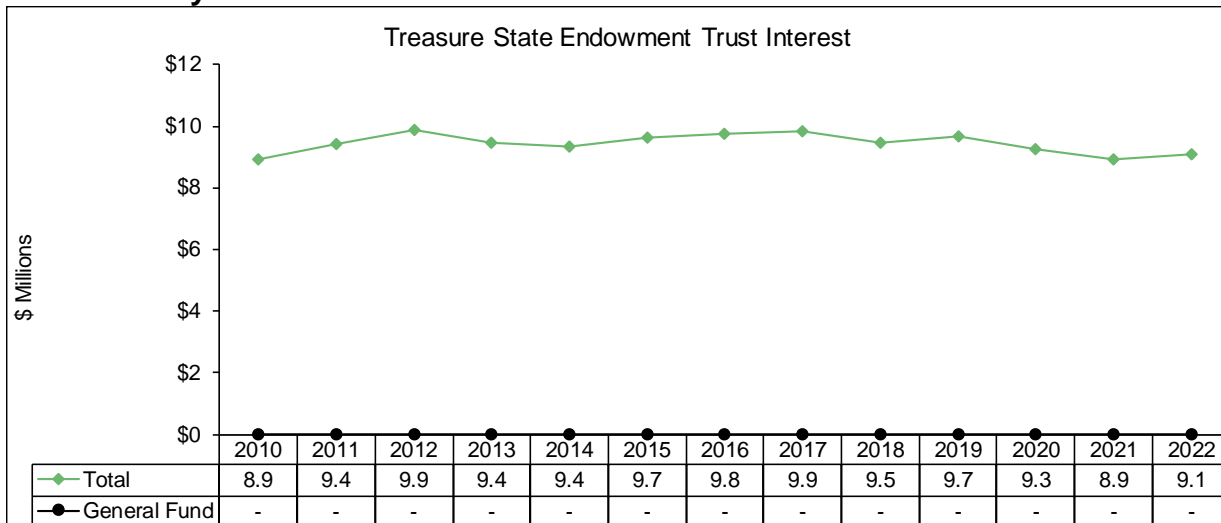
Montana Coal Endowment Trust Interest

FY	Net Coal Tax New Deposit \$ Millions	Non Pool STIP Bal \$ Millions	Non Pool STIP Rate	Non Pool Loan Rate	Non Pool Loan Bal \$ Millions
A 2012	\$13.186	\$19.140	0.3%	6.6%	\$0.990
A 2013	14.143	20.036	0.3%	6.8%	0.601
A 2014	14.419	19.250	0.1%	0.5%	0.461
A 2015	15.223	12.369	0.1%	5.2%	0.405
A 2016	15.090	22.190	0.5%	5.5%	0.345
A 2017	-	20.253	0.8%	4.7%	0.211
A 2018	-	13.344	1.4%	4.6%	0.177
A 2019	-	14.908	2.2%	4.4%	0.141
A 2020	-	16.966	1.7%	4.3%	0.109
A 2021	-	17.604	0.2%	4.2%	0.008
A 2022	-	19.732	0.6%	4.0%	-
F 2023	-	19.732	3.2%	3.9%	0.008
F 2024	-	19.732	4.1%	3.8%	0.008
F 2025	-	19.732	3.3%	3.7%	0.008
F 2026	-	19.732	2.7%	3.6%	0.008
F 2027	-	19.732	2.6%	3.5%	0.008

Revenue Projection



Revenue History



Treasury Cash Account Interest

Revenue Description

Interest is generated by excess treasury cash being invested in short and medium-term investments. The Board of Investments (BOI) is responsible for investing all state funds. [Title 17, Chapter 6, MCA](#), provides guidelines under which the funds must be invested. Unless specifically stated by statute, all interest earned on these investments is deposited in the general fund.

Statutory Reference

Distribution – [17-6-202\(2\), MCA](#)

Date Due – Interest deposits are mostly made monthly, with two in June and none in July

Applicable Tax Rates: N/A

Collection Frequency: Ongoing

Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action:

[HB 251](#) establishes a state special revenue account known as the debt and liability free account. All interest income generated from the Treasury Cash Account (TCA) in FY 2023, FY 2024, and FY 2025 will be transferred to this account.

Treasury Cash Account Interest – Legislation Passed by 68th Legislature General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0010 Long-range information technology financings and appropriations	\$0.000	(\$1.095)	(\$1.765)
HB0013 State Employee Pay Plan and revising laws governing state employees	0.000	(0.661)	(1.293)
HB0192 Use surplus revenue for income tax and property tax refunds and payment of	0.000	(7.493)	(8.098)
HB0222 Provide rebates of property taxes paid on a principal residence	0.000	(2.213)	(3.577)
HB0251 Provide budget stability through investment and liability reduction	(101.367)	(98.556)	(65.204)
HB0267 Create SAFER account for federal highway grants	0.000	(2.080)	(1.695)
HB0321 Generally revise laws related to the coal trust	0.000	(1.357)	(1.212)
HB0424 Generally revise sustainability of state finance and provide for transfers	0.000	(0.437)	(0.480)
HB0569 Generally revise pension laws	0.000	(1.988)	(1.620)
HB0816 Revise distribution of surplus revenue	0.000	(1.508)	(2.266)
HB0819 Create Montana community reinvestment act to fund workforce housing	0.000	(3.442)	(2.962)
HB0835 Create Medicaid and 24/7 contingency fund	0.000	(0.881)	(0.718)
HB0856 Generally revise capitol complex administration laws	0.000	(1.040)	(0.847)
HB0872 Provide funding for behavioral health system for future generations	0.000	(1.976)	(2.440)
SB0080 Authorize investment authority for retained interest	0.000	(0.009)	(0.007)
SB0121 Reduce top marginal income tax rate and increase EITC	0.000	(0.294)	(3.121)
SB0536 Provide funding for local government road maintenance	0.000	(1.560)	(1.271)
Total General Fund Impact	(\$101.367)	(\$126.591)	(\$98.576)

Forecast Risks

- Short-term interest rates
- Average daily balance

Revenue Estimate Methodology

Data

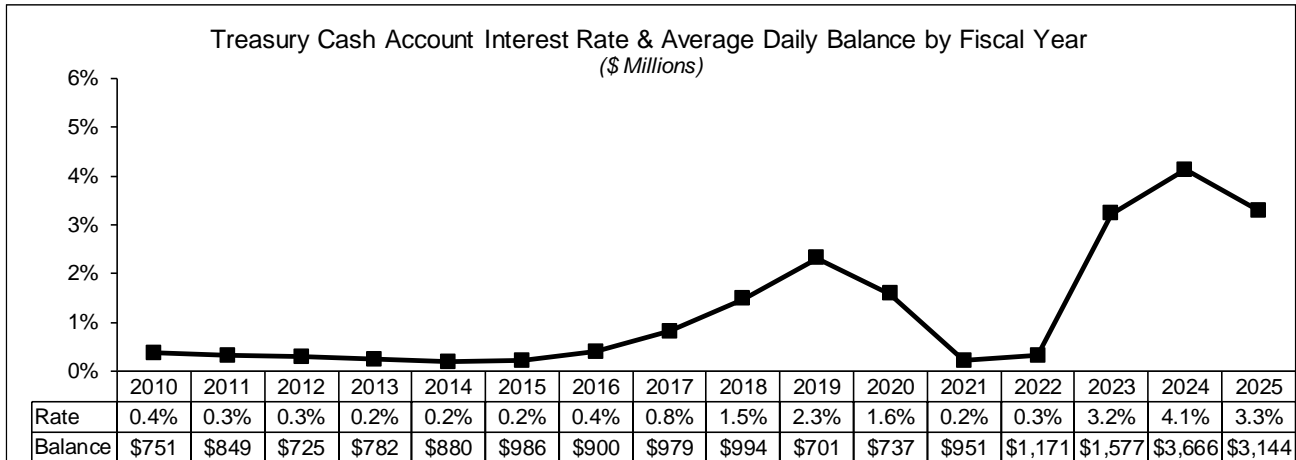
Interest Earnings

Treasury Cash Account Interest

The BOI provides monthly reports on the treasury cash account balance. Projections of future interest rates are provided by IHS Markit and historic interest collections are obtained from SABHRS.

Analysis

The average balance of the TCA is modeled off the forecast general fund ending fund balance. When cash flow is insufficient, tax revenue anticipation notes (TRANS) are issued to meet short-term cash flow needs. The term of the loan and amount borrowed are used to determine the amount to be added to the average balance calculations. **Revenue from this source could be greatly impacted this biennium if legislative decisions greatly impact the general fund ending fund balance.**



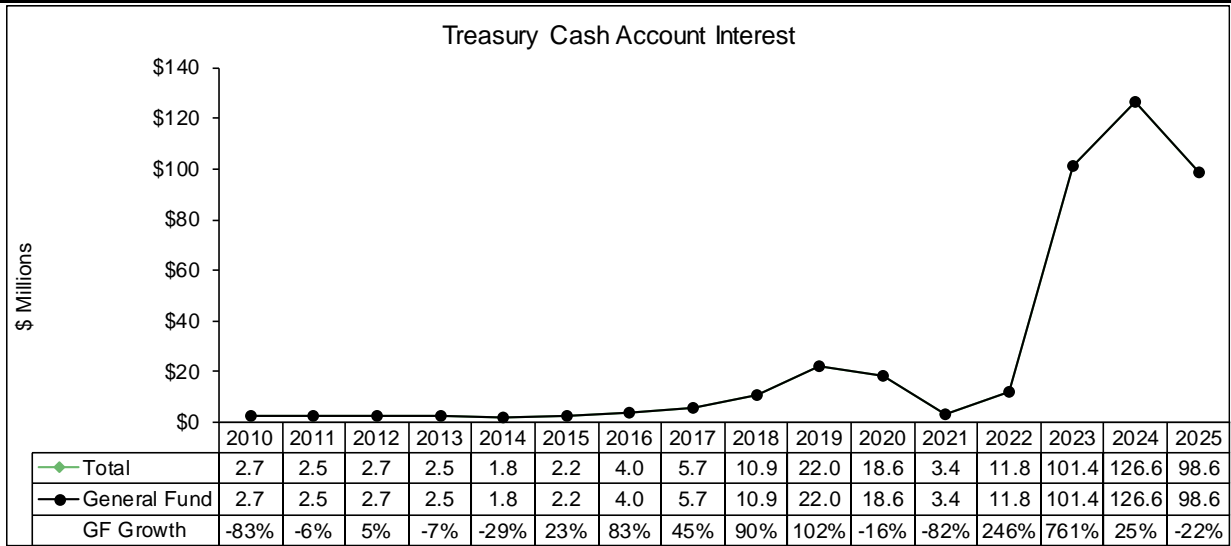
Short-term interest rates are estimated based on a composite rate of IHS Markit forecasts for the 3-month commercial paper, 3-month Treasury bill, and 6-month Treasury bill rates. The average TCA balance multiplied by the composite interest rate produces total fiscal year revenue.

Revenue Estimate Assumptions

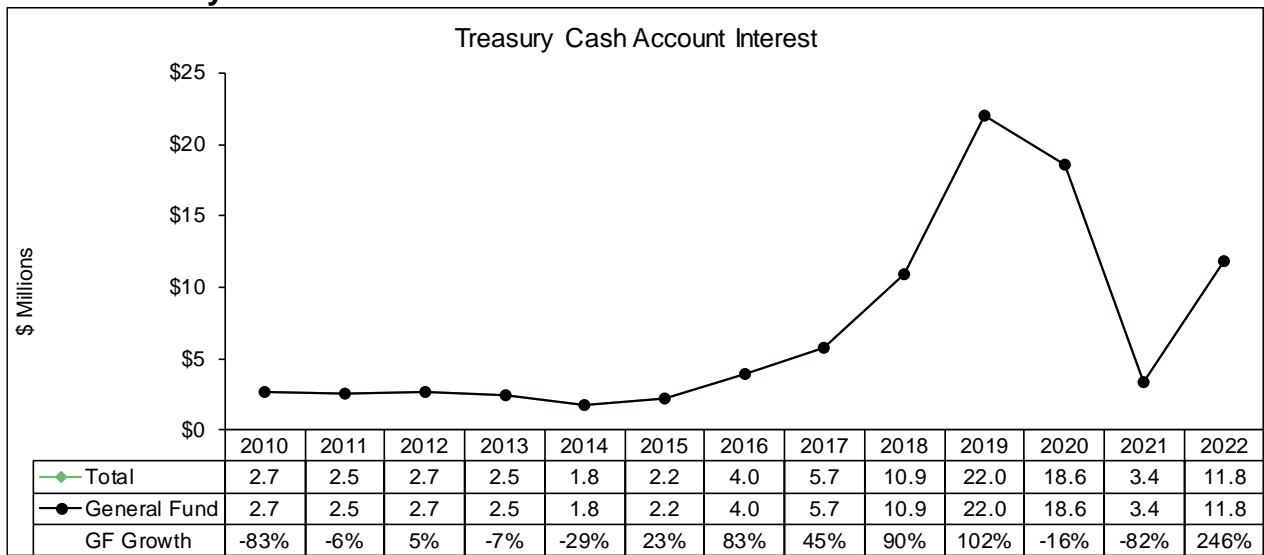
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	Avg. Bal. Millions	Short-Term
				Interest Rate
A 2012	\$2.654	\$2.654	\$880.340	0.3%
A 2013	2.46	2.46	986.18	0.2%
A 2014	1.76	1.76	900.46	0.3%
A 2015	2.16	2.16	978.60	0.3%
A 2016	3.96	3.96	993.64	0.5%
A 2017	5.73	5.73	701.47	0.9%
A 2018	10.89	10.89	737.37	1.7%
A 2019	22.04	22.04	951.28	2.2%
A 2020	18.60	18.60	1,171.03	1.4%
A 2021	3.41	3.41	1,577.46	0.4%
A 2022	11.78	11.78	3,665.52	1.2%
F 2023	101.37	101.37	3,144.07	3.4%
F 2024	126.59	126.59	3,065.47	4.3%
F 2025	98.57	98.57	2,988.83	3.5%
F 2026	82.39	82.39	3,066.12	2.9%
F 2027	79.63	79.63	3,040.14	2.8%

Revenue Projection

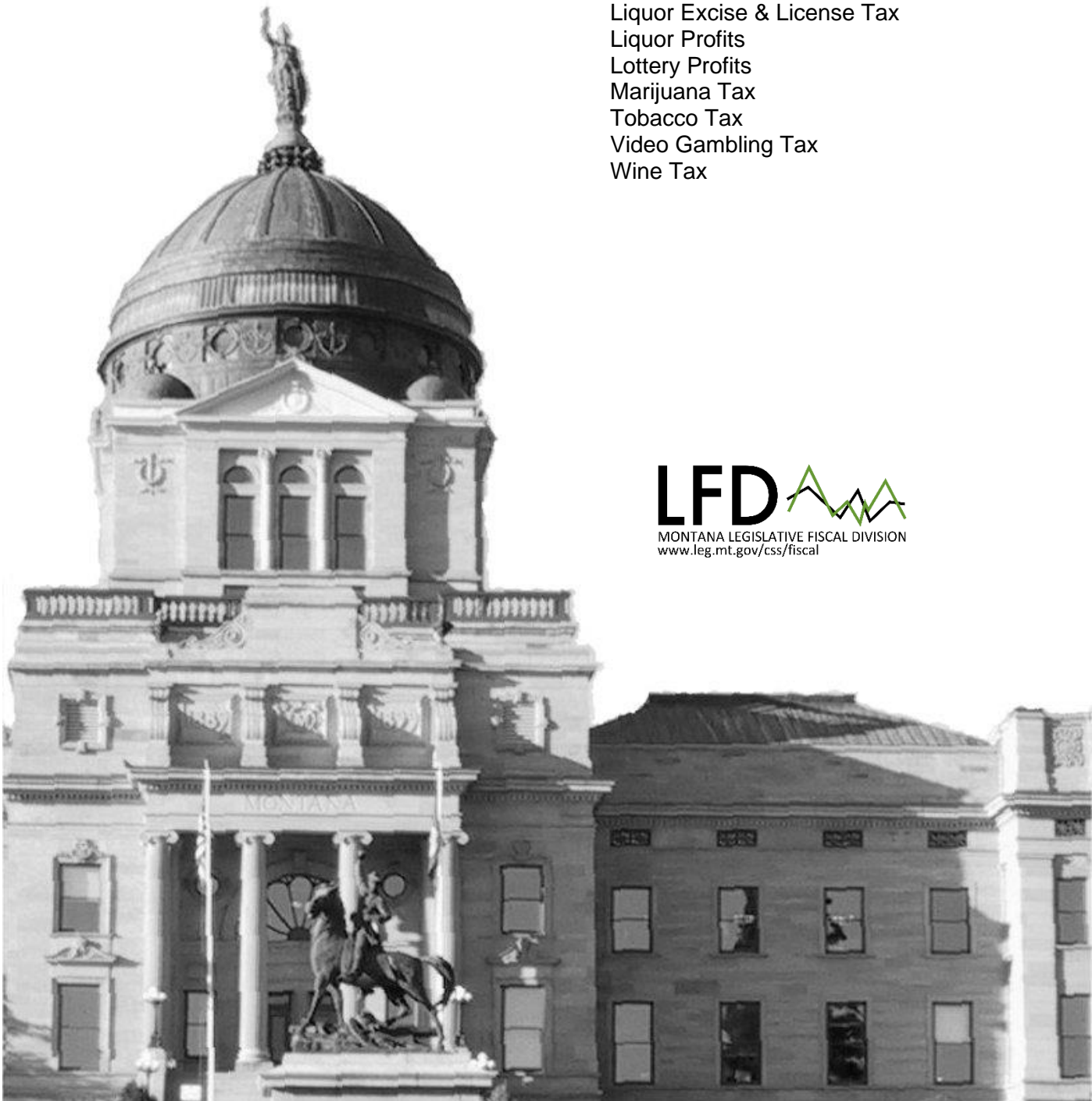


Revenue History



CONSUMPTION TAXES

Beer Tax
Cigarette Tax
Marijuana Tax
Diesel Tax
Gasoline Tax
GVW & Other Fees
Liquor Excise & License Tax
Liquor Profits
Lottery Profits
Marijuana Tax
Tobacco Tax
Video Gambling Tax
Wine Tax



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www.leg.mt.gov/css/fiscal

Beer Tax

Revenue Description

A tax is levied on each barrel (31 gallons) of beer produced in or imported into Montana according to the number of barrels produced annually by a given brewer.

Statutory Reference

Tax Rate – [16-1-406, MCA](#)

Distribution – [16-1-406, MCA](#)

Date Due – end of the month and collected in the next month ([16-1-406\(2\), MCA](#))

Applicable Tax Rates

The per-barrel tax varies according to number of barrels produced:

- Up to 5,000 barrels – \$1.30
- 5,001 to 10,000 barrels – \$2.30
- Over 10,000 barrels – \$4.30

Collection Frequency: Monthly

Distribution

Beer tax revenue is distributed between the general fund, the Department of Public Health and Human Services (DPHHS) state special revenue alcohol account, and four tribal governments according to intergovernmental agreements between DOR and the tribes. Beer tax dollars are distributed to Blackfeet, Fort Belknap, Fort Peck, and Flathead according to the following formula: (per capita beer consumption) x (tribal membership) x (Montana tax rate). The following chart shows the FY 2022 distribution of beer tax revenue.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecasting Risks

- Change in Montana population
- Change in Montana personal consumption patterns
- Change in effective tax rate

Revenue Estimate Methodology

Data

The beer tax estimate is based on data obtained from DOR, SABHRS, and IHS Markit. Details on tax collections by rate and tribal distributions are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by IHS Markit.

Analysis

Per capita consumption—the number of proxy barrels divided by Montana population age 21 and older—is modeled on the Montana personal consumption series from IHS Markit. Future barrels are estimated by multiplying the forecast per capita consumption by forecast population. Total tax collections are calculated by multiplying the number of barrels sold in each year by the effective tax rate in that year.

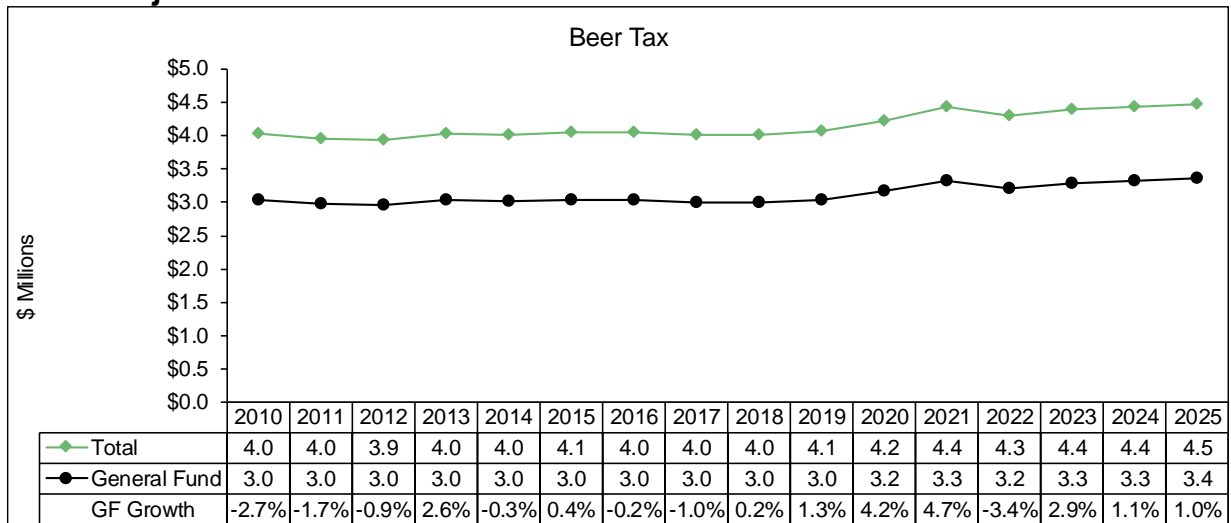
The effective tax rate is on a consistent downward trend; as the number of small brewers increases, there are more barrels being sold in the lower tax brackets. In the chart below, the number of barrels sold in each bracket is stacked to illustrate the changing composition of the beer market. The beer tax estimate assumes that the decrease in the effective rate continues through the biennium.

Revenue Estimate Assumptions

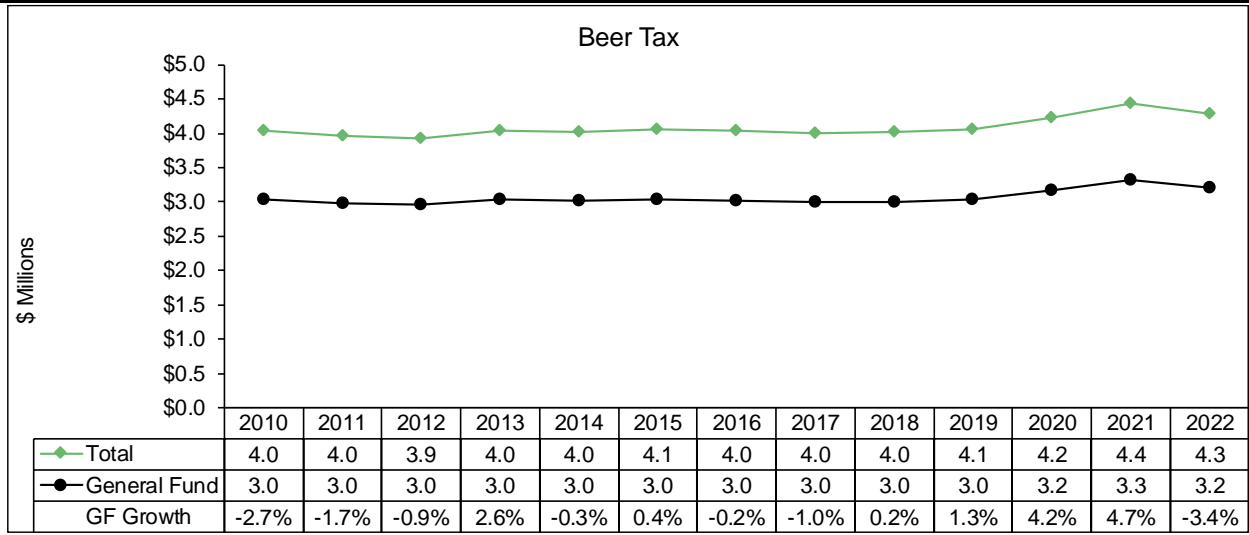
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FY	Total Tax \$ Millions	GF Tax \$ Millions	Effective Tax Rate \$/Barrel	Proxy Barrels Millions	Montana Pop. >=21 Millions	Montana PCE Food \$ Millions	Montana Per Capita Consumption
A 2012	\$3.935	\$2.956	\$4.14	0.950	0.741	\$2,790.641	1.281
A 2013	4.03	3.03	4.12	0.978	0.750	3,168.23	1.305
A 2014	4.02	3.02	4.10	0.981	0.758	4,235.56	1.295
A 2015	4.06	3.03	4.06	1.001	0.766	4,932.29	1.306
A 2016	4.05	3.03	4.01	1.008	0.776	5,201.77	1.300
A 2017	4.01	3.00	3.99	1.005	0.786	5,426.58	1.278
A 2018	4.02	3.00	3.99	1.006	0.795	5,592.79	1.266
A 2019	4.07	3.04	3.99	1.018	0.803	5,774.89	1.268
A 2020	4.23	3.17	4.02	1.052	0.814	6,002.99	1.293
A 2021	4.43	3.32	4.01	1.105	0.829	6,226.89	1.332
A 2022	4.29	3.20	4.00	1.073	0.842	6,478.48	1.275
F 2023	4.39	3.29	4.00	1.098	0.852	6,749.55	1.289
F 2024	4.44	3.33	4.00	1.110	0.862	6,990.15	1.289
F 2025	4.48	3.36	3.99	1.122	0.871	7,251.38	1.288
F 2026	4.52	3.39	3.99	1.133	0.880	7,582.75	1.288
F 2027	4.56	3.43	3.99	1.144	0.889	7,932.95	1.287

Revenue Projection



Revenue History



Cigarette Tax

Revenue Description

An excise tax is levied on all cigarettes sold in Montana. The tax is collected from the wholesaler through sale of insignia and passed down to the retail consumer. The insignia are purchased from the state and affixed to each package of cigarettes. The state has agreements with six of the tribes in Montana (Blackfeet, Fort Belknap, Rocky Boy, Fort Peck, Crow, and Northern Cheyenne) wherein the sale of cigarettes on a reservation, up to a set quota, are untaxed and state cigarette tax revenues are shared with the tribes.

Statutory Reference

Tax Rate – [16-11-111, MCA](#)

Tax Distribution – [16-11-119, MCA](#)

Date Due – Within 30 days after purchase of the insignia ([16-11-117, MCA](#))

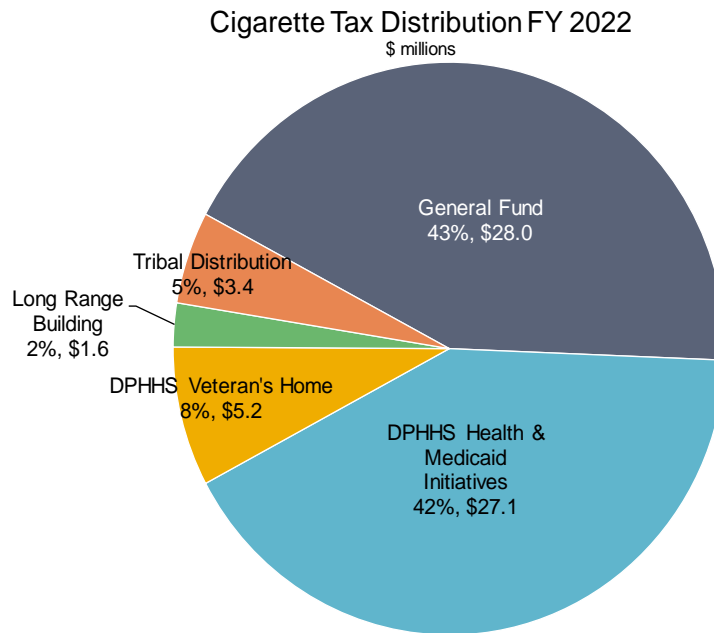
Applicable Tax Rates

\$1.70 per package of 20 cigarettes, prorated by cigarette for packages that differ from 20 cigarettes.

Collection Frequency: Monthly

Distribution

Cigarette tax revenue is distributed between the general fund, various state special revenue accounts administrated by the Department of Public Health and Human Services (DPHHS), the long-range building fund, and six tribal governments according to intergovernmental agreements DOR and the tribes. Cigarette tax dollars are distributed to the tribes according to the following formula: (1.5) x (Montana per capita cigarette tax revenue) x (enrolled tribal population). This formula may be superseded by another agreed upon amount. The following chart shows the FY 2022 distribution of cigarette tax revenue.



Summary of Legislative Action: [HB 840](#) - Revise tobacco tax allocation for state veterans' nursing homes: Revises the minimum allocation to veterans' nursing homes from \$4.0 million to \$5.0 million.

Consumption Taxes**Cigarette Tax**

Cigarette Tax – Legislation Passed by 68th Legislature General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0840 Revise tobacco tax allocation for state veterans' nursing homes	\$0.000	\$0.000	\$0.000
Total General Fund Impact	\$0.000	\$0.000	\$0.000

Forecast Risks

- Changes in tobacco CPI
- Changes in consumer spending
- Rate of change in effective tax rate

Revenue Estimate MethodologyData

The cigarette tax estimate is based on data obtained from DOR, SABHRS, and IHS Markit. Details on tax collections by month and refunds for quota sales are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by IHS Markit.

Analysis

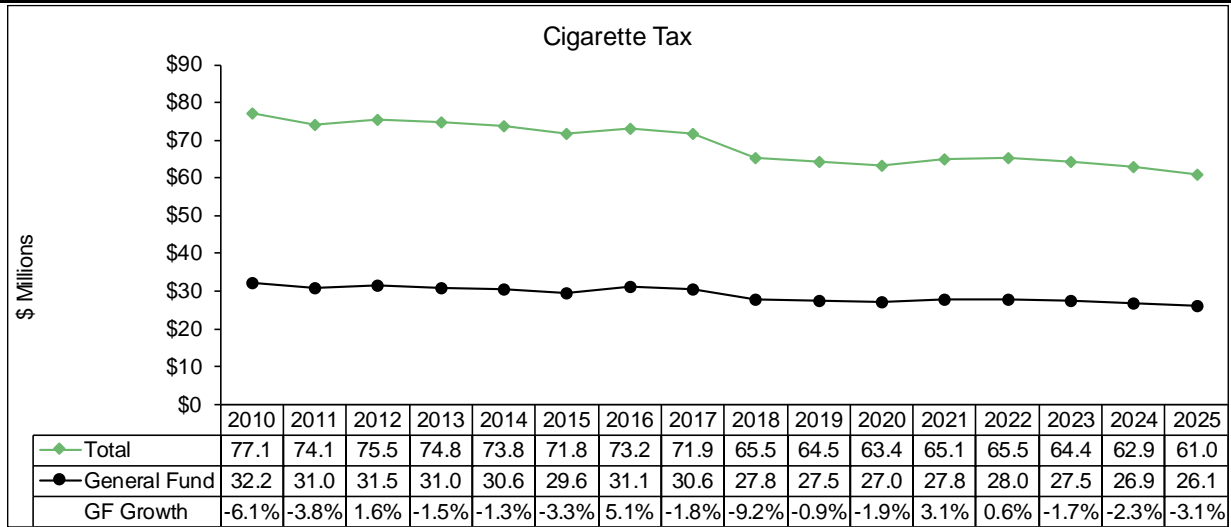
Per capita consumption is modeled on a ratio of CPI for tobacco to consumer spending on tobacco products. Forecast per capita consumption is multiplied by forecast Montana population over age 18 to produce an estimate of packs sold. Total tax collections are calculated by multiplying the number of packs sold in each year by the effective tax rate in that year.

Revenue Estimate Assumptions

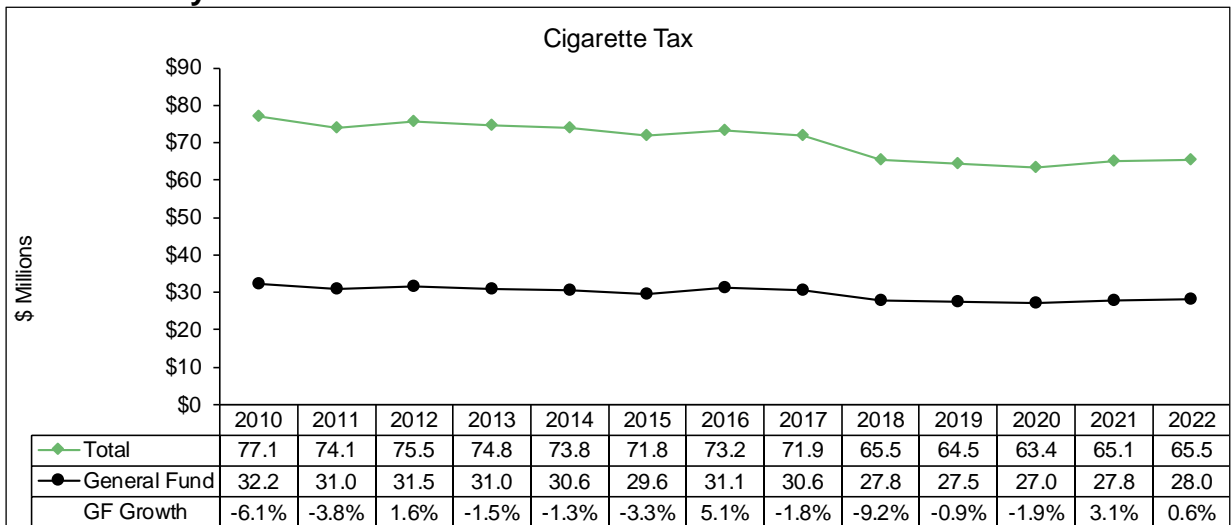
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Effective Tax Rate \$/Pack	Approximate Packs Sold Millions	CPI Tobacco	Cons. Spend. Tobacco \$ Millions	Monana Pop >= 18 Millions
A 2012	\$75.533	\$31.483	1.63	46.347	99	\$96.044	0.782
A 2013	74.79	31.01	1.68	44.553	101	93.80	0.790
A 2014	73.84	30.62	1.69	43.650	105	91.38	0.798
A 2015	71.84	29.60	1.67	43.123	107	92.79	0.807
A 2016	73.22	31.10	1.68	43.676	111	95.06	0.816
A 2017	71.87	30.56	1.68	42.768	116	96.33	0.826
A 2018	65.47	27.76	1.68	39.012	123	98.18	0.835
A 2019	64.47	27.50	1.66	38.775	127	99.31	0.844
A 2020	63.41	26.98	1.65	38.346	134	101.17	0.855
A 2021	65.11	27.82	1.70	38.304	142	106.46	0.871
A 2022	65.48	27.99	1.70	38.515	153	106.13	0.884
F 2023	64.41	27.52	1.70	37.895	164	103.14	0.895
F 2024	62.94	26.89	1.70	37.026	176	99.52	0.905
F 2025	61.01	26.07	1.70	35.894	189	95.63	0.915
F 2026	58.62	25.05	1.70	34.486	201	91.22	0.924
F 2027	55.74	23.81	1.70	32.792	211	86.40	0.932

Revenue Projection



Revenue History



Marijuana Tax

Revenue Description

A tax of 20.0% is levied on the retail price of recreational marijuana and a tax of 4.0% is imposed on the retail price of medical marijuana.

Statutory Reference

Tax Rate – [15-64-102, MCA](#)

Distribution – [16-12-111, MCA](#)

Date Due – Within 15 days of the end of the quarter

Applicable Tax Rates

- Recreational Marijuana – 20.0% of retail price
- Medical Marijuana – 4.0% of retail price

Collection Frequency: Quarterly

Distribution

Revenue from all marijuana taxes and license fees are first combined and deposited in the marijuana state special revenue account. At the end of each fiscal year, Department of Revenue must use money in the account to cover administration costs and \$6 million is transferred to the HEART account. Any remainder is distributed as outlined below:

- 20.0% to FWP to be used solely as funding for wildlife habitat.
- 4.0% to the state park account
- 4.0% to the trails and recreational facilities account
- 4.0% to the nongame wildlife account
- 3.0% or \$200,000, whichever is less, to the veterans and surviving spouses SSR account
- \$150,000 to the board of crime control to fund crisis intervention team training
- Remainder transferred to the general fund

Summary of Legislative Action:

[HB 948](#) creates a synthetic marijuana products advisory council to be established by the Department of Revenue.

[HB 903](#) revises the dispensary fee structure to increase the to increase the fee for each additional location and the combined-use marijuana license laws to allow cultivators to step up multiple tiers at a time and set the combined-use license fee in code at \$7,500.

Marijuana Tax – Legislation Passed by 68th Legislature State Special Revenue Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0948 Revise marijuana laws regarding synthetic marijuana products	\$0.000	(\$0.143)	(\$0.141)
HB0903 Generally revise marijuana laws	0.000	2.849	2.849
Total State Special Revenue Impact	\$0.000	\$2.706197	\$2.708145

Forecasting Risks

- Change in Montana population
- Change in Montana personal consumption patterns
- Changes in medical vs. recreational marijuana users

Revenue Estimate Methodology

Data

The marijuana tax revenue estimate is based off tax collections data obtained from SABHRS and DOR, as well as forecasts for economic variables produced by IHS.

Analysis

The revenue data from the 2022 fiscal year are used at the base for the revenue estimate through FY 2027. For recreational tax revenue, this data is extrapolated to simulate a whole year by doubling the actual collections, since recreational cannabis was only legalized halfway through the fiscal year. Then all marijuana taxes and license fees are multiplied by the expected change in CPI and MT population (these data provided by IHS).

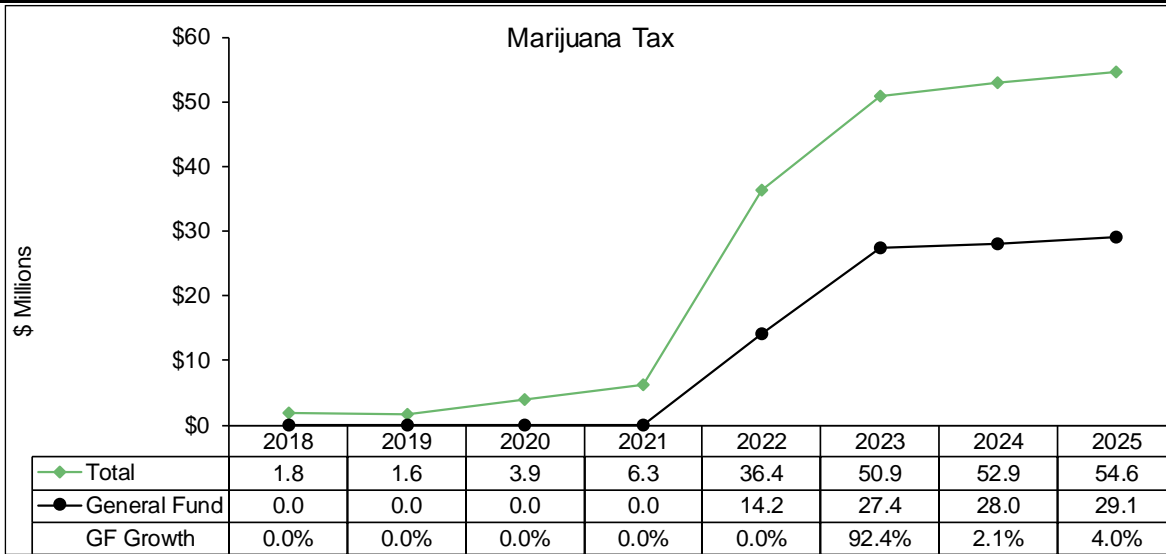
As tax revenue is collected and more information and data are available on the recreational marijuana program in Montana, the revenue forecast will be expanded in a similar way to include new fiscal years.

Revenue Estimate Assumptions

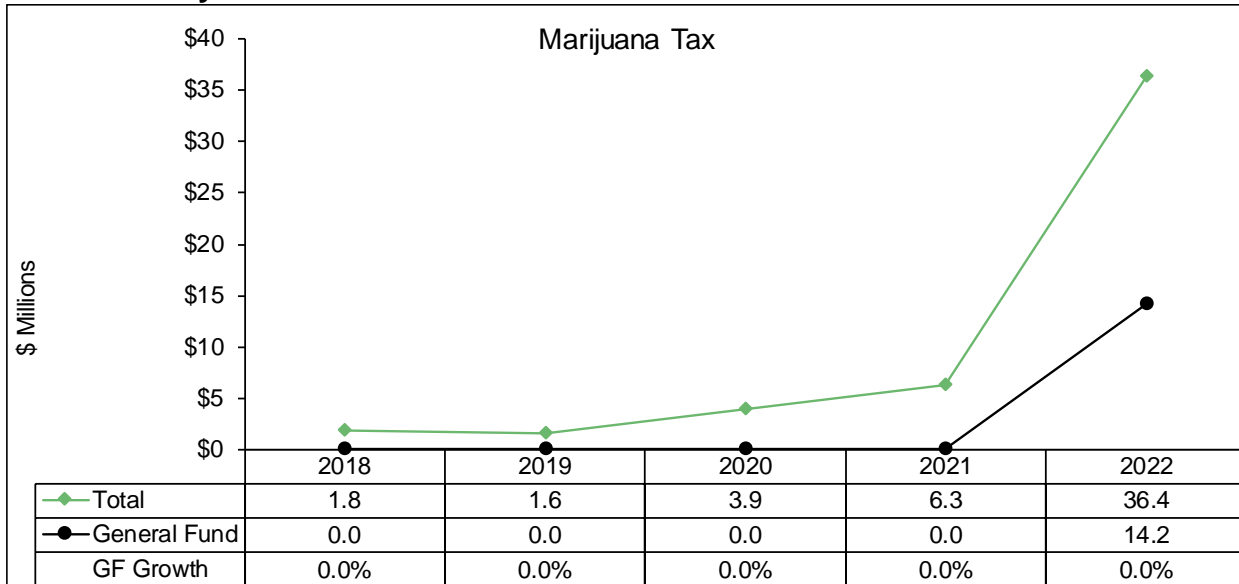
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	US CPI Growth	MT Population Growth
A 2012				
A 2013				
A 2014				
A 2015				
A 2016				
A 2017			1.9%	1.1%
A 2018			2.2%	0.8%
A 2019			2.1%	0.9%
A 2020			1.6%	1.0%
A 2021			2.3%	1.6%
A 2022	\$36.35	\$14.24	7.2%	1.2%
F 2023	50.95	27.40	6.5%	1.0%
F 2024	52.90	27.97	2.9%	0.9%
F 2025	54.60	29.11	2.4%	0.8%
F 2026	56.24	30.22	2.2%	0.8%
F 2027	57.94	31.38	2.2%	0.8%

Revenue Projection



Revenue History



Diesel Tax

Revenue Description

There are two sources of revenue associated with the taxation of special fuels (primarily diesel): the diesel tax paid to the Montana Department of Transportation (MDT) for every gallon of diesel sold or used in the state; and a tax assessed on each gallon of diesel fuel for funding petroleum storage tank cleanup.

Distributors can withhold 1.0% of the diesel tax as an allowance for collecting the tax. To prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, MDT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for commercial vehicle use other than for use on public highways and streets, governmental use, and nonpublic school use for the transportation of pupils.

[Article VIII, Section 6](#) of the Montana Constitution provides that money from taxes on vehicle fuel be used solely for: payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; payment of county, city, and town obligations on streets roads, and bridges; and enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

Statutory Reference

Tax Rate – [15-70-321\(2\), MCA](#); [75-11-313, MCA](#) (storage tank cleanup)

Tax Distribution – [15-70-101\(1\), MCA](#); [75-11-314, MCA](#) (storage tank cleanup)

Date Due – 25th of the following month ([15-70-344\(1\), MCA](#))

Applicable Tax Rates

- Diesel (Special) Fuel Tax: \$0.2975 per gallon
- Petroleum Storage Tank Cleanup Tax: \$0.0075 per gallon

Collection Frequency: Monthly

Distribution

Diesel tax proceeds are distributed to MDT after the following deductions:

- 1.0% withheld by distributors
- Administrative expenses and refunds under the tribal agreements
- Diesel tax refunds
- Refunds through the international fuel tax agreement
- \$0.04 to the highway patrol administration state special revenue account

Of the amount distributed to MDT, 1/4 of \$0.01 per gallon is allocated specifically to the funding of highway system maintenance.

Summary of Legislative Action: [HB 76](#) – Generally revise transportation laws: This bill repeals the Bridge and Road Safety and Accountability Act (BaRSAA) and directs all fuel taxes to MDT to allocate as directed in statute.

Forecast Risks

- Fuel price significantly different from historical prices

Revenue Estimate Methodology

Data

Consumption Taxes

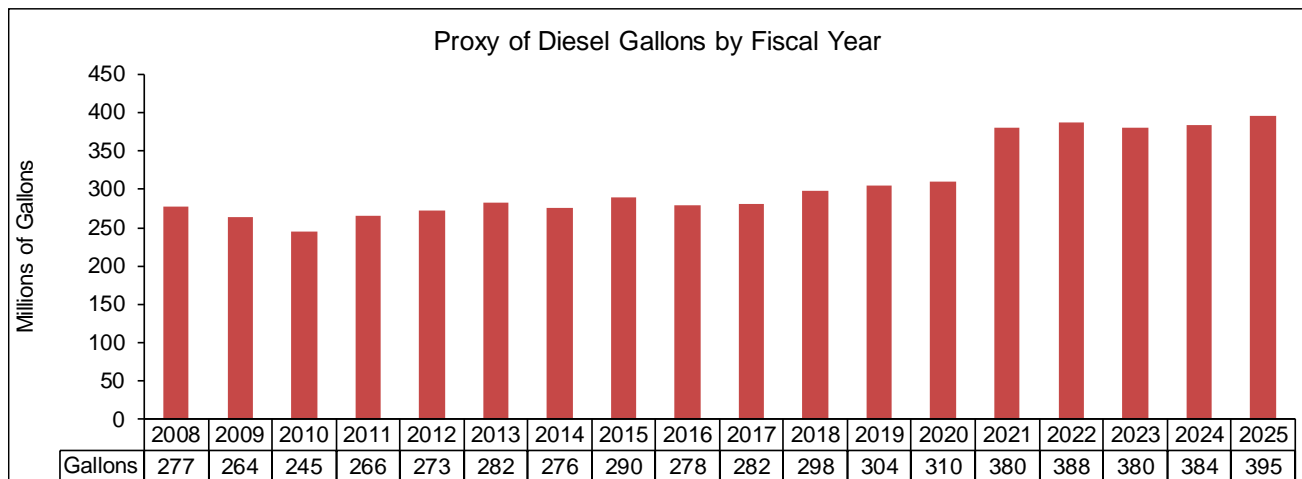
Diesel Tax

Diesel tax collections data from SABHRS is used to produce a proxy amount for taxable gallons of diesel sold in Montana.

Analysis

Diesel fuel taxes are estimated as separate taxes. First, the diesel tax is imposed on each gallon of diesel sold in the state. A second tax is imposed on all diesel fuel distributed in the state for diesel storage tank clean-up costs (storage tank tax). The two taxes are applied to different bases, because the diesel fuel tax provides credits against the cost of the tax to consumers who use the diesel “off highway.”

Future growth in diesel consumption is calculated using an autoregressive moving average time series. The storage tank tax is expected to follow the same patterns as the diesel fuel tax. The effective gasoline tax rates—created to adjust for the statutory credit provided to diesel distributors—are applied to the estimates to produce the estimate for gross tax revenues.



Adjustments

Several adjustments are made to the expected gross diesel fuel tax revenues. Gross tax revenues are reduced by refunds, incentives, MDT administrative costs, and tribal agreements, resulting in the estimate for net diesel fuel tax revenue. No adjustments are required for the storage tank tax. The net tax revenues of the two taxes are combined to determine the estimate for total diesel fuel tax revenue.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

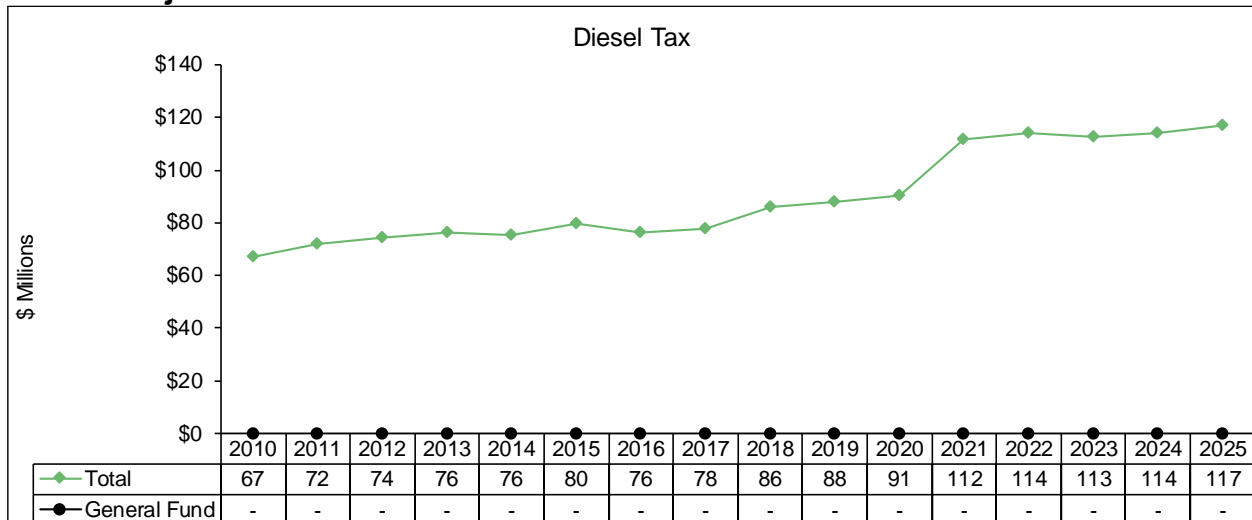
Consumption Taxes

Diesel Tax

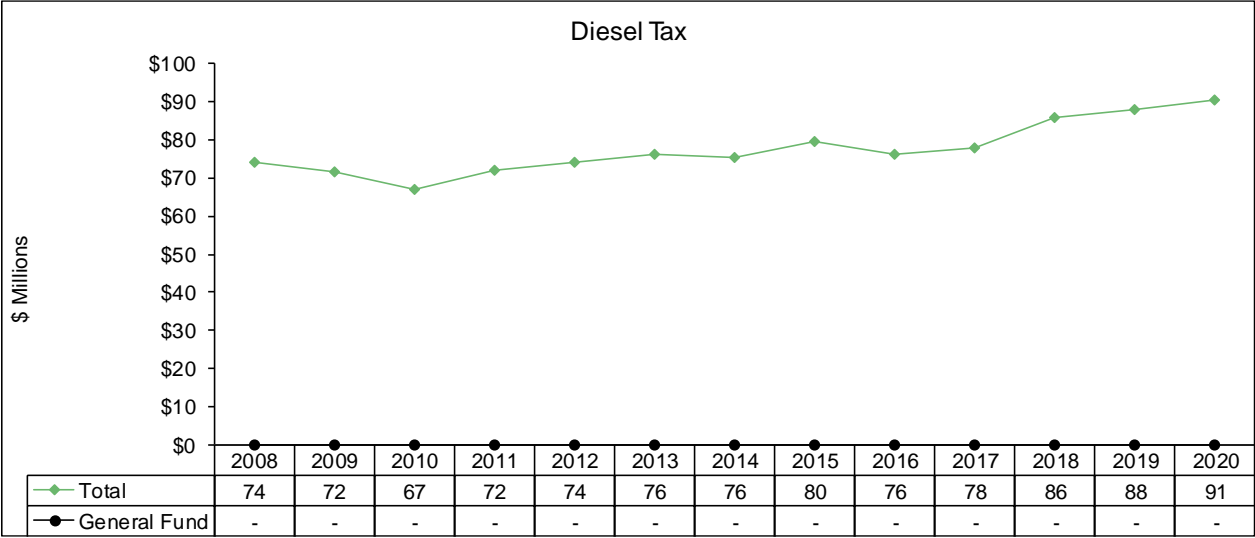
FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross \$ Millions	Diesel Tax \$ Millions	Tank Tax \$ Millions	Refunds \$ Millions	DOT Diesel Tax
A 2012	\$74.292	-	\$77.922	\$71.350	\$2.943	(\$3.629)	\$71.350
A 2013	76.07	-	80.43	73.09	2.98	(4.36)	73.09
A 2014	75.56	-	78.75	72.61	2.95	(3.19)	72.61
A 2015	79.52	-	82.73	76.52	3.00	(3.20)	76.52
A 2016	76.21	-	79.29	73.41	2.80	(3.08)	73.41
A 2017	77.96	-	80.43	74.88	3.08	(2.48)	74.88
A 2018	85.99	-	89.29	83.09	2.90	(3.30)	64.34
A 2019	88.09	-	91.13	85.13	2.96	(3.04)	66.37
A 2020	90.55	-	93.41	87.53	3.02	(2.86)	67.65
A 2021	111.62	-	114.28	108.02	3.60	(2.66)	82.79
A 2022	114.14	-	117.13	110.41	3.73	(2.99)	83.20
F 2023	112.66	-	115.61	108.99	3.67	(2.95)	81.72
F 2024	113.90	-	116.88	110.20	3.70	(2.98)	82.69
F 2025	117.17	-	120.24	113.38	3.78	(3.07)	85.23
F 2026	122.56	-	125.77	118.63	3.93	(3.21)	89.42
F 2027	128.66	-	132.03	124.58	4.09	(3.37)	94.16

FY	Diesel Effect. Tax Rate \$/gal	Tank Effect. Tax Rate \$/gal	Diesel Gallons Millions	Tank Gallons Millions	MT Highway Patrol Adm. Account	Diesel BARSA Account	Refunds FTA Suspense
A 2012	0.2747	0.0075	272.924	392.360			
A 2013	0.2747	0.0075	281.925	397.148			
A 2014	0.2747	0.0075	275.919	393.446			
A 2015	0.2747	0.0075	290.187	400.565			
A 2016	0.2747	0.0075	278.440	373.070			
A 2017	0.2747	0.0075	281.575	410.262			
A 2018	0.2896	0.0075	298.331	387.215	\$10.605	\$3.977	\$4.164
A 2019	0.2896	0.0075	304.473	395.055	10.885	4.176	3.694
A 2020	0.2916	0.0075	310.021	403.260	11.051	4.696	4.131
A 2021	0.2916	0.0075	379.621	479.960	13.52	5.79	5.92
A 2022	0.2925	0.0075	387.615	497.391	14.13	6.45	6.63
F 2023	0.2945	0.0075	380.079	488.676	13.76	6.88	6.63
F 2024	0.2945	0.0075	384.303	493.034	13.93	6.96	6.63
F 2025	0.2945	0.0075	395.393	504.473	14.35	7.18	6.63
F 2026	0.2945	0.0075	413.697	523.354	15.06	7.53	6.63
F 2027	0.2945	0.0075	434.416	544.728	15.86	7.93	6.63

Revenue Projection



Revenue History



Gasoline Tax

Revenue Description

There are two sources of revenue associated with the taxation of gasoline: a gasoline license tax paid to the Montana Department of Transportation (MDT) by every distributor for the privilege of selling gasoline; and a tax assessed on each gallon of gasoline for the purpose of funding petroleum storage tank cleanup.

Distributors can withhold 1.0% of the gasoline tax as an allowance for collecting the tax. To prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, MDT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for denaturing alcohol used in gasohol, stationary gasoline engines used off public highways and streets, and commercial vehicle use other than for use on public highways and streets.

[Article VIII, Section 6](#) of the Montana Constitution provides that money from taxes on vehicle fuel be used solely for: payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; payment of county, city, and town obligations on streets roads, and bridges; and enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

Statutory Reference

Tax Rate – [15-70-204\(1\), MCA](#); [75-11-314, MCA](#) (storage tank cleanup)

Distribution – [15-70-101\(1\), MCA](#); [60-3-201\(1\), MCA](#); [75-11-313, MCA](#) (storage tank cleanup)

Date Due – 25th of the following month ([15-70-205\(1\), MCA](#))

Applicable Tax Rates

Gasoline License Tax: \$0.33 per gallon

Petroleum Storage Tank Cleanup Tax: \$0.0075 per gallon

Collection Frequency: Monthly

Distribution

After four reductions—the 1.0% withheld by distributors, administrative expenses and refunds under tribal agreements, refunds, and refunds through the international fuel tax agreement—gasoline tax is allocated as follows:

- 9/10 of 1.0% to the state park account
- 15/28 of 1.0% to a snowmobile account, which is further allocated 86.0% for general use, 4.33% for enforcement, 8.67% for safety and education, and 1.0% to the noxious weed trust
- 1/8 of 1.0% to an off-highway vehicle account, which is further allocated 90% for general use and 10% for safety
- 1/25 of 1.0% to the aeronautics revenue fund of the Department of Transportation
- \$.04 cents to the highway patrol administration state special revenue account
- The remainder to MDT to be used for highway-related purposes, primarily construction projects and administrative costs. One-fourth of \$0.01 per gallon is allocated specifically to the funding of highway system maintenance

Summary of Legislative Action: [HB 76](#) – Generally revise transportation laws: This bill repeals the Bridge and Road Safety and Accountability Act (BaRSAA) and directs all fuel taxes to MDT to allocate as directed in statute.

Forecast Risks

- Fuel prices significantly different from historical prices

Revenue Estimate Methodology

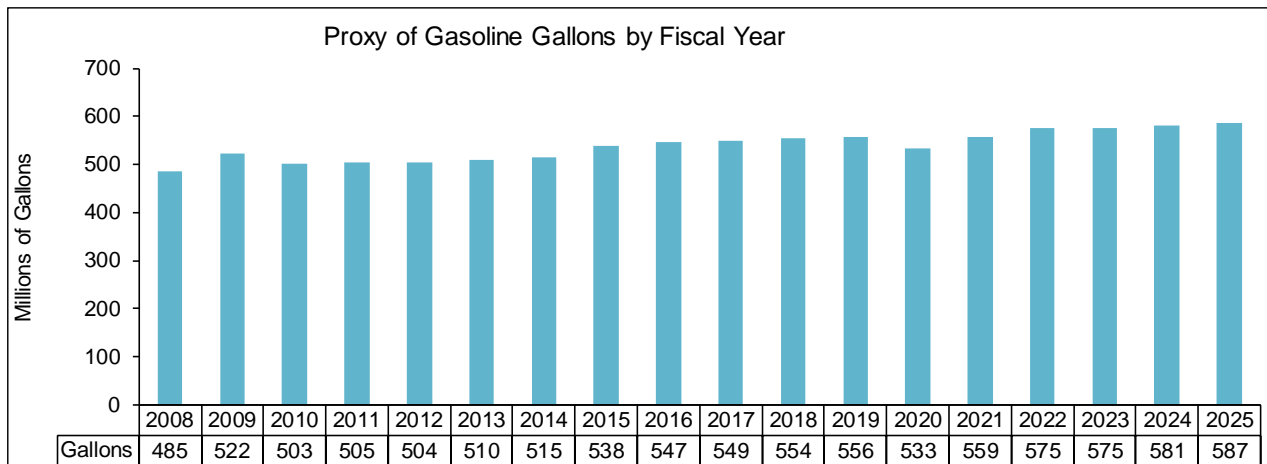
Data

Gasoline tax collections data from SABHRS is used to produce a proxy amount for taxable gallons of gasoline sold in Montana.

Analysis

The gasoline tax and the gasoline petroleum storage tank cleanup tax are estimated separately. First, the gasoline tax is imposed on each gallon of gasoline sold in the state. A second tax is imposed on all gasoline distributed in the state for gasoline storage tank clean-up costs (storage tank tax). The two taxes are applied to different bases, because the gasoline tax provides credits against the cost of the tax to consumers who use the gasoline “off highway.”

Future growth in gasoline consumption is calculated using an autoregressive moving average time series. The storage tank tax is expected to follow the same patterns as the gasoline tax. The effective gasoline tax rates—created to adjust for the statutory credit provided to gasoline distributors—are applied to the estimates to produce the estimate for gross tax revenues.



Adjustments

Several adjustments are made to the expected gross gasoline tax revenues. Gross tax revenues are reduced by refunds, incentives, MDT administrative costs, and tribal agreements, resulting in the estimate for net gasoline tax revenue. No adjustments are required for the storage tank tax. Next, the net tax revenues of the two taxes are combined to determine the estimate for total gasoline tax revenue.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

Consumption Taxes

Gasoline Tax

FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross Tax \$ Millions	Gas Tax \$ Millions	Tank Tax \$ Millions	Refunds \$ Millions
A 2012	\$136.661	-	\$138.497	\$132.911	\$3.750	(\$1.836)
A 2013	138.44	-	140.18	134.65	3.80	(1.74)
A 2014	139.64	-	141.44	135.81	3.84	(1.79)
A 2015	146.11	-	147.73	142.15	3.96	(1.62)
A 2016	148.60	-	150.25	144.54	4.06	(1.64)
A 2017	149.69	-	151.32	145.20	4.49	(1.63)
A 2018	175.06	-	176.77	170.94	4.12	(1.71)
A 2019	176.03	-	177.62	171.89	4.14	(1.59)
A 2020	171.25	-	172.89	167.29	3.96	(1.64)
A 2021	179.35	-	181.15	175.19	4.16	(1.80)
A 2022	187.68	-	189.27	183.40	4.28	(1.59)
F 2023	186.29	-	187.95	181.98	4.31	(1.65)
F 2024	188.21	-	189.87	183.85	4.36	(1.66)
F 2025	190.13	-	191.79	185.73	4.40	(1.66)
F 2026	192.05	-	193.71	187.60	4.45	(1.66)
F 2027	193.98	-	195.63	189.49	4.49	(1.66)

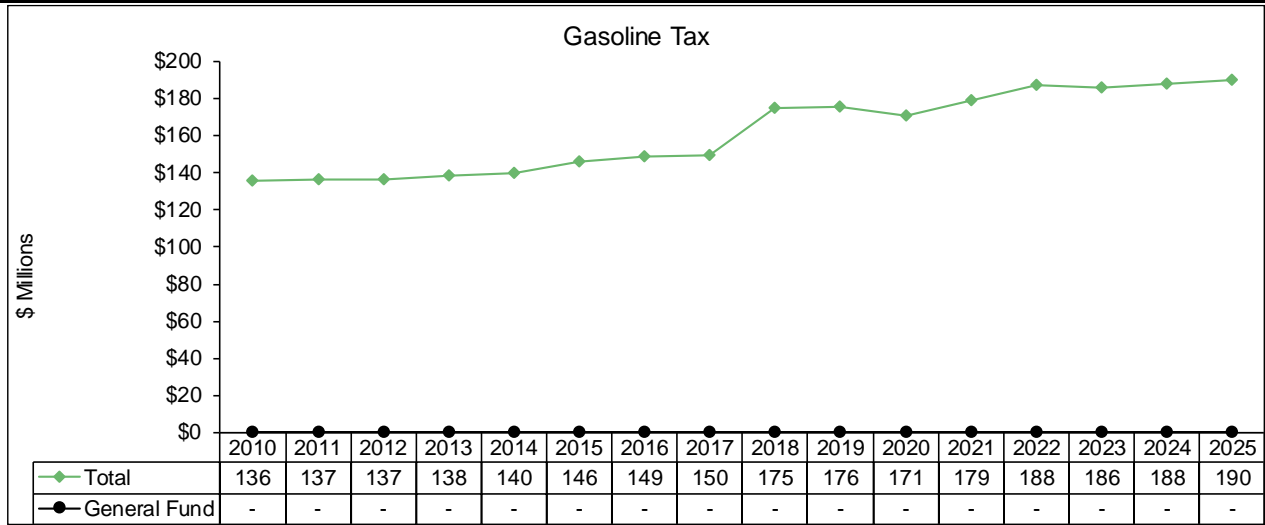
FY	Gas Effect. Tax Rate \$/gal	Tank Effect. Tax Rate \$/gal	Gas Gallons Millions	Tank Gallons Millions	DOT \$ Millions	FWP Snow \$ Millions	FWP Boat \$ Millions
A 2012	0.2673	0.0075	504.105	500.016	\$130.784	\$0.612	\$1.196
A 2013	0.2673	0.0075	510.222	506.247	132.49	0.62	1.21
A 2014	0.2673	0.0075	514.789	511.419	133.64	0.63	1.22
A 2015	0.2673	0.0075	537.875	527.710	139.88	0.66	1.28
A 2016	0.2673	0.0075	546.909	541.197	142.24	0.67	1.30
A 2017	0.2673	0.0075	549.305	549.305	142.88	0.67	1.32
A 2018	0.3119	0.0075	553.629	549.592	100.75	0.75	1.47
A 2019	0.3119	0.0075	556.288	552.055	100.83	0.76	1.48
A 2020	0.3168	0.0075	533.237	528.467	96.71	0.74	1.44
A 2021	0.3168	0.0075	558.676	554.267	101.55	0.77	1.51
A 2022	0.3218	0.0075	574.957	570.419	104.49	0.80	1.57
F 2023	0.3267	0.0075	575.288	575.288	101.17	0.80	1.56
F 2024	0.3267	0.0075	581.170	581.170	102.44	0.81	1.58
F 2025	0.3267	0.0075	587.051	587.051	103.72	0.82	1.59
F 2026	0.3267	0.0075	592.933	592.933	105.00	0.82	1.61
F 2027	0.3267	0.0075	598.814	598.814	106.28	0.83	1.63

FY	Aeronautics \$ Millions	Off Highway \$ Millions	Weed Gasoline \$ Millions	Snow Enforce. Gasoline \$ Millions	Snow Con-Ed. Gasoline \$ Millions	OHV Con-Ed. Gasoline \$ Millions
A 2012	\$0.053	\$0.150	\$0.007	\$0.031	\$0.062	\$0.017
A 2013	0.05	0.15	0.01	0.03	0.06	0.02
A 2014	0.05	0.15	-	0.03	0.06	0.02
A 2015	0.06	0.16	-	0.03	0.07	0.02
A 2016	0.06	0.16	-	0.03	0.07	0.02
A 2017	0.06	0.16	-	0.03	0.07	0.00
A 2018	0.07	0.18	-	0.04	0.08	0.02
A 2019	0.07	0.18	-	0.04	0.08	0.03
A 2020	0.06	0.18	-	0.04	0.07	0.02
A 2021	0.07	0.19	-	0.04	0.08	0.02
A 2022	0.07	0.20	-	0.04	0.08	0.02
F 2023	0.07	0.19	-	0.03	0.06	0.02
F 2024	0.07	0.20	-	0.03	0.06	0.02
F 2025	0.07	0.20	-	0.03	0.06	0.02
F 2026	0.07	0.20	-	0.03	0.06	0.02
F 2027	0.07	0.20	-	0.03	0.06	0.02

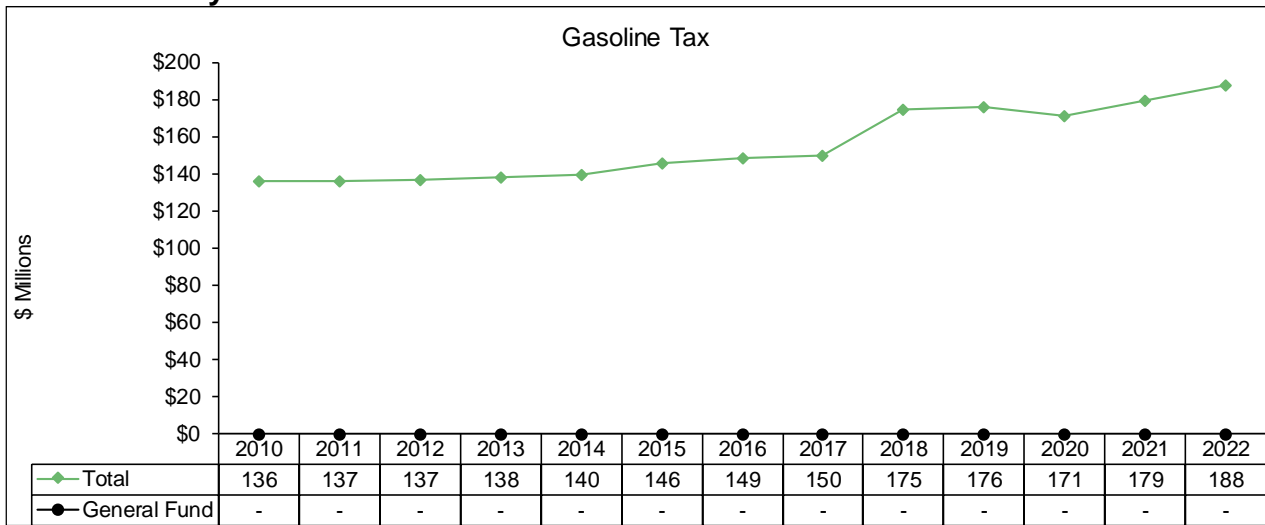
Revenue Projection

Consumption Taxes

Gasoline Tax



Revenue History



GVW and Other Fees

Revenue Description

There are two types of revenue derived from over 20 different sources: fee revenue and permit revenue. The majority of revenue is derived from a variety of gross vehicle weight (GVW) fees, including those fees collected by counties when vehicles are registered. Miscellaneous permits comprise the second income component under this source.

Statutory Reference

Tax Rate – [Title 61, Chapter 10, MCA](#); [Administrative Rules 18.8.202](#)

Tax Distribution (MCA) – Multiple

Applicable Tax Rates: [Title 61, Chapter 10, MCA](#)

Collection Frequency: Various

Distribution: GVW revenue is allocated to the Montana Department of Transportation (MDT).

Summary of Legislative Action: [HB 26](#)- Generally revise highway use laws: HB 26 allows additional hours of operation for oversize commercial hay loads, removes the imprisonment penalty for violations of load restrictions, and streamlines duplicative penalties for GVW fee violations.

GVW and Other Fees – Legislation Passed by 68th Legislature State Special Revenue Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0026 Generally revise highway use laws	\$0.000	(\$0.011)	(\$0.011)
Total State Special Revenue Impact	\$0.000	(\$0.011)	(\$0.011)

Forecast Risks

- Vehicle sales
- Gas prices

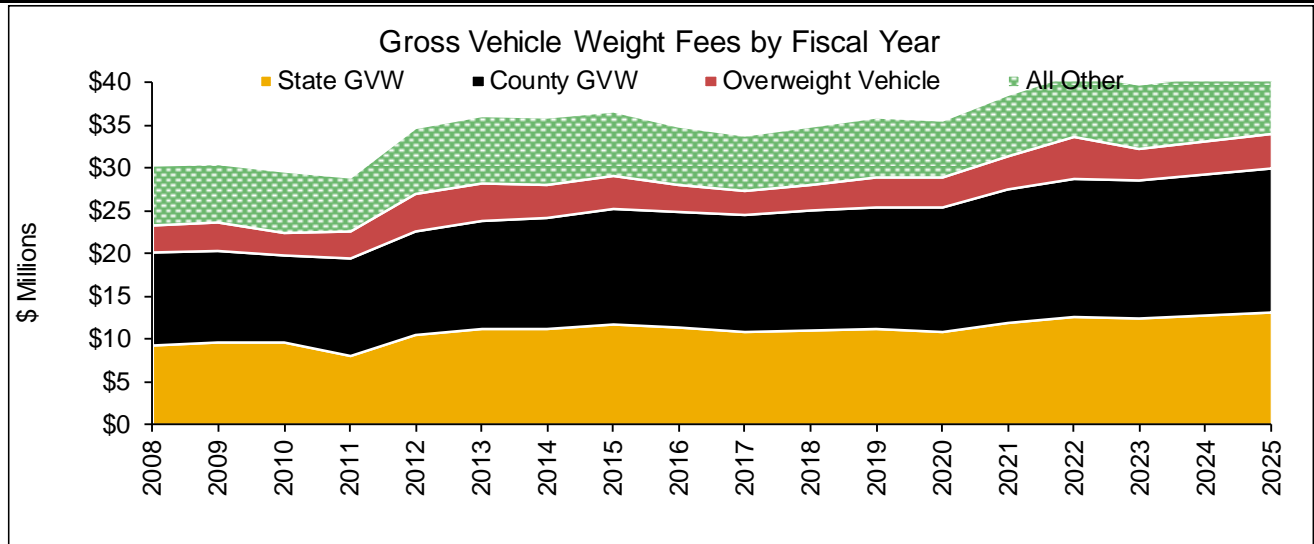
Revenue Estimate Methodology

Data

The SABHRS data provide the historic collection data for the 13 different types of fees and permits. MDT provides statistics on the number of gross weight vehicle licenses for use in Montana.

Analysis

The state of Montana imposes many fees and requires several types of permits based on the gross weight of commercial and large privately-owned vehicles. The largest sources of revenue in the GVW are the gross vehicle weight fees collected by both counties and the state. The figure below demonstrates the relative importance of these two sources to the overall GVW collections.



Both county and state GVW fees are forecast by applying an estimated growth in Montana’s vehicle stock to the previous year’s collections. This same methodology is applied to the remaining smaller fees associated with this revenue source.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

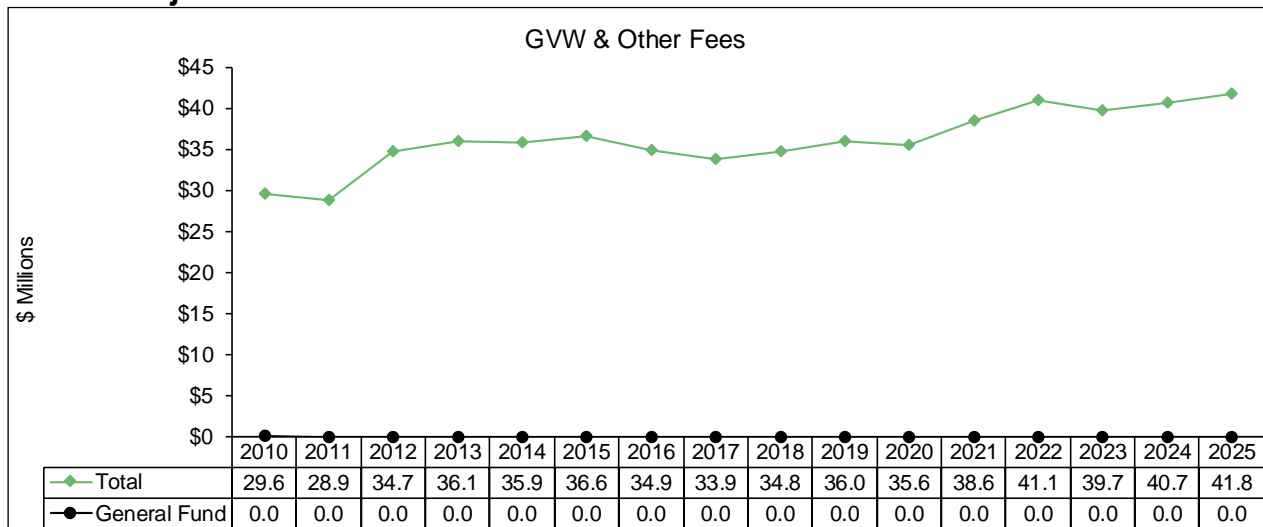
FY	Total Tax \$ Millions	GF Tax \$ Millions	GVW \$ Millions	SSRS \$ Millions	Form 3 \$ Millions	Trip \$ Millions	County \$ Millions
A 2012	\$34.748	\$0.000	\$10.489	\$0.000	\$1.102	\$0.865	\$12.086
A 2013	36.08	-	11.21	-	1.05	0.73	12.60
A 2014	35.86	-	11.18	-	1.03	0.68	12.94
A 2015	36.60	-	11.79	-	1.01	0.71	13.49
A 2016	34.91	-	11.36	-	1.03	0.54	13.49
A 2017	33.89	-	10.83	-	0.90	0.48	13.69
A 2018	34.84	-	10.97	-	0.99	0.52	14.01
A 2019	35.99	-	11.21	-	0.98	0.56	14.21
A 2020	35.55	-	10.80	-	0.89	0.51	14.62
A 2021	38.57	-	11.97	-	0.87	0.51	15.51
A 2022	41.06	-	12.54	-	0.81	0.61	16.18
F 2023	39.74	-	12.50	-	0.81	0.61	16.11
F 2024	40.72	-	12.82	-	0.81	0.61	16.49
F 2025	41.81	-	13.14	-	0.81	0.61	16.86
F 2026	42.94	-	13.46	-	0.81	0.61	17.24
F 2027	43.94	-	13.78	-	0.81	0.61	17.62

Consumption Taxes

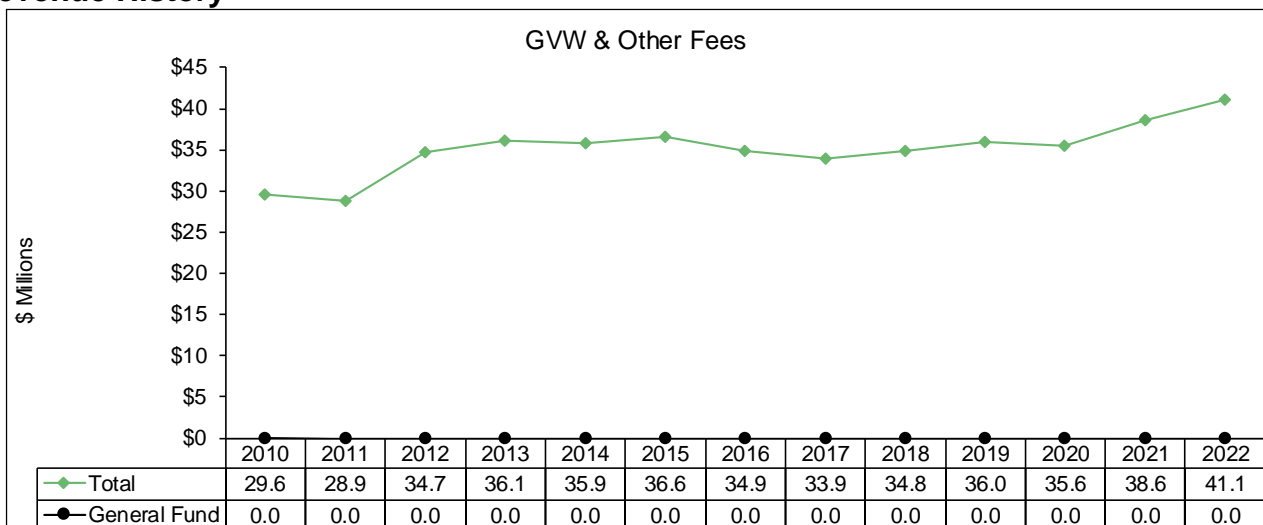
GVW and Other Fees

FY	Overweight \$ Millions	Special \$ Millions	Fuel \$ Millions	Other \$ Millions
A 2012	\$4.353	\$1.422	\$0.254	\$4.177
A 2013	4.34	1.46	0.23	4.47
A 2014	3.88	1.41	0.25	4.49
A 2015	3.86	1.35	0.29	4.10
A 2016	3.12	1.26	0.24	3.87
A 2017	2.84	1.23	0.23	3.68
A 2018	3.09	1.28	0.22	3.76
A 2019	3.51	1.37	0.24	3.91
A 2020	3.45	1.32	0.23	3.73
A 2021	3.91	1.35	0.26	4.18
A 2022	4.84	1.45	0.28	4.35
F 2023	3.68	1.45	0.28	4.30
F 2024	3.79	1.45	0.30	4.45
F 2025	3.99	1.45	0.32	4.63
F 2026	4.18	1.45	0.33	4.86
F 2027	4.42	1.45	0.35	4.90

Revenue Projection



Revenue History



Liquor Excise and License Tax

Revenue Description

DOR is the only liquor wholesaler in the state of Montana. An excise tax and a license tax are collected both on liquor sold by DOR and liquor purchased outside the state (by airlines and passenger rail) for consumption within the state.

Statutory Reference

Tax Rate – Excise tax: [16-1-401, MCA](#); License tax: [16-1-404, MCA](#)

Tax Distribution – Excise tax: [16-1-401, MCA](#) & [16-2-108, MCA](#); License tax: [16-1-404, MCA](#)

Date Due – Excise tax is collected at the time of sale and distributed by the 10th day of each month. License tax is collected at the time of sale.

Applicable Tax Rates

All liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed the liquor is taxed a percentage rate on the retail selling price based on the following number of proof gallons of liquor handled nationwide by that company in the calendar year preceding imposition of the tax:

Excise Tax Rate

- 3.0% – Less than 20,000 proof gallons
- 8.0% – 20,000 to 50,000 proof gallons
- 13.8% – 50,001 to 200,000 proof gallons
- 16.0% – More than 200,000 proof gallons

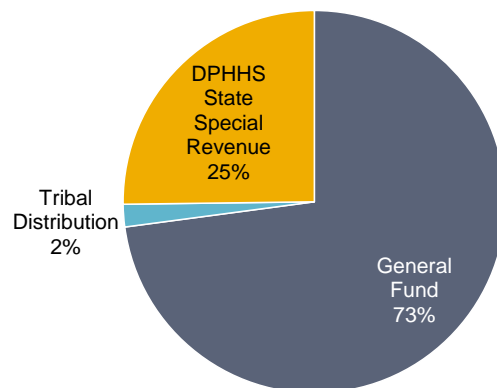
License Tax Rate

- 10.0% – More than 200,000 proof gallons
- 8.6% – Not more than 200,000 proof gallons

Collection Frequency: Both the liquor excise tax and the license tax on liquor are collected at the time of the sale and delivery of liquor. Deposits to the general fund are made monthly.

Distribution

Liquor excise and license tax revenue is distributed between the general fund, the Department of Public Health and Human Services (DPHHS) state special revenue alcohol account, and tribal governments according to intergovernmental agreements between DOR and the tribes. Liquor tax dollars are distributed to Blackfeet, Fort Belknap, Fort Peck, and Flathead according to the following formula: (per capita liquor consumption) x (tribal membership) x (Montana tax rate). The following chart shows the FY 2022 distribution of liquor tax revenue.



Summary of Legislative Action:

The 68th Legislature did not enact legislation that impacts this source.

Forecasting Risks

- Change in Montana consumption patterns
- Departure of sales growth from historic trends

Revenue Estimate Methodology

Data

The liquor profits estimate is based on data obtained from DOR, SABHRS, and IHS Markit. Details on number of units sold, and average cost per unit are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by IHS Markit.

Analysis

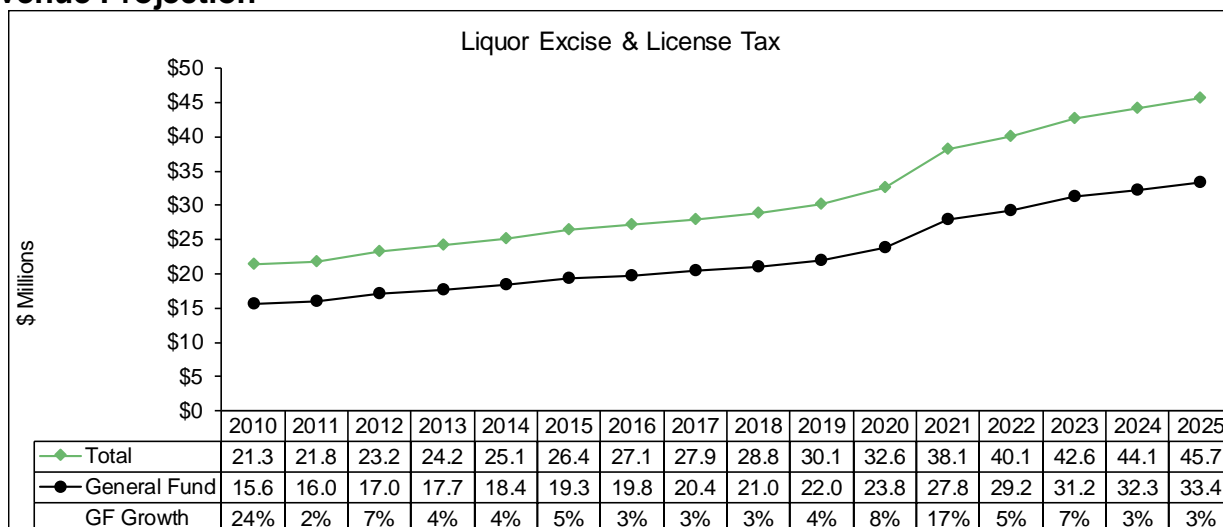
Gross liquor sales are modeled on the Montana personal consumption expenditure series for food, and the forecast growth rate is applied to the most recent year of actual sales. Liquor taxes are calculated by applying the tax rates to the retail sales price of liquor sold. The tax rate is lower for companies that produce less than 200,000 gallons; however, at this time the lower tax rates are not considered.

Revenue Estimate Assumptions

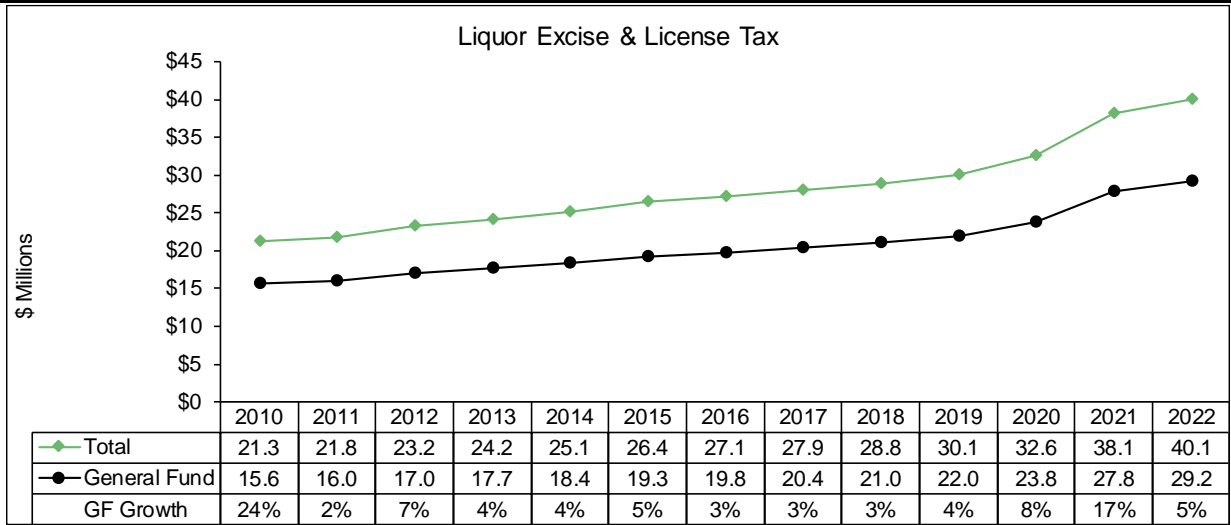
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross Sales \$ Millions	Montana PCE Food \$ Millions	Excise Tax \$ Millions	License Tax \$ Millions
A 2012	\$23.222	\$17.037	\$90.180	\$2,790.641	\$14.291	\$8.932
A 2013	24.16	17.72	94.87	3,168.23	14.87	9.29
A 2014	25.12	18.42	99.21	4,235.56	15.46	9.66
A 2015	26.42	19.26	104.80	4,932.29	16.26	10.16
A 2016	27.13	19.78	107.73	5,201.77	16.69	10.44
A 2017	27.93	20.37	111.50	5,426.58	17.19	10.74
A 2018	28.81	21.01	115.29	5,592.79	17.73	11.08
A 2019	30.09	21.95	120.99	5,774.89	18.51	11.58
A 2020	32.58	23.79	131.46	6,002.99	20.05	12.53
A 2021	38.14	27.82	155.45	6,226.89	23.47	14.67
A 2022	40.08	29.17	163.68	6,478.48	24.66	15.42
F 2023	42.64	31.24	174.14	6,749.55	26.29	16.35
F 2024	44.13	32.28	179.88	6,990.15	27.16	16.98
F 2025	45.66	33.41	186.12	7,251.38	28.10	17.56
F 2026	47.60	34.84	194.03	7,582.75	29.29	18.31
F 2027	49.65	36.35	202.39	7,932.95	30.55	19.10

Revenue Projection



Revenue History



Liquor Profits

Revenue Description

Liquor profit income is derived from two sources: profits from liquor sales to retail establishments and profits resulting from the competitive bid auction for transfer of liquor licenses. Profits from these activities are transferred from the Department of Revenue (DOR) liquor enterprise fund to the general fund. DOR is the only liquor wholesaler in the state of Montana.

Statutory Reference

Tax Rate – Authority to markup [16-1-404\(2\), MCA](#) and rate of markup [ARM 42.11.104](#) Competitive bid [16-4-430, MCA](#)

Tax Distribution – [16-2-108\(4\), MCA](#)

Date Due – N/A

Applicable Tax Rates

Liquor profits received by the state are primarily generated by a mark-up on the sale of liquor and fortified wine, less costs such as commissions and discounts. A 40.0% mark-up is added to the state’s base cost for liquor. The state’s mark-up percentage on the base cost of fortified wine (more than 16.0% but no greater than 24.0% alcohol by volume) is 51.0%. The state’s mark-up on sacramental wine (more than 16.0% but no greater than 24.0% alcohol by volume) is 20.0%. A reduced markup of 20.0% is available to some distilleries that produce less than 25,000 proof gallons annually.

Competitive bid licenses are announced at a minimum bid of 75.0% of market price and are awarded to the highest bidder.

Collection Frequency: Payment for liquor purchases is due within 60 days of the invoice date and revenue is deposited into an enterprise fund.

Distribution: Liquor profits are deposited in the general fund annually.

Summary of Legislative Action:

[HB 48](#) – Generally revise alcohol laws, including storage depots: allows wineries and distilleries to operate storage depots for storing alcoholic beverages for a \$400 annual license fee.

[HB 68](#) – Generally revise laws related to beer and wine licenses: Replaces on-premises consumption beer license + wine amendment to beer and wine license with combined fee.

[HB 97](#) – Generally revise laws related to alcohol: adds clarifying language for winery taxes and liquor price reductions, revises the definition of a small brewery and requires Department of Revenue approval and a fee for additional buildings to be used to serve alcoholic beverages on a golf course.

[SB 264](#) – Revise airport all-beverage license laws: revises laws pertaining to airport all-beverage licenses by decreasing annual passenger requirement, allowing licensee to lease their license to up to three individuals or entities and allowing each lease to be based on a percentage of alcoholic beverage sales.

Liquor Profits - Legislation Passed by the 68th Legislature			
General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0048 Generally revise alcohol laws, including storage depots	\$0.000	\$0.005	\$0.005
HB0068 Generally revise laws related to beer and wine licenses	0.000	0.000	0.009
HB0097 Generally revise laws related to alcohol	0.000	0.010	0.000
SB0264 Revise airport all-beverage license laws	0.000	0.000	0.000
Total General Fund Impact	\$0.000	\$0.016	\$0.015

Forecast Risks

- Change in Montana consumption patterns
- Departure of sales growth from historic trends
- Lack of population growth or loss of demand for liquor licenses

Revenue Estimate Methodology

Data

The liquor profits estimate is based on data obtained from DOR, SABHRS, and IHS Markit. Details on number of units sold, and average cost per unit are provided by DOR, fiscal year tax collections are from SABHRS, and forecasts for independent economic variables are produced by IHS Markit.

Data for competitive bid awards actuals for the all awards, current auction offerings and population growth.

Analysis

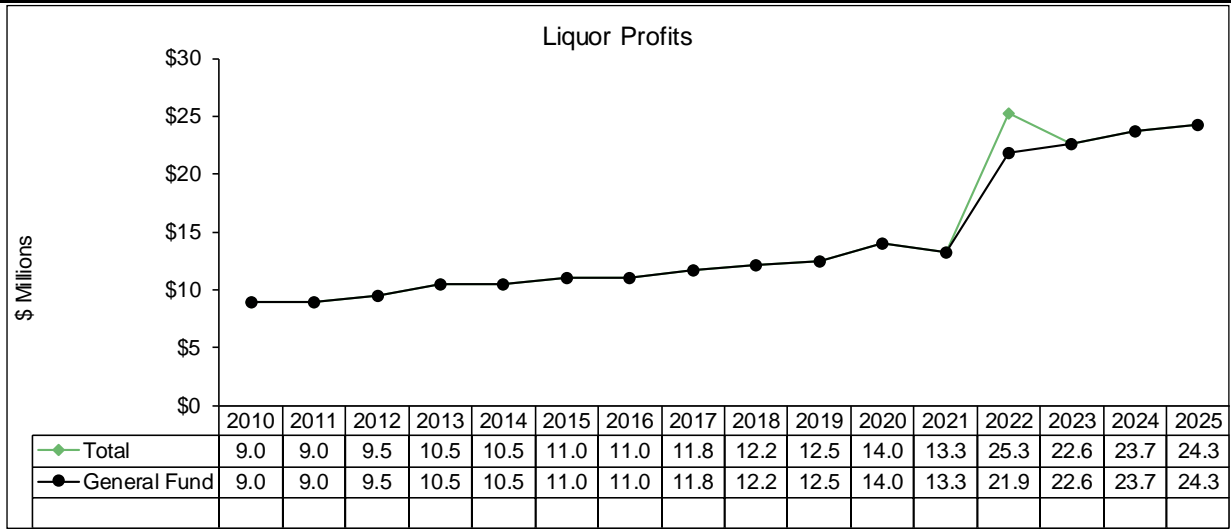
Gross liquor sales are modeled on the Montana personal consumption expenditure (PCE) series for food, and the forecast growth rate is applied to the most recent year of actual sales. Net profits are calculated by reducing the gross sales by excise and license tax amounts, discounts, cost of goods sold, and a trended estimate of the division’s operating budget. The amount transferred to the general fund is typically rounded to the nearest \$0.5 million, so the forecast for liquor profits is rounded accordingly. Estimates for license auction awards include a multiplier on current offerings and are rounded down to the nearest million for the near term while market patterns evolve.

Revenue Estimate Assumptions

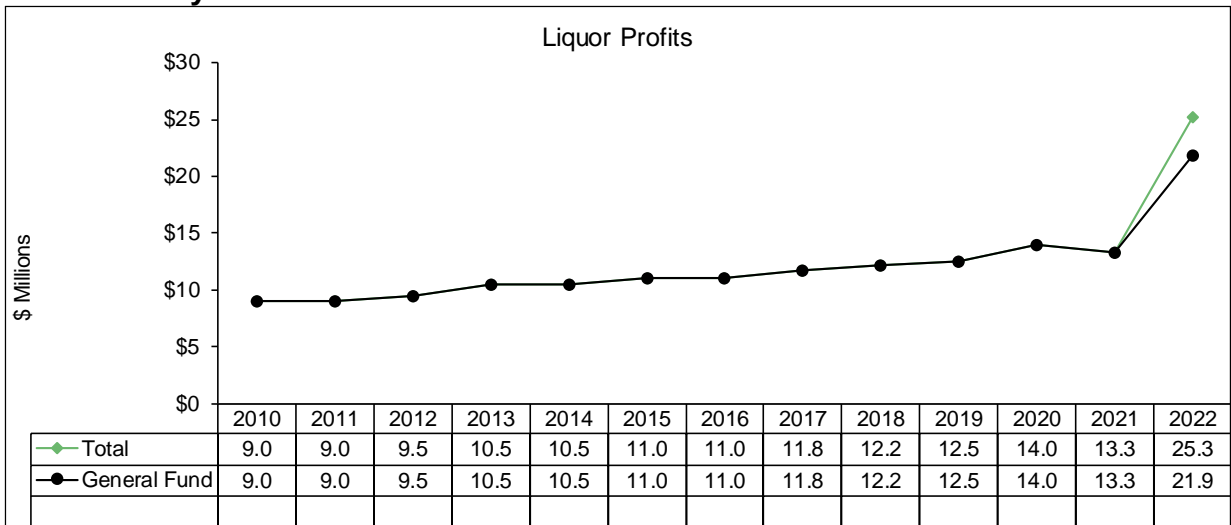
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	GF Profit \$ Millions	Gross Revenue \$ Millions	Business Costs \$ Millions	License & Excise Taxes \$ Millions	Liquor License Auction	Montana PCE Food \$ Millions	Gross Sales \$ Millions
A 2012	\$9.500	\$90.189	\$80.766	\$23.282		\$2,790.641	90.180
A 2013	10.50	94.88	84.33	24.25		3,168.23	94.872
A 2014	10.50	99.23	88.79	25.18		4,235.56	99.209
A 2015	11.00	104.82	93.75	26.67		4,932.29	104.799
A 2016	11.00	107.74	96.70	27.50		5,201.77	107.725
A 2017	11.75	111.52	99.80	28.22		5,426.58	111.502
A 2018	12.20	115.31	102.93	29.07	-	5,592.79	115.292
A 2019	12.50	121.62	108.39	31.47	0.60	5,774.89	120.992
A 2020	14.00	134.25	117.40	37.96	2.77	6,002.99	131.463
A 2021	13.26	158.11	139.22	39.62	2.65	6,226.89	155.455
A 2022	25.26	166.42	145.04	44.14	2.70	6,478.48	163.681
F 2023	22.60	176.17	154.18	45.90	2.00	6,749.55	174.138
F 2024	23.70	181.92	159.21	48.21	2.00	6,990.15	179.881
F 2025	24.30	188.15	164.67	49.22	2.00	7,251.38	186.116
F 2026	25.40	196.06	171.59	51.52	2.00	7,582.75	194.026
F 2027	26.40	204.42	178.90	53.36	2.00	7,932.95	202.386

Revenue Projection



Revenue History



Lottery Profits

Revenue Description

Lottery revenue is derived from ticket sales, sports betting, sales agents license fees, and unclaimed prizes. These funds are deposited into the lottery enterprise fund. After paying prizes, ticket costs, commissions, and other operating costs from the enterprise fund, profits are transferred to the general fund.

Statutory Reference

Tax Rate – N/A

Distribution – [23-7-402\(3\), MCA](#)

Date Due – Quarterly ([23-7-402\(3\), MCA](#))

Applicable Tax Rates: N/A

Collection Frequency: Lottery revenues are collected on an on-going basis. Transfers to the general fund are made quarterly.

Distribution: Prior to changes enacted by the 2019 Legislature, net proceeds are deposited into the general fund, up to the amount transferred in FY 2015 (\$12.4 million). Any additional revenue was to be diverted into a state special revenue fund for science, technology, engineering, and mathematics (STEM) scholarships. Currently an appropriation for STEM scholarships is funded before any funds are transferred to the general fund.

Summary of Legislative Action:

[SB 535](#) – Revise lottery laws relating to the board of horseracing: this bill terminates the special raffle or lottery game for the benefit of the Board of Horse Racing.

Lottery Profits – Legislation Passed by 68th Legislature General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
SB0535 Revise lottery laws relating to the board of horseracing	\$0.000	\$0.000	\$0.060
Total General Fund Impact	\$0.000	\$0.000	\$0.060

Forecast Risks

- Fluctuating short-term interest rates
- Changing Montana population
- Unexpected number of jackpots won

Revenue Estimate Methodology

Data

The lottery revenue estimate is based on data obtained from SABHRS, IHS Markit, and the annual Montana Lottery Commission report. Monthly accounting information for the enterprise fund come from SABHRS; forecasts for independent economic variables are produced by IHS Markit; interest earnings, daily fund balance and other more detailed information comes from the Lottery Commission report.

Analysis

Revenue for the enterprise fund comes primarily from a combination of ticket sales, interest earnings, and license sales. Expenditures from the fund cover prizes, commissions, and operation costs. The

Consumption Taxes

Lottery Profits

difference between the forecast revenues and expenditures is the anticipated general fund transfer of lottery profits.

Per capita ticket sales are time trended. Forecast per capita ticket sales are multiplied by Montana population age 18 and older to produce future ticket sales. Interest earnings are calculated by multiplying the IHS Markit forecast for short-term interest by the projected average daily balance of the enterprise fund. The projection for the average daily balance is assumed to increase to a historical average of \$6 million. License sales are assumed to be comparable to those in the last known fiscal year.

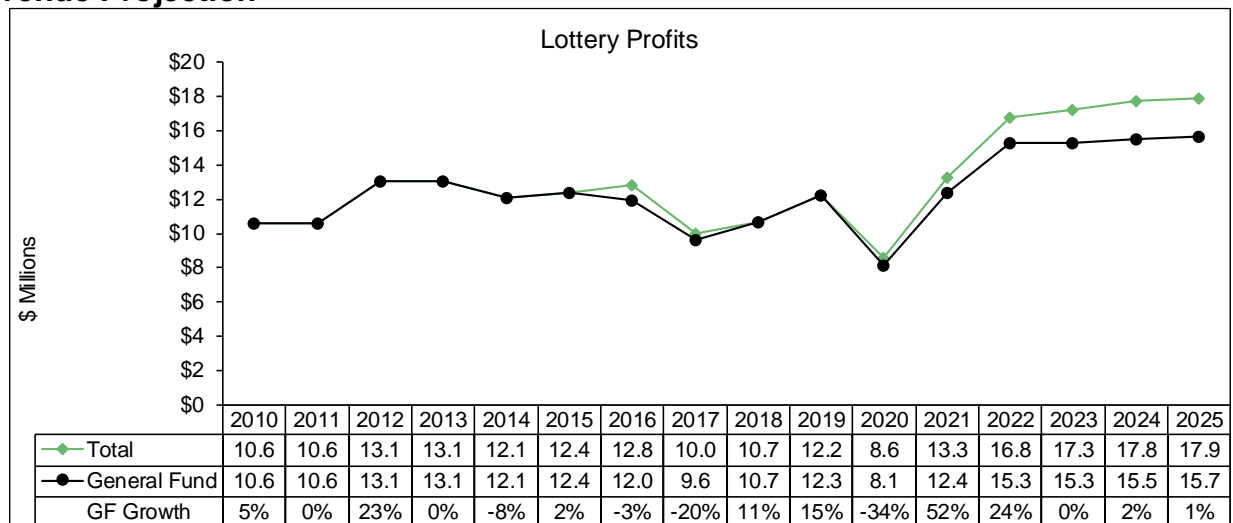
Prizes and commissions are forecast by applying an average prize-to-ticket sales ratio to the ticket sales forecast. Operational costs are based on a time trend. Sports betting is currently forecast using assumptions from the HB 725 fiscal note. Due to COVID-19, there is only one quarter of sports betting data available at this time.

Revenue Estimate Assumptions

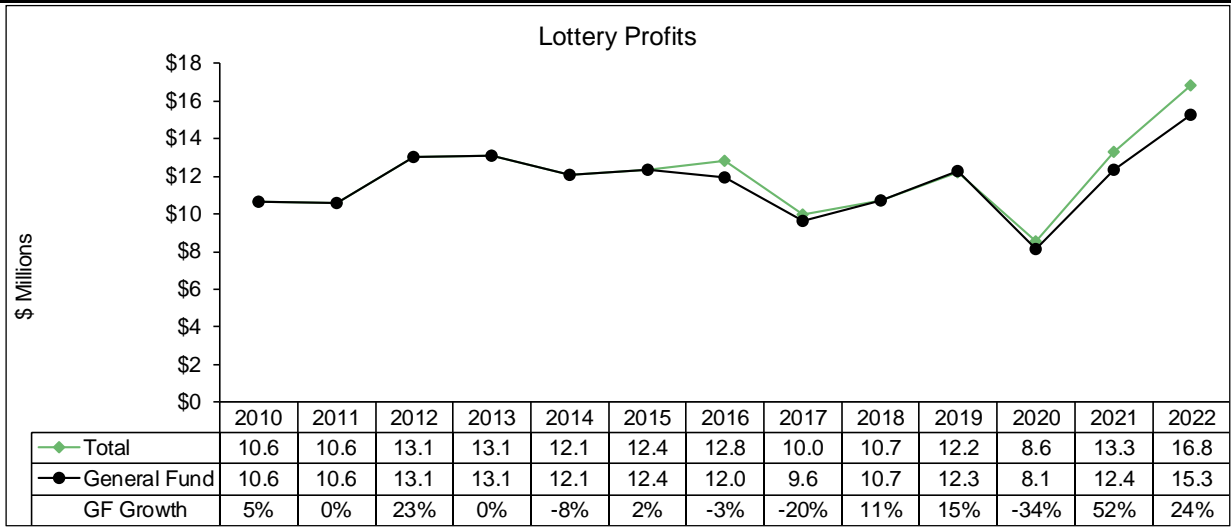
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Profit \$ Millions	GF Profits \$ Millions	Gross Revenue \$ Millions	Business Costs \$ Millions	Short-Term Interest Percent	MT Pop. >=18 Millions	STEM Scholarships \$ Millions
A 2012	\$13.061	\$13.061	\$52.628	\$39.568	0.1%	0.782	-
A 2013	13.08	13.08	56.83	43.75	0.1%	0.790	-
A 2014	12.09	12.09	53.13	41.04	0.1%	0.798	-
A 2015	12.36	12.36	52.38	40.02	0.1%	0.807	-
A 2016	12.84	11.96	59.78	46.93	0.3%	0.816	0.881
A 2017	9.98	9.62	52.51	42.53	0.7%	0.826	0.358
A 2018	10.70	10.70	56.43	45.73	1.5%	0.835	-
A 2019	12.21	12.21	60.31	48.10	2.1%	0.844	-
A 2020	8.57	8.07	59.44	50.87	1.3%	0.855	0.500
A 2021	13.30	12.30	112.35	99.05	0.2%	0.871	1.000
A 2022	16.81	15.31	116.05	99.24	1.0%	0.884	1.500
F 2023	17.26	15.26	116.62	99.36	3.2%	0.895	2.000
F 2024	17.76	15.51	123.35	105.59	4.1%	0.905	2.250
F 2025	17.93	15.68	129.29	111.36	3.3%	0.915	2.250
F 2026	18.72	16.47	134.78	116.05	2.7%	0.924	2.250
F 2027	20.18	17.93	141.86	121.68	2.6%	0.932	2.250

Revenue Projection



Revenue History



Tobacco Tax

Revenue Description

Taxes are levied on all non-cigarette tobacco products sold in Montana. A tax is assessed on the number of ounces of moist snuff sold and on the wholesale value of all other non-cigarette tobacco products sold. Tobacco products shipped from Montana to be sold and consumed elsewhere are not subject to the tax.

Statutory Reference

Tax Rate – [16-11-111\(7\), MCA](#)
 Tax Distribution – [16-11-114\(2\), MCA](#); [16-11-119\(3\), MCA](#)
 Date Due – [16-11-111\(8\), MCA](#)

Applicable Tax Rates

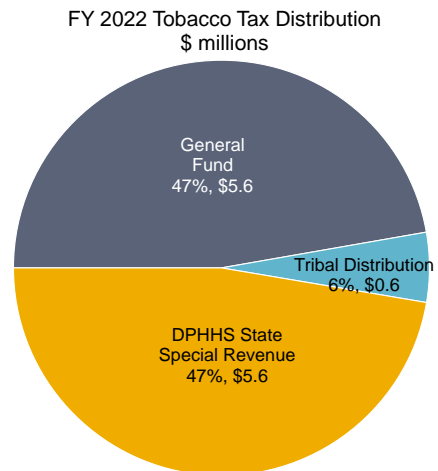
Tobacco products – 50.0% of the wholesale price
 Moist snuff – \$0.85 per ounce

Collection Frequency: Monthly

Distribution

Tobacco tax revenue is first distributed to Blackfeet, Fort Belknap, Rocky Boy, Fort Peck, Northern Cheyenne, and Crow tribes according to intergovernmental agreements between the tribes and DOR. The distribution formula is as follows: (1.5) x (Montana per capita tobacco product consumption) x (enrolled tribal population) x (tax rate).

Following the distribution to the tribes, the remaining tobacco tax revenue is split evenly between the general fund and the Department of Public Health and Human Services (DPHHS) Health and Medicaid Initiatives state special revenue fund. The following chart shows the FY 2022 distribution of tobacco tax revenue.



Summary of Legislative Action:

[SB 122](#) – Revise cigar tax based on a fixed amount per cigar: Defines premium cigars and revises the tax to be 50.0% of the wholesale price or \$0.35 per cigar, whichever is less.

Tobacco Tax – Legislation Passed by 68th Legislature			
General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
SB0122 Revise cigar tax based on a fixed amount per cigar	\$0.000	(\$0.046)	(\$0.045)
Total General Fund Impact	\$0.000	(\$0.046)	(\$0.045)

Forecast Risks

- Changing Montana population
- Value of Montana retail sales

Revenue Estimate Methodology

Data

The tobacco tax estimate is based on data obtained from DOR, SABHRS, and IHS Markit. Details on tax collections by month, distributor, product type, and tribal distributions are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by IHS Markit.

Analysis

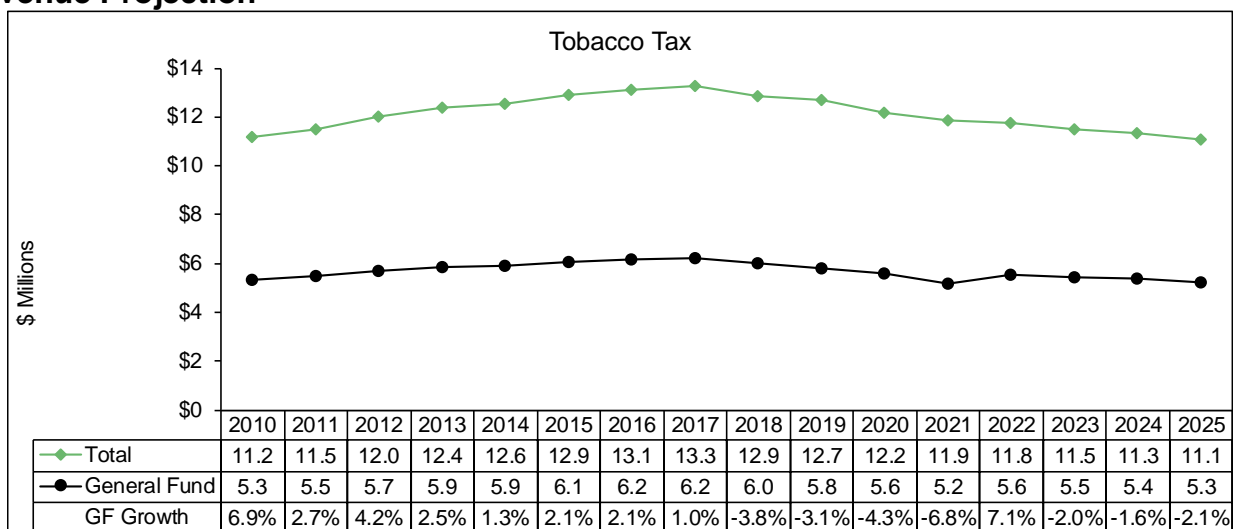
Per capita snuff and other tobacco products are separately modeled on Montana population age 18 and older and Montana personal consumption expenditures (PCE). The per capita forecasts are multiplied by Montana population age 18 and older to produce individual forecasts for snuff and other tobacco products. After applying the appropriate tax rate to each value to determine gross taxes, forecasts for credits and discounts are subtracted to find the net revenue. Credits and discounts are assumed to remain at the same percentage of total tobacco taxes as the most recent completed year.

Revenue Estimate Assumptions

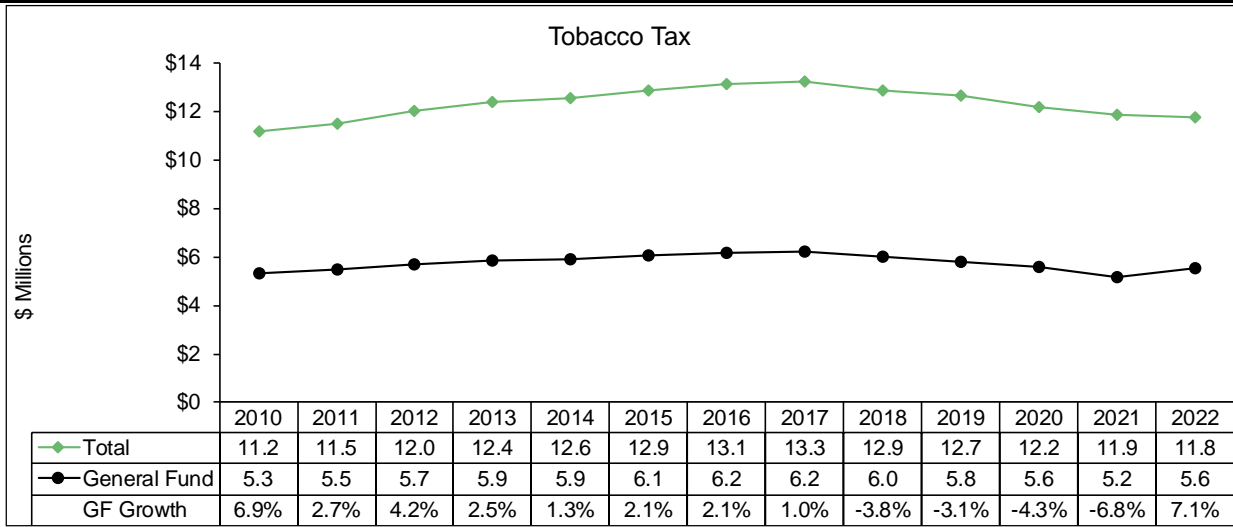
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Moist Snuff Sales \$ Millions	Value Other Products \$ Millions	Business Costs \$ Millions	Montana Pop >= 18 Millions	Montana PCE \$ Millions
A 2012	\$12.024	\$5.709	\$10.412	\$6.689	\$0.308	0.782	\$45,318
A 2013	12.39	5.85	11.12	6.42	0.35	0.790	49,505
A 2014	12.56	5.93	11.51	6.36	0.36	0.798	55,691
A 2015	12.89	6.06	11.90	6.42	0.39	0.807	58,652
A 2016	13.13	6.18	12.27	6.26	0.38	0.816	60,138
A 2017	13.27	6.25	12.27	6.30	0.34	0.826	62,504
A 2018	12.86	6.06	11.95	6.02	0.44	0.835	65,191
A 2019	12.70	5.87	11.54	6.09	0.40	0.844	67,903
A 2020	12.20	5.75	11.36	6.07	0.34	0.855	70,800
A 2021	11.89	5.61	11.20	6.05	0.42	0.871	73,763
A 2022	11.78	5.56	10.83	6.31	0.45	0.884	76,859
F 2023	11.51	5.45	10.60	6.00	0.36	0.895	80,221
F 2024	11.32	5.37	10.43	5.89	0.36	0.905	83,874
F 2025	11.08	5.25	10.21	5.75	0.35	0.915	87,735
F 2026	10.81	5.12	9.97	5.60	0.34	0.924	91,807
F 2027	10.58	5.02	9.79	5.43	0.33	0.932	95,985

Revenue Projection



Revenue History



Video Gambling Tax

Revenue Description

Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees: fees paid by operators for video gambling machines, fees paid by operators for non-video games such as poker, and annual fees for the right to assemble, produce, or manufacture video gambling machines or associated equipment. The video gambling tax is paid by licensed video gambling machine operators. License holders are charged a tax of 15.0% of the gross income (defined as net of payouts) from each licensed video gambling machine. The Department of Justice (DOJ) issues video gambling licenses and permits and collects the fees and taxes.

Statutory Reference

Tax Rate – Route operator license: [23-5-129, MCA](#); gambling establishment operator license: [23-5-177, MCA](#); card table fee: [23-5-306\(2\), MCA](#); bingo/keno permit: [23-5-407, MCA](#); sports tab tax: [23-5-502, MCA](#); video tax: [23-5-610\(1\), MCA](#); machine permit fee: [23-5-612\(2\), MCA](#)

Tax Distribution – Card table fee: [23-5-306\(3&4\), MCA](#); bingo and keno tax: [23-5-409, MCA](#); sports tab tax: [23-5-502, MCA](#); video: [23-5-610\(6\), MCA](#); machine permit fee: [23-5-612\(3\), MCA](#)

Date Due – Card table fees due annually and distributed quarterly to local governments: [23-5-306\(1&4\), MCA](#); video tax due 15 and 25 days after the end of the quarter: [23-5-610\(5\), MCA](#); machine permit fees due annually prorated on a quarterly basis: [23-5-612\(2a\), MCA](#); bingo and keno taxes due July 31.

Applicable Tax Rates

License Fees

- Video gambling machine permit – \$220 annually
- Video gambling manufacturer license – \$1,000 annually
- Video gambling machine examination fee – Actual DOJ costs of examining the electronic equipment
- Distributor license – \$1,000 annually
- Route operator license – \$1,000 annually
- Bingo/keno manufacture license – \$1,000 annually
- Gambling establishment operator license – Actual DOJ costs of determining licensure qualifications
- Antique slot machine seller permit – \$50 annually
- Live card game table – \$250 annually for the first table and \$500 for each additional table
- Card game dealer license – \$75 for the first year, \$25 for each subsequent year
- Pinochle tournament permit – \$25
- Card room contractor license – \$150 annually
- Bingo/keno permit – \$250 annually
- Bingo/keno examination fee – Actual DOJ costs of examining the electronic equipment
- Sports tab game seller license – \$100 annually
- Casino night permit – \$25
- Associated business – \$100

Gambling Taxes

- Video – 15.0% of gross income (defined as net of payouts) per video gambling machine
- Bingo/keno – 1.0% of gross proceeds
- Sport tabs – \$1.00 for each 100 sport tabs sold

Collection Frequency: Video tax – quarterly, machine permit fees – quarterly, other fees – annually

Distribution

License Fees

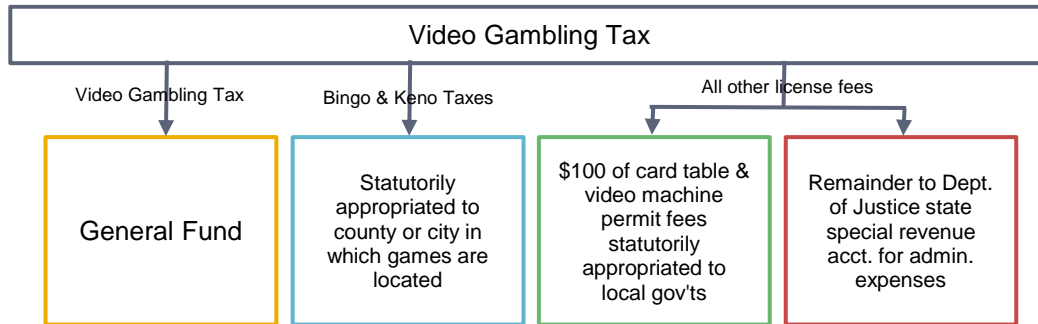
Consumption Taxes

Video Gambling Tax

- \$100 of the live card game table fee and \$100 of the video gambling machine permit fee (prorated basis) are statutorily appropriated for distribution to local governments.
- All other license fee revenue is retained by DOJ to cover administrative costs.

Gambling Taxes

- Video – All of video gambling tax receipts are deposited into the general fund.
- Bingo/Keno – All collections are statutorily appropriated for distribution to the municipality or county in which the game is located.
- Sport Tabs – All collections are retained by DOJ for administration purposes.



Summary of Legislative Action:

[HB 297](#) – Revised video gambling machine taxes to allow a deduction for negative income

Video Gambling Tax – Legislation Passed by 68th Legislature			
General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0297 Revise video gambling machine taxes to allow a deduction for negative income	\$0.000	(\$0.402)	(\$0.402)
Total General Fund Impact	\$0.000	(\$0.402)	(\$0.402)

Forecast Risks

- Personal income changes
- Population changes
- Potential impact due to legalization of sports betting

Revenue Estimate Methodology

The components of video gambling revenue have separate distributions, so each component is estimated separately.

Data

DOJ provides data upon request and limited applicable data is available from the department’s website. Historic and current revenue collections are obtained from SABHRS. IHS forecasts of Montana population coupled with a moving-average modeled growth rate are used to forecast the video tax collections.

Analysis

Revenue from the tax on video gambling machine gross income (defined as net of payouts) is the largest component of this revenue source and all revenue from this tax is distributed to the general fund. To determine total gross income, gross income for poker, keno, and multiple-game machines are calculated from revenue collections. The amount from the most recently completed fiscal year and subsequent estimates for succeeding fiscal years are adjusted based on prior years’ collections.

Permit and license fees are the second component to this revenue source, the revenue from which is deposited to the state special revenue fund and distributed to the DOJ to pay administrative costs and to local governments. There are three separate estimates for permit and license fees.

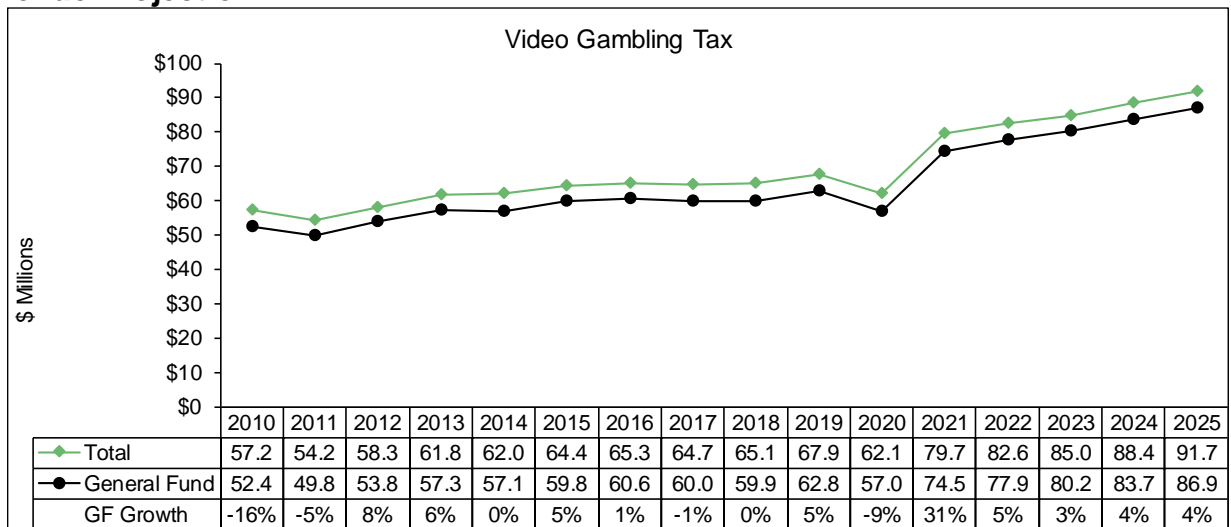
- Video gambling manufacturing license – The number of licenses is estimated using a linear regression model that uses the prior fiscal year’s license amount as the predictor variable
- Live game permit/license fees – The amounts of “first” poker tables, “additional” poker tables, bingo/keno, and card dealers are estimated using the most recently completed fiscal years
- Video gambling machine permit fees – The number of video, bingo/multi game, and keno machine permits is estimated using a five-year moving average

Revenue Estimate Assumptions

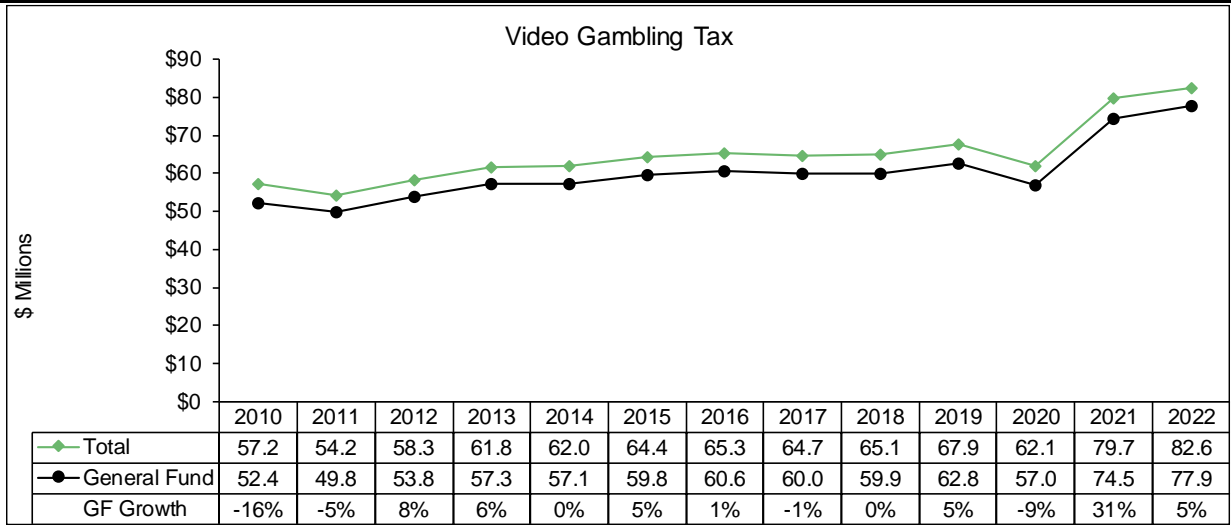
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Non GF Fee \$ Millions
A 2012	\$58.259	\$53.824	\$4.427
A 2013	61.78	57.26	4.51
A 2014	62.01	57.15	4.85
A 2015	64.41	59.80	4.60
A 2016	65.31	60.55	4.75
A 2017	64.73	59.96	4.77
A 2018	65.08	60.32	4.74
A 2019	67.87	63.23	4.63
A 2020	62.11	57.45	4.66
A 2021	79.67	74.92	4.75
A 2022	82.56	77.88	4.68
F 2023	84.95	80.18	4.77
F 2024	88.44	83.67	4.77
F 2025	91.67	86.90	4.78
F 2026	94.75	89.98	4.78
F 2027	97.78	93.00	4.78

Revenue Projection



Revenue History



Wine Tax

Revenue Description

A tax is levied on table wines and hard ciders imported into Montana by wine distributors or by DOR, as a liquor wholesaler.

Statutory Reference

Tax Rate – [16-1-411\(1\), MCA](#); [16-2-301\(2\), MCA](#)

Tax Distribution – [16-1-411\(3\), MCA](#); [16-2-301\(2\), MCA](#)

Date Due – 15th day of the month following the sale from the distributor’s warehouse ([16-1-411\(2\), MCA](#))

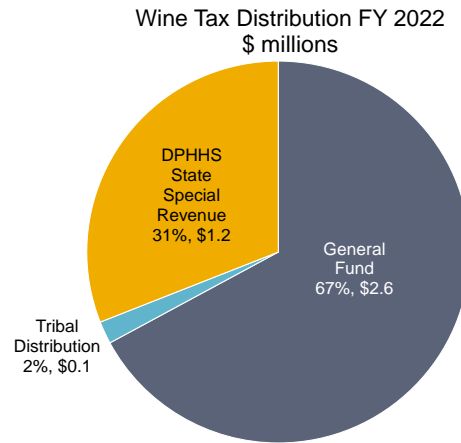
Applicable Tax Rates

- \$0.27 per liter of wine
- \$0.28 per liter of wine sold to agency liquor stores
- \$0.037 per liter of hard cider

Collection Frequency: Monthly

Distribution

Wine tax revenue is distributed between the general fund, the Department of Public Health and Human Services (DPHHS) state special revenue alcohol account, and tribal governments according to intergovernmental agreements between DOR and the tribes. The wine tax revenues distributed to Blackfeet, Fort Belknap, Fort Peck, and Confederated Salish and Kootenai tribes come out of the general fund portion of the revenue and are distributed according to the following formula: (per capita wine consumption) x (tribal membership) x (Montana tax rate). The remaining 31.0% of revenue goes to DPHHS to be used for treatment, rehabilitation, and prevention of alcohol and chemical dependency. The following chart shows the FY 2022 distribution of wine tax revenue.



Summary of Legislative Action:

[SB 20](#) – Generally revise laws related to alcohol: removes the \$0.01/liter tax assessed on table wine sold to an agency liquor store.

Wine Tax – Legislation Passed by 68th Legislature General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
SB0020 Generally revise laws related to alcohol	\$0.000	(\$0.003)	(\$0.003)
Total General Fund Impact	\$0.000	(\$0.003)	(\$0.003)

Forecast Risks

- Changing Montana population
- Rate of change in effective tax rate

Revenue Estimate Methodology

Data

The wine tax estimate is based on data obtained from DOR, SABHRS, and IHS Markit. Details on historic tribal distributions are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by IHS Markit.

Analysis

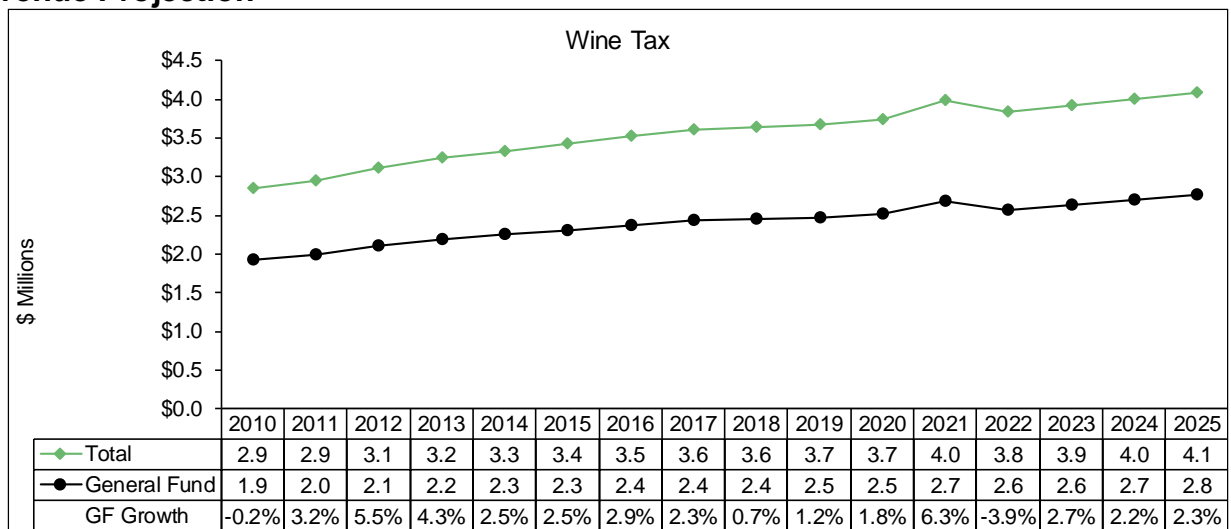
Per capita consumption is modeled on Montana population age 18 and older and the prior year’s actual consumption. Forecast per capita consumption is multiplied by forecast population to obtain an estimate of future total consumption. Total tax collections are calculated by multiplying the number of liters sold in a given year by the effective tax rate in that year. This analysis assumes that the effective tax rate remains the same as the last known fiscal year.

Revenue Estimate Assumptions

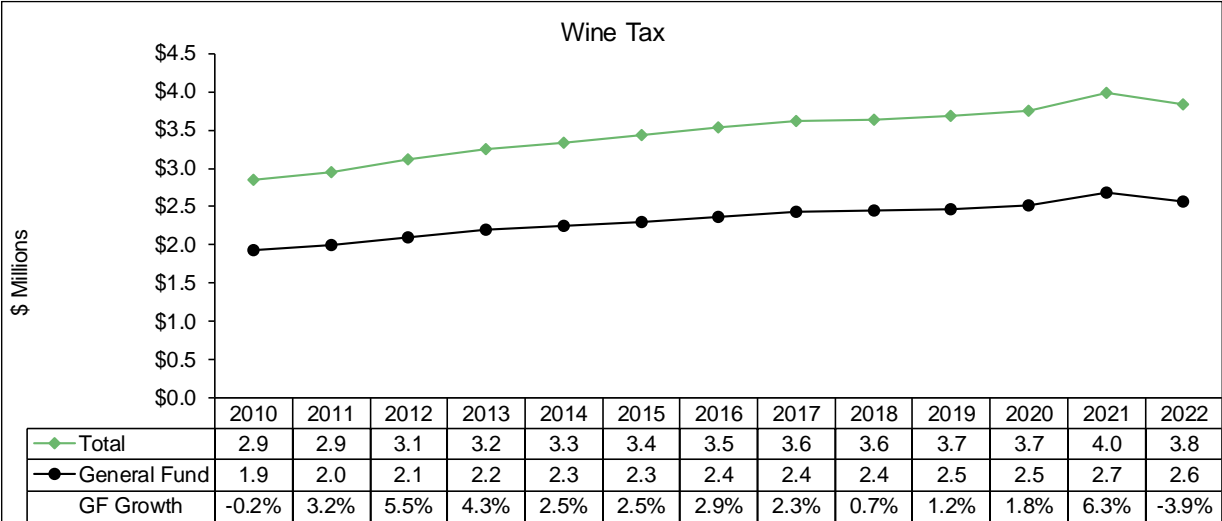
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Effective Tax Rate	Approximate Liters Sold Millions	Montana Pop >= 21 Millions
A 2012	\$3.109	\$2.104	26.6%	11.690	0.741
A 2013	3.24	2.20	25.9%	12.510	0.750
A 2014	3.33	2.25	24.9%	13.337	0.758
A 2015	3.43	2.31	24.6%	13.970	0.766
A 2016	3.53	2.37	25.0%	14.136	0.776
A 2017	3.61	2.43	25.2%	14.338	0.786
A 2018	3.63	2.45	25.0%	14.534	0.795
A 2019	3.68	2.48	24.9%	14.804	0.803
A 2020	3.74	2.52	24.8%	15.073	0.814
A 2021	3.98	2.68	24.8%	16.064	0.829
A 2022	3.83	2.57	24.7%	15.524	0.842
F 2023	3.92	2.64	24.7%	15.851	0.852
F 2024	4.00	2.70	24.7%	16.195	0.862
F 2025	4.09	2.76	24.7%	16.560	0.871
F 2026	4.19	2.83	24.7%	16.950	0.880
F 2027	4.29	2.90	24.7%	17.373	0.889

Revenue Projection



Revenue History



PROPERTY TAXES

Property Tax Overview
55 Mill Property Tax
40 Mill Property Tax
6 Mill Property Tax
1.5 Mill Property Tax



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Property Tax and Non-Levy Revenue

Revenue Description

Montana law requires counties to levy a county equalization levy of 55 mills, a state equalization levy of 40 mills (often referred to together as the 95 mills) for K-12 schools, and 6 mills for the university system against all taxable value in each county. A mill levy of 1.5 mills is also applied against all property in the five counties with a vo-tech college. Taxable value is the market value of statutorily defined property multiplied by a statutory tax rate.

In addition to the tax on property, this revenue component includes collections from "non-levy" sources that are distributed based on mills levied by taxing jurisdictions. These non-levy sources include the state share of coal gross proceeds taxes, federal forest revenues, and other smaller revenue sources.

This source also includes the state's share of protested taxes paid by centrally assessed companies. Fifty percent of taxes paid under protest by centrally assessed firms are deposited in the general fund and the rest were deposited in a state special account until the protests are resolved. Should the state fail in its defense of the taxation of these companies, the protested taxes must be returned to the taxpayer. If the state prevails in the case, the money in the special revenue account is transferred to the general fund.

Non-Levy Revenue

This source includes federal forest receipts, coal gross proceeds revenue, and other revenue which is distributed to statewide and local mills in each county. The mills to which non-levy revenue is distributed are unique for each county and each non-levy revenue source. The state's portion of non-levy revenue is remitted to the state as a portion of the appropriate property tax.

Federal Forest Receipts

Revenue Description

Federal forest receipts are payments from the federal government in lieu of revenues from the sale of forest products of federal land. The federal government authorizes logging operations on forest lands located within the borders of Montana. The sale of timber generates revenue that the federal government shares with the state in the following year. The state sends the money to the county treasurer of the county in which the receipts were generated. Within thirty days, the county treasurer distributes the money to various county and state accounts.

Statutory References

Distribution – [17-3-211, MCA](#); [17-3-212, MCA](#)

Date Due – The state treasurer distributes the funds within 30 days after receiving full payment

Distribution

The county treasurer apportions federal forest receipts in the following manner. Not more than 20.0% and not less than 15.0% is distributed to county government for special projects on federal land. Of the remainder:

- 66 2/3% goes to the road fund of the county
- 33 1/3% goes to the following countywide accounts, based on the mill ratios of each to total mills in the prior year: county equalization accounts (55 mills), county transportation account, county retirement accounts

Coal Gross Proceeds Tax

Revenue Description

The state imposes a gross proceeds tax of 5.0% on the gross value of coal produced by all the coal mines in the state. The gross value of coal is computed as the tonnage of coal produced and sold times the contract sales price. The tax on the gross proceeds for coal is estimated in conjunction with the coal severance tax. Of the total gross proceeds revenue, a state share is distributed to the elementary and high school county equalization levies as they existed in FY 1990.

Statutory References

Tax Rate – [15-23-703\(1\), MCA](#)

Tax Distribution – [15-23-703\(3\), MCA](#)

Applicable Tax Rates

The amount of tax due is 5.0% of the value of production as measured by the contract sales price for production in the preceding calendar year. There are some exceptions, such as new underground mines which are taxed at 2.5% for the first 10 years, as well as certain county-granted tax abatements.

Distribution

The county treasurer distributes the coal gross proceeds tax based on the relative proportions of mill levies for the state, counties, and school districts as these existed in FY 1990. However, coal gross proceeds from mines started after 1988 are distributed across mill levies in the same fashion as property taxes were distributed in the previous fiscal year.

Other Revenue

The county equalization account receives other revenue in addition to the types listed elsewhere. These include penalties and interest, back taxes, investment earnings, recreational fees, tax title and property sales, various state grants and fees, district court fines, county rents and lease income, and various revenue from federal sources such as PILT, Taylor Grazing, and Bankhead Jones.

Summary of Legislative Action:

[HB 189](#) increased the market value cap for homes enrolled in the Property Tax Assistance Program (PTAP) from \$200,000 to \$350,000 and indexes the cap to the median home value within the PTAP program.

[HB 212](#) increases the class 8 business equipment property tax market value exemption from \$300,000 to \$1,000,000.

[HB 325](#) specifically defines several unusual circumstances the Department of Revenue (DOR) must consider when a qualified veteran has income in a year that reduces their benefit or disqualifies them from the Montana Disabled Veteran (MDV) program.

[HB 587](#) established a school equalization and property tax reduction account state special revenue fund and directed revenues from the school equalization levies (95 mills) to be deposited in this account.

[SB 3](#) revised property taxation of class 10 forest land.

[SB 54](#) instituted a two-year reappraisal cycle for most centrally assessed property, all of which are currently appraised annually.

[SB 530](#) created an exemption for property used in a manufacturing process.

Property Tax – Legislation Passed by 68th Legislature General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0189 Revise property tax assistance program	\$0.000	\$0.000	(\$2.494)
HB0212 Increase business equipment tax exemption	0.000	(1.008)	(1.325)
HB0325 Revise eligibility for disabled veteran property tax assistance program	0.000	0.000	0.000
HB0587 Generally revise school finance laws related to property taxes	0.000	(426.054)	(435.529)
SB0003 Revise forest land taxation laws	0.000	(0.125)	(0.167)
SB0054 Revise centrally assessed property appraisals	0.000	0.000	(0.874)
SB0530 Generally revise taxation of new, expanded, or improved industrial property	0.000	(0.095)	(0.500)
Total General Fund Impact	\$0.000	(\$427.282)	(\$440.889)

Forecast Risks

- Property tax class growth rates
- Tax Increment Financing (TIF) property values
- Abated property values
- Non-levy revenue

Revenue Estimate MethodologyData

The data required to produce forecasts of property tax received by the state are historical data on assessed and taxable value by class of property, the amount of property in tax increment financing (TIF) districts, the amount of local abatements conferred by local governments, and future growth rates for these variables. Also required are historical and estimated data on the non-levy components of property tax. These are gross proceeds revenue, federal forest revenue, and miscellaneous revenue allocated to the various state mill levies. The historical data on assessed and taxable value by property tax class, TIF taxable value, and abated taxable value are provided to the LFD and OBPP by DOR on an annual basis.

The TIF taxable value is required because state law allows a TIF district to apply the state 95 mills and 1.5 vo-tech mills to the increment in property value that occurred since the TIF was created but allows the TIF district to keep the revenue associated with these mill levies. Thus, the taxable value of the state must be adjusted downward by the increment value of TIF property for the 95 mills and the 1.5-mill levy. The 6-mill levy revenue derived from incremental TIF property does flow to the state special account for university operations, and thus the tax base for the 6-mill levy is not adjusted for the incremental taxable value in a TIF.

Montana law allows local governments (usually counties) to temporarily reduce the tax rate applied to the assessed value of property. This is called abated property. For instance, in tax year 2010, an electrical generation plant outside Hardin and another in Silver Bow County were granted a 10-year exemption on all personal and real estate property. The abatement applies to all local mills for those jurisdictions in which the properties are located. However, the tax rate reduction and the resulting partial exemption from property taxes does not apply to state mills. For the first time in tax year 2010, abated taxable values were available by class of property and were added back to each class of taxable value to form the tax base for the state mills. Previously these values had been added back without respect to class of property.

Assessed and taxable values are measured on January 1 of the tax year. The taxes are due to the state in the following November and May, i.e. in the fiscal year following the calendar year in which the values are measured. Coal gross proceeds are due to the state in the fiscal year two years after the calendar year in which the coal was produced. Federal forest receipts are received by the federal government in December of each year, and miscellaneous non-levy revenue (primarily interest) is deposited as earned.

Analysis

The latest year for which taxable value by class is available is the base from which future taxable values are derived. Growth rates are applied to the taxable value in each class of property. For the most part, growth rates are based on historical growth and on expected changes in tax rates in upcoming fiscal years. The table below shows growth rates for each class of property, for TIF and the resulting growth rates in net taxable value. Rates reflect both reappraisal and assumed growth rates for classes 3, 4, and 10.

Property Tax

Property Tax

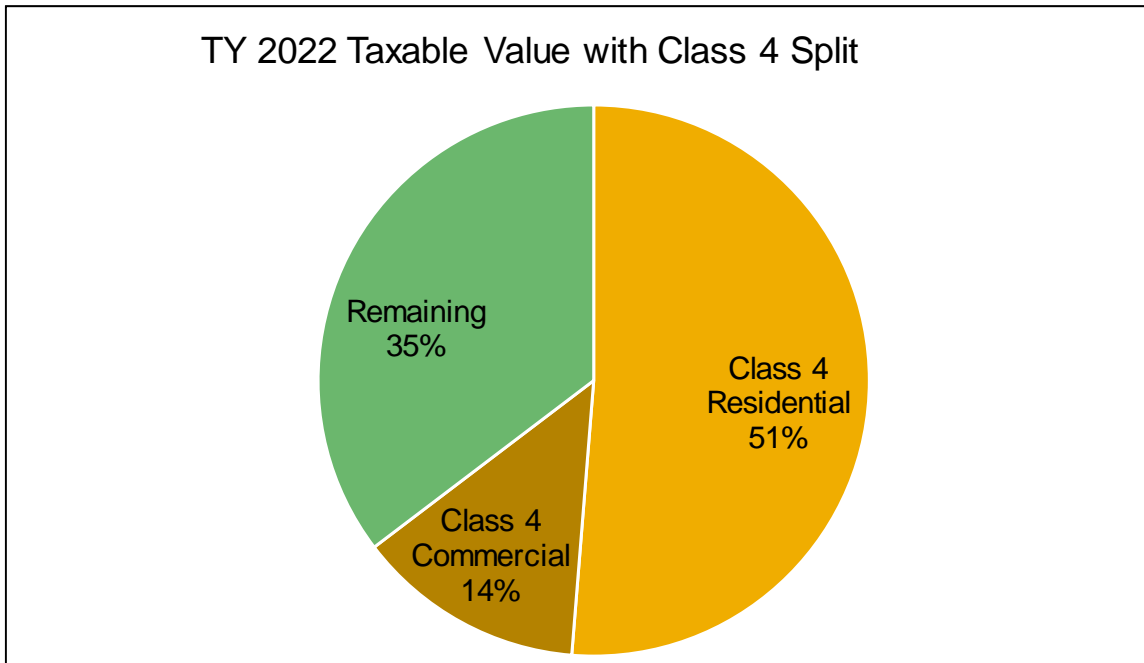
Statewide Taxable Value by Fiscal Year						
Class of Property	Taxable Value (\$ Millions)			Growth Rates		
	2023	2024	2025	2023	2024	2025
1 Mine Net Proceeds	\$4.432	\$8.723	\$8.651	12.8%	96.8%	-0.8%
2 Gross Proceeds Metal Mines	47.470	46.156	45.772	13.5%	-2.8%	-0.8%
3 Ag Land	152.236	147.496	147.411	-0.1%	-3.1%	-0.1%
4 Residential and Commercial Real Estate	2,325.420	3,211.635	3,287.229	3.1%	38.1%	2.4%
5 Pollution Control Equipment	54.520	55.283	56.057	5.9%	1.4%	1.4%
7 Non Centrally Assessed Utilities	0.018	0.018	0.018	522.4%	0.0%	0.0%
8 Business Personal Property	149.090	153.562	157.087	-3.6%	3.0%	2.3%
9 Electrical Utilities	618.868	634.959	651.468	12.7%	2.6%	2.6%
10 Forest Land	4.733	6.087	6.519	-1.2%	28.6%	7.1%
12 Railroads and Airlines	98.270	95.910	96.248	-6.0%	-2.4%	0.4%
13 Telecomm and Electric Generation	148.451	149.194	149.940	-2.3%	0.5%	0.5%
14 Wind Generation	21.573	23.989	26.676	38.2%	11.2%	11.2%
15 C02/Qualifying Liquid Pipeline	3.640	3.640	3.640	71.4%	0.0%	0.0%
17 Data Centers	1.771	1.771	1.771	0.0%	0.0%	0.0%
Total Taxable Value	3,630.491	4,538.421	4,638.486	4.1%	25.0%	2.2%
Tax Increment Financing Values	53.311	53.639	53.969	0.6%	0.6%	0.6%
Net Taxable Value	\$3,577.180	\$4,484.782	\$4,584.516	3.3%	25.4%	2.2%
Net Vo-tech Taxable Value	1,168.022	1,460.126	1,492.320	4.1%	25.0%	2.2%
Net 6-Mill Taxable Value	\$3,630.491	\$4,538.422	\$4,638.486	4.1%	25.0%	2.2%

FY 2023 taxable values are tax year 2022 taxable values. The property was valued on January 1, 2022, and the revenue from these values is collected by the state in November and May of the following fiscal year. FY 2023 values are known, although subject to revision.

The figure below shows the tax rates for all classes of property.

Tax Rates and Exemptions by Property Tax Class			
Class of Property	Tax Rates		
	2023	2024	2025
Mine Net Proceeds	100.00%	100.00%	100.00%
Gross Proceeds Metal Mines	3.00%	3.00%	3.00%
Ag Land	2.16%	2.16%	2.16%
Residential Real Estate	1.35%	1.35%	1.35%
Commercial Real Estate*	1.89%	1.89%	1.89%
Pollution Control Equipment	3.00%	3.00%	3.00%
Non Centrally Assessed Utilities	8.00%	8.00%	8.00%
Business Personal Property, above threshold	3.00%	3.00%	3.00%
Business Personal Property, below threshold	1.50%	1.50%	1.50%
Electrical Utilities	12.00%	12.00%	12.00%
Forest Land	0.37%	0.37%	0.37%
Railroads and Airlines**	3.08%	3.03%	3.06%
Telecomm and Electric Generation	6.00%	6.00%	6.00%
Wind Generation	3.00%	3.00%	3.00%
C02/Qualifying Liquid Pipeline	3.00%	3.00%	3.00%
Data Centers	0.90%	0.90%	0.90%
*Effective Tax Rate; Actual Rate is 1.35% multiplied by 1.4			
**Estimated Rate: This rate is calculated annually			

Class 4 is by far the largest property tax class, representing 65.0% of taxable value in TY 2022.



The following table shows a breakout of non-levy revenue as well as protested taxes by the 95 and 1.5 mills as well as the 6-mill university account.

Property Tax Revenue in General Fund and University Account (\$ Millions)			
Revenue Type	2023	2024	2025
95 Mill Revenue	\$319.466	\$405.688	\$430.311
1.5 Mill Revenue	<u>1.667</u>	<u>2.098</u>	<u>2.138</u>
Mill Property Tax in the General Fund	321.133	407.786	432.449
Non-Levy - Coal Gross Proceeds	7.600	12.407	12.290
Non-Levy - Federal Forest Receipts	19.831	19.831	4.682
Non-Levy - Miscellaneous Revenue	0.500	0.500	0.500
Protested Taxes	2.757	2.619	0.895
Property Taxes - 95 Mills and 1.5 Mills	\$351.821	\$443.144	\$450.817
6-Mill Property Tax Revenue - University Account	\$21.783	\$27.231	\$27.831
Nonlevy Revenue Associated with 6-Mills	1.013	1.654	1.639
Protested Taxes in Protest account	(0.068)	(0.068)	(0.068)
Property Taxes in University Account	22.728	28.817	29.402

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

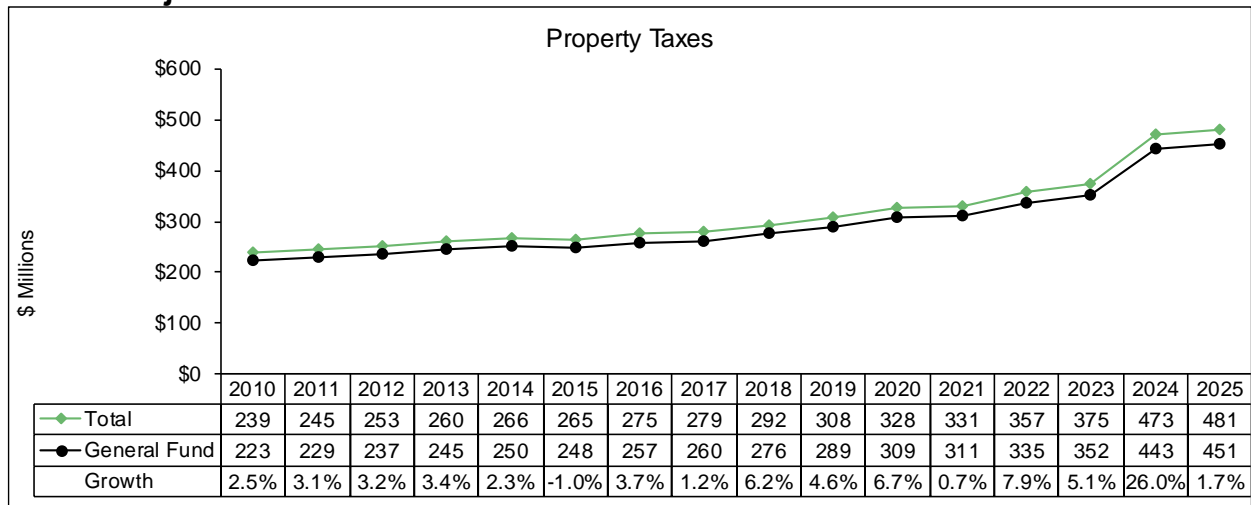
Property Tax

Property Tax

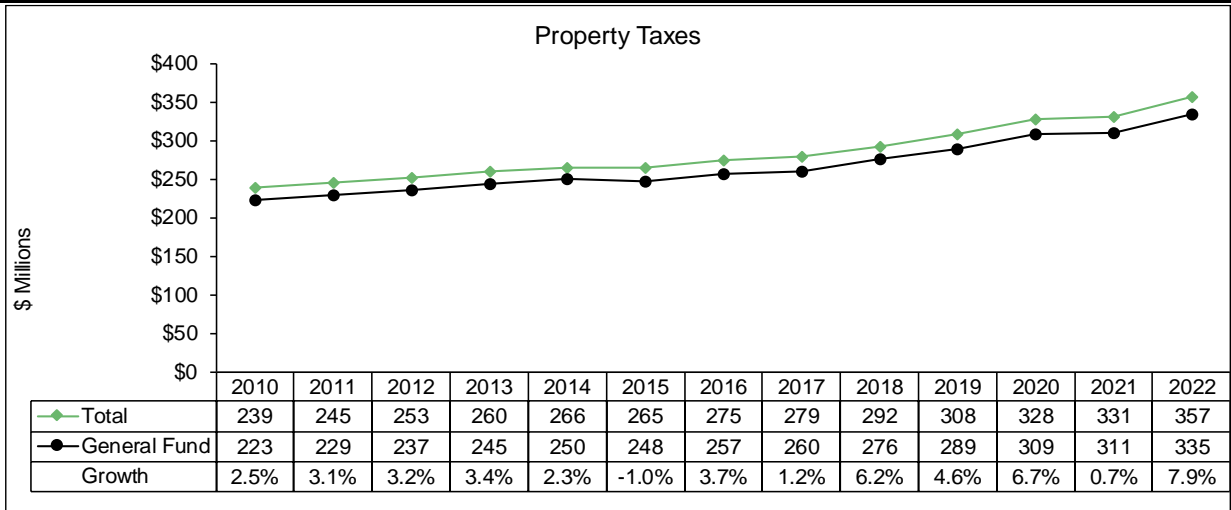
FY	Class 1 \$ Millions	Class 2 \$ Millions	Class 3 \$ Millions	Class 4 \$ Millions	Class 5 \$ Millions	Class 6 \$ Millions	Class 7 \$ Millions
A 2012	\$3.888	\$22.987	\$150.429	\$1,418.797	\$40.642	-	\$1.194
A 2013	4.19	31.13	147.79	1,446.30	45.67	-	1.17
A 2014	3.27	29.72	145.20	1,479.18	45.07	-	1.20
A 2015	3.79	25.56	143.47	1,519.03	43.57	-	1.18
A 2016	3.91	26.52	141.39	1,539.94	45.55	-	1.19
A 2017	4.08	19.45	142.28	1,552.03	46.79	-	1.14
A 2018	3.98	17.89	152.94	1,715.11	47.67	-	1.15
A 2019	4.79	22.27	152.58	1,743.88	47.68	-	1.22
A 2020	5.58	25.98	157.35	1,952.19	47.35	-	0.00
A 2021	4.74	31.70	157.22	1,987.61	50.77	-	0.00
A 2022	3.93	41.81	152.32	2,255.22	51.47	-	0.00
F 2023	4.43	47.47	152.24	2,325.42	54.52	-	0.02
F 2024	8.72	46.16	147.50	3,211.64	55.28	-	0.02
F 2025	8.65	45.77	147.41	3,287.23	56.06	-	0.02
F 2026	8.71	46.09	142.82	3,608.17	56.84	-	0.02
F 2027	8.94	47.32	142.74	3,693.77	57.64	-	0.02

FY	Class 8 \$ Millions	Class 9 \$ Millions	Class 10 \$ Millions	Class 12 \$ Millions	Class 13 \$ Millions	Class 14 \$ Millions	Class 15 \$ Millions	Class 17 \$ Millions
A 2012	\$180.626	\$304.226	\$6.390	\$71.336	\$193.267	17.143	-	\$0.000
A 2013	175.74	322.49	6.35	72.35	197.61	15.55	-	-
A 2014	162.97	353.97	6.28	74.50	187.55	32.10	0.95	-
A 2015	147.11	374.69	6.22	72.04	169.52	16.60	1.76	-
A 2016	154.46	430.46	4.92	74.35	178.18	16.88	2.35	-
A 2017	155.33	478.42	4.92	85.93	181.61	17.67	2.35	-
A 2018	155.52	502.59	4.91	95.05	179.09	16.96	2.53	-
A 2019	159.93	501.15	4.90	88.09	172.58	21.07	2.01	-
A 2020	169.23	504.85	4.90	87.05	170.88	19.39	1.91	-
A 2021	167.30	535.25	4.87	101.16	162.73	17.57	1.83	-
A 2022	154.70	549.16	4.79	104.54	151.96	15.61	2.12	-
F 2023	149.09	618.87	4.73	98.27	148.45	21.57	3.64	1.77
F 2024	153.56	634.96	6.09	95.91	149.19	23.99	3.64	1.77
F 2025	157.09	651.47	6.52	96.25	149.94	26.68	3.64	1.77
F 2026	160.69	668.41	6.98	96.89	150.69	29.66	3.64	1.77
F 2027	164.38	685.78	7.48	97.65	151.44	32.99	3.64	1.77

Revenue Projection



Revenue History



Property Tax 55 Mill

Statutory Reference

Tax Rate – [20-9-331\(1\), MCA](#); [20-9-333\(1\), MCA](#)

Tax Distribution – [20-9-331\(1\), MCA](#); [20-9-333\(1\), MCA](#)

Date Due – Half of taxes due November 30th and half are due May 31st ([15-16-102\(1\), MCA](#)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month ([15-1-504\(1\), MCA](#))

Applicable Tax Rates: Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every \$1,000 in taxable value, 55 mills generate \$55 in state property taxes.

Collection Frequency: Monthly, with significant state deposits in December and June.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Summary of Legislative Action: See main property page for list of legislative actions.

Comparison of Legislative and Executive Forecasts

The difference between the legislative and executive forecasts is primarily due to the difference in protested tax and non-levy revenue estimates.

Property Tax: 55 Mill (\$ Millions)				
	FY 2015	FY 2016	FY 2017	Total
Executive Forecast	\$145.000	\$147.000	\$151.000	\$443.000
Legislative Forecast	145.000	148.000	150.000	443.000
Difference	\$0.000	(\$1.000)	\$1.000	\$0.000
% Difference	0.0%	-0.7%	0.7%	0.0%

Forecast Risks

- Tax Increment Financing (TIF) property values
- Abated property values
- Non-levy revenue

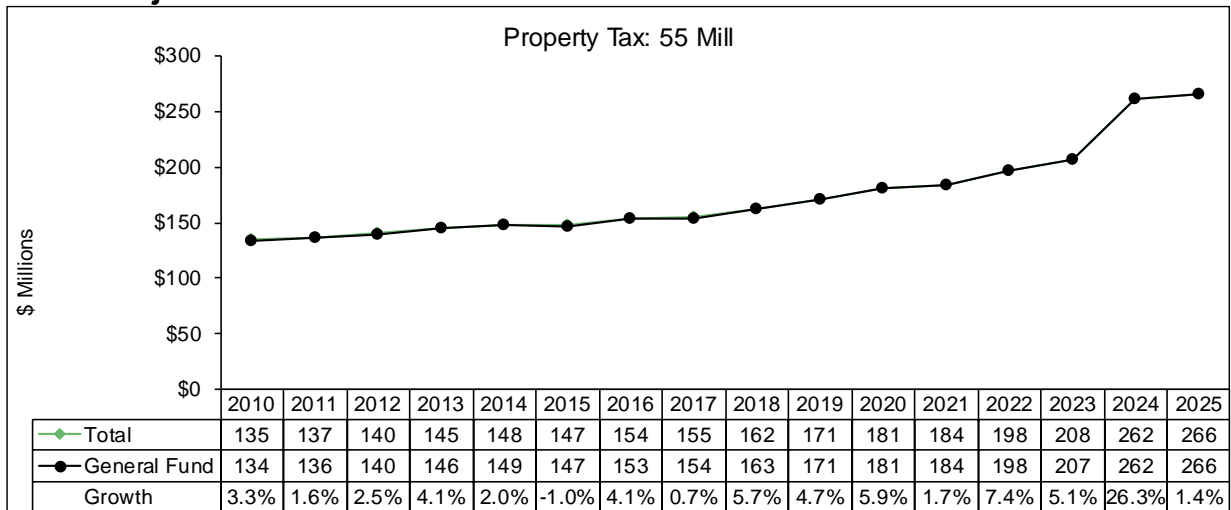
Revenue Estimate Methodology: Explained in the methodology section under “Property Tax.”

Revenue Estimate Assumptions

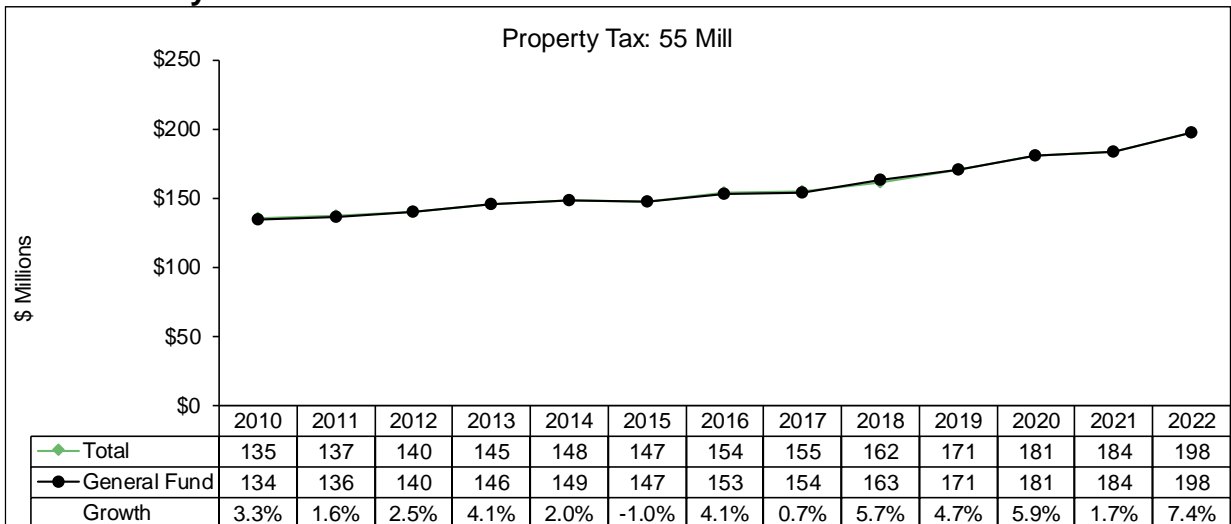
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	55 Mill Total Tax \$ Millions	55 Mill GF Tax \$ Millions	Taxable Value \$ Millions	TIF Value \$ Millions	Abatements Value \$ Millions
A 2012	\$140.144	\$139.813	\$0.000	\$2,410.924	\$46.300
A 2013	145.26	145.60	-	2,466.35	46.05
A 2014	148.32	148.56	-	2,521.97	48.04
A 2015	147.50	147.13	-	2,524.53	45.19
A 2016	153.89	153.12	-	2,620.09	48.57
A 2017	155.28	154.26	-	2,692.02	50.57
A 2018	161.83	163.03	-	2,895.40	55.46
A 2019	170.89	170.70	-	2,922.16	54.93
A 2020	180.67	180.85	-	3,146.68	52.07
A 2021	184.04	184.01	-	3,222.76	49.92
A 2022	197.58	197.58	-	3,487.63	25.52
F 2023	207.60	207.29	1.77	3,630.49	53.31
F 2024	262.19	261.88	1.77	4,538.42	53.64
F 2025	265.83	265.52	1.77	4,638.49	53.97
F 2026	281.67	281.36	1.77	4,981.38	54.30
F 2027	287.64	287.33	1.77	5,095.56	54.64

Revenue Projection



Revenue History



Property Tax 40 Mill

Statutory Reference

Tax Rate – [20-9-360, MCA](#)

Tax Distribution – [20-9-360, MCA](#)

Date Due – Half of taxes due November 30th and half are due May 31st ([15-16-102\(1\), MCA](#)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month ([15-1-504\(1\), MCA](#))

Applicable Tax Rates: Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every \$1,000 in taxable value, 40 mills generate \$40 in state property taxes.

Collection Frequency: Monthly, with significant state deposits in December and June.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Summary of Legislative Action: See main property page for list of legislative actions.

Forecast Risks

- Non-levy revenue
- Tax Increment Financing (TIF) property values
- Abated property values

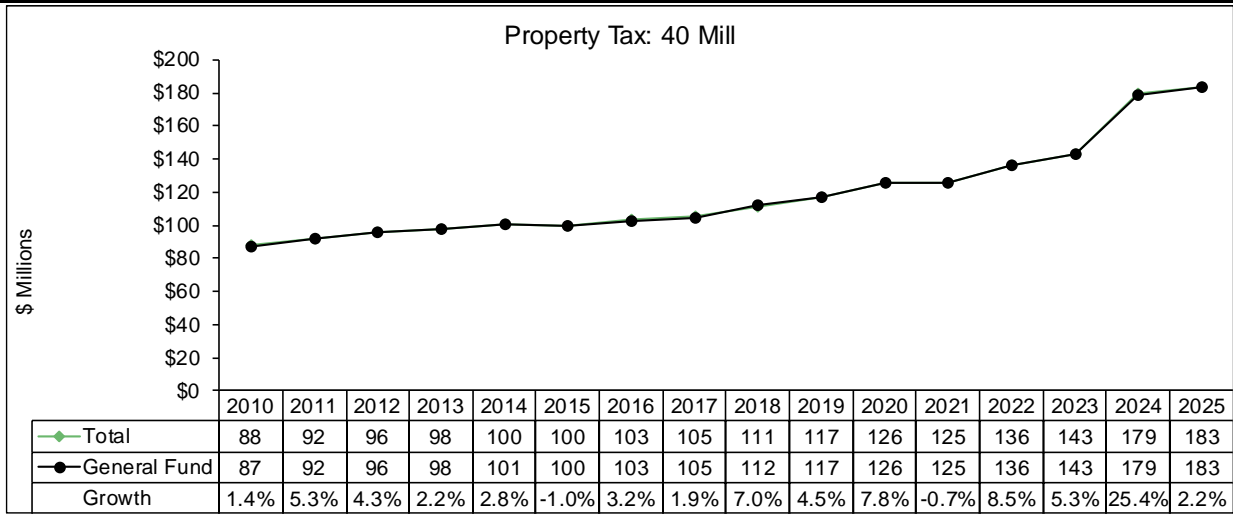
Revenue Estimate Methodology: Explained in the methodology section under “Property Tax.”

Revenue Estimate Assumptions

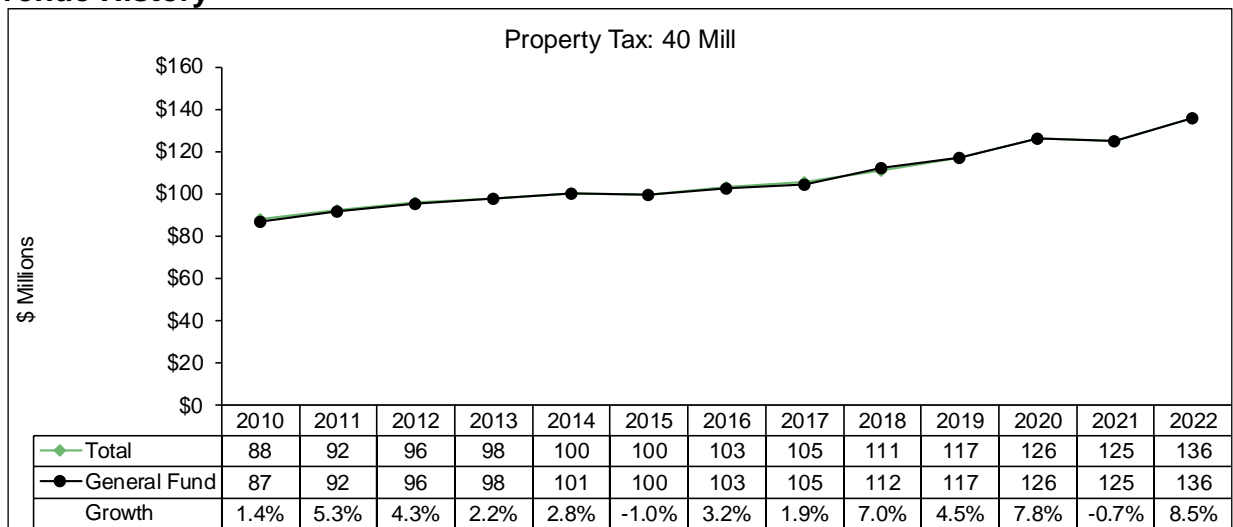
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	40 Mill Total Tax \$ Millions	40 Mill GF Tax \$ Millions	Taxable Value \$ Millions	TIF Value \$ Millions	Abatements Value \$ Millions
A 2012	\$95.917	\$95.690	\$0.000	\$2,410.924	\$46.300
A 2013	97.53	97.81	-	2,466.35	46.05
A 2014	100.38	100.54	-	2,521.97	48.04
A 2015	99.80	99.53	-	2,524.53	45.19
A 2016	103.26	102.70	-	2,620.09	48.57
A 2017	105.42	104.67	-	2,692.02	50.57
A 2018	111.17	112.04	-	2,895.40	55.46
A 2019	117.16	117.02	-	2,922.16	54.93
A 2020	126.00	126.13	-	3,146.68	52.07
A 2021	125.22	125.21	-	3,222.76	49.92
A 2022	135.90	135.89	-	3,487.63	25.52
F 2023	143.09	142.86	1.77	3,630.49	53.31
F 2024	179.39	179.17	1.77	4,538.42	53.64
F 2025	183.38	183.16	1.77	4,638.49	53.97
F 2026	197.08	196.86	1.77	4,981.38	54.30
F 2027	201.64	201.41	1.77	5,095.56	54.64

Revenue Projection



Revenue History



Property Tax 6 Mill

Statutory Reference

Tax Rate – [15-10-108, MCA](#)

Tax Distribution – [15-10-108, MCA](#)

Date Due – Half of taxes due November 30th and half are due May 31st ([15-16-102\(1\), MCA](#)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month ([15-1-504\(1\), MCA](#))

Applicable Tax Rates

Each property class has its own tax rate, which is applied to the assessed value to produce a taxable value. For every \$1,000 in taxable value, 6 mills generate \$6 in state property taxes.

Collection Frequency: Monthly, with significant state deposits in December and June.

Distribution: All proceeds are deposited into the university system 6 mill levy state special revenue account.

Summary of Legislative Action: See main property page for list of legislative actions.

Forecast Risks

- Non-levy revenue growth
- Tax Increment Financing (TIF) property values
- Abated property values

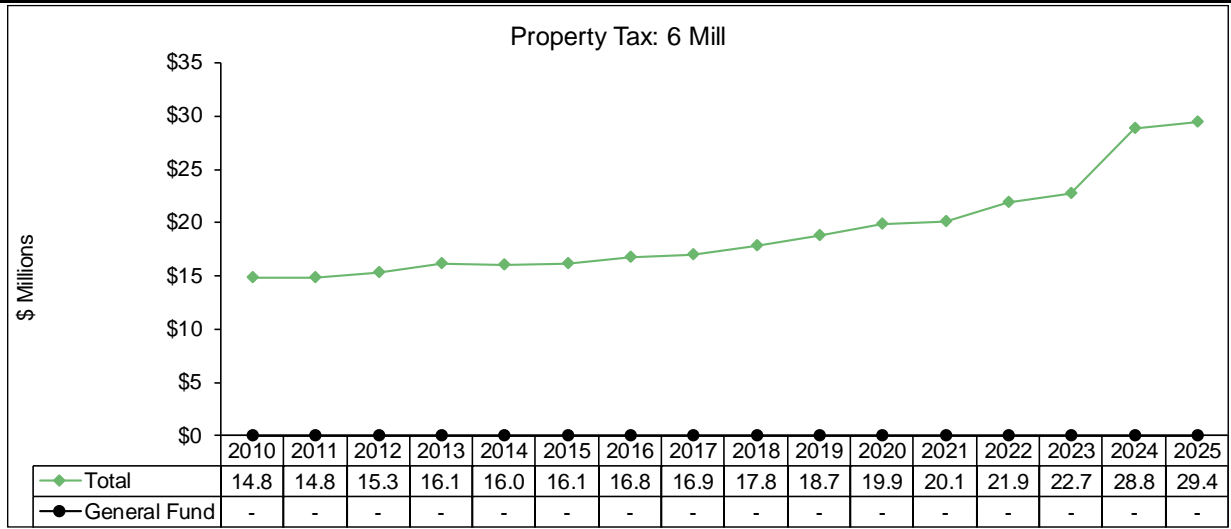
Revenue Estimate Methodology: Explained in the methodology section under “Property Tax.”

Revenue Estimate Assumptions

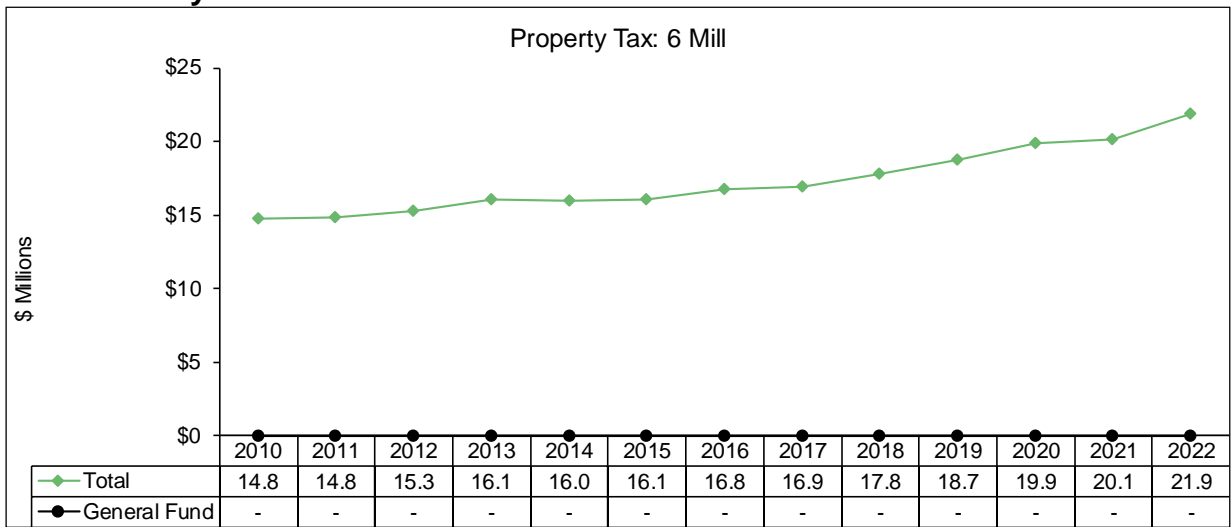
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	6 Mill Total Tax \$ Millions	6 Mill GF Tax \$ Millions	Taxable Value \$ Millions	TIF Value \$ Millions	Abatements Value \$ Millions
A 2012	\$15.324	-	\$0.000	\$2,410.924	\$46.300
A 2013	16.11	-	-	2,466.35	46.05
A 2014	16.01	-	-	2,521.97	48.04
A 2015	16.09	-	-	2,524.53	45.19
A 2016	16.75	-	-	2,620.09	48.57
A 2017	16.95	-	-	2,692.02	50.57
A 2018	17.84	-	-	2,895.40	55.46
A 2019	18.73	-	-	2,922.16	54.93
A 2020	19.88	-	-	3,146.68	52.07
A 2021	20.13	-	-	3,222.76	49.92
A 2022	21.92	-	-	3,487.63	25.52
F 2023	22.73	-	1.77	3,630.49	53.31
F 2024	28.82	-	1.77	4,538.42	53.64
F 2025	29.40	-	1.77	4,638.49	53.97
F 2026	31.06	-	1.77	4,981.38	54.30
F 2027	31.70	-	1.77	5,095.56	54.64

Revenue Projection



Revenue History



Property Tax 1.5 Mill

Revenue Description

Statute requires the boards of county commissioners in the five counties where colleges of technology reside to levy 1.5 mills for deposit in the state general fund.

Statutory Reference

Tax Rate – [20-25-439\(1\), MCA](#)

Tax Distribution – [20-25-439\(2\), MCA](#)

Date Due – Half of taxes due November 30th and half are due May 31st ([15-16-102\(1\), MCA](#)), county treasurers must remit to the Department of Revenue within the first 20 days of each month money received in the previous month ([15-1-504\(1\), MCA](#))

Applicable Tax Rates: Each property class has its own tax rate which is applied to assessed value to produce a taxable value. For every \$1,000 in taxable value, 1.5 mills generate \$1.50 in state property taxes.

Collection Frequency: Monthly, with significant state deposits in December and June.

Distribution: All property tax receipts are deposited into the general fund, except revenue associated with the 6-mill university levy.

Summary of Legislative Action: See main property page for list of legislative actions.

Forecast Risks

- Tax Increment Financing (TIF) property values
- Abated property values
- Non-levy revenue growth rates

Revenue Estimate Methodology: Explained in the methodology section under “Property Tax.”

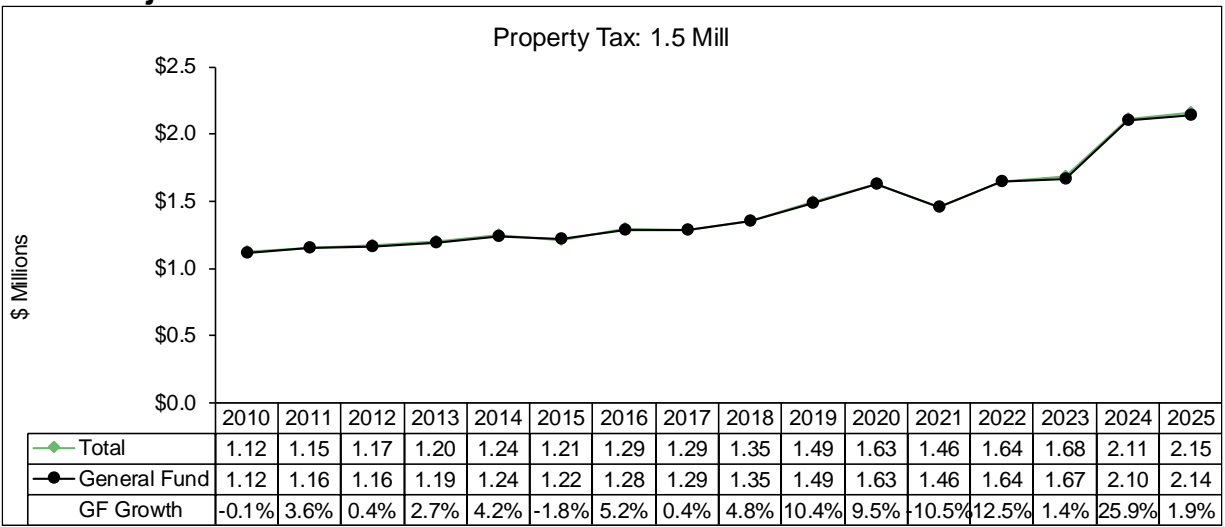
Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

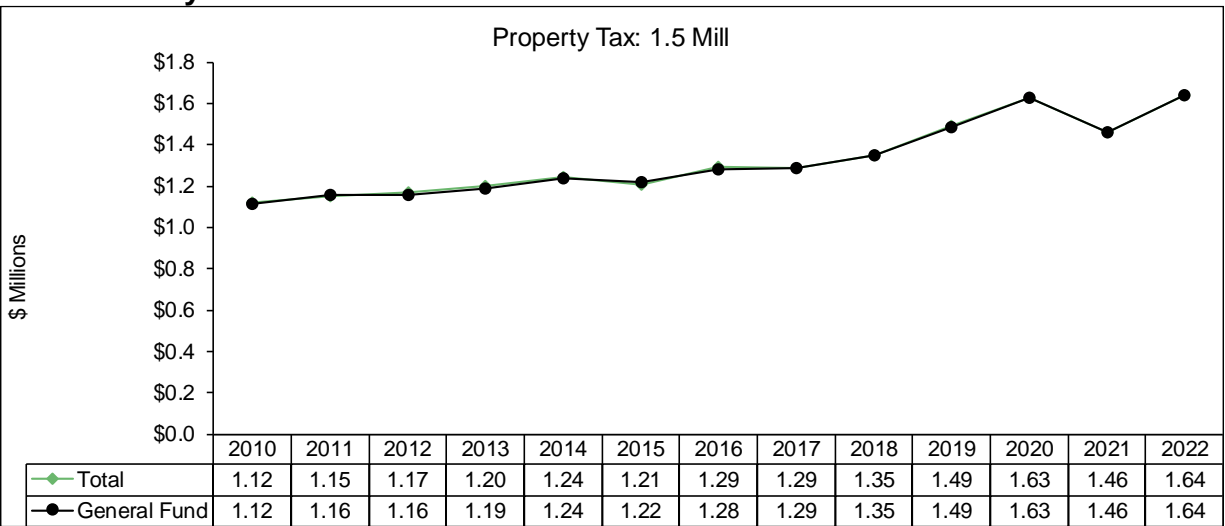
FY	1.5 Mill Total Tax \$ Millions	1.5 Mill GF Tax \$ Millions	Taxable Value \$ Millions	TIF Value \$ Millions	Abatements Value \$ Millions
A 2012	\$1.173	\$1.160	\$0.000	\$2,410.924	\$46.300
A 2013	1.20	1.19	-	2,466.35	46.05
A 2014	1.24	1.24	-	2,521.97	48.04
A 2015	1.21	1.22	-	2,524.53	45.19
A 2016	1.29	1.28	-	2,620.09	48.57
A 2017	1.29	1.29	-	2,692.02	50.57
A 2018	1.35	1.35	-	2,895.40	55.46
A 2019	1.49	1.49	-	2,922.16	54.93
A 2020	1.63	1.63	-	3,146.68	52.07
A 2021	1.46	1.46	-	3,222.76	49.92
A 2022	1.64	1.64	-	3,487.63	25.52
F 2023	1.68	1.67	1.77	3,630.49	53.31
F 2024	2.11	2.10	1.77	4,538.42	53.64
F 2025	2.15	2.14	1.77	4,638.49	53.97
F 2026	2.31	2.29	1.77	4,981.38	54.30
F 2027	2.36	2.34	1.77	5,095.56	54.64

**Property Tax
Revenue Projection**

1.5 Mill



Revenue History



OTHER GENERAL FUND REVENUE

- All Other Revenue
- Highway Patrol Fines
- Nursing Facilities Fee
- Public Institution Reimbursements
- Tobacco Settlement



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All Other Revenue

Revenue Description

There are a variety of sources of taxes, fees, or fines that historically have generated less than \$2.5 million each in annual general fund revenue.

Statutory Reference: Various

Applicable Tax Rates: Various

Collection Frequency: Monthly

Distribution: All proceeds are deposited into the general fund.

Summary of Legislative Action:

[HB 192](#) transfers \$480 million from the general fund to a state special revenue account administered by the Department of Revenue for an income tax rebate. Any remaining money will be transferred back to the general fund in FY 2026.

[SB 93](#) establishes a nonrefundable fee of \$3,700 for proponents filing statutory initiatives, statutory referendums, constitutional initiatives, and constitutional convention initiatives.

All Other Revenue – Legislation Passed by 68th Legislature General Fund Impact (\$ Millions)				
Bill Number and Short Title	FY 2023	FY 2024	FY 2025	
HB0136 Adopt Montana Revised Unclaimed Property Act	\$0.000	\$0.000	\$0.000	
HB0192 Use surplus revenue for income tax and property tax refunds and payment of	0.000	0.000	0.000	
HB0262 Revise local government financial reporting and audit requirements	0.000	0.000	0.000	
SB0093 Generally revising ballot issues	0.000	0.093	0.000	
HB0881 Generally revise economic development laws	0.000	0.000	0.000	
Total General Fund Impact	\$0.000	\$0.093	\$0.000	

Comparison of Legislative and Executive Forecasts

The small difference between the legislative and executive forecasts over the biennium is due to differences in modeling methodology regarding the many various sources that make up this revenue source.

All Other Revenue (\$ Millions)				
	FY 2015	FY 2016	FY 2017	Total
Executive Forecast	\$36.290	\$40.530	\$37.150	\$113.970
Legislative Forecast	39.492	36.426	36.656	112.574
Difference	(\$3.202)	\$4.104	\$0.494	\$1.396
% Difference	-8.1%	11.3%	1.3%	1.2%

Forecast Risks

- Investment license revenue and expenditures
- Liquor license revenue and expenditures
- Number of vehicles registered under the single state registration system
- Fixed costs appropriated for SWCAP/SFCAP

- District court fees
- Revenue and expenditures in the DPHHS cigarette account
- Civil fines
- State Street banking fees
- MSU-EMC debt service payments

Revenue Estimate Methodology

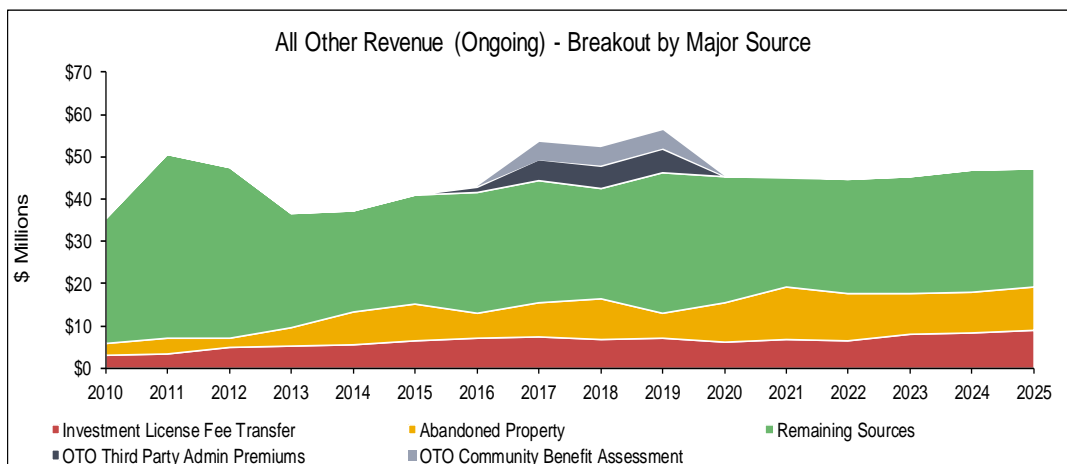
Data

Numerous data sources are consulted for each of the applicable fifteen revenue sources that are estimated individually.

Analysis

1. Abandoned property is estimated using a nine-year moving average.
2. District court fees are estimated using a five-year average.
3. Investment license fee transfer is the net between non-general fund investment fee revenue collected by the State Auditor and its expenses. These amounts are determined in the “Investment License Fee” revenue source.
4. Statewide Cost Allocation Plan: these amounts are estimated using a five-year moving average.
5. Court surcharge is estimated using a three-year moving average.
6. Veteran’s cigarette account transfer: money in the account at the end of a fiscal year in excess of \$2.0 million is transferred to the general fund. To estimate the excess amounts, distributions of cigarette tax revenue to the account (as determined in the “Cigarette Tax” revenue source) is reduced by budgeted present law amounts from the account for each fiscal year. Included are expenditure estimates from long range building appropriations. The \$2.0 million limit is then subtracted from the net revenue.
7. Banking charges are estimated to grow by 1.0% per year.
8. The remainder of “All Other” revenue, after the seven revenue sources have been estimated individually, is estimated using a three-year moving average.

The chart below illustrates the major sources of all other revenue. Note that legislatively authorized transfers were a key component of all other revenue in the 2019 biennium but are not anticipated to continue in the 2021 biennium.



Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

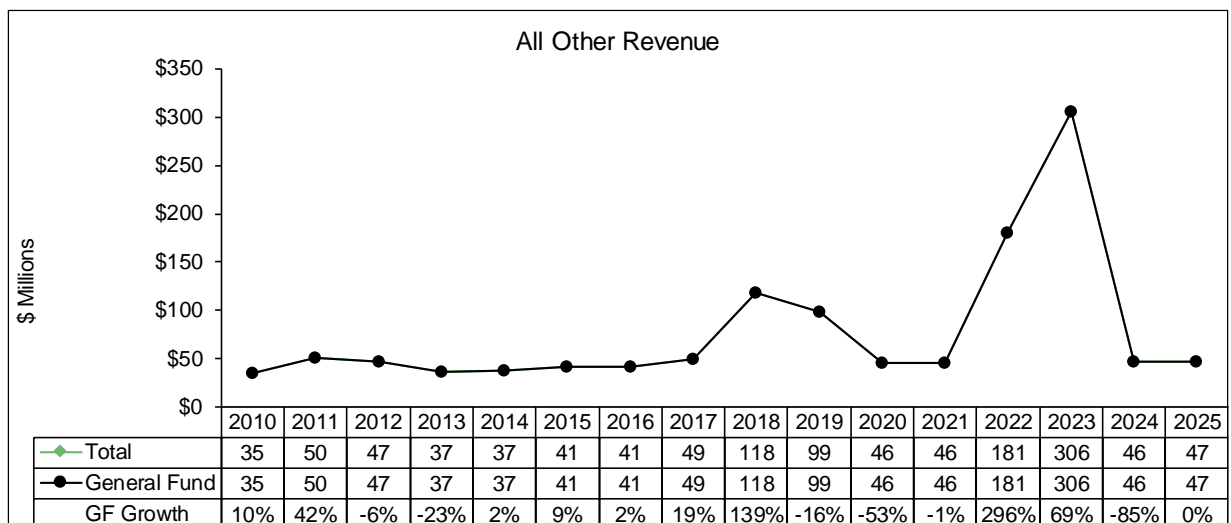
Other General Fund Sources

All Other Revenue

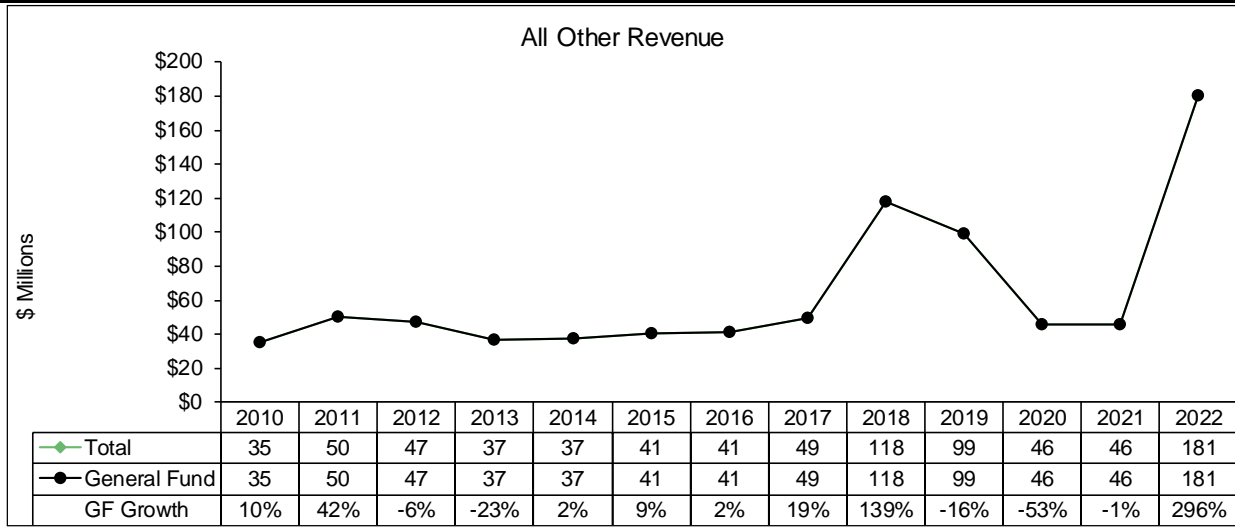
FY	Total Tax \$ Millions	GF Tax \$ Millions	Investment Transfer \$ Millions	SWCAP SFCAP \$ Millions	District Court \$ Millions	Bank Charges \$ Millions	Vets. Account Transfer \$ Millions
A 2012	\$47.318	\$47.318	\$4.970	\$3.974	\$3.434	\$1.595	\$3.676
A 2013	36.58	36.58	5.24	2.33	3.39	1.62	3.38
A 2014	37.32	37.32	5.50	2.88	3.28	1.61	4.16
A 2015	40.82	40.82	6.53	2.91	3.20	1.64	3.22
A 2016	41.44	41.44	7.08	2.97	3.43	1.69	3.56
A 2017	49.29	49.29	7.32	2.38	3.32	1.70	3.15
A 2018	117.64	117.64	6.89	2.86	3.37	1.68	2.92
A 2019	98.80	98.80	6.94	2.86	3.71	1.69	2.46
A 2020	46.06	46.06	6.26	4.00	3.71	1.64	2.45
A 2021	45.61	45.61	6.89	4.00	3.83	1.71	3.50
A 2022	180.51	180.51	6.50	4.00	3.93	-	3.50
F 2023	305.51	305.51	7.92	4.00	3.09	-	3.50
F 2024	46.45	46.45	8.36	4.00	3.07	-	4.50
F 2025	46.66	46.66	8.89	4.00	3.07	-	4.50
F 2026	47.02	47.02	9.32	4.00	3.15	-	4.50
F 2027	47.70	47.70	9.70	4.00	3.25	-	4.50

FY	Abandoned Property \$ Millions	Court Surcharge \$ Millions	Third Party Premiums \$ Millions	Remaining Sources \$ Millions	OTO Transfers
A 2012	\$2.234	\$1.585		\$25.851	
A 2013	4.34	1.53		14.75	
A 2014	7.75	1.45		10.70	
A 2015	8.72	1.42		13.19	
A 2016	5.95	1.39	1.36	15.38	
A 2017	8.03	1.39	4.99	17.01	
A 2018	9.49	1.25	5.23	14.38	65.51
A 2019	5.93	1.25	5.84	21.50	42.57
A 2020	9.25	1.23	-	17.07	0.75
A 2021	12.15	1.14	(0.27)	12.22	0.75
A 2022	11.09	1.12	-	14.46	135.91
F 2023	9.58	1.16	-	15.93	260.79
F 2024	9.60	1.14	-	16.23	
F 2025	10.34	1.14	-	15.18	
F 2026	10.55	1.15	-	14.80	
F 2027	10.23	1.15	-	15.32	

Revenue Projection



Revenue History



Highway Patrol Fines

Revenue Description

The Montana Highway Patrol issues citations for speeding, driving under the influence of alcohol or drugs, and other misdemeanors. The fines and forfeitures associated with these citations are collected by various state and local courts.

Statutory Reference

Tax Rate – General fines: [61-3-601, MCA](#); [61-5-307, MCA](#); [61-7-118, MCA](#); [61-8-711, MCA](#); [61-9-511, MCA](#); multiple others

Tax Distribution – [3-10-601, MCA](#) (fines collected in justice court are included in “All Other Revenue”); [61-10-148, MCA](#) (violations of vehicle size, weight & load); [61-12-701, MCA](#) (fines by Highway Patrol)

Date Due – Upon conviction

Applicable Tax Rates: Variable

Collection Frequency: Monthly

Distribution: All Highway Patrol fines and forfeitures on all offenses that result from citations issued by the Highway Patrol, except those paid to a justices’ court, and received by the state are deposited in the general fund.

Summary of Legislative Action:

[HB 38](#) increases the fine amount for light vehicle theft from \$10,000 to \$50,000.

[HB 374](#) creates an offense for failure to yield to an emergency vehicle and increases fines.

Highway Patrol Fines – Legislation Passed by 68th Legislature General Fund Impact (\$ Millions)			
Bill Number and Short Title	FY 2023	FY 2024	FY 2025
HB0038 Generally revise theft laws to enumerate theft of a light vehicle	\$0.000	\$0.430	\$0.430
HB0374 Create offense for failure to yield to an emergency vehicle	0.000	0.005	0.005
Total General Fund Impact	\$0.000	\$0.435	\$0.435

Forecast Risks

- Significant changes in historical driving patterns

Revenue Estimate Methodology

Data

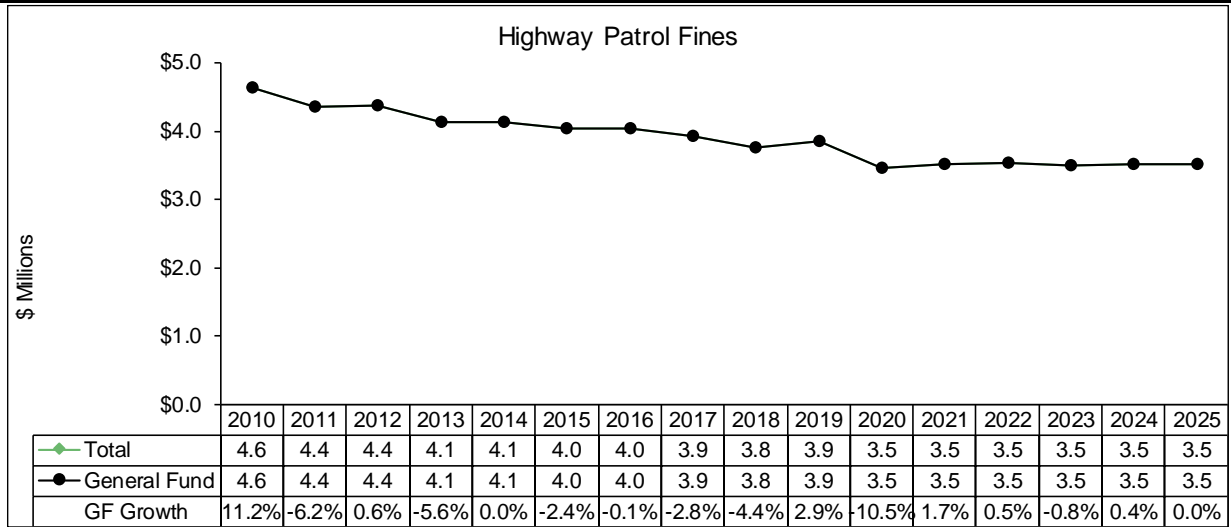
SABHRS data provide a history of highway patrol fine revenue.

Analysis

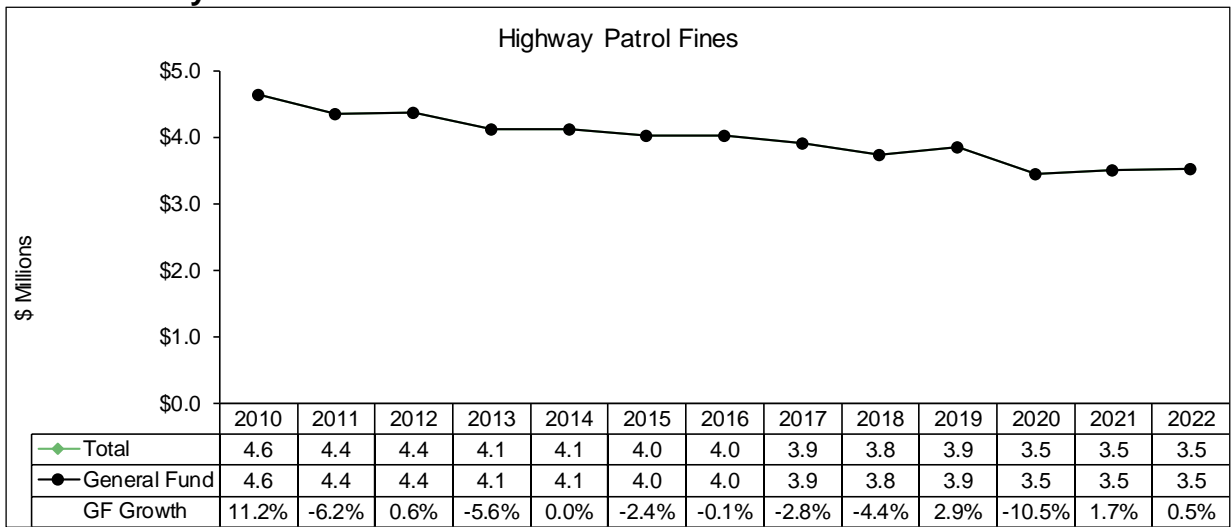
Highway patrol fine revenue is forecast using an autoregressive moving average time series model.

Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature. **Revenue Projection**



Revenue History



Nursing Facilities Fee

Revenue Description

Utilization fees are assessed on nursing facilities and intermediate care facilities in Montana. Nursing facilities are health care facilities licensed by the Department of Public Health and Human Services (DPHHS) and include those operated for profit or non-profit, freestanding or part of another health facility, and may be either publicly or privately owned. Nursing facilities do not include adult foster homes, retirement homes, and other alternative living arrangements.

Statutory Reference

Tax Rate – Nursing facility utilization fee: [15-60-102, MCA](#); intermediate care facility utilization fee: [15-67-102\(2\), MCA](#)

Tax Distribution – Nursing facility utilization fee: [15-60-102, MCA](#) & [15-60-210, MCA](#); intermediate care facility utilization fee: [15-67-102\(3\), MCA](#)

Date Due – Nursing facility utilization fee due the last day of the month following the close of the calendar quarter ([15-60-201, MCA](#)); intermediate care facility utilization fee due the month following the close of the calendar quarter ([15-67-201\(1\), MCA](#))

Applicable Tax Rates

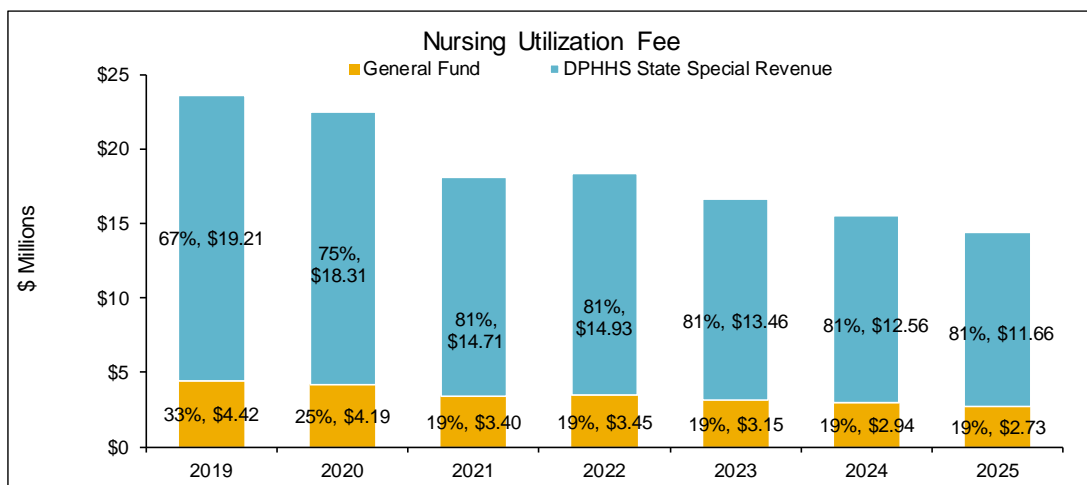
Nursing facility utilization fee: \$8.30 per bed day through end of FY 2017. With the passage of [HB 618 \(2017 Session\)](#) the fee increased to \$11.30 per day through FY 2018, and \$15.30 per day after July 31, 2018. Intermediate care facility utilization fee: 6.0% of a facility’s quarterly revenue divided by quarterly bed days.

Bed days are defined as a 24-hour period in which a resident of a nursing facility is present in the facility or in which a bed is held for a resident while on temporary leave.

Collection Frequency: Quarterly

Distribution

Nursing facility fee revenue is distributed between the general fund and the DPHHS state special revenue prevention and stabilization fund. The following chart shows the changing distribution of nursing facility fee revenue.



Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Change in rate of facility utilization

Data

SABHRS data provide a history of nursing facilities fee revenue.

Analysis

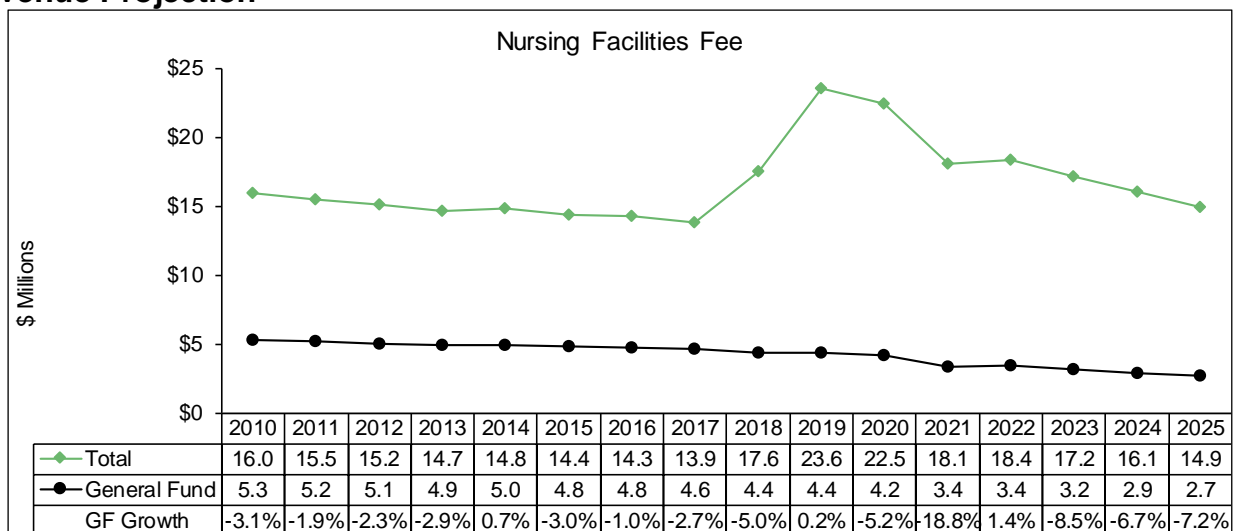
Proxy bed days for nursing facilities are determined by dividing the difference between total nursing utilization fees and interim care fees by the nursing facilities fee daily rate per bed day. Future bed days are based on a time trend of the proxy bed days, which are then multiplied by the applicable fee rate of to obtain an estimate of future nursing facilities fees. Intermediate care revenue was anticipated to phase out by the end of FY 2017 due to [SB 411 \(2015 Session\)](#); however, it was extended by [HB 387 \(2017 Session\)](#) to close by the end of FY 2019. For FY 2019, total nursing facilities fees are the sum of nursing facilities fees and interim care facilities fees; in FY 2020 and beyond, nursing facilities are the only source of revenue.

Revenue Estimate Assumptions

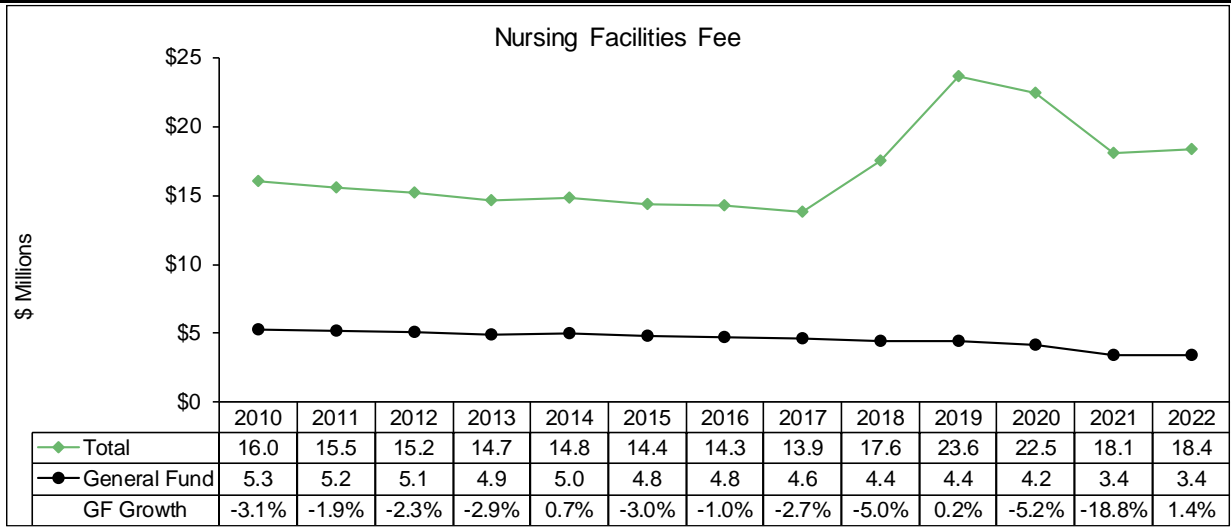
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Nursing Home Bed Days (Millions)	MDC Revenue (Millions)
A 2012	\$15.176	\$5.077	1.722	\$14.700
A 2013	14.67	4.93	1.65	15.86
A 2014	14.84	4.96	1.68	15.10
A 2015	14.39	4.81	1.62	15.10
A 2016	14.27	4.76	1.59	17.28
A 2017	13.85	4.63	1.58	12.39
A 2018	17.57	4.41	1.50	10.24
A 2019	23.63	4.42	1.52	6.62
A 2020	22.50	4.19	1.45	5.39
A 2021	18.11	3.40	1.17	5.20
A 2022	18.38	3.45	1.18	5.22
F 2023	17.23	3.15	1.13	-
F 2024	16.08	2.94	1.05	-
F 2025	14.92	2.73	0.98	-
F 2026	13.77	2.52	0.90	-
F 2027	12.62	2.31	0.82	-

Revenue Projection



Revenue History



Public Institution Reimbursements

Revenue Description

The Department of Public Health and Human Services (DPHHS) receives reimbursement for the cost of sheltering and treating residents at the Montana Developmental Center (MDC), the Montana Mental Health Nursing Care Center (MMHNCC), Montana State Hospital (MSH), Montana Chemical Dependency Treatment Center (MCDC), and the Montana Veterans' Home (MVH).

Reimbursement comes from four sources: state and federally matched Medicaid monies, federal Medicare funds, insurance payments if available, and private payments by residents or persons legally responsible for them.

Statutory Reference

Tax Rate – [53-1-402, MCA](#) (requirement to pay)

Tax Distribution – [53-1-413, MCA](#)

Date Due – Monthly ([53-1-405\(3\), MCA](#))

Applicable Tax Rates: Three variables determine the level of Medicaid nursing home payments: the number of patient days eligible for Medicaid reimbursement, the reimbursement rate per patient day, and the private resources of Medicaid patients.

Collection Frequency: Monthly

Distribution

Institutional reimbursements for MDC, MMHNCC, and MSH are first used for debt service with the remainder distributed to the general fund. Reimbursements for MCDC and MVH are distributed to a DPHHS state special revenue fund to be appropriated to those facilities.

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Changes in insurance, Medicaid, Medicare eligibility and payment levels
- Values of state and local medical spending
- Changing Montana per capita income
- Certification of state facilities by the Center for Medicare and Medicaid Services (CMS)

Revenue Estimate Methodology

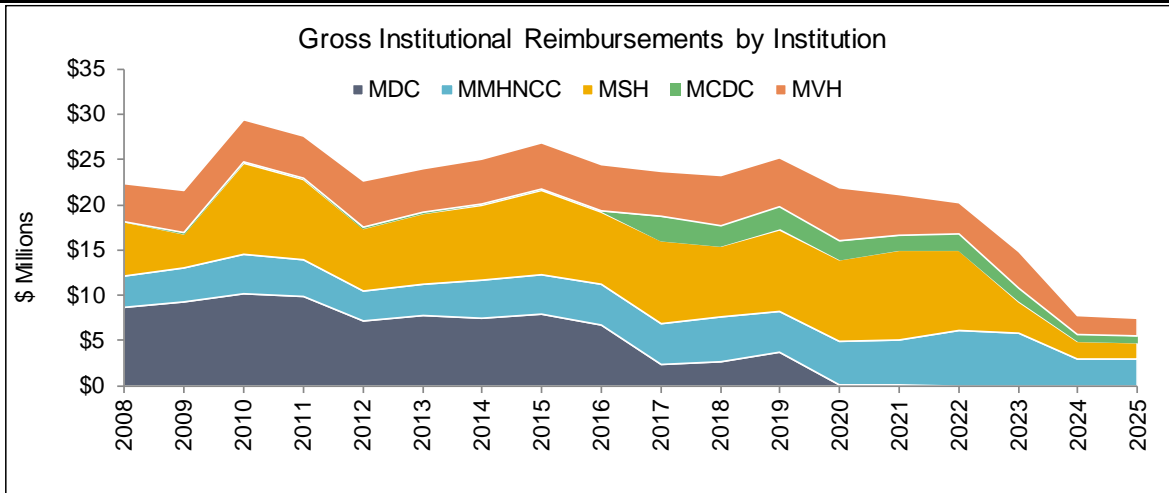
Data

The public institution reimbursement estimate is based on data obtained from SABHRS and the Kaiser Family Foundation number of Montana nursing home residents.

Analysis

Future nursing home residents are based on a time trend of total nursing home residents from the Kaiser Family Foundation. Total reimbursements are modeled on the number of nursing facility residents, with future modeled growth applied to the last year of actual collections. Debt service for MSH is subtracted from the total to produce anticipated general fund collections.

Currently, the largest source is MSH. Late in FY 2021 MSH lost \$7.0-9.0 million in annual federal reimbursements after CMS terminated its provider agreement with the hospital due to a lack of compliance with federal requirements. MMHNCC and MVH are also significant contributors, while reimbursements from MCDC makes up a very small portion of total collections. As a result of [SB 411 \(2015 Session\)](#), MDC was expected to close at the end of FY 2017; however, [HB 387 \(2017 Session\)](#) allowed for the facility to be kept open on a limited bases through the 2019 biennium.

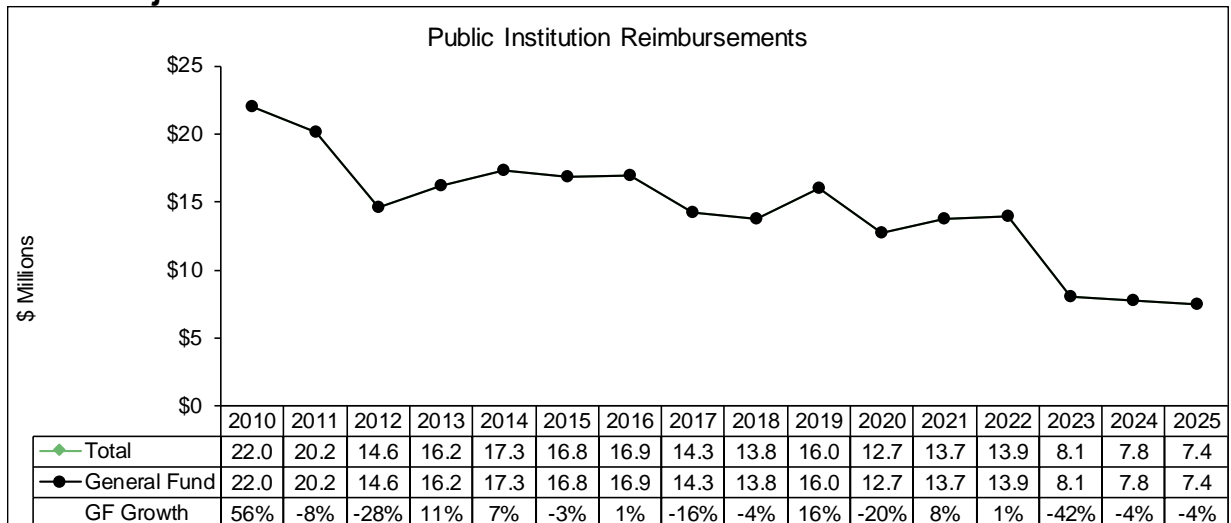


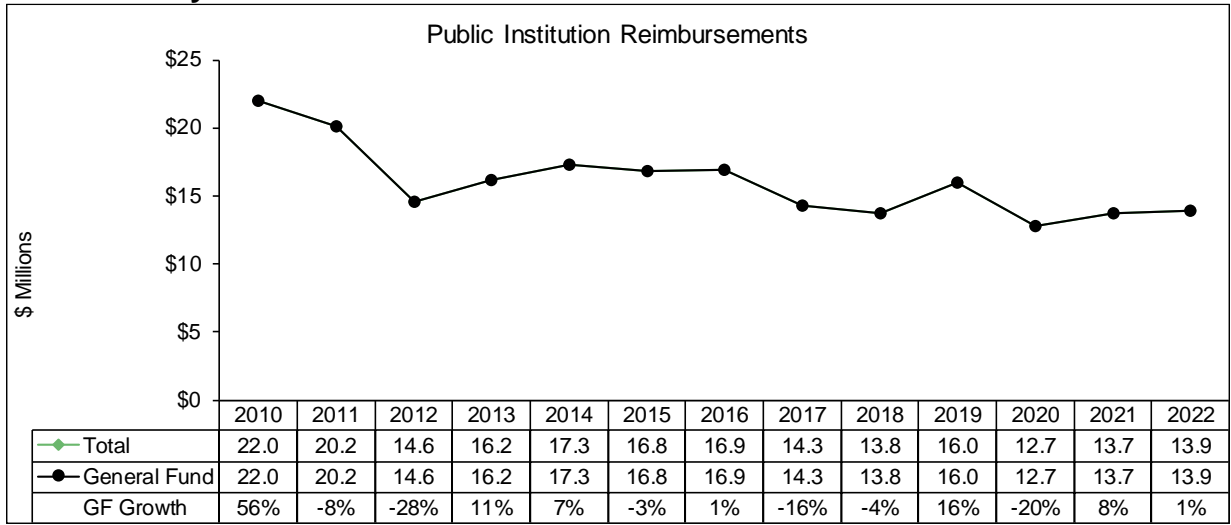
Revenue Estimate Assumptions

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

FY	Total Rev. \$ Millions	GF Rev. \$ Millions	MT Nursing Facility Residents	Calculated Total Reim. \$ Millions	Closure of MDC \$ Millions	MDC Debt Service \$ Millions	MSH Debt Service \$ Millions
A 2012	\$14.562	\$14.562	4,690	\$18.390		\$0.989	\$1.666
A 2013	16.21	16.21	4,653	\$18.416		0.98	1.73
A 2014	17.30	17.30	4,564	\$18.479		0.98	1.81
A 2015	16.82	16.82	4,431	\$18.572		0.96	1.81
A 2016	16.91	16.91	4,310	\$18.996		1.00	1.72
A 2017	14.26	14.26	4,153	\$16.981		0.96	1.72
A 2018	13.75	13.75	4,114	\$16.981		2.72	1.72
A 2019	15.99	15.99	4,091	\$16.927		-	1.73
A 2020	12.74	12.74	3,890	\$16.549	-	-	1.63
A 2021	13.74	13.74	3,195	\$14.977	-	-	1.26
A 2022	13.93	13.93	3,197	\$14.982	-	-	1.18
F 2023	8.07	8.07	3,344	\$14.925	-	-	1.19
F 2024	7.76	7.76	3,220	\$14.616	-	-	1.20
F 2025	7.45	7.45	3,097	\$14.308	-	-	-
F 2026	7.13	7.13	2,973	\$13.999	-	-	-
F 2027	6.82	6.82	2,850	13.691	-	-	-

Revenue Projection





Tobacco Settlement

Revenue Description

Montana receives tobacco settlement revenue per the Master Settlement Agreement (MSA) with 60 tobacco companies which concluded litigation with 46 states, Puerto Rico, American Samoa, the U.S. Virgin Islands, the North Mariana Island, Guam, and the District of Columbia (52 total settling entities). The lawsuit and subsequent settlement were regarding tobacco-related health care costs.

Statutory Reference

Tax Rate – N/A

Tax Distribution – [Montana Constitution, Article XII, Section 4](#); [17-6-606, MCA](#); [53-4-1011, MCA](#)

Date Due – Annual payments from settling entities due April 15th ([Master Settlement Agreement, Chapter IX\(c\)](#))

Applicable Tax Rates:

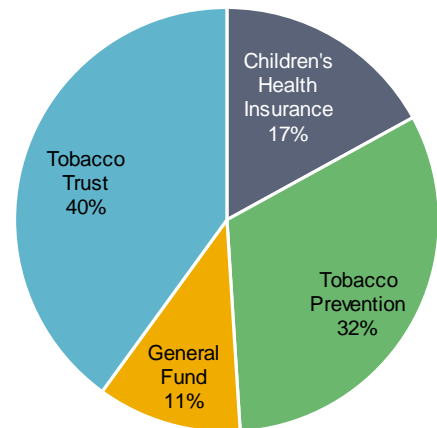
Funds received are subject to adjustments for various reasons including inflation, sales volume, loss of market share due to non-settling companies, operating income, settlements reached by the non-participating states, offsets for litigation, disputed payments, and others. Montana receives 0.4247591% of the total on-going annual payment.

Collection Frequency

Annual payments are expected each April 15th into perpetuity.

Distribution

The legislature is required to dedicate no less than 40.0% of tobacco settlement money to a permanent trust fund. The remaining revenue is distributed between the general fund, the Children’s Health Insurance Program state special revenue fund, and the Tobacco Prevention state special revenue fund. The adjacent chart shows the FY 2020 distribution of the tobacco settlement funds.



Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

Forecast Risks

- Inflation
- Volume
- Changing market share for settling companies
- Payment disputes

Revenue Estimate Methodology

Data

PriceWaterhouseCoopers (PWC), the independent auditor to the agreement, gathers all tobacco settlement data and makes all the calculations required by the MSA for determining the amount owed and the distribution. PWC provides detailed documentation of all calculations that is used to inform the model.

Analysis

The base amount of the settlement is a set value, the analysis and relies on forecasting the adjustments made to that base amount that will result in the final revenue. The adjustments calculated in the model

Other General Fund Sources

Tobacco Settlement

are related to (1) inflation, (2) volume, (3) operating income, (4) states with prior tobacco settlements, (5) non-participating cigarette manufacturers.

1. Inflation – This adjustment cumulatively increases the amount owed by the greater of 3.0% or the amount of the Consumer Price Index for Urban Consumers. This is forecast using the CPI forecast provided by IHS.
2. Volume – Payments are reduced as the number of cigarettes shipped nationally decreases. The current number of cigarettes is compared to the 1997 base number of 475.7 billion cigarettes. The analysis assumes that the historic trend in number of cigarettes shipped will continue through the biennium. Per the settlement agreement, the calculated adjustment is reduced by 2.0% and then applied.
3. Operating income – Payments increase if the aggregate operating income from the sales of cigarettes exceeds the 1996 base amount of \$7,060.84 million, as adjusted for inflation (see above). This adjustment has not been used since 2000 and therefore is not explained in this document.
4. Previous settling states – Before the MSA, four states had settled lawsuits with certain cigarette manufacturers. The agreement recognized this by allowing reductions to the annual payments (as adjusted for inflation and volume) of 12.45% through FY 2007, 12.24% through FY 2017, and 11.07% thereafter.
5. Non-participating manufacturers (NPM) – If tobacco manufacturers who participate in the Master Settlement Agreement lose market share to those manufacturers who do not, their payments may be reduced, if certain criteria are met.

This adjustment is three times the market share loss of the participating manufacturers. Market share loss is determined by subtracting the current year market share of the participating manufacturers from 97.5835%. If the computed market share loss exceeds 16-2/3%, adjustments are made to account for loss of market share. For this to occur, the change in market share for all PM would have to fall to 80.0%. It is unlikely that this will occur. While this adjustment is not included as such, the estimate is reduced slightly because the participating manufacturers generally dispute a portion of a payment. FY 2019 was the first year that any disputed payment completed the cycle of litigation, and the state received the disputed 2003 funds. In November 2020, the state won litigation that released all disputed payments. This resulted in a one-time only increase for FY 2021 and included a provision that funds will no longer be withheld. Beginning in 2030 the companies will be allowed to dispute a portion of the payment in Montana courts but will not be able to withhold a payment prior to a judgement in their favor.

These forecast adjustments are applied to the base amount, and the result is the total revenue estimate.

Revenue Estimate Assumptions

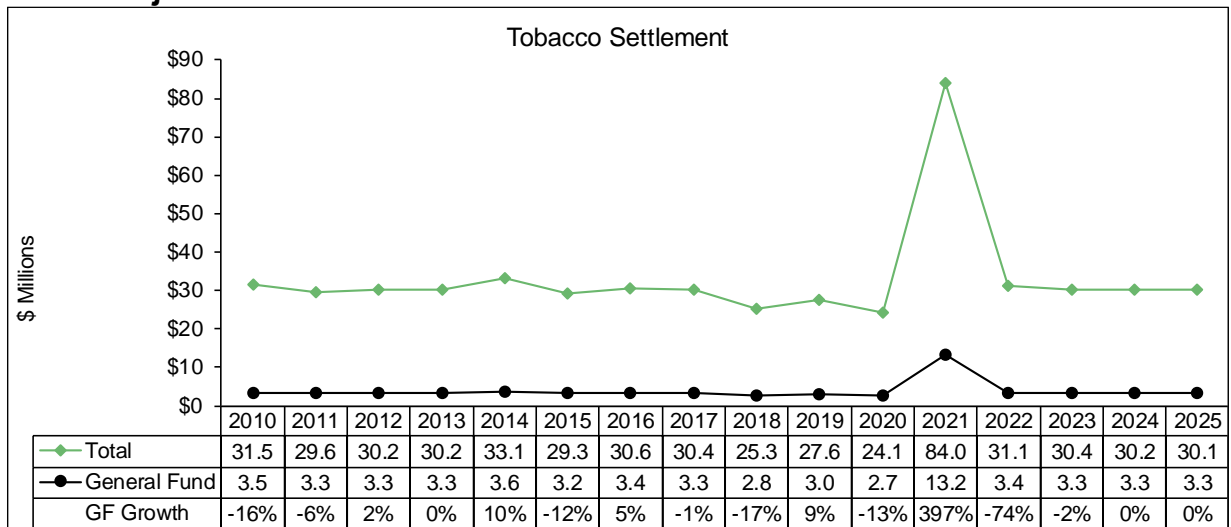
This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2023 Legislature.

Other General Fund Sources

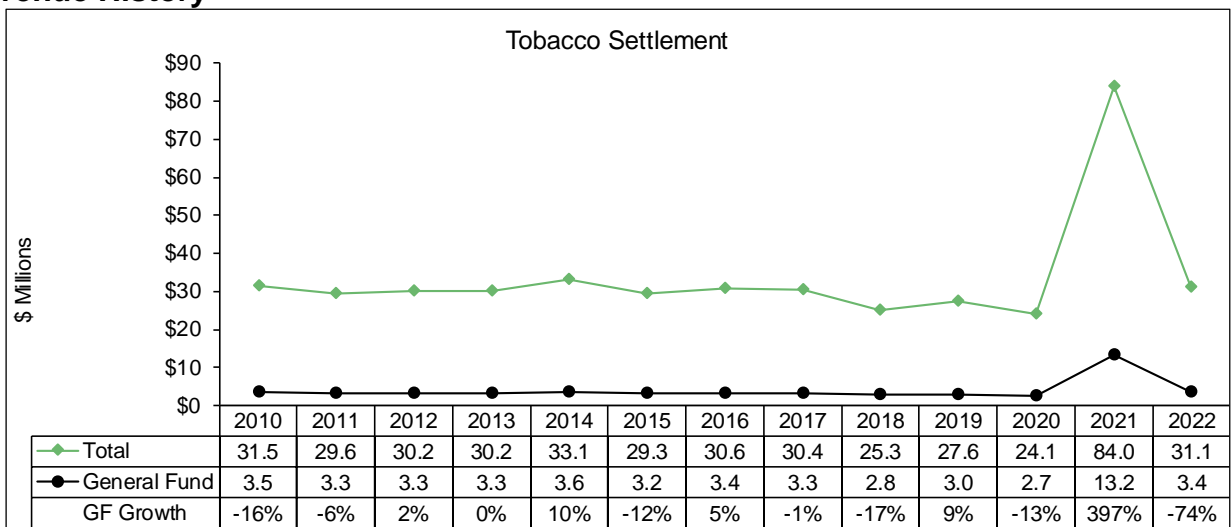
Tobacco Settlement

FY	Total Settle \$ Millions	GF Settle \$ Millions	Market Share	Volume (Millions)	Annual Inflation (at least 3.0%)
A 2012	\$30.203	\$3.322	0.941	0.250	3.0%
A 2013	30.19	3.32	0.938	0.245	3.0%
A 2014	33.14	3.65	0.936	0.235	3.0%
A 2015	29.32	3.23	0.936	0.227	3.0%
A 2016	30.65	3.37	0.934	0.226	3.0%
A 2017	30.39	3.34	0.934	0.221	3.0%
A 2018	25.25	2.78	0.933	0.210	3.0%
A 2019	27.58	3.03	0.927	0.197	3.0%
A 2020	24.13	2.65	0.915	0.183	3.0%
A 2021	84.00	13.20	0.907	0.183	7.0%
A 2022	31.14	3.43	0.901	0.171	8.1%
F 2023	30.38	3.34	0.917	0.189	4.2%
F 2024	30.24	3.33	0.914	0.182	3.0%
F 2025	30.11	3.31	0.914	0.176	3.0%
F 2026	29.97	3.30	0.911	0.170	3.0%
F 2027	29.84	3.28	0.911	0.164	3.0%

Revenue Projection



Revenue History



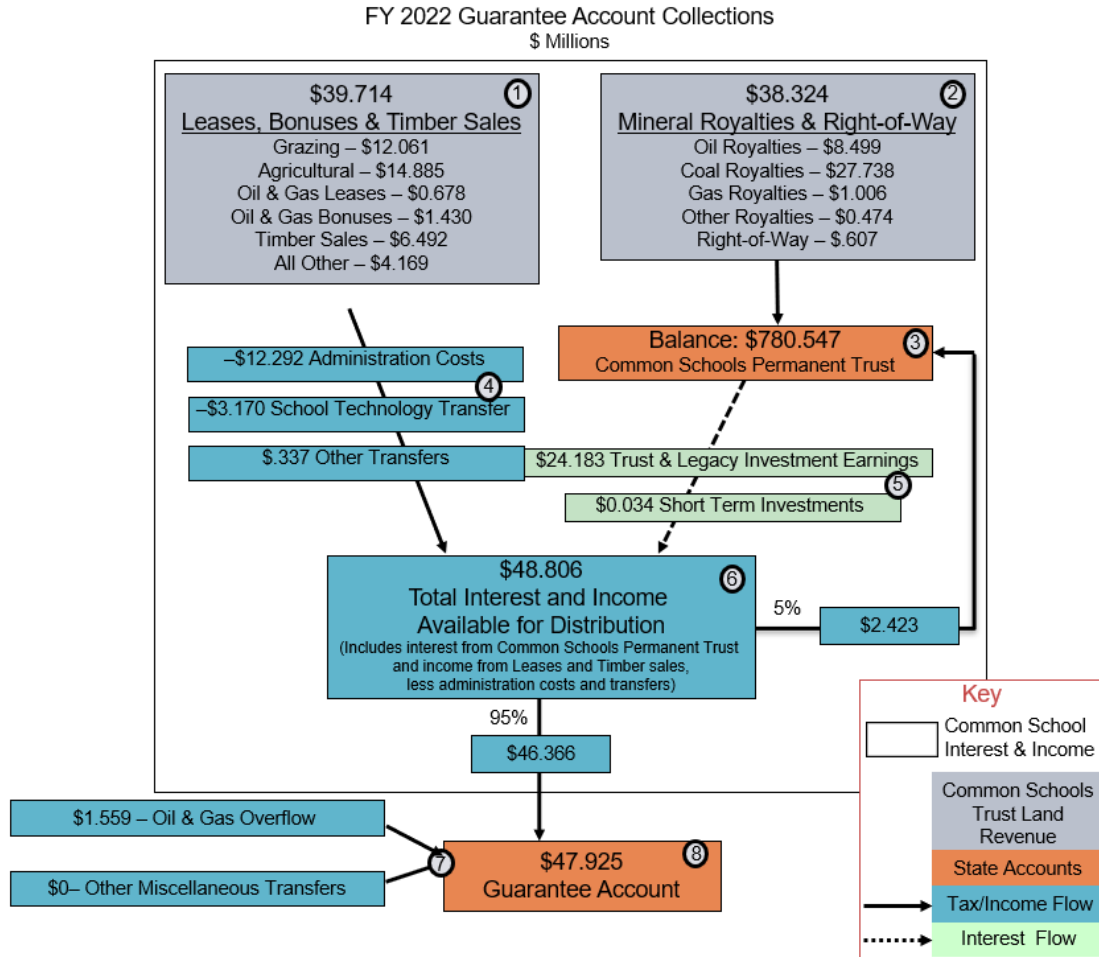
GUARANTEE ACCOUNT REVENUE



Guarantee Fund

Revenue Description

The guarantee fund is a state special revenue fund dedicated as the first source of school funding. It primarily receives revenue generated from common school state land and the subsequent interest on the Common School trust fund.



*Totals may not sum exactly due to rounding

1 Leases, Bonuses & Timber Sales: Lands granted by the federal government to the state for the benefit of public schools generate income. Common school lands produce two kinds of revenue: distributable income such as interest earnings, agricultural rents or crop shares, and timber sale revenue; and permanent income that is returned to the trust as income from the sale of minerals, land, and easements.

Box 1 is the distributable income. This common school land revenue includes leases, bonuses, and timber sales under 18 million board feet. Revenue from timber sales over 18 million board feet is transferred to the school facility and technology fund ([20-9-516, MCA](#)).

2 Mineral Royalties & Right-of-Way: This portion is deposited directly into the common schools permanent trust and includes right-of-way and sales of extractable resources such as oil, natural gas, and coal.

3 Common Schools Permanent Trust: The [Enabling Act](#) states that “proceeds from the sale and other permanent disposition of any of the said lands and from every part thereof, shall constitute permanent

General Fund Related Sources

Guarantee Fund

funds for the support and maintenance of the public schools and the various State institutions for which the lands have been granted.” The Common Schools Permanent Trust holds the school dedicated funds.

④ **Costs & Transfer:** The amount of revenue deposited to the guarantee fund is net of amounts diverted for DNRC administration costs and those deposited directly to the school facility and technology fund shown in Box 4. The administration costs diversion funds operational costs in the Department of Natural Resources and Conservation (DNRC) for common school lands. The school facility and technology fund receives timber revenue in excess of 18 million board feet ([77-1-218, MCA](#)). This reduces the amount of revenue distributable to the guarantee fund.

⑤ **Investment Earnings:** Funds in the Common Schools Permanent Trust are invested by the [Montana Board of Investments](#), with the interest earned available for distribution. The majority of revenue (Trust & Legacy investment earnings) comes from fixed-income investments. A small amount comes from short-term investments which is interest on the cash when it comes into the Montana Board of Investments and before it is invested in the longer-term Trust Funds Investment Pool.

⑥ **Common School Trust Land Interest and Income:** This amount is comprised of the income from leases, bonuses, and timber (Box 1) less costs and transfers (Box 4), plus interest from the Common Schools Permanent Trust (Box 5). The money is distributed as follows:

- 95.0% is transferred to the state special revenue guarantee fund which is statutorily appropriated for schools
- 5.0% is reinvested in the Common Schools Permanent Trust

⑦ **Additional transfers to the guarantee fund:** The legislature have in the past transferred additional money into the guarantee fund. In FY 2012 through FY 2014, navigable river revenues were redirected from the school facility and technology fund to the common schools guarantee fund as a result of [HB 165 \(2011 Session\)](#). [SB 175 \(2013 Session\)](#) transferred \$11.5 million from the state general fund to the guarantee fund to fund the ongoing costs of restructuring the K-12 funding formula. Finally, excess oil and gas revenues to school districts contribute to the Guarantee fund revenues.

⑧ **Guarantee fund:** This is the state special revenue fund ([20-9-104, MCA](#)) which is statutorily appropriated to schools in the form of BASE aid. It is comprised of common school interest and income and other appropriations and is the first source of state school funding.

Statutory Reference: [20-9-622, MCA](#)

Applicable Tax Rates: N/A

Collection Frequency: Revenue from DNRC is distributed to the guarantee fund in February and June. Payments from other agencies vary from month to month.

Distribution: Statutorily appropriated to schools in the form of BASE aid

Summary of Legislative Action: The 68th Legislature did not enact legislation impacting this source.

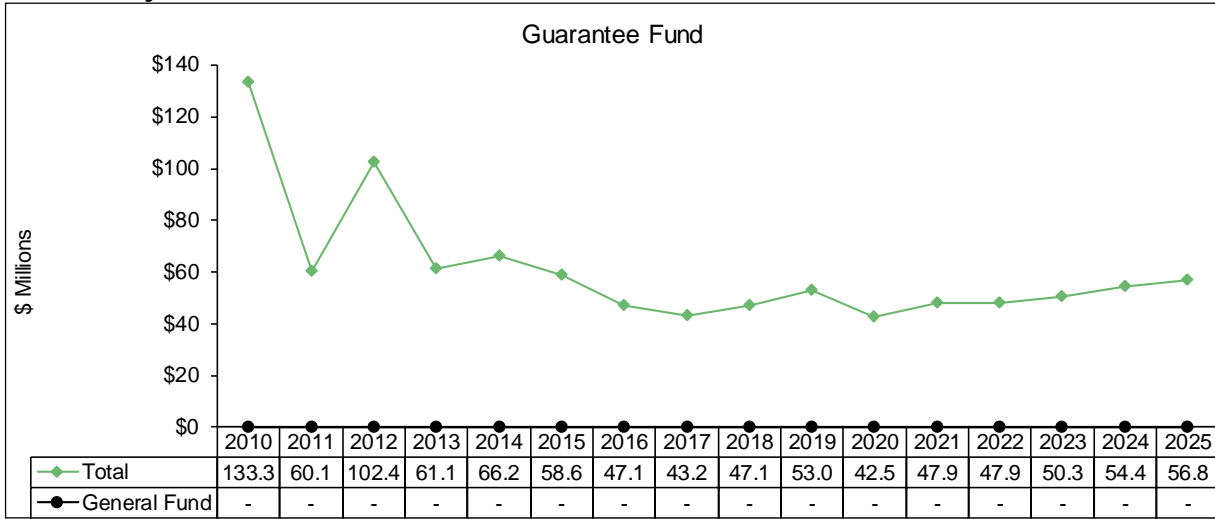
Forecast Risks

- Oil price
- Interest rates

Revenue Estimate Methodology

The revenue for this source is primarily based on the estimate for Common Schools Interest and Income. Please see that section for more information on the revenue estimate methodology. Estimates of other transfers are based on statute.

Revenue Projection



Revenue History

