

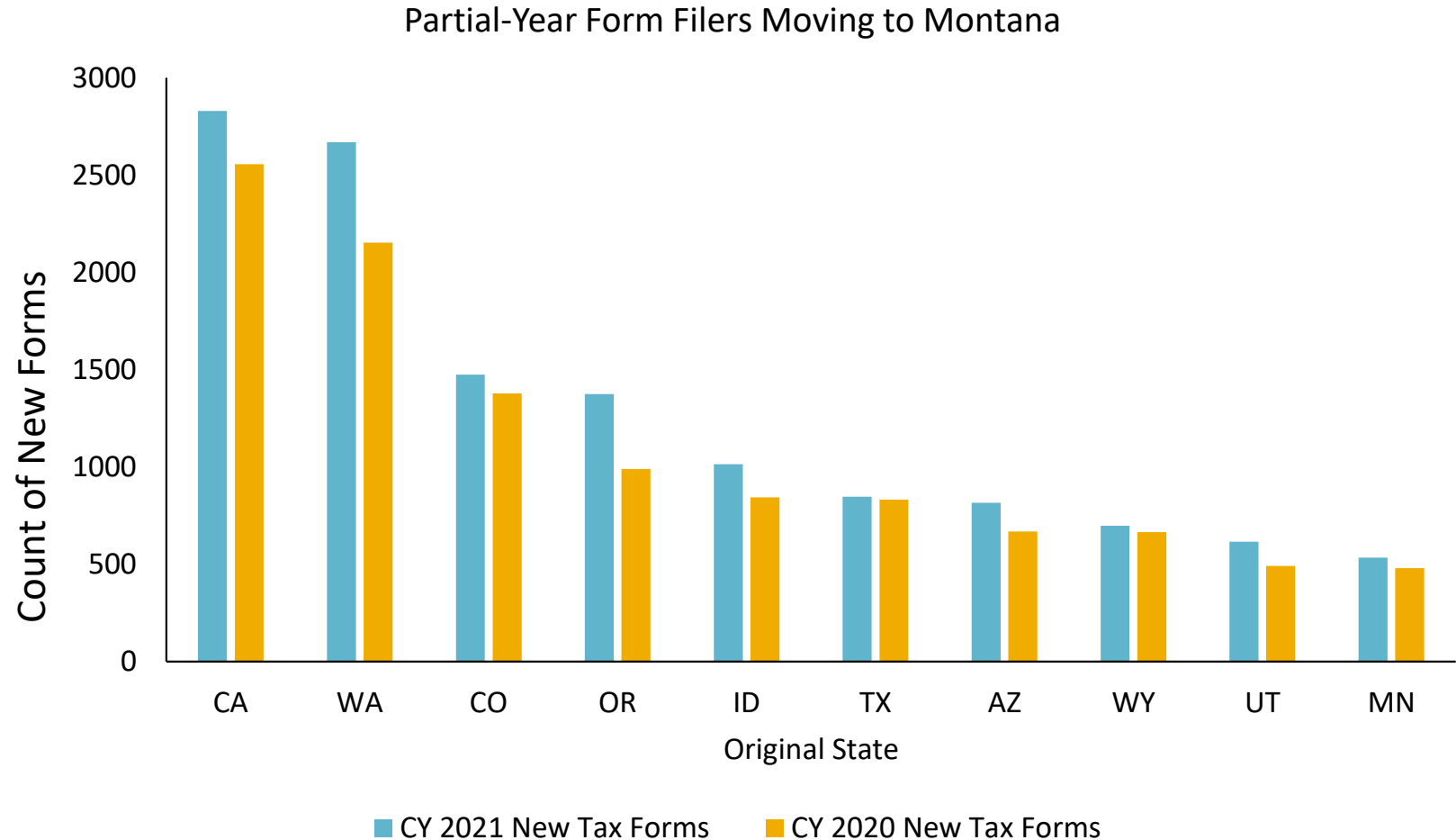
INDIVIDUAL INCOME TAX: ANALYSIS OF NEW MONTANA RESIDENTS IN CY 2020 & CY 2021

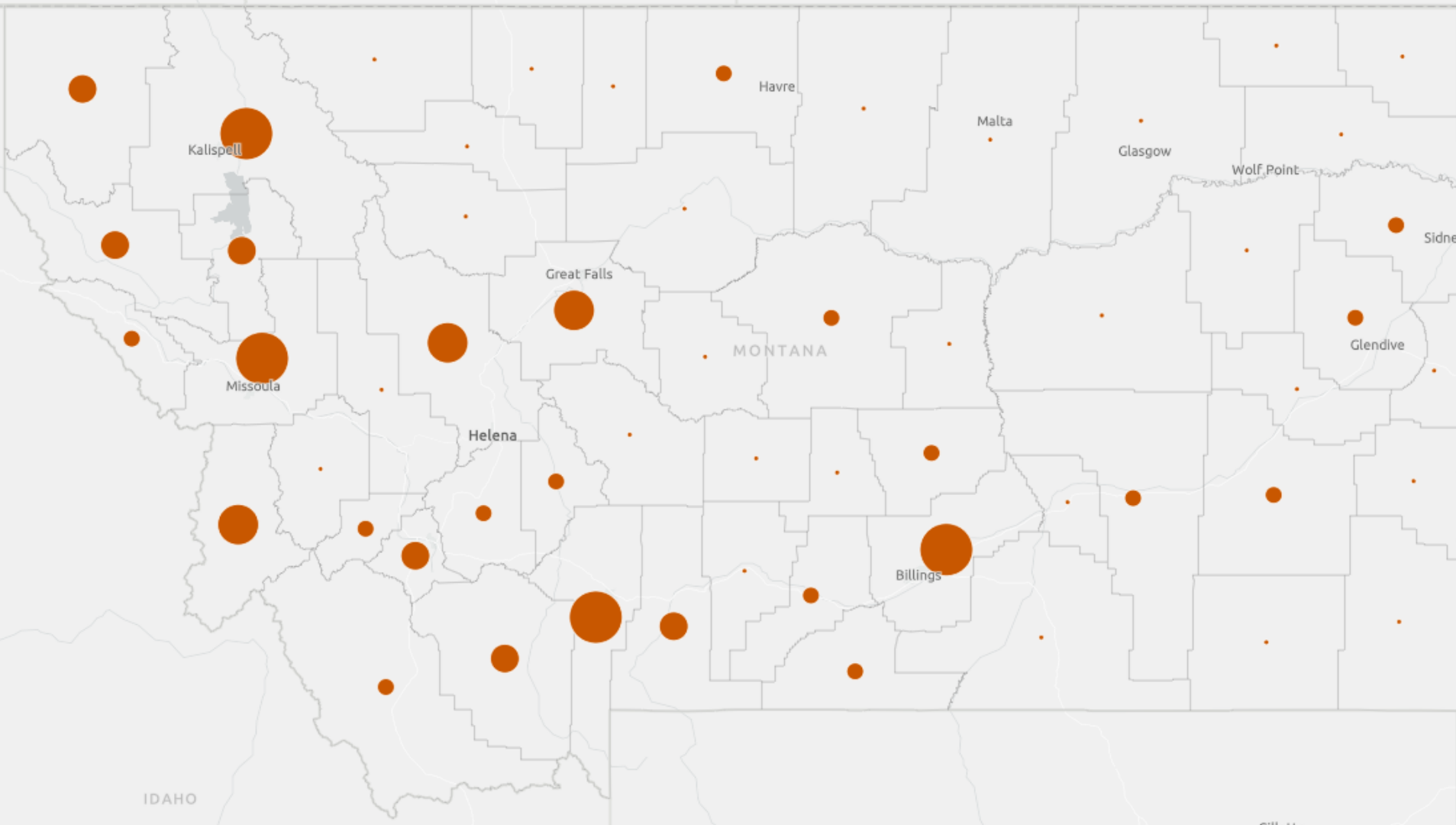
Financial Modernization & Risk Assessment (MARA)
Study

Sam Schaefer
October 17, 2023

CY 2020 & CY 2021 Partial-Year Residents

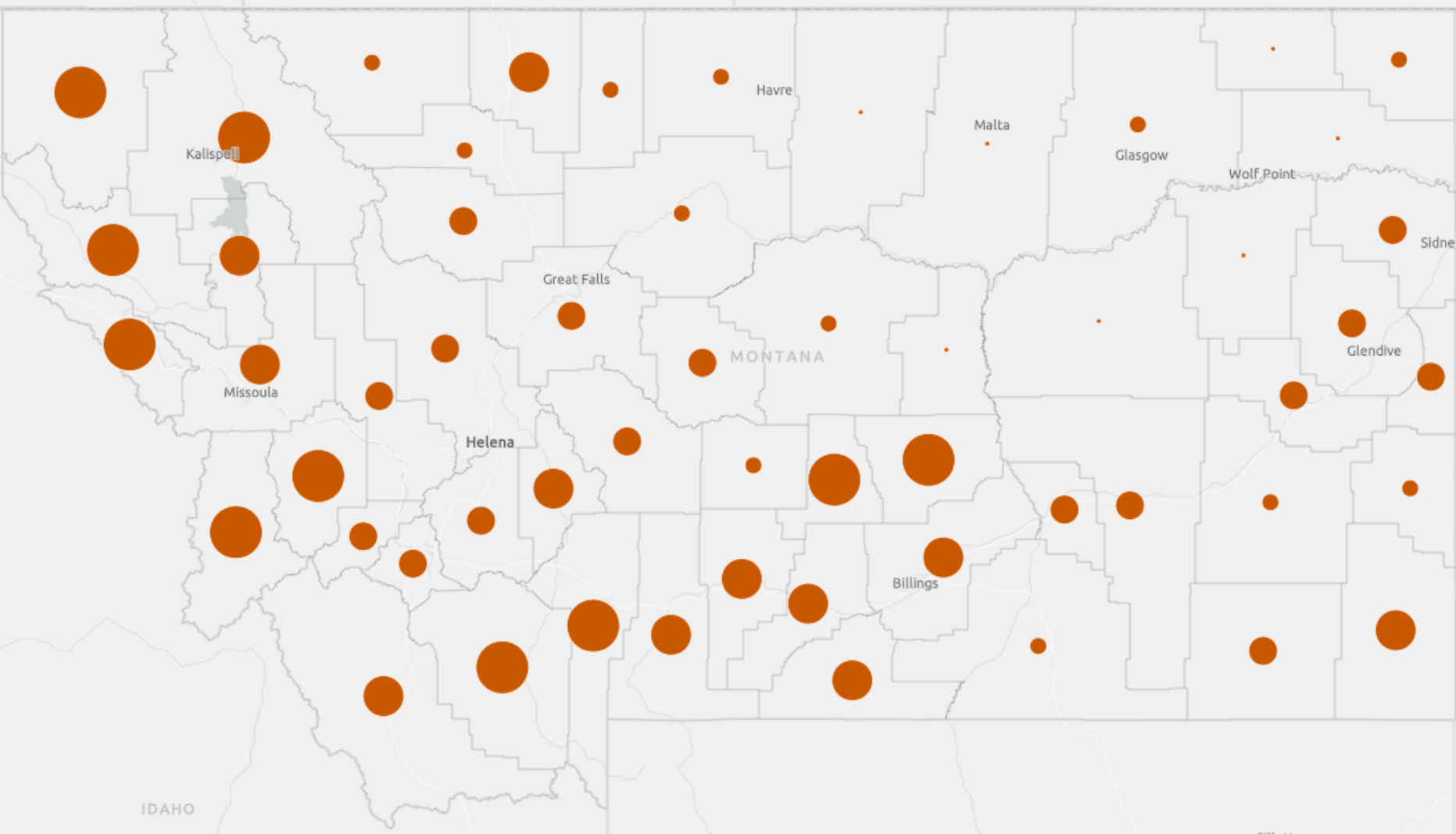
- 18,077 partial-year forms of new filers moving to Montana in CY 2020
- 20,144 partial-year forms of new filers moving to Montana in CY 2021
- Population growth of 1.7% in MT in CY 2021





MT County	New Tax Filers
Gallatin County, MT	3007
Yellowstone County, MT	2336
Flathead County, MT	2234
Missoula County, MT	1995
Lewis and Clark County, MT	990
Cascade County, MT	958
Ravalli County, MT	840
Lake County, MT	443
Lincoln County, MT	411
Silver Bow County, MT	378

New CY 2021 Partial-Year Filers by County



MT County	% New
Madison County, MT	5.60%
Gallatin County, MT	5.36%
Musselshell County, MT	5.12%
Lincoln County, MT	4.95%
Golden Valley County, MT	4.85%
Sanders County, MT	4.67%
Mineral County, MT	4.66%
Flathead County, MT	4.55%
Granite County, MT	4.37%
Ravalli County, MT	3.99%

New CY 2021 Partial-Year Filers Growth Rates by County

New CY 2021 Partial-Year Filers Growth Rates by County by Age

MT County	Under 65 Growth	MT County	Over 65 Growth
Madison County, MT	6.96%	Lincoln County, MT	2.79%
Musselshell County, MT	6.39%	Sanders County, MT	2.70%
Golden Valley County, MT	6.17%	Golden Valley County, MT	2.68%
Gallatin County, MT	6.06%	Mineral County, MT	2.50%
Lincoln County, MT	5.99%	Ravalli County, MT	2.30%
Sanders County, MT	5.71%	Musselshell County, MT	2.13%
Granite County, MT	5.66%	Carbon County, MT	2.08%
Mineral County, MT	5.57%	Madison County, MT	2.08%
Flathead County, MT	5.37%	Flathead County, MT	2.07%
Sweet Grass County, MT	4.90%	Lake County, MT	1.95%

- Full-year filers over the age of 65 make up 24% of all full-year resident filers.
- For new filers who moved to the state in CY 2021, only 9% of them were over the age of 65.

A solid orange vertical bar is positioned on the left side of the slide, extending from the top to the bottom.

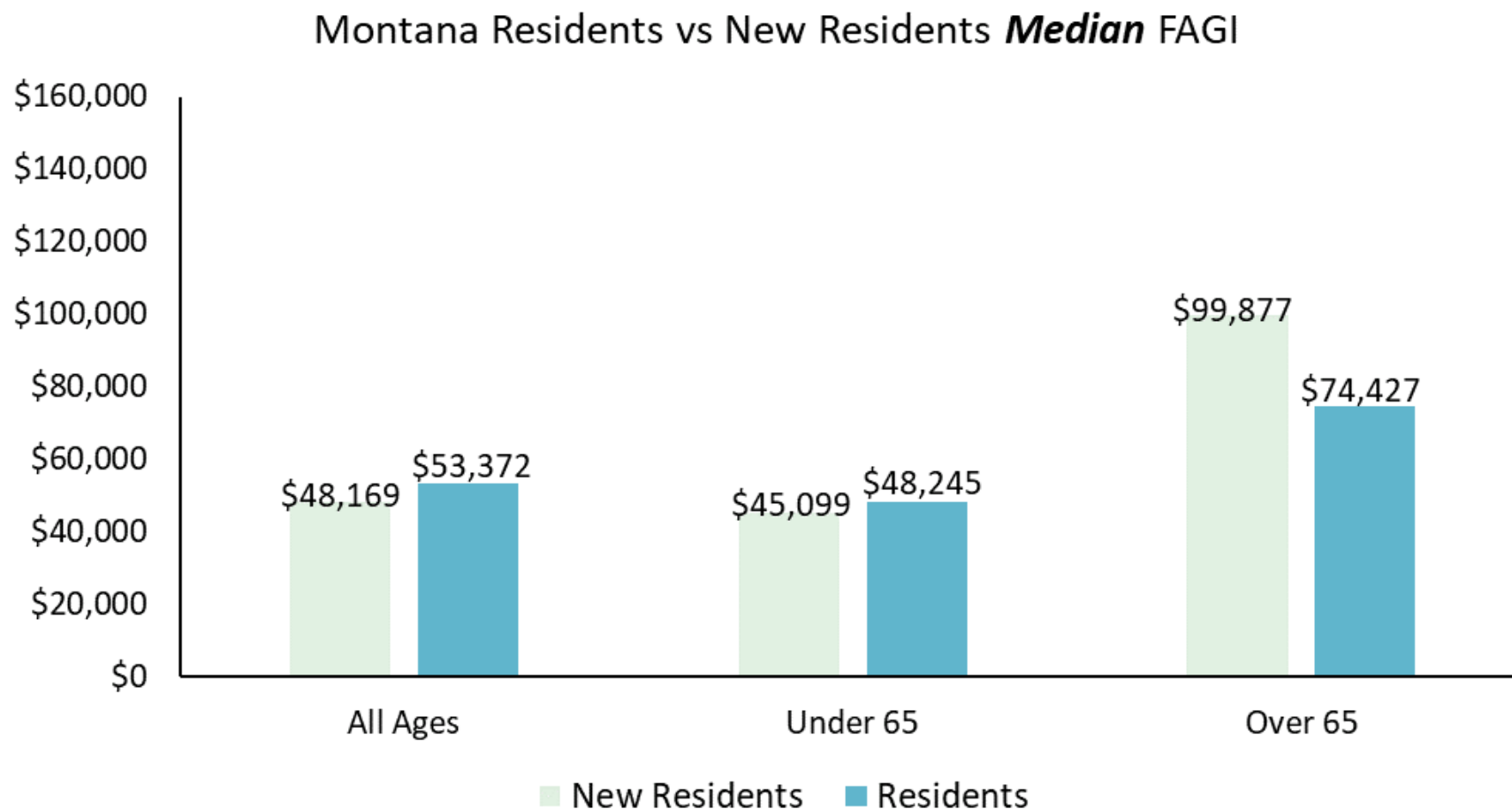
CY 2021 New Resident Income

For the remaining analysis, income levels will be analyzed for those partial year filers who moved to Montana in CY 2021. It does not include those partial year filers who left the state. In addition, it only analyzes taxpayers that had a positive tax liability in CY 2021.

- In CY 2021, Montana filers' median Federal Adjusted Gross Income (FAGI) was \$53,372, up 6.2% from \$50,243 in CY 2020.
- For those residents under 65, median FAGI was \$48,245, a 4.9% increase from CY 2020 levels.
- Residents over the age of 65 saw median FAGI increase to \$74,427 in CY 2020, an increase of 9.9% from CY 2020.
- Note that the median is a good approximation of a “*typical*” tax filer, as the median represents the middle value in a series of data.

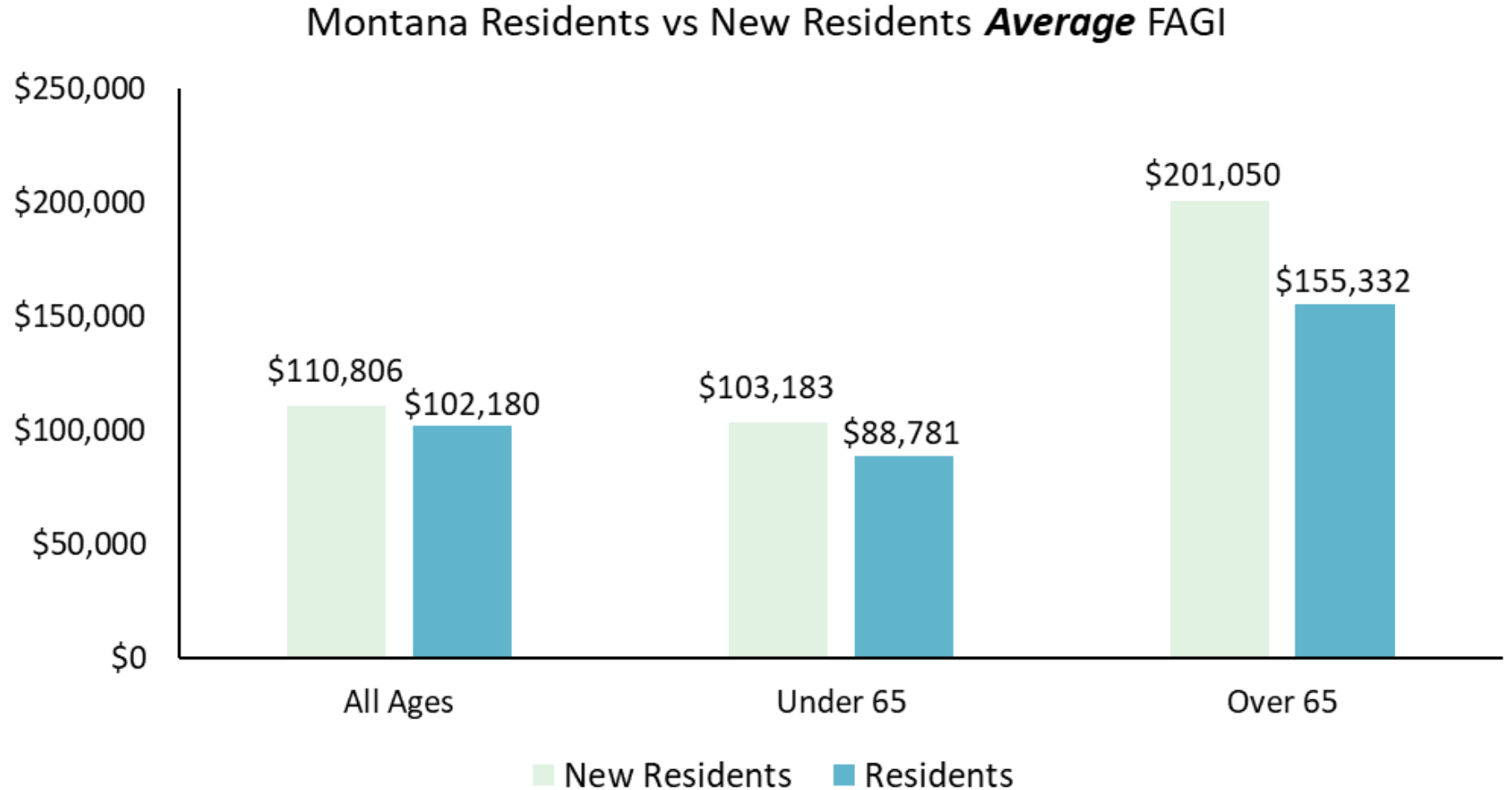
Comparison of Median FAGI (New Residents vs Full-Year Residents)

- For all ages combined, and those under 65, full-year filers had a larger median FAGI than new partial-year filers.
- New filers over 65 had a higher median FAGI than full-year filers by approximately 34%.
- These patterns are consistent with comparisons from previous [analyses](#).
- Using the median, however, fails to capture the magnitude of high-income individuals filing income taxes in the state.

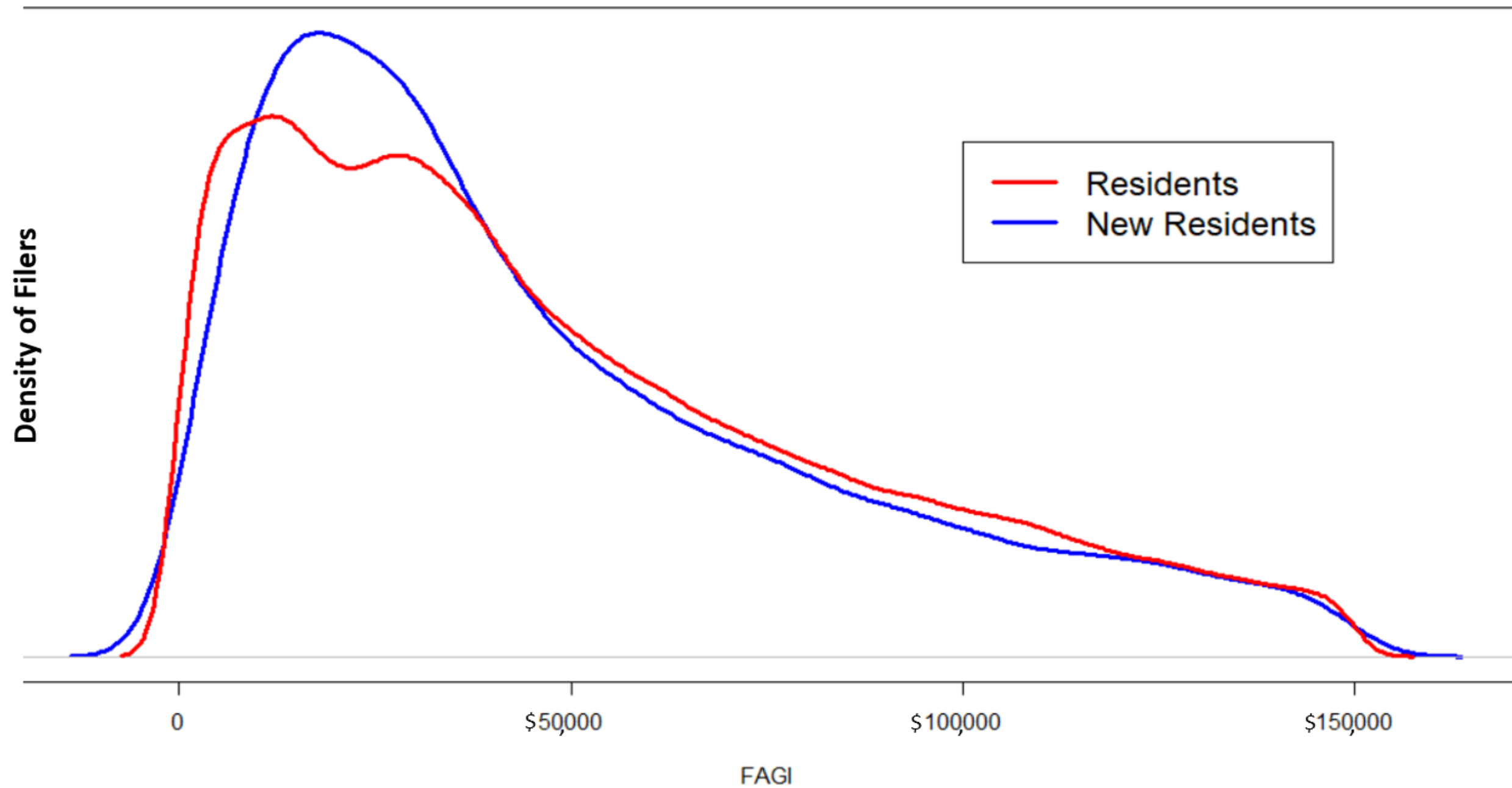


Comparison of Average FAGI (New Residents vs Full-Year Residents)

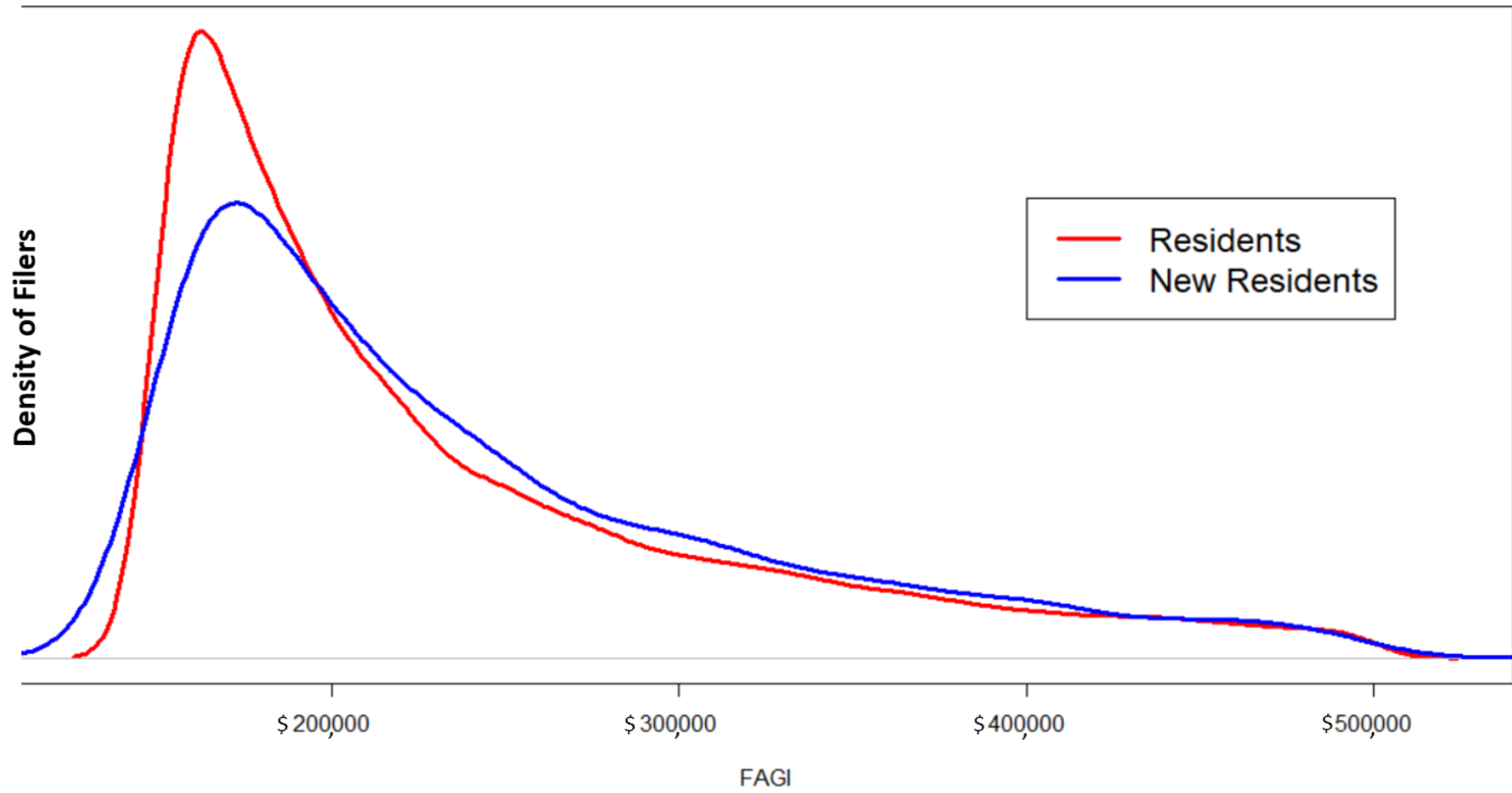
- Across all age cohorts, new resident filers in CY 2021 had a larger average FAGI than full-year resident filers.
- New filers had a higher percentage of high-income individuals and had higher incomes than high-income full-year residents.
- 6.0% of new filers had incomes over \$250,000, compared to 4.7% of full-year resident filers.
- The top 10% of new resident filers had an average FAGI of \$605,510, compared to \$508,472 for the top 10% of full-year resident filers.



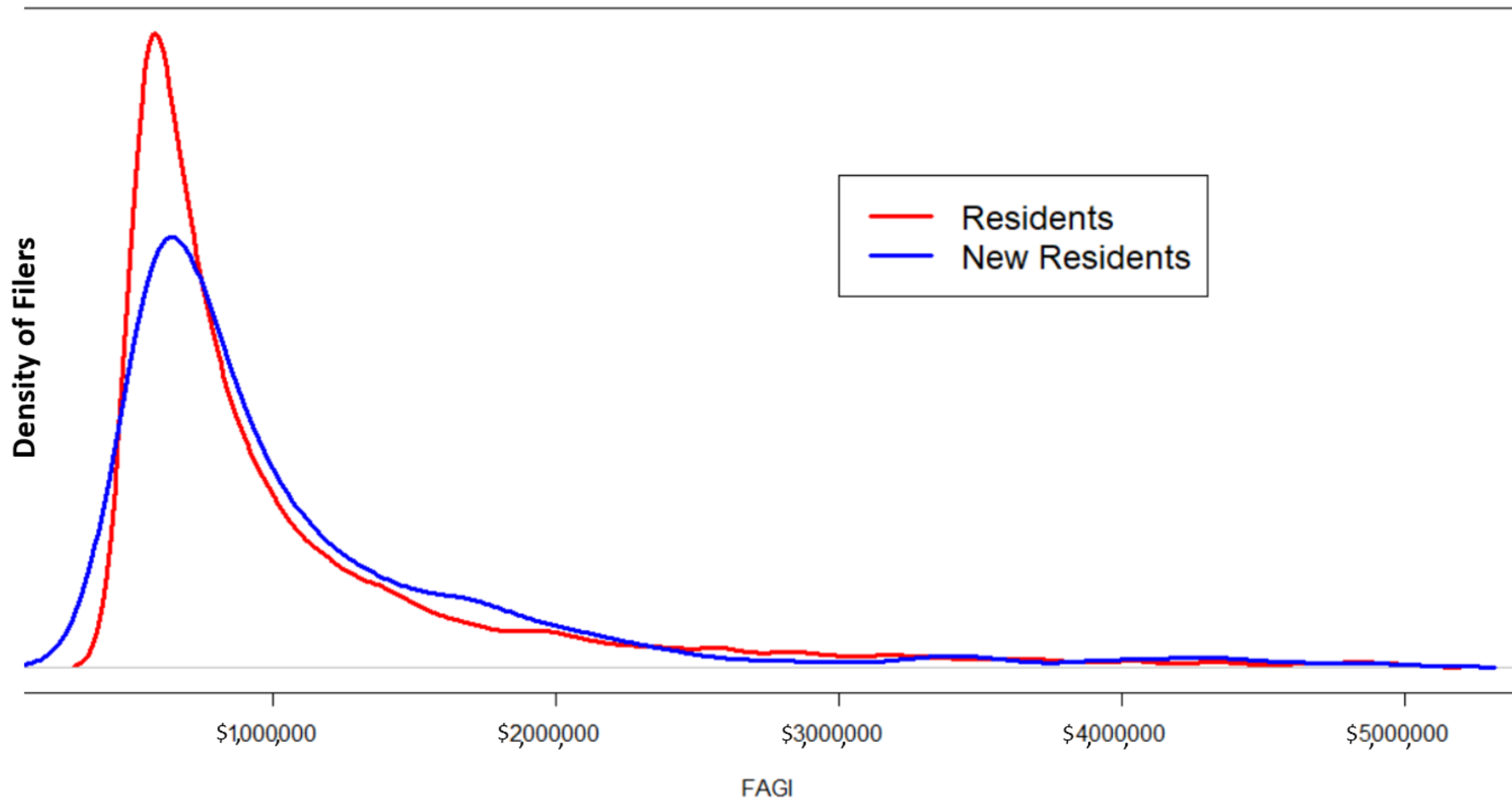
Distribution of FAGI (Filers With FAGI Under \$150,000)



Distribution of FAGI (Filers With FAGI Between \$150,000 and \$500,000)



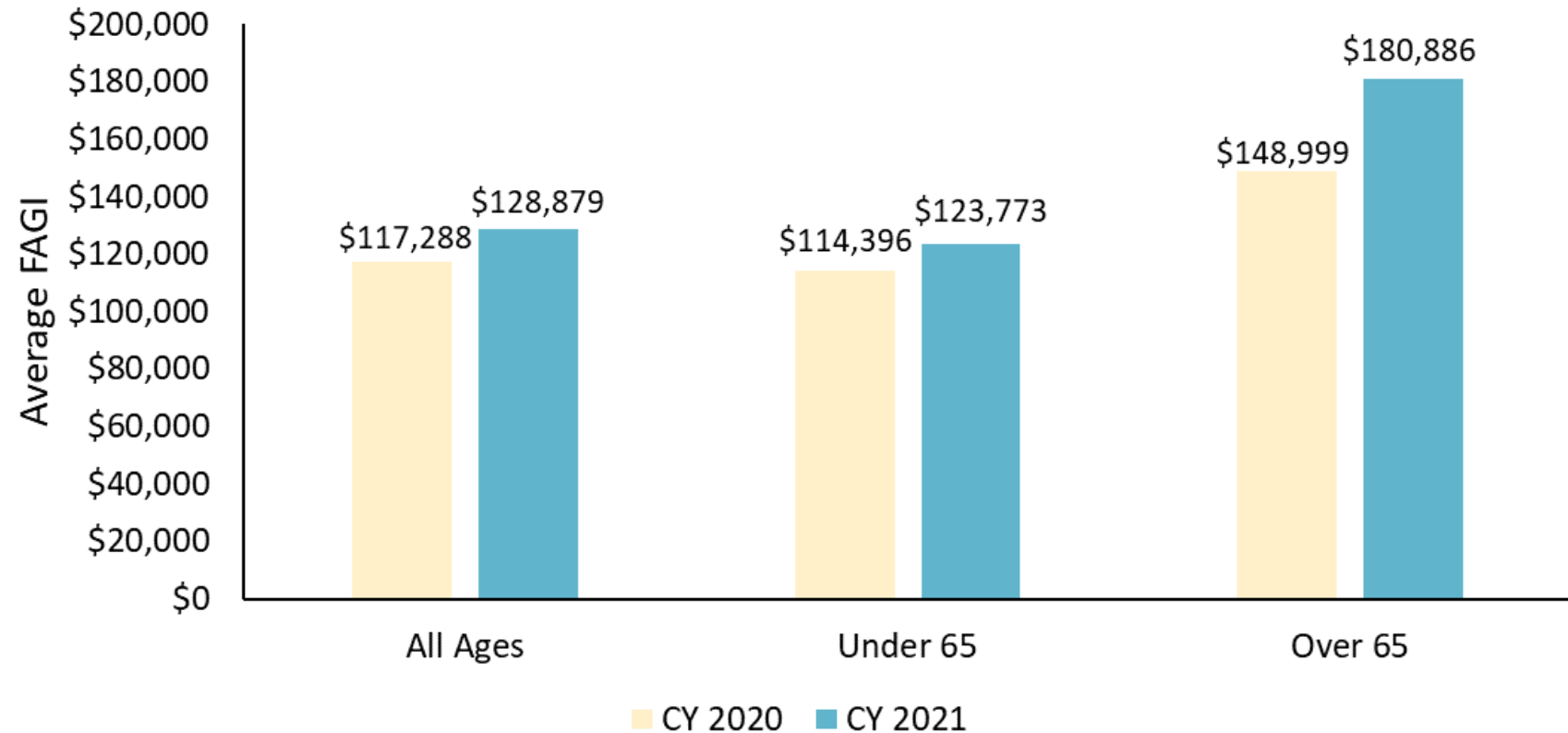
Distribution of FAGI (Filers With FAGI Between \$500,000 and \$5,000,000)



CY 2020 Partial-Year Residents and Succeeding CY 2021 Income

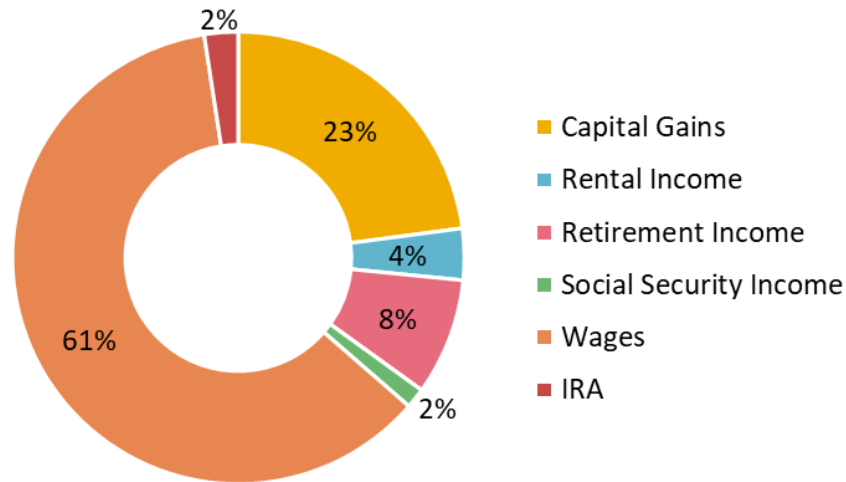
- Partial-year filers who moved to Montana in CY 2020 were tracked into CY 2021.
- On average, the FAGI increased across all ages and for both age cohorts.
- The growth was especially pronounced for those over the age of 65, with growth of 21.4%.
- Working-age individuals saw growth of 8.2%, indicating that *it is likely that these filers brought their jobs with them or found similar paying jobs in Montana.*

Those taxpayers who moved to Montana in CY 2020 saw their income increase in CY 2021, and was especially pronounced for those over the age of 65.

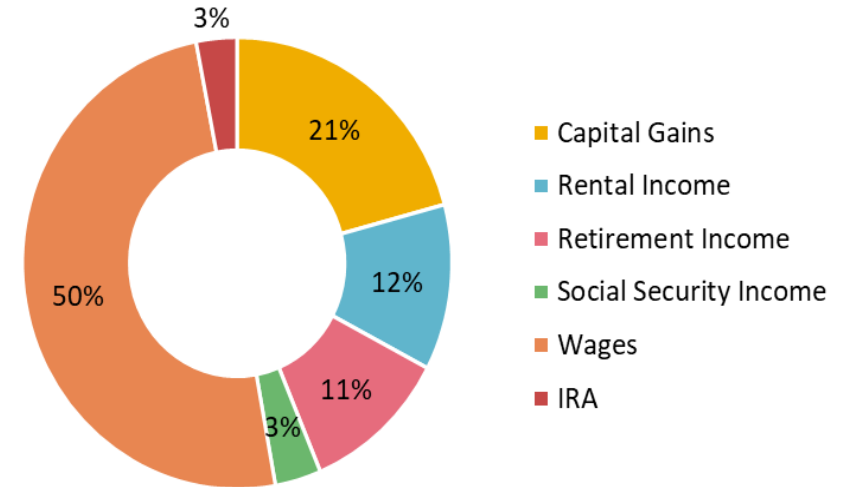


CY 2021 Income Distribution of CY 2020 New Residents Compared to Full-Year Residents

New 2020 Residents' CY 2021 Income Distribution



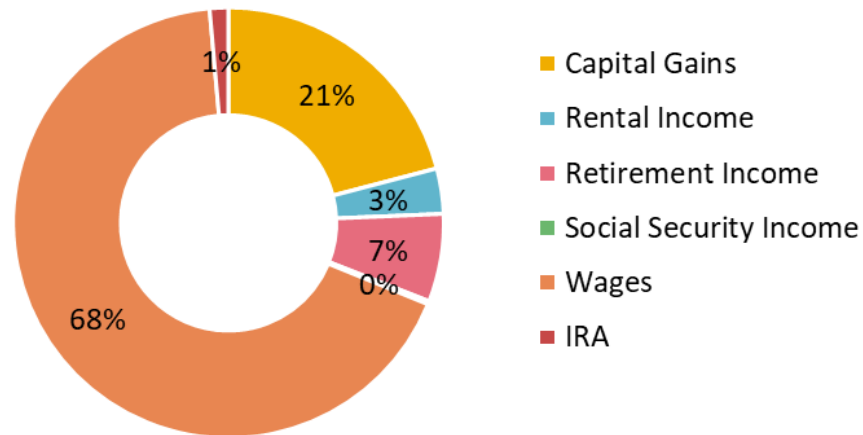
CY 2021 Full-Year Residents' Income Distribution



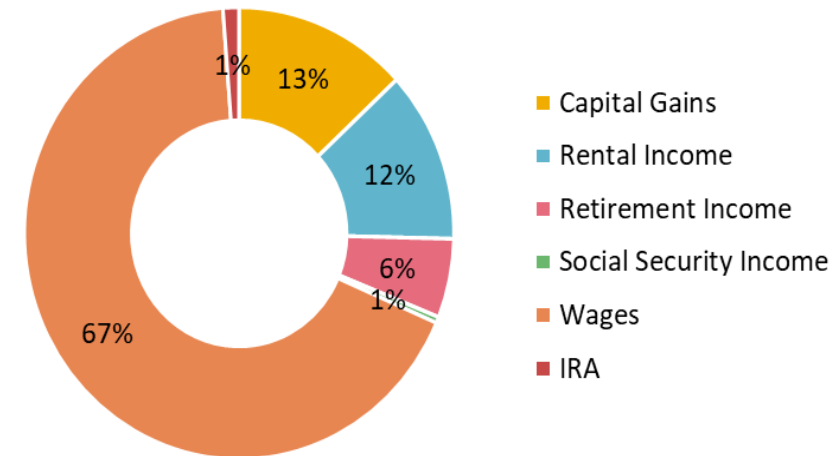
- In CY 2021, full-year filers reported extremely high capital gains income. In the five years leading up to CY 2021, capital gains income averaged 8% of total income while wages averaged 60%.

CY 2021 Income Distribution of CY 2020 New Residents Compared to Full-Year Residents (Under 65)

New 2020 Residents' CY 2021 Income Distribution
(Under 65)



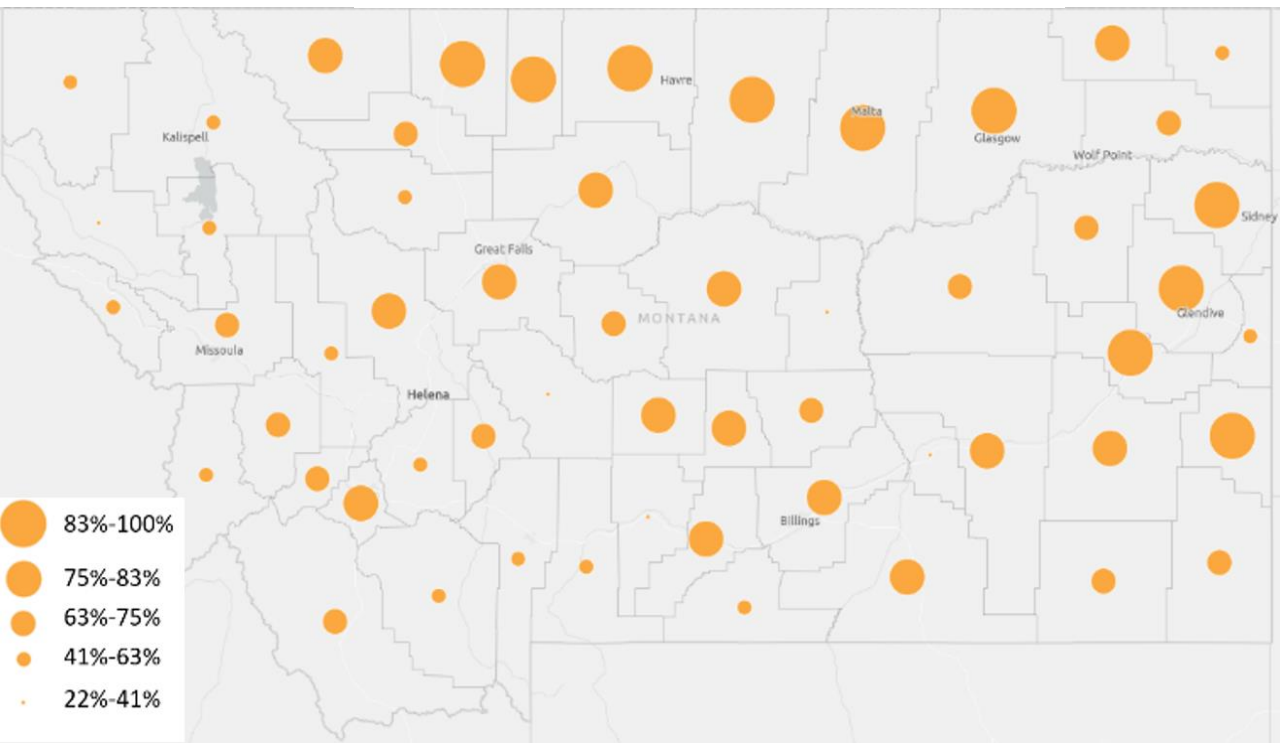
CY 2021 Full-Year Residents' Income Distribution (Under 65)



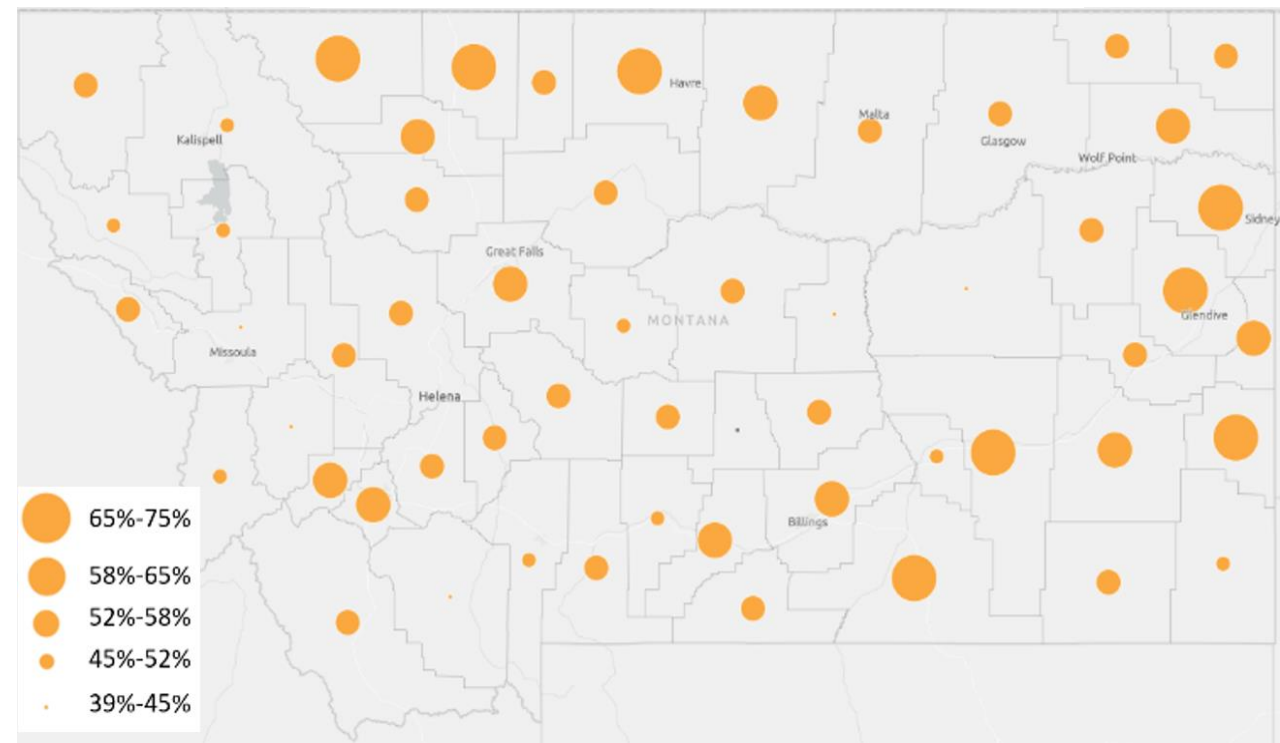
- Excluding tax filers over the age of 65 reduced the full-year filers capital gains share by 8%. Conversely, for those new filers from CY 2020 it only reduced the capital gains share by 2%.

How are Income Types Distributed Across the State?

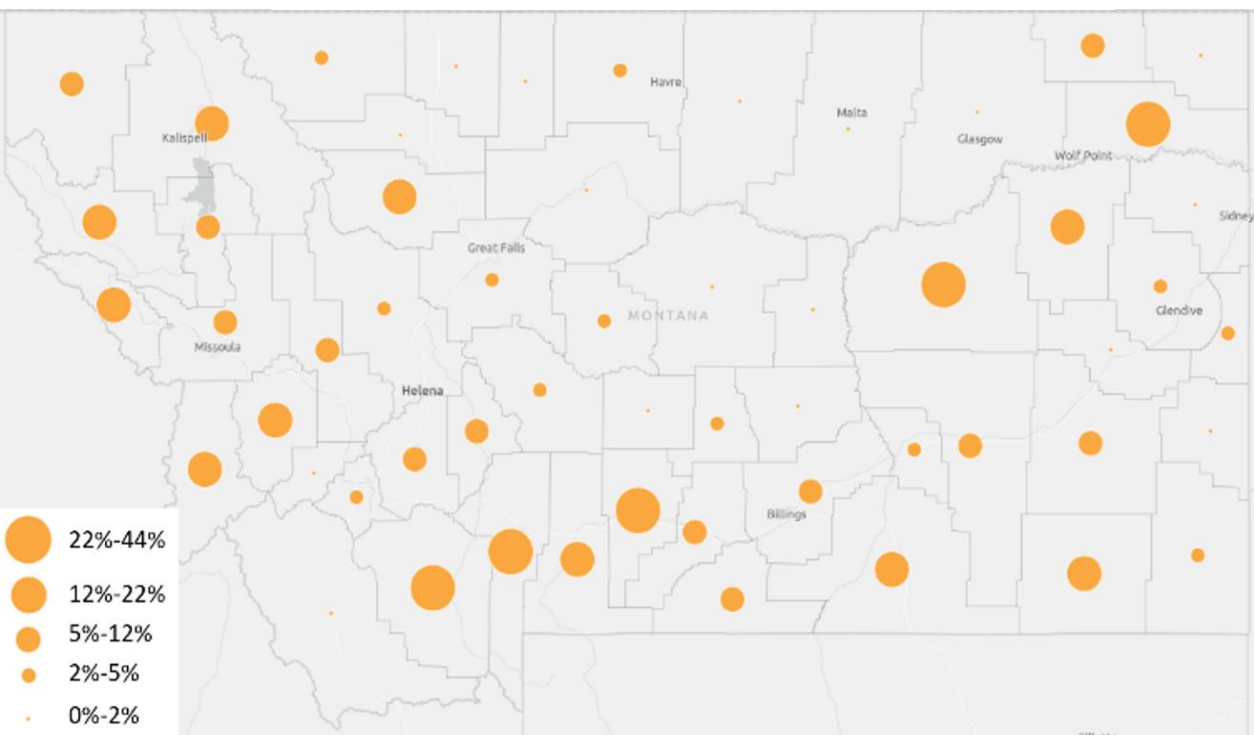
New Filers Proportion of Wage Income



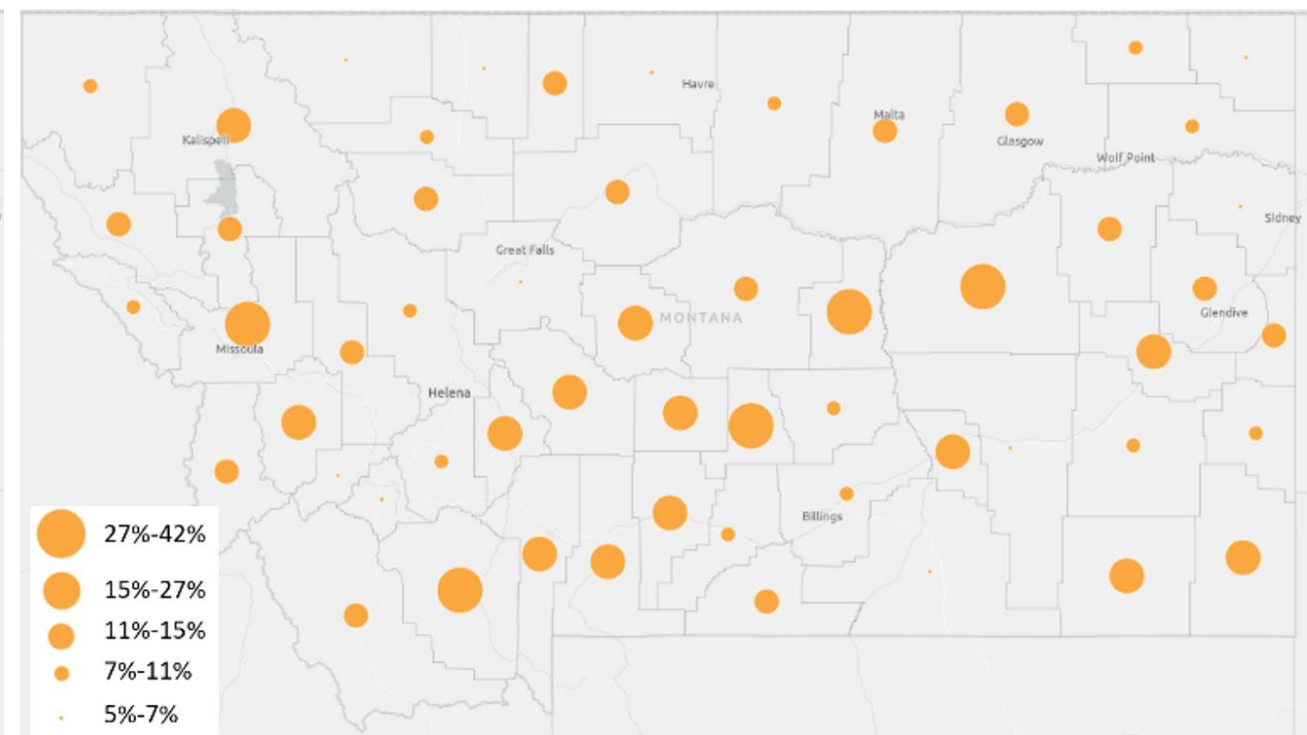
Full-Year Filers Proportion of Wage Income



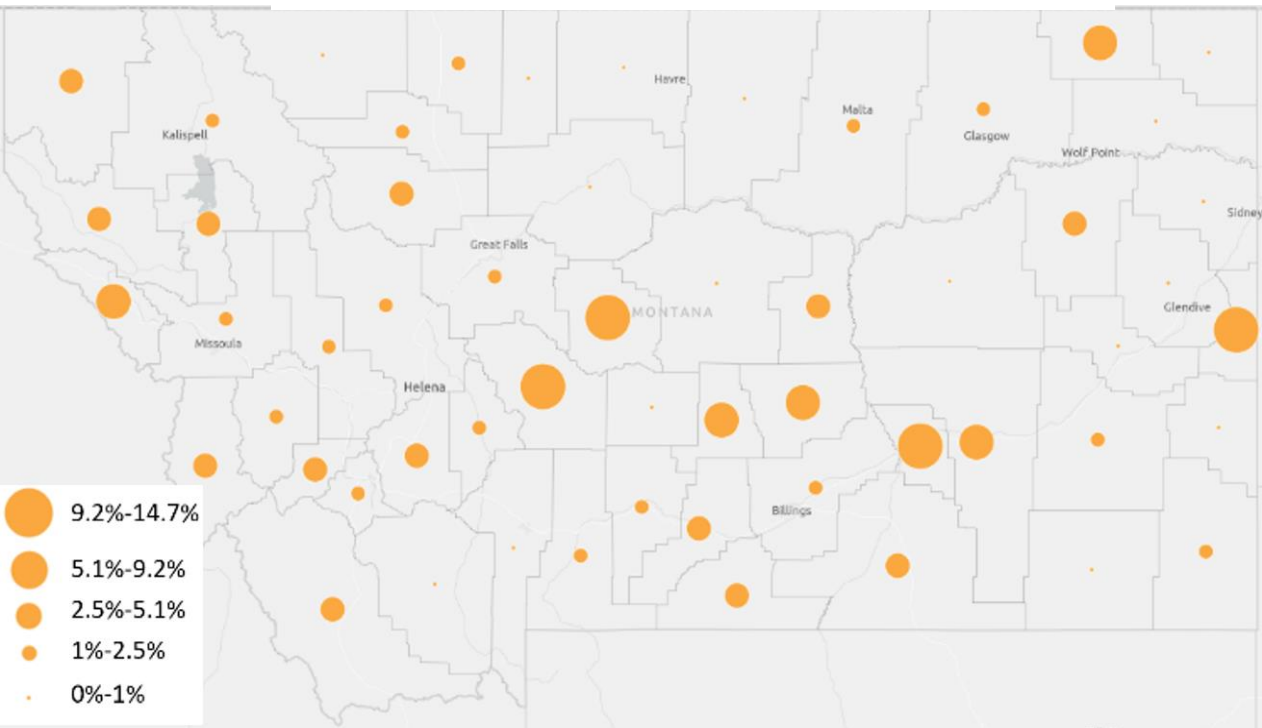
New Filers Proportion of Capital Gains Income



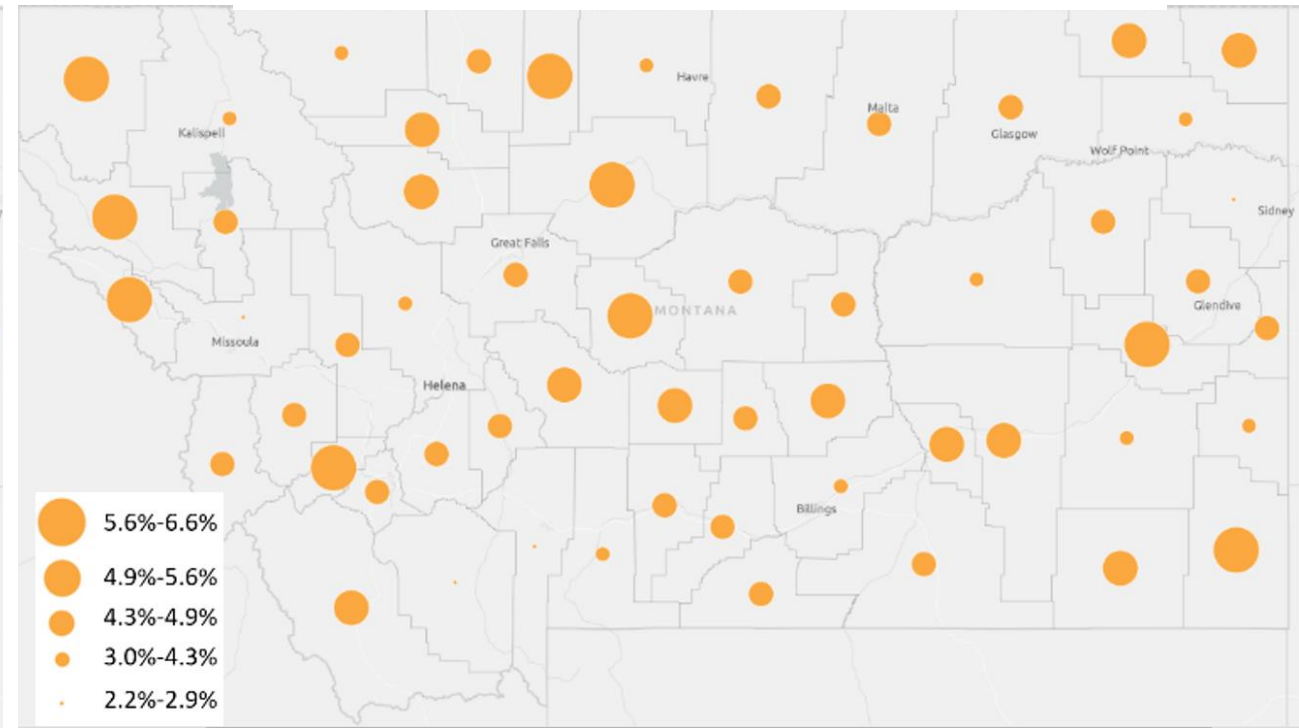
Full-Year Filers Proportion of Capital Gains Income



New Filers Proportion of Social Security Income

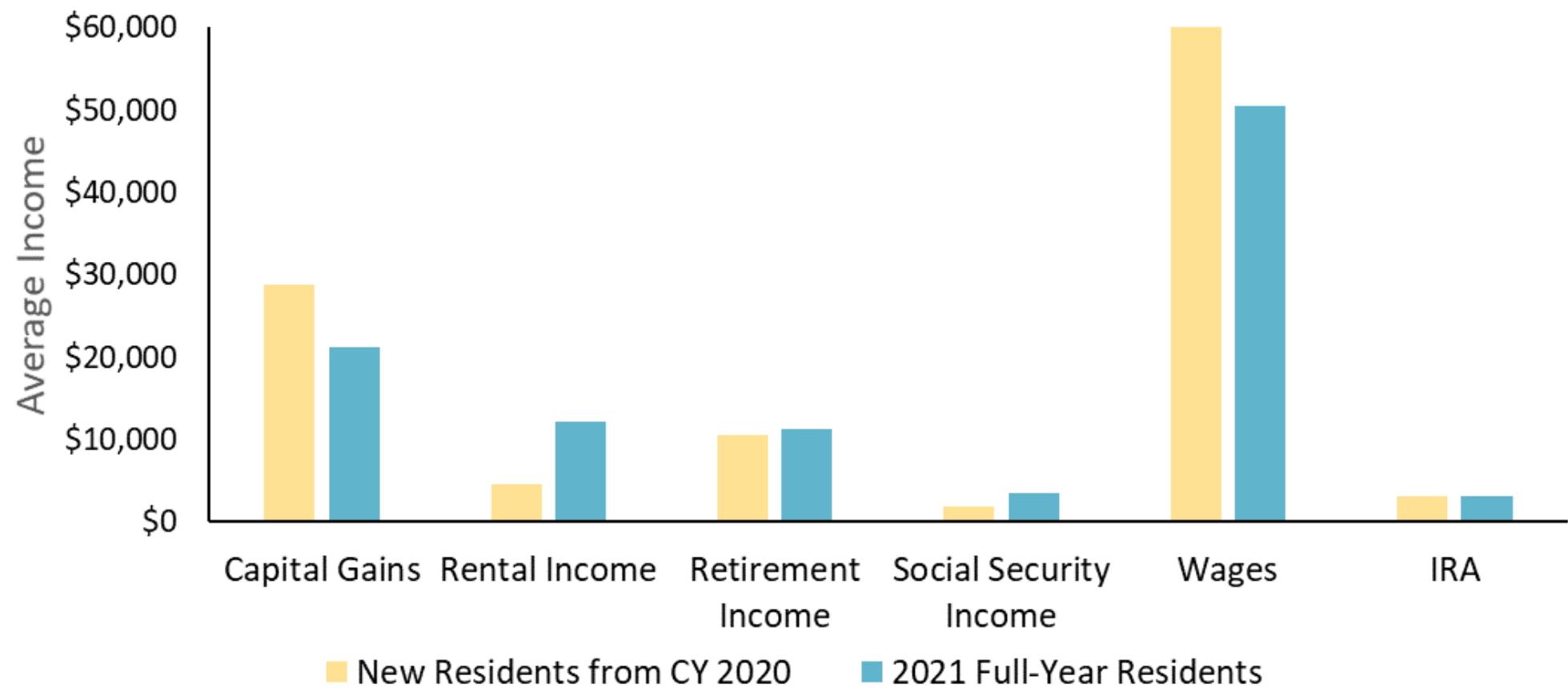


Full-Year Filers Proportion of Social Security Income



Comparison of Income Types

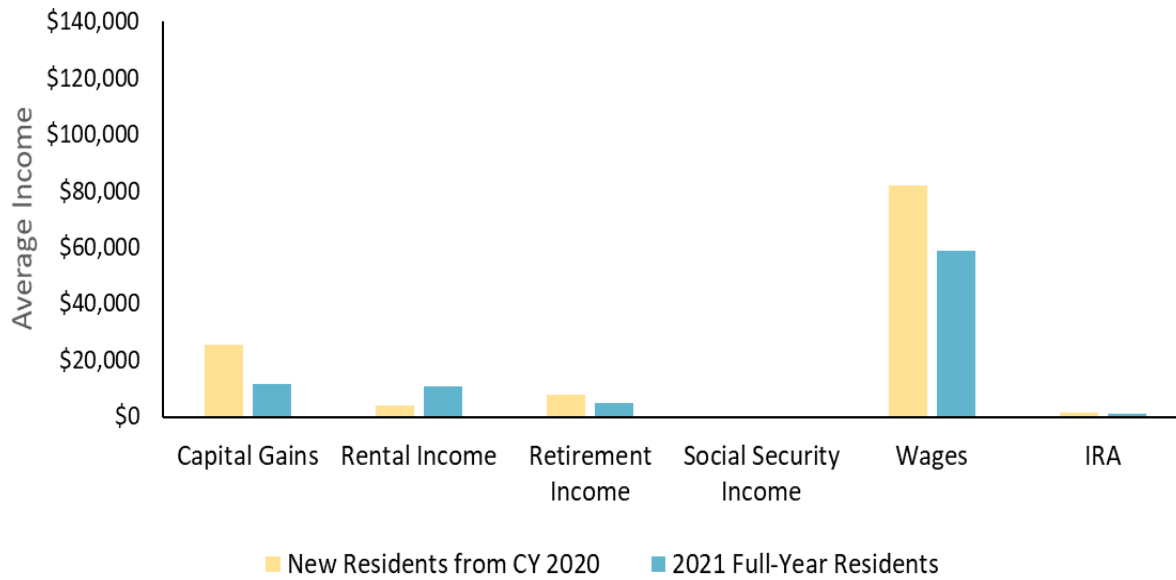
Taxpayers who moved to Montana in CY 2020 had larger CY 2021 average incomes than CY 2021 residents as a whole, and was driven by larger capital gains and wage income.



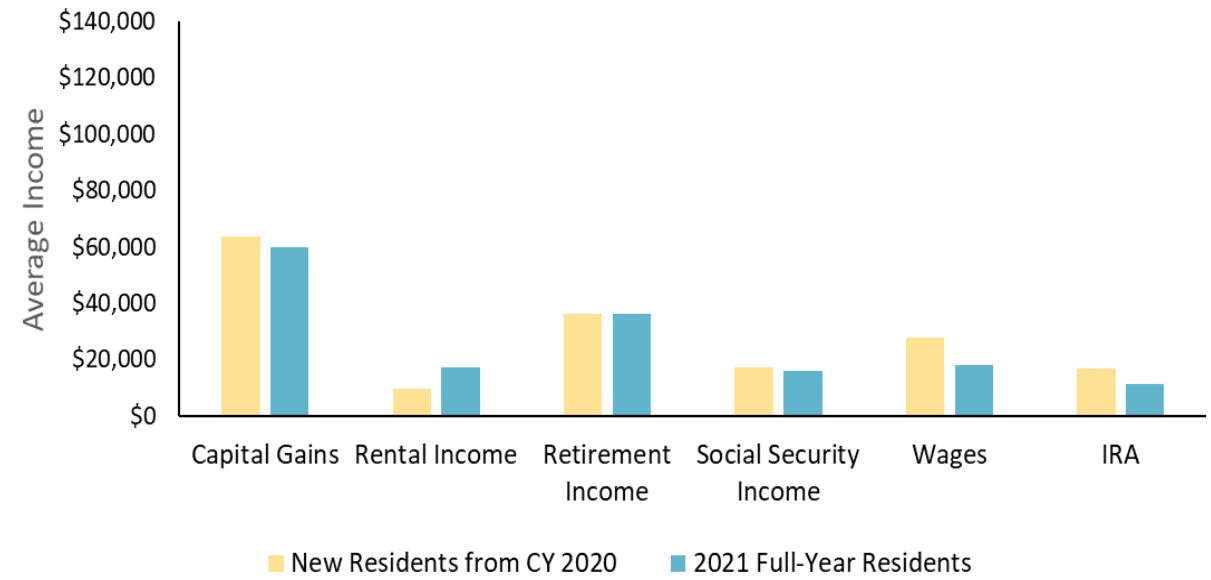
Comparison of Income Types by Age

- There are many filers who do not have incomes in all the categories analyzed below. As a result, median calculations often return a 0. For this reason, the average was analyzed to compare income types.
- Incomes were dominated by wages for those under 65. Those filers who moved in CY 2020 had CY 2021 wage income that averaged \$81,910, nearly 40% larger than CY 2021 full-year residents (\$58,646).
- Furthermore, as was illustrated earlier, capital gains income in CY 2021 for filers under 65 was 21% larger than CY 2021 full-year residents.

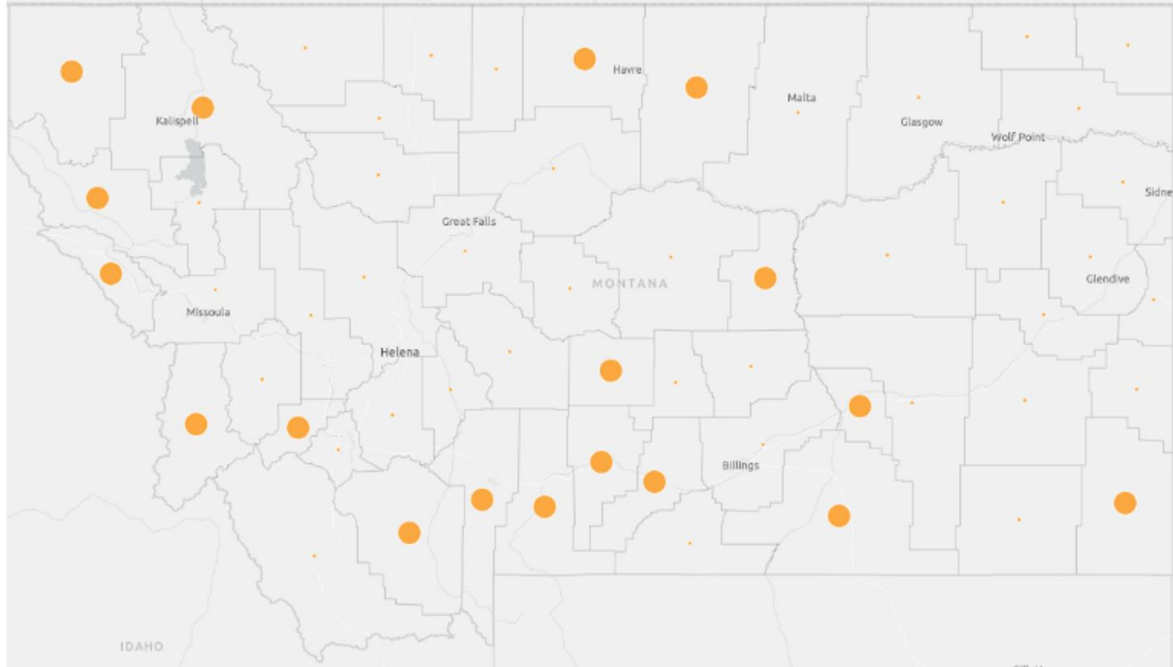
Under 65 CY 2021 Income Distribution



Over 65 CY 2021 Income Distribution

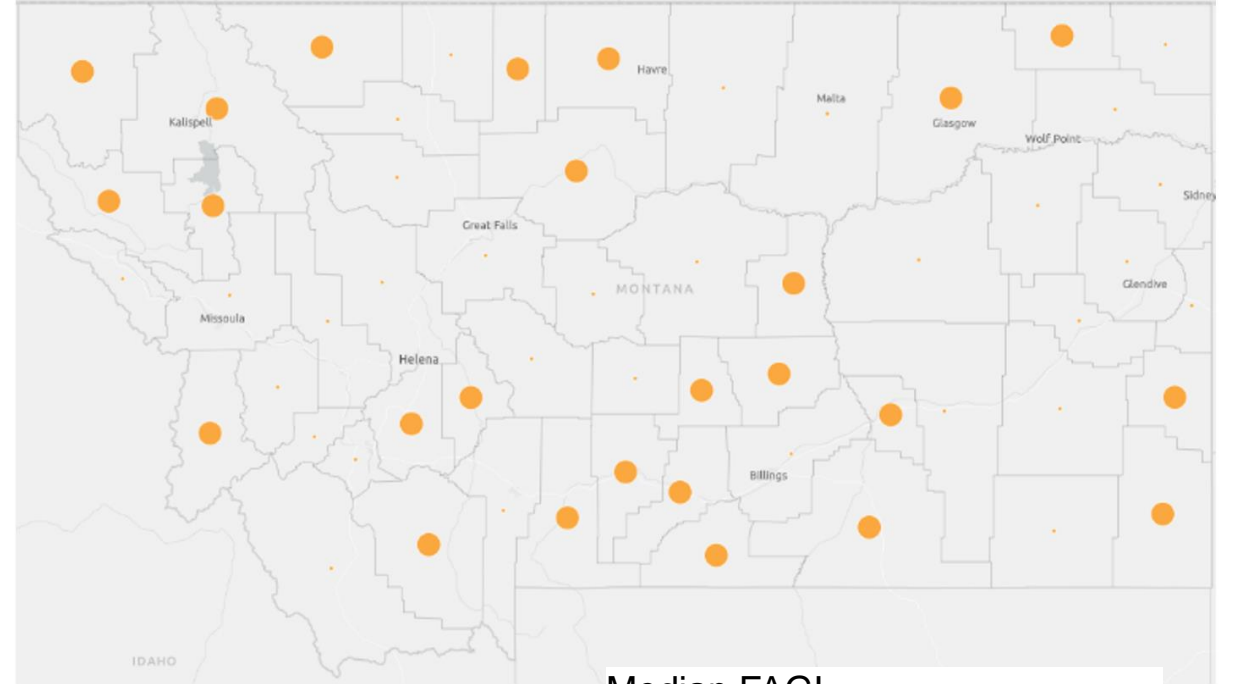


New Filers Incomes Compared to Existing County Residents



Average FAGI

County	New Residents	Full-Year Residents	% Difference
Madison County	\$1,627,897	\$215,579	655%
Gallatin County	\$154,707	\$133,661	16%
Flathead County	\$147,195	\$107,054	37%
Sweet Grass County	\$122,391	\$90,125	36%
Ravalli County	\$109,544	\$93,305	17%
Park County	\$96,254	\$93,726	3%
Stillwater County	\$94,717	\$93,723	1%
Jefferson County	\$92,990	\$100,626	-8%
Carbon County	\$92,911	\$93,291	0%
Lincoln County	\$91,576	\$70,846	29%

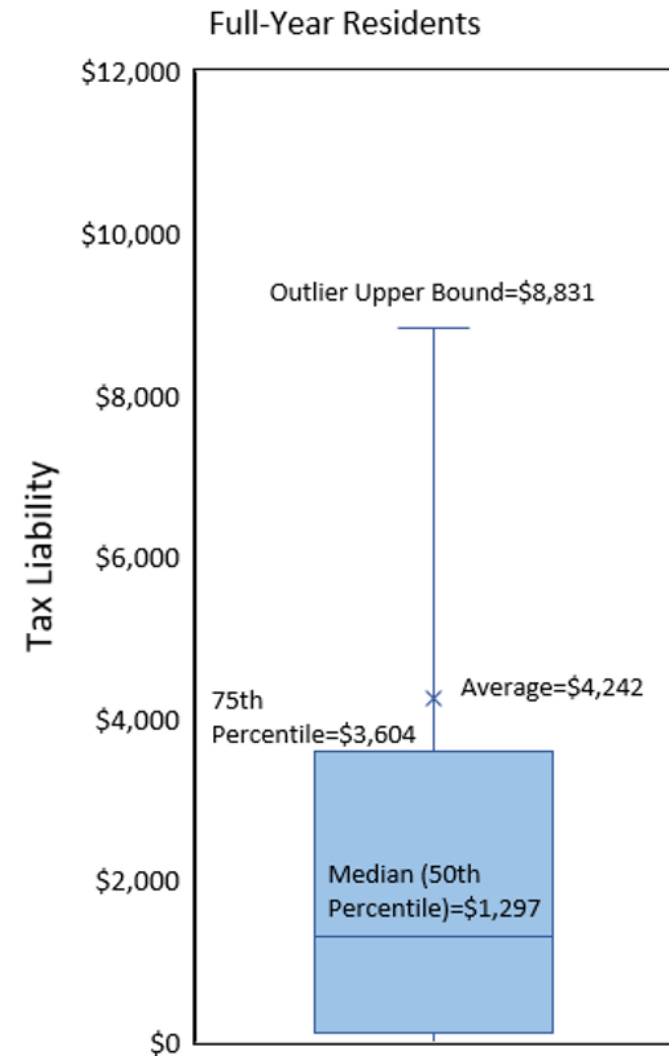
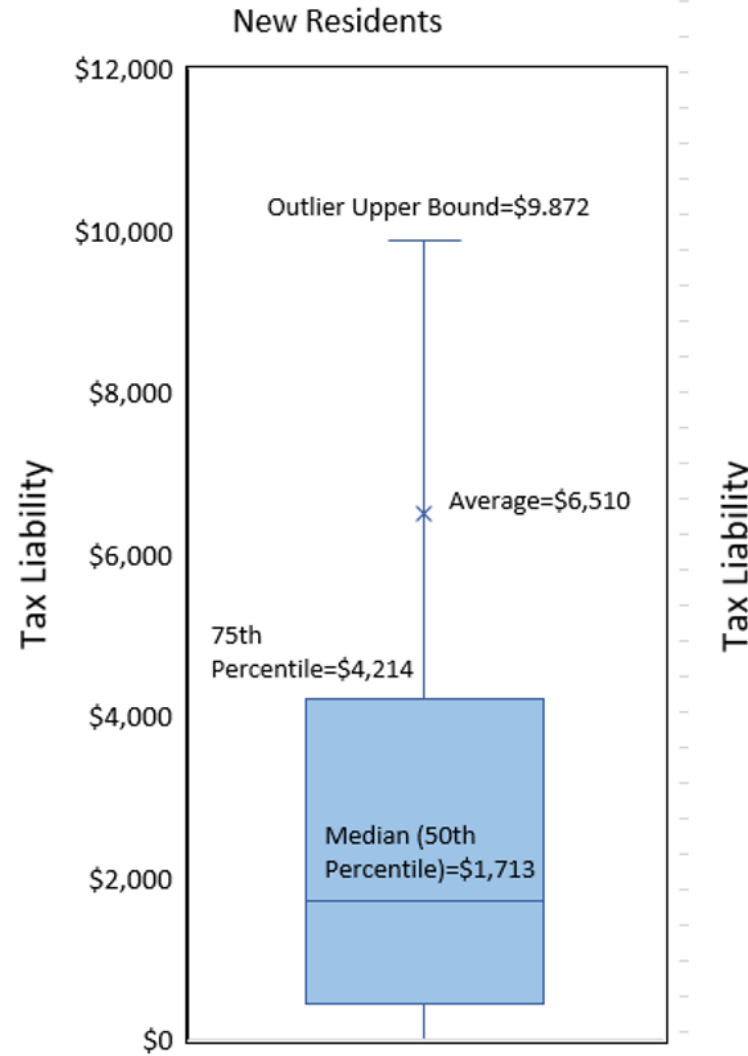


Median FAGI

County	New Residents	Full-Year Residents	% Difference
Madison County	\$66,788	\$61,546	9%
Gallatin County	\$51,699	\$57,269	-10%
Flathead County	\$59,754	\$54,787	9%
Sweet Grass County	\$68,057	\$58,950	15%
Ravalli County	\$66,470	\$55,138	21%
Park County	\$60,033	\$53,455	12%
Stillwater County	\$72,686	\$69,137	5%
Jefferson County	\$69,828	\$68,288	2%
Carbon County	\$62,796	\$59,674	5%
Lincoln County	\$54,900	\$47,503	16%

Tax Liability

- Final tax liabilities were 53% larger on average in CY 2021 for new filers from CY 2020 compared to full-year residents.
- Median liabilities were 32% larger for new filers.
- Finally, 15.6% of full-year residents had no state tax liability, compared to only 7.3% for new filers.



Conclusions

- In the five years prior to the Covid-19 public health emergency, Montana's population was growing at 0.98% per year.
- Over the last three years, growth has averaged 1.44%.
- Generally speaking, taxpayers who have migrated to the state are younger than existing residents.
- Those retirement-age filers who moved to the state have higher incomes than existing residents across all ages.
- Working-age filers moving to the state have a more diverse income portfolio than existing residents. If migration continues to be strong and with more capital, individual income taxes could become even more volatile.
- A much smaller percentage of new filers report \$0 in state income tax liability. If these trends continue, the tax base will continue to grow, but may also become more volatile, as noted above.