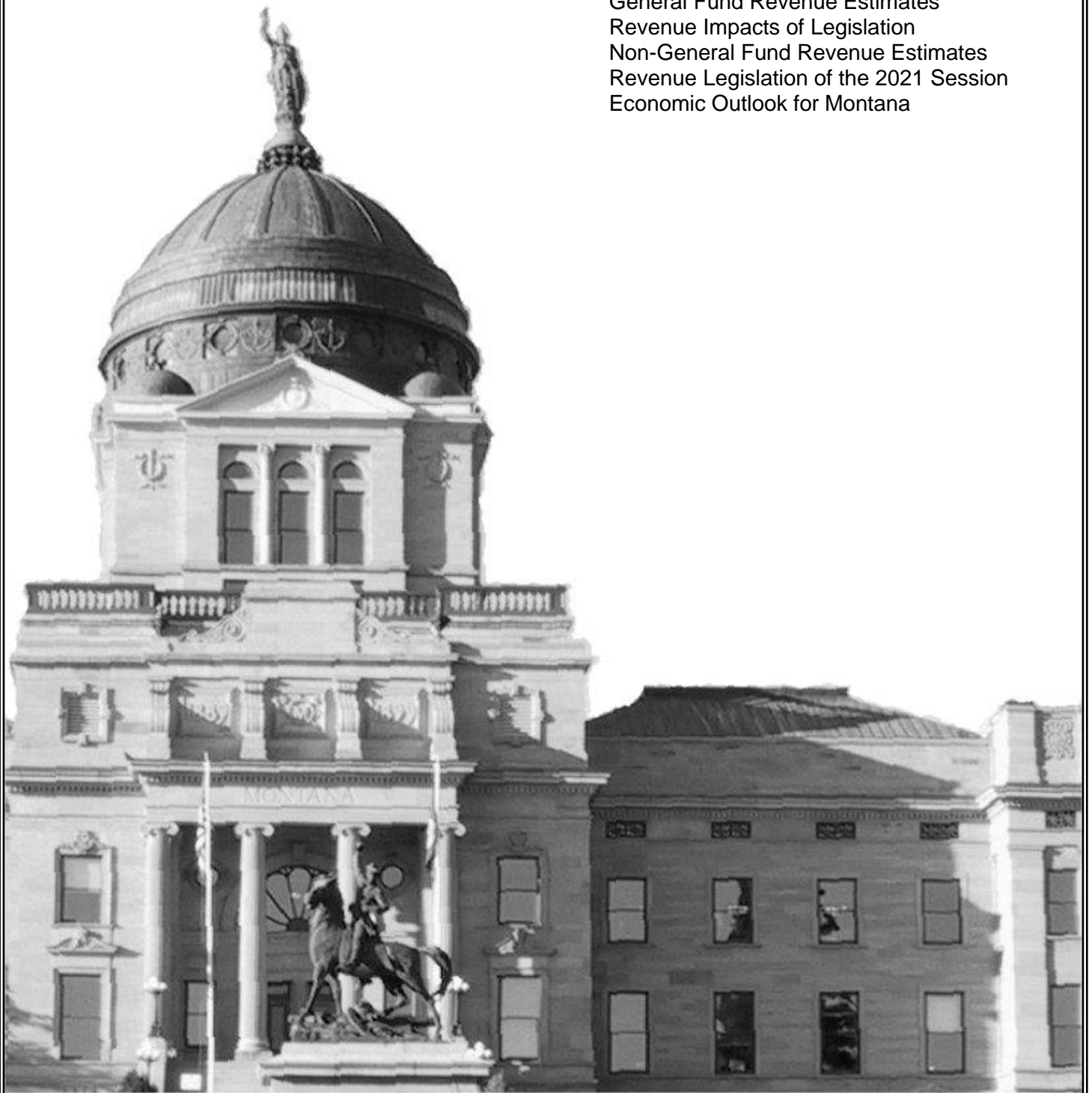


# OVERVIEW

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



## **Overview**

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### **Purpose of the Report**

As delineated in [5-5-227\(2\)\(a\), MCA](#), the Revenue and Transportation Interim Committee (RTIC) 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 RTIC 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 2017 through 2019. 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 RTIC.

### **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 RTIC (Chapter 19, Laws 1999). In the past, RTIC 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.

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 RTIC estimates were the Legislature's current revenue estimates.

## **Overview**

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

At the November 2014 RTIC 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 RTIC estimate.

OBPP presented a revenue estimate recommendation to the November 2016 meeting of RTIC 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, RTIC 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 RTIC 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.

In November 2020, the Revenue Interim Committee (RIC) heard revenue estimate recommendations from both OBPP and LFD. The LFD estimate was \$170.0 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.

## Overview

### General Fund Revenue Estimate

The table below shows the general fund estimates by revenue category as contained in HJ 2. Actual FY 2020 collections are shown, along with projections for FY 2021 through FY 2023.

General Fund HJ 2 Estimate as Adopted by House Tax (\$ Millions)						
Source of Revenue	Actual FY 2020	Estimated FY 2021	Estimated FY 2022	Estimated FY 2023	Estimated 2021 Bien	Estimated 2023 Bien
<b>Largest Seven Sources</b>						
Individual Income Tax	\$1,435.240	\$1,505.449	\$1,549.250	\$1,623.128	\$2,940.689	\$3,172.378
Property Tax	308.610	313.430	332.412	338.781	622.040	671.192
Corporation Income Tax	187.358	149.420	159.088	170.783	336.778	329.871
Vehicle Taxes & Fees	108.482	109.320	110.949	112.228	217.802	223.177
Oil & Natural Gas Production Tax	38.380	40.367	44.353	40.826	78.747	85.178
Insurance Tax & License Fees	82.489	88.450	92.000	95.723	170.939	187.724
Video Gambling Tax	57.447	60.320	63.336	66.503	117.767	129.838
<b>Other Business Taxes</b>						
Driver's License Fee	4.410	4.041	4.073	4.097	8.452	8.170
Investment License Fee	15.711	16.385	16.580	17.014	32.096	33.595
Lodging Taxes	25.058	21.494	28.337	32.941	46.552	61.277
Public Contractors Tax	6.729	4.985	5.083	5.181	11.714	10.264
Railroad Car Tax	4.294	4.305	4.391	5.509	8.599	9.900
Rental Car Sales Tax	4.224	3.571	4.681	5.212	7.794	9.893
Telecommunications Excise Tax	11.788	11.004	10.168	9.287	22.793	19.455
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	10.920	9.553	8.697	7.689	20.473	16.386
Electrical Energy Tax	3.910	3.987	3.759	3.741	7.897	7.499
Metalliferous Mines Tax	8.724	9.922	8.038	8.222	18.646	16.260
US Mineral Royalty	18.527	17.619	16.196	14.526	36.146	30.722
Wholesale Energy Tax	3.351	3.467	3.460	3.466	6.818	6.926
<b>Other Interest Earnings</b>						
Coal Trust Interest	21.600	17.896	16.813	15.693	39.496	32.506
Treasury Cash Account Interest	18.597	2.392	1.002	1.440	20.989	2.442
<b>Other Consumption Taxes</b>						
Beer Tax	3.167	3.119	3.133	3.142	6.286	6.275
Cigarette Tax	26.983	27.080	26.542	25.908	54.063	52.450
Liquor Excise & License Tax	23.786	24.960	26.436	27.901	48.746	54.337
Liquor Profits	18.080	15.800	15.800	16.800	33.880	32.600
Lottery Profits	8.073	13.224	13.122	13.259	21.297	26.381
Tobacco Tax	5.754	5.646	5.534	5.472	11.400	11.006
Wine Tax	2.522	2.577	2.634	2.693	5.099	5.327
<b>Other Sources</b>						
All Other Revenue <sup>1</sup>	46.062	45.100	45.168	47.889	91.162	93.056
Highway Patrol Fines	3.458	3.691	3.670	3.607	7.149	7.277
Nursing Facilities Fee	4.188	3.992	3.896	3.799	8.180	7.695
Public Institution Reimbursements	12.745	12.555	12.382	13.410	25.299	25.791
Tobacco Settlement <sup>2</sup>	2.654	12.517	3.028	3.007	15.171	6.034
<b>Total General Fund</b>	<b>\$2,533.321</b>	<b>\$2,567.639</b>	<b>\$2,644.011</b>	<b>\$2,748.874</b>	<b>\$5,100.961</b>	<b>\$5,392.884</b>
<b>General Fund Growth</b>		1.4%	3.0%	4.0%		5.7%
<sup>1</sup> Includes GF Revenue from I-190 (Marijuana Tax, \$2.2 million)						
<sup>2</sup> Includes ~\$10 million in OTO in FY 2021 revenues from recent tobacco settlement						

## Overview

### Revenue Impacts of Legislation

The table below shows the revenue impacts of legislation enacted by the 67<sup>th</sup> Legislature. If more than one bill was enacted that impact a certain revenue source, the cumulative impact of the bills is shown for each revenue source.

General Fund Revenue Legislation Impacts of the 67th Legislature						
Source of Revenue	Estimated FY 2021	Estimated FY 2022	Estimated FY 2023	Estimated 2021 Bien.	Estimated 2023 Bien.	Estimated 3-Yr Total
<b>Largest Seven Sources</b>						
Individual Income Tax	-	(10.108)	(34.740)	\$0.000	(\$44.849)	(\$44.849)
Property Tax	-	(0.961)	(1.163)	-	(2.124)	(2.124)
Corporation Income Tax	-	2.355	3.241	-	5.596	5.596
Vehicle Taxes & Fees	-	-	-	-	-	-
Oil & Natural Gas Production Tax	-	(0.380)	(0.349)	-	(0.729)	(0.729)
Insurance Tax & License Fees	-	-	-	-	-	-
Video Gambling Tax	-	-	-	-	-	-
<b>Other Business Taxes</b>						
Driver's License Fee	0.075	0.373	0.401	0.075	0.773	0.848
Investment License Fee	-	(0.219)	(0.201)	-	(0.420)	(0.420)
Lodging Taxes	-	-	-	-	-	-
Public Contractors Tax	-	-	-	-	-	-
Railroad Car Tax	-	-	-	-	-	-
Rental Car Sales Tax	-	-	-	-	-	-
Telecommunications Excise Tax	-	-	-	-	-	-
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	-	-	-	-	-	-
Electrical Energy Tax	-	-	-	-	-	-
Metalliferous Mines Tax	-	-	-	-	-	-
US Mineral Royalty	-	-	-	-	-	-
Wholesale Energy Tax	-	-	-	-	-	-
<b>Other Interest Earnings</b>						
Coal Trust Interest	-	-	-	-	-	-
Treasury Cash Account Interest	-	-	-	-	-	-
<b>Other Consumption Taxes</b>						
Marijuana Tax	-	5.912	19.728	-	25.640	25.640
Beer Tax	-	-	-	-	-	-
Cigarette Tax	-	-	-	-	-	-
Liquor Excise & License Tax	-	0.050	0.043	-	0.093	0.093
Liquor Profits	(5.819)	-	-	(5.819)	-	(5.819)
Lottery Profits	-	0.058	0.058	-	0.115	0.115
Tobacco Tax	0.008	0.083	0.083	0.008	0.166	0.175
Wine Tax	-	-	-	-	-	-
<b>Other Sources</b>						
All Other Revenue	-	1.357	1.340	-	2.697	2.697
Highway Patrol Fines	-	(0.030)	(0.026)	-	(0.056)	(0.056)
Nursing Facilities Fee	-	-	-	-	-	-
Public Institution Reimbursements	-	-	-	-	-	-
Tobacco Settlement	-	-	-	-	-	-
<b>Total General Fund</b>	<b>(\$5.736)</b>	<b>(\$1.511)</b>	<b>(\$11.587)</b>	<b>(\$5.736)</b>	<b>(\$13.098)</b>	<b>(\$18.834)</b>

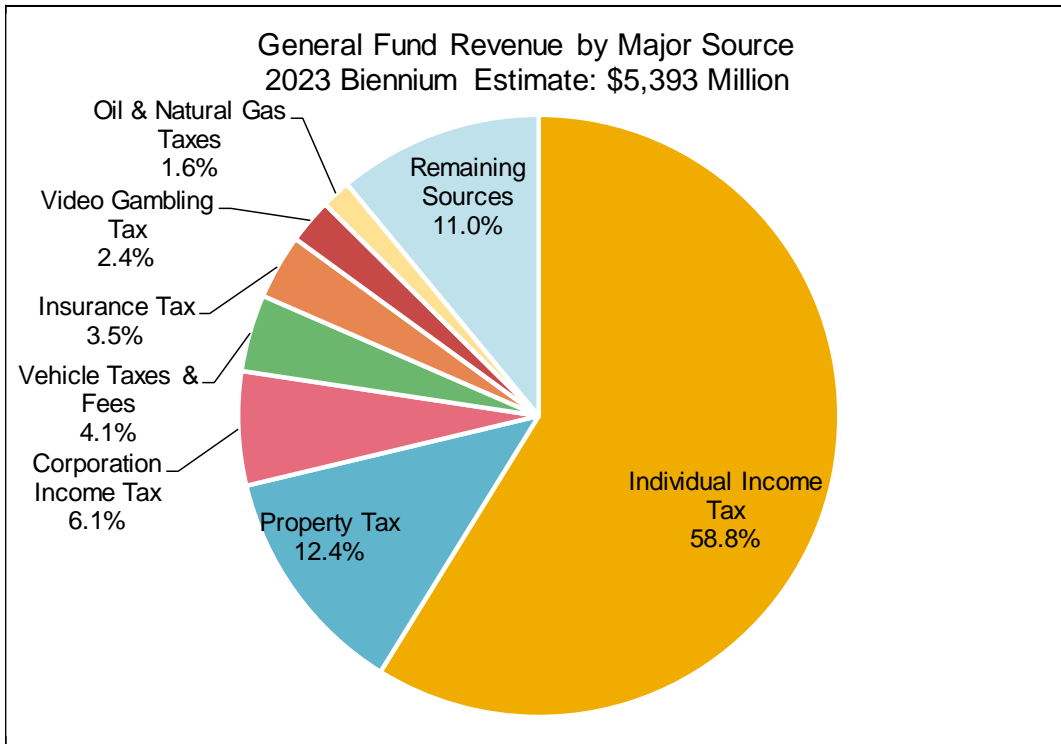
## Overview

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

General Fund Revenue: HJ 2 Estimate Plus Legislation Impacts						
Source of Revenue	Actual FY 2020	Estimated FY 2021	Estimated FY 2022	Estimated FY 2023	Estimated 2021 Bien.	Estimated 2023 Bien.
<b>Largest Seven Sources</b>						
Individual Income Tax	1,435.240	1,505.449	1,539.141	1,588.388	\$2,940.689	\$3,127.529
Property Tax	308.610	313.430	331.451	337.618	\$622.040	\$669.068
Corporation Income Tax	187.358	149.420	161.443	174.024	336.778	335.467
Vehicle Taxes & Fees	108.482	109.320	110.949	112.228	217.802	223.177
Oil & Natural Gas Production Tax	38.380	40.367	43.973	40.477	78.747	84.450
Insurance Tax & License Fees	82.489	88.450	92.000	95.723	170.939	187.724
Video Gambling Tax	57.447	60.320	63.336	66.503	117.767	129.838
<b>Other Business Taxes</b>						
Driver's License Fee	4.410	4.116	4.446	4.497	8.527	8.943
Investment License Fee	15.711	16.385	16.361	16.813	32.096	33.174
Lodging Taxes	25.058	21.494	28.337	32.941	46.552	61.277
Public Contractors Tax	6.729	4.985	5.083	5.181	11.714	10.264
Railroad Car Tax	4.294	4.305	4.391	5.509	8.599	9.900
Rental Car Sales Tax	4.224	3.571	4.681	5.212	7.794	9.893
Telecommunications Excise Tax	11.788	11.004	10.168	9.287	22.793	19.455
<b>Other Natural Resource Taxes</b>						
Coal Severance Tax	10.920	9.553	8.697	7.689	20.473	16.386
Electrical Energy Tax	3.910	3.987	3.759	3.741	7.897	7.499
Metalliferous Mines Tax	8.724	9.922	8.038	8.222	18.646	16.260
US Mineral Royalty	18.527	17.619	16.196	14.526	36.146	30.722
Wholesale Energy Tax	3.351	3.467	3.460	3.466	6.818	6.926
<b>Other Interest Earnings</b>						
Coal Trust Interest	21.600	17.896	16.813	15.693	39.496	32.506
Treasury Cash Account Interest	18.597	2.392	1.002	1.440	20.989	2.442
<b>Other Consumption Taxes</b>						
Marijuana Tax	-	-	6.286	21.624	-	27.909
Beer Tax	3.167	3.119	3.133	3.142	6.286	6.275
Cigarette Tax	26.983	27.080	26.542	25.908	54.063	52.450
Liquor Excise & License Tax	23.786	24.960	26.486	27.944	48.746	54.430
Liquor Profits	18.080	9.981	15.800	16.800	28.061	32.600
Lottery Profits	8.073	13.224	13.180	13.317	21.297	26.497
Tobacco Tax	5.754	5.654	5.617	5.555	11.409	11.172
Wine Tax	2.522	2.577	2.634	2.693	5.099	5.327
<b>Other Sources</b>						
All Other Revenue	46.062	45.100	46.151	47.333	91.162	93.484
Highway Patrol Fines	3.458	3.691	3.640	3.581	7.149	7.221
Nursing Facilities Fee	4.188	3.992	3.896	3.799	8.180	7.695
Public Institution Reimbursements	12.745	12.555	12.382	13.410	25.299	25.791
Tobacco Settlement	2.654	12.517	3.028	3.007	15.171	6.034
<b>Total General Fund</b>	<b>\$2,533.321</b>	<b>\$2,561.903</b>	<b>\$2,642.499</b>	<b>\$2,737.286</b>	<b>\$5,095.225</b>	<b>\$5,379.786</b>

**Overview**

General fund revenue for the 2021 biennium is projected to increase 4.2% over the 2019 biennium projection. As shown in the pie chart below, the largest seven revenue sources are anticipated to account for 87.7% of general fund revenue in the 2021 biennium; since 2002, these sources have on average accounted for 83% of general fund revenue.



Source	2021 Bien. Estimate \$ Millions	2023 Bien. Estimate \$ Millions	% Change	Share of 2023 Biennium
Individual Income Tax	\$2,940.689	\$3,172.378	7.9%	58.8%
Property Tax	622.040	671.192	7.9%	12.5%
Corporation Income Tax	336.778	329.871	-2.1%	6.1%
Vehicle Taxes & Fees	217.802	223.177	2.5%	4.1%
Insurance Tax	170.939	187.724	9.8%	3.5%
Video Gambling Tax	117.767	129.838	10.3%	2.4%
Oil & Natural Gas Taxes	78.747	85.178	8.2%	1.6%
Remaining Sources	616.197	593.525	-3.7%	11.0%
<b>Total General Fund</b>	<b>\$5,100.961</b>	<b>\$5,392.884</b>	<b>5.7%</b>	<b>100.0%</b>

## Overview

### Select Non-General Fund Revenue Estimates

The table below shows estimates for selected non-general fund revenue for the 2023 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						
Source of Revenue	Actual FY 2020	Estimated FY 2021	Estimated FY 2022	Estimated FY 2023	Estimated 2021 Bien	Estimated 2023 Bien
Property Tax: 6 Mill	\$19.877	\$20.329	\$21.503	\$21.856	\$40.207	\$43.359
Natural Resource Taxes						
Federal Forest Receipts	13.801	13.111	3.760	3.917	26.912	7.678
Resource Indemnity Tax	2.269	2.317	1.933	1.662	4.586	3.595
Interest Earnings						
Capital Land Grant Interest and Incomm	2.194	1.842	1.812	1.937	4.036	3.749
Common School Interest and Income	41.186	41.993	41.438	41.710	83.179	83.149
Cultural Trust Interest	0.480	0.482	0.443	0.404	0.962	0.847
Deaf & Blind Interest and Income	0.307	0.361	0.356	0.358	0.668	0.714
Economic Development Trust	3.782	3.912	4.084	3.356	7.695	7.440
Parks Trust Interest	0.888	0.872	0.800	0.730	1.760	1.530
Pine Hills Interest and Income	0.379	0.390	0.402	0.422	0.769	0.824
Regional Water Trust Interest	3.153	3.091	2.827	2.572	6.244	5.400
RIT Trust Interest	3.557	3.504	3.186	2.867	7.061	6.053
TSE Trust Interest	9.253	8.933	8.156	7.412	18.185	15.567
Tobacco Trust Interest	7.725	7.887	8.249	7.844	15.612	16.093
Consumption Taxes						
Diesel Tax	90.549	85.784	89.355	89.912	176.333	179.267
Gasoline Tax	171.584	172.672	200.284	203.757	344.256	404.040
GVW and Other Fees	35.555	35.807	36.000	36.193	71.362	72.192
<b>Total Selected Non-General Fund</b>	<b>\$406.541</b>	<b>\$403.286</b>	<b>\$424.588</b>	<b>\$426.909</b>	<b>\$809.827</b>	<b>\$851.496</b>



## Overview

### Revenue Legislation of the 2021 Session

The following tables summarize the revenue impacts of legislation enacted by the 67<sup>th</sup> Legislature by bill number. For the 2021 biennium, the enacted legislation is anticipated to increase total general fund revenue by a net \$17.1 million.

General Fund Impact of Revenue Legislation Enacted by the 67th Legislature (\$ Millions)							Bien. Total
Bill Number and Short Title	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025		
HB0003 Supplemental Appropriations	(5.819)	-	-	-	-	-	
HB0005 Long-Range Building Appropriations	-	-	-	-	8.815	-	
HB0066 Reauthorize securities restitution fund	-	(0.219)	(0.201)	(0.185)	(0.176)	(0.420)	
HB0129 Revise the Family Education Savings Act	-	(0.173)	(0.377)	(0.614)	(0.889)	(0.550)	
HB0139 Revise death certificate fees to fund board of morticians and funeral service:	-	0.211	0.211	0.215	0.218	0.423	
HB0191 Revise residential property tax credit for elderly	-	(2.944)	(2.839)	(2.734)	(2.629)	(5.783)	
HB0252 Non-refundable tax credit for employer-paid education of trade professions	-	(1.000)	(1.000)	(1.000)	(1.000)	(2.000)	
HB0264 Revise emergency vehicle passing laws	-	0.009	0.013	0.013	0.013	0.022	
HB0279 Revise laws related to tax credit scholarship and innovative education progr:	-	-	(1.907)	(3.838)	(4.611)	(1.907)	
HB0303 Revise business equipment tax laws: Business Investment Grows (BIG) Job:	-	(0.704)	(1.098)	(1.103)	(1.107)	(1.802)	
HB0330 Generally revise laws related to budget stability and managing volatility	-	1.100	1.100	-	-	2.200	
HB0340 Revise the MEDIA Act film tax credits	-	-	(1.970)	(1.970)	(1.970)	(1.970)	
HB0357 Revise property tax assistance program inflation adjustment laws	-	(0.220)	-	-	-	(0.220)	
HB0397 Establish workforce housing tax credits	-	-	-	-	(1.443)	-	
HB0445 Generally revise automobile franchise laws	-	0.002	0.002	0.002	0.002	0.005	
HB0517 Revise penalties related to underage marijuana possession and use	-	(0.004)	(0.004)	(0.004)	(0.004)	(0.007)	
HB0525 Generally revise laws related to alcohol concession agreements	-	0.003	0.003	0.004	0.004	0.006	
HB0629 Provide for job creation tax credits	-	-	(0.213)	(0.479)	(0.587)	(0.213)	
HB0661 Revise taxation of stripper oil and gas wells	-	(0.380)	(0.349)	(0.333)	(0.321)	(0.729)	
HB0701 Generally revise marijuana laws	-	5.876	19.693	26.653	30.455	25.569	
HB0704 Generally revise state lottery laws	-	0.058	0.058	0.051	0.044	0.115	
HB0705 Generally revise alcohol and gaming laws	-	0.007	-	-	-	0.007	
SB0021 Revise deposit of lobbying fee and repeal broadcasting special account	-	0.041	0.001	0.041	0.001	0.042	
SB0051 Exempting certain fiber optic, coaxial cable from property taxation	-	-	(0.029)	(0.058)	(0.087)	(0.029)	
SB0076 Revise the captive insurance regulatory and supervision account	-	-	-	(0.245)	(0.252)	-	
SB0159 Personal Income Tax Relief Act	-	(5.962)	(31.271)	(33.114)	(34.876)	(37.233)	
SB0230 Repaying general fund for initial implementation of sage grouse act	-	0.005	0.028	0.028	0.028	0.032	
SB0263 Revise forest lands property taxes and rates	-	(0.037)	(0.075)	-	-	(0.112)	
SB0269 Allow mobile home owners the option to purchase a mobile home park	-	(0.029)	(0.029)	(0.029)	(0.029)	(0.058)	
SB0288 Revise property exemption for agricultural processing facilities	-	-	(0.000)	(0.000)	(0.000)	(0.000)	
SB0320 Generally revise business law pertaining to alcohol delivery	-	0.040	0.040	0.040	0.040	0.080	
SB0336 Generally revise driver license laws	0.075	0.370	0.398	0.399	0.401	0.768	
SB0376 Corporate tax modernization through double-sales factor apportionment	-	2.355	3.241	3.317	3.400	5.596	
SB0388 Provide for infrastructure through tax increment financing	-	-	0.039	0.040	0.040	0.039	
SB0398 Generally revise vaping laws	0.008	0.083	0.083	0.083	0.083	0.166	
SB0399 Generally revise and simplify income taxes	-	-	4.866	(10.306)	(29.949)	4.866	
<b>Total</b>	<b>(5.736)</b>	<b>(1.511)</b>	<b>(11.587)</b>	<b>(25.127)</b>	<b>(36.385)</b>	<b>(13.098)</b>	

## Overview

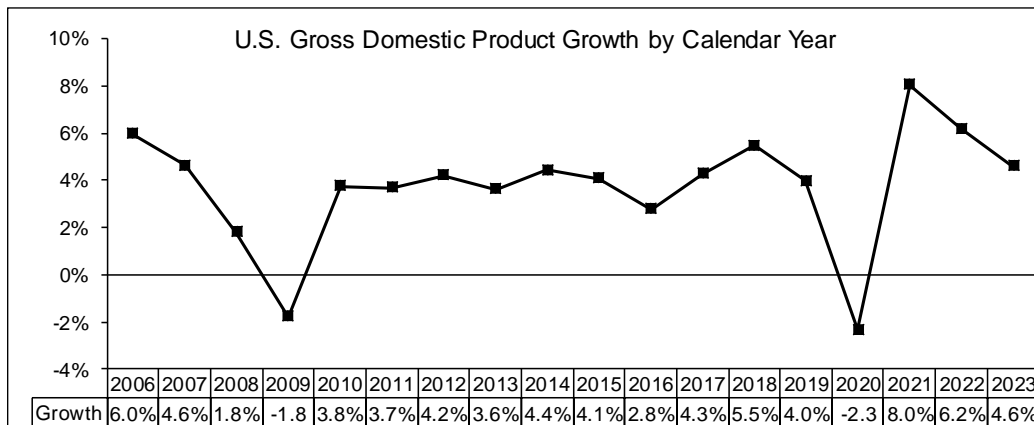
### Economic Outlook for Montana

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

#### U.S. Economic Indicators

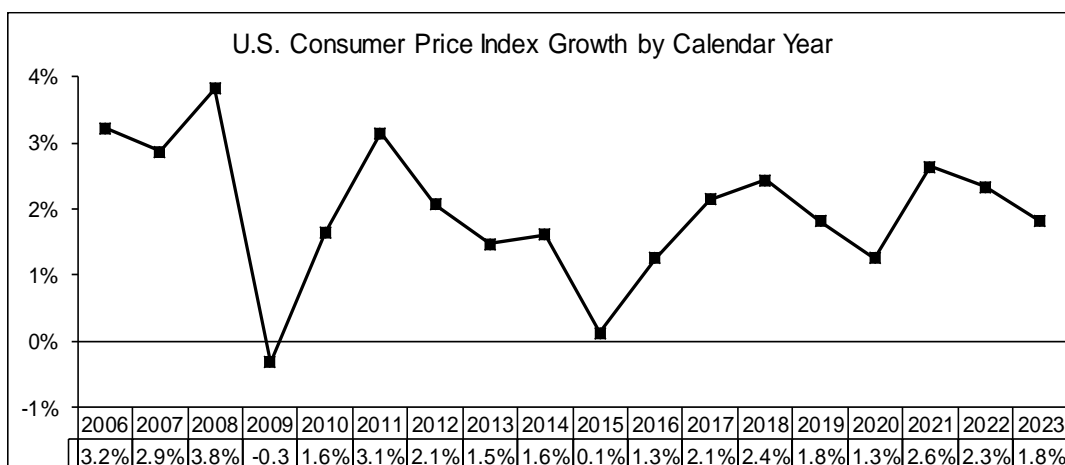
##### *Gross Domestic Product (GDP)*

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



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

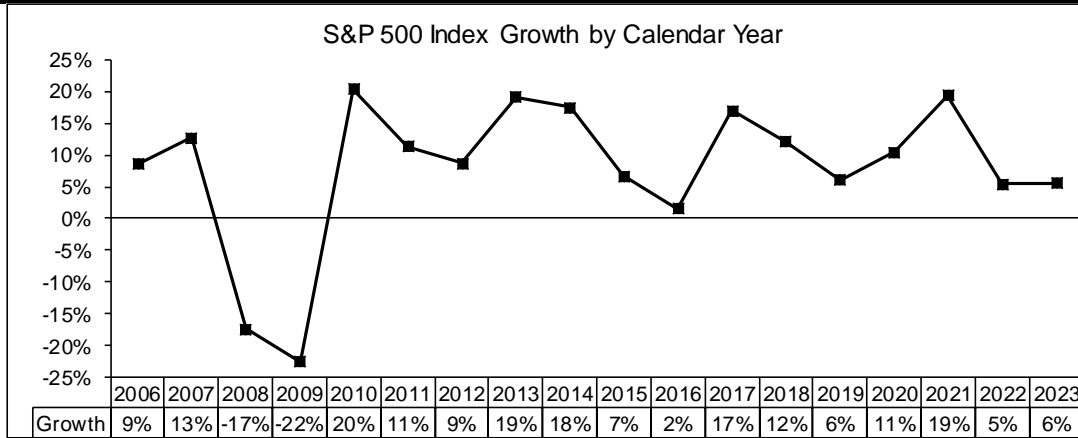
The inflation rate is measured by the price change of the CPI “shopping basket” of goods and services. Inflation is noted to have both good and bad effects. As prices rise, businesses increase prices and tend to become more profitable. At the same time, the consumer realizes a reduction in disposable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



##### *S&P 500 Stock Market Index*

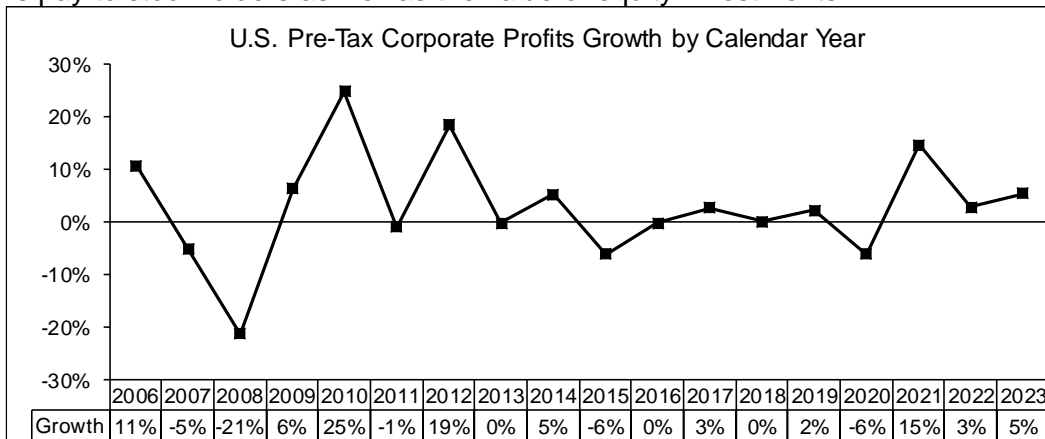
The S&P 500 is a stock market index based on the market capitalizations of 500 large companies. Due to the diversity of companies, it is a broad representation of the U.S. stock market and is a good indicator for investment income.

## Overview



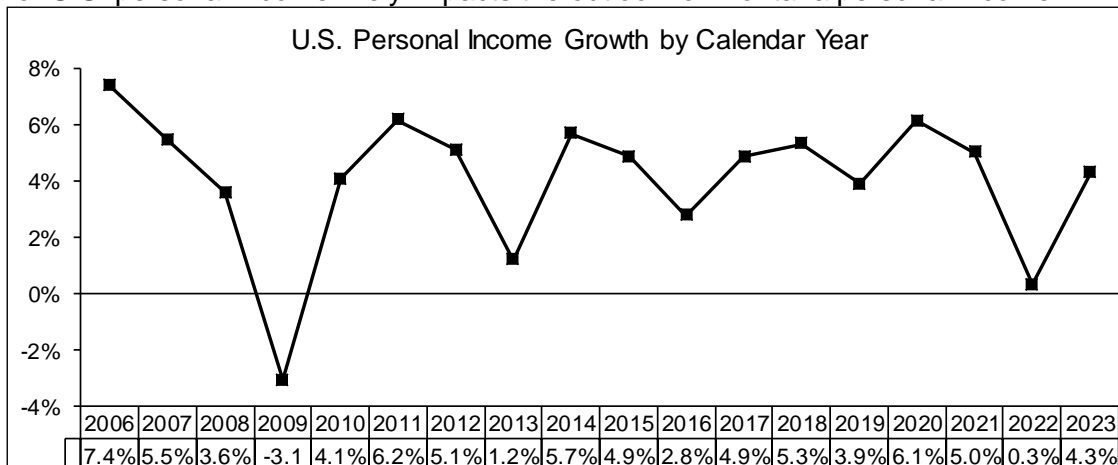
### U.S. Corporate Profits

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.



### 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.

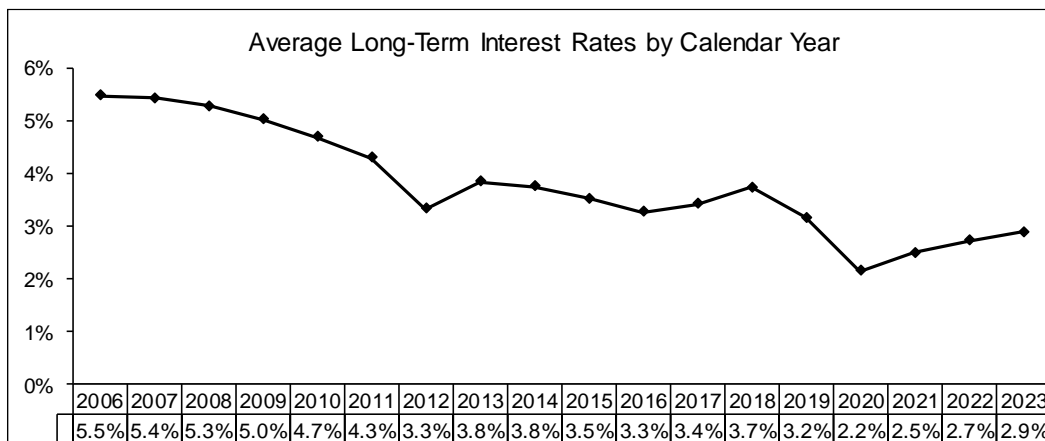
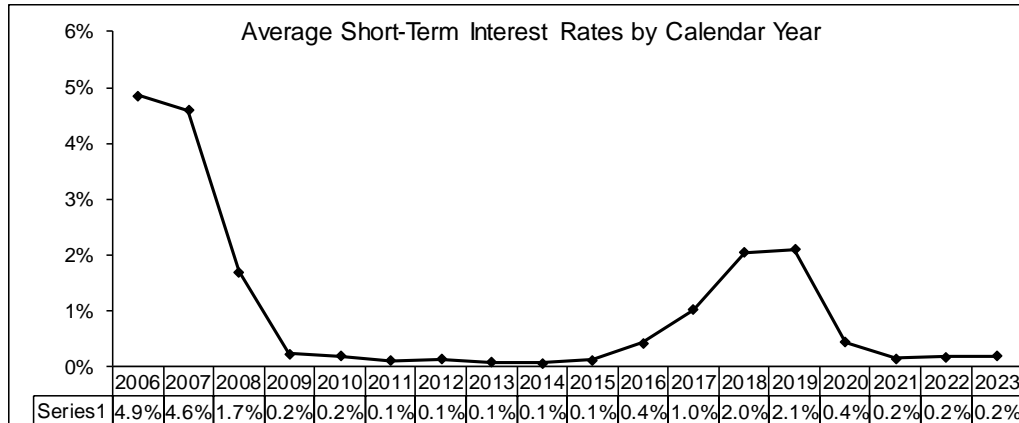


## Overview

### 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.

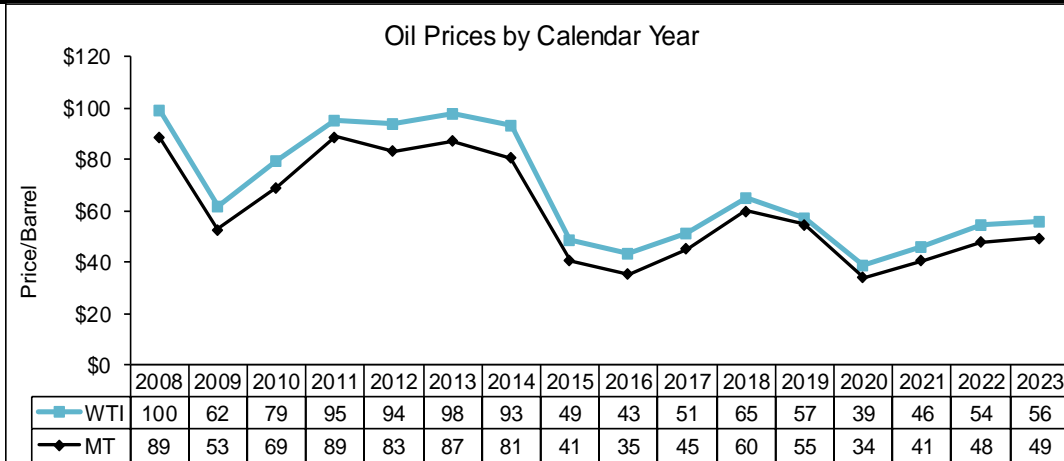


### Oil Price: West Texas Intermediate (WTI)

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.

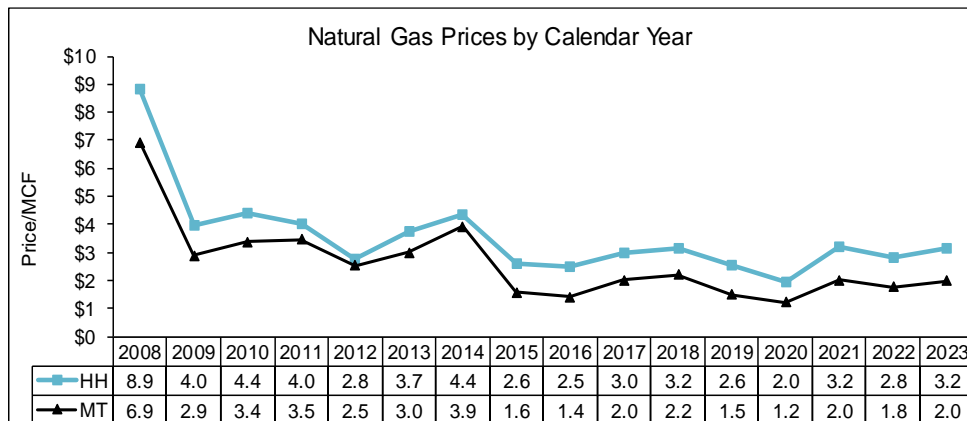
Montana oil price tracks closely with WTI, with an approximate 18.0% reduction to account for transportation costs.

## Overview



### Natural Gas Price: Henry Hub

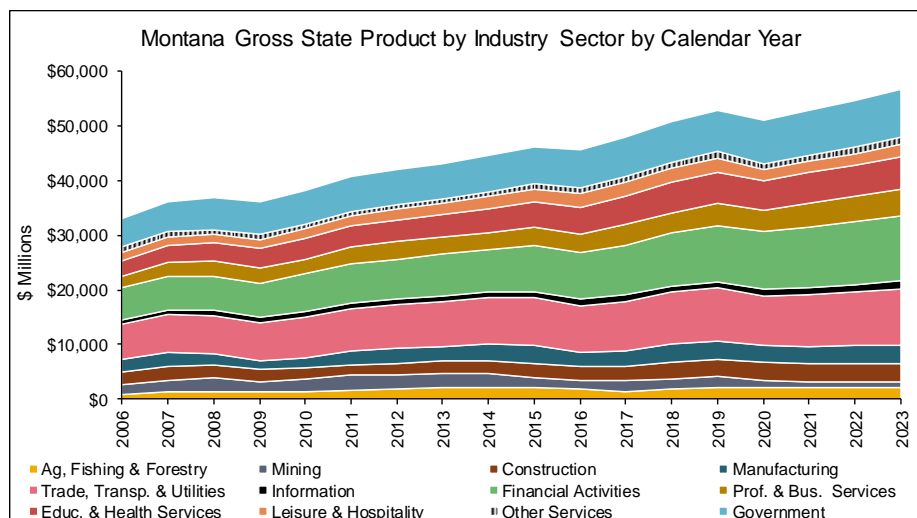
Montana natural gas price tracks the national Henry Hub price, with an average 23.0% deduction for transportation costs.



## Montana Economic Indicators

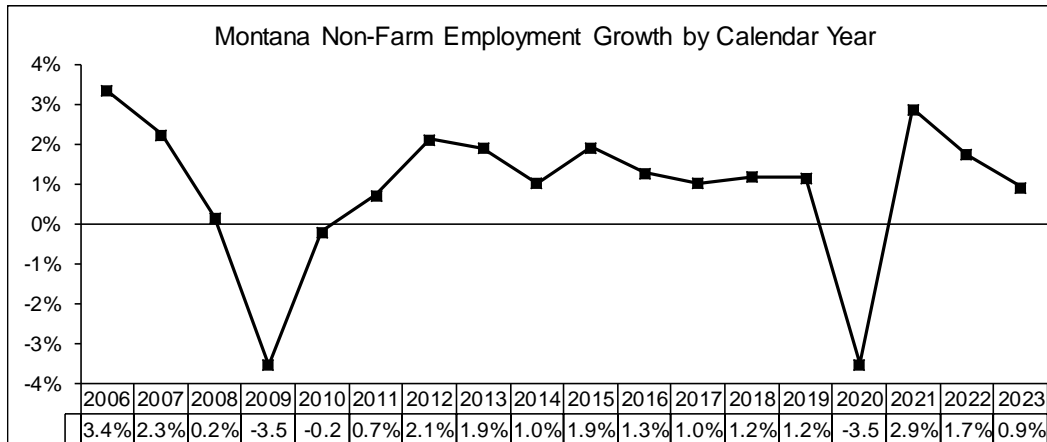
### Gross State Product (GSP)

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.



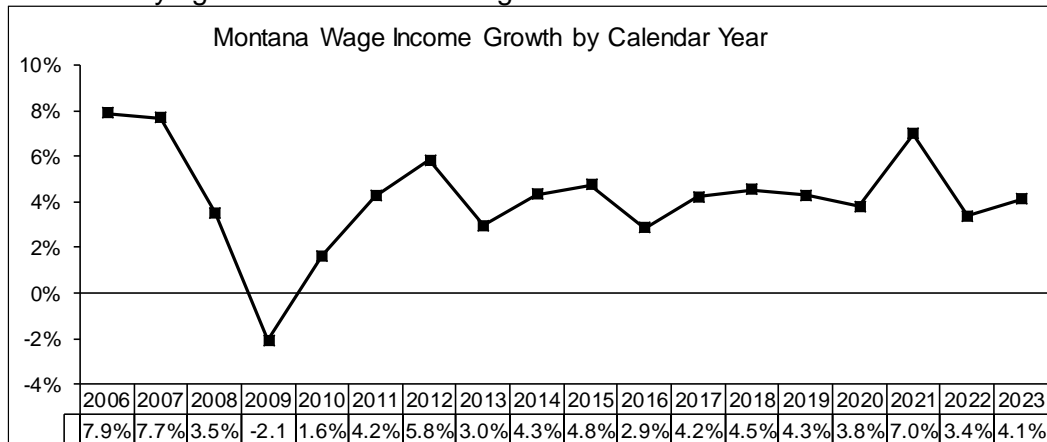
## Overview

### Employment



### Wages

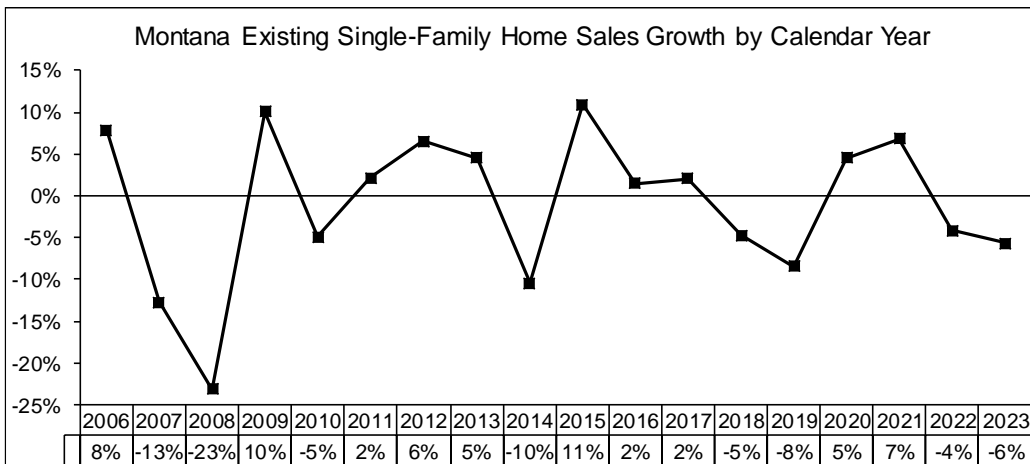
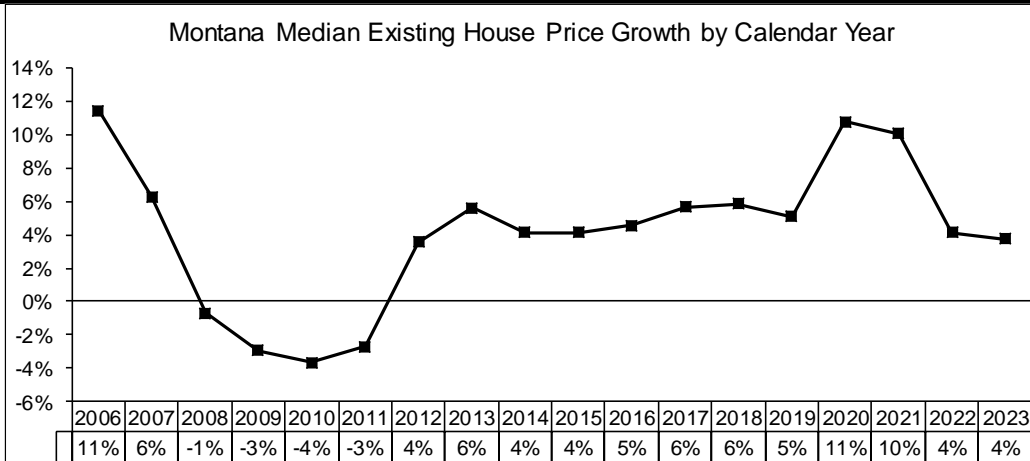
Wage income accounts for nearly two-thirds of individual income, and individual income tax accounts for about half of general fund revenue. Although wage income is not as volatile as several other income or revenue sources, even small changes in the outlook for wage income and produce large swings in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



### Housing

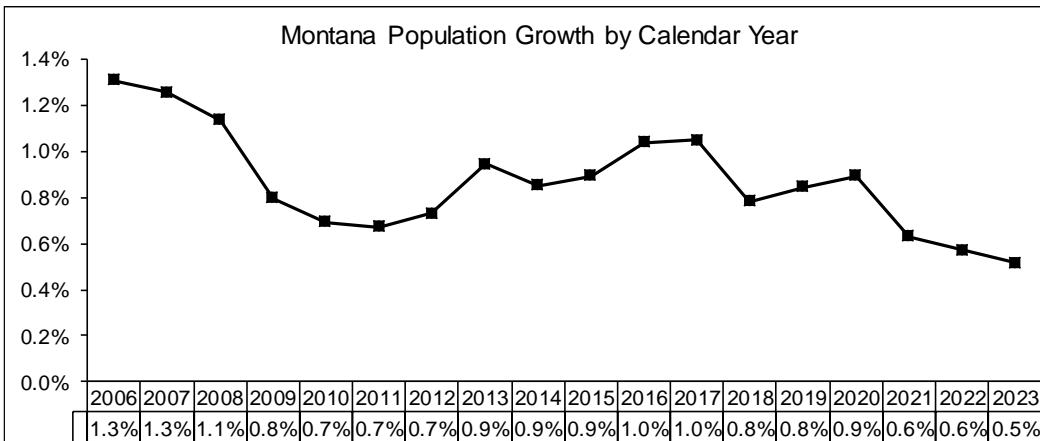
The health of the housing market can be measured by median house price and annual sales. Housing is an important—and leading—measure of economic activity: it drives construction and related industry growth and reflects household formation and asset accumulation. Housing indicators are used in the individual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

**Overview**



*Population*

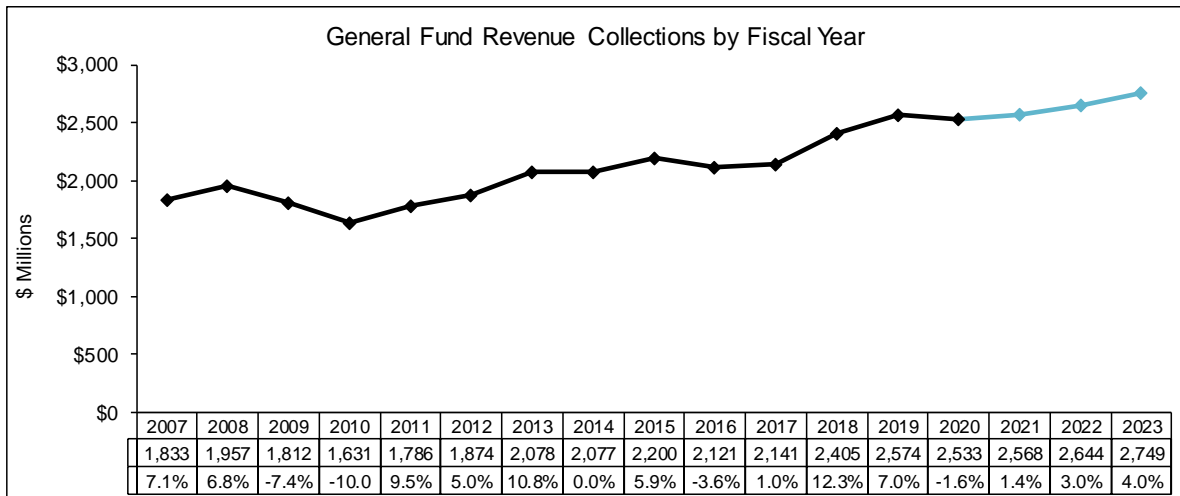
Population statistics are used to develop estimates for many of the revenue sources including beer, wine, liquor, and cigarette taxes. In addition to those sources where population has a direct effect, the size of the population indirectly affects the profitability of all businesses and the employment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



**General Fund History**

The graph below shows actual total general fund collections from FY 2007 to FY 2020 and includes FY 2021 through FY 2023 projected collections as adopted by the 67<sup>th</sup> Legislature.

## 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 plus the impacts, if any, of enacted legislation. 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.