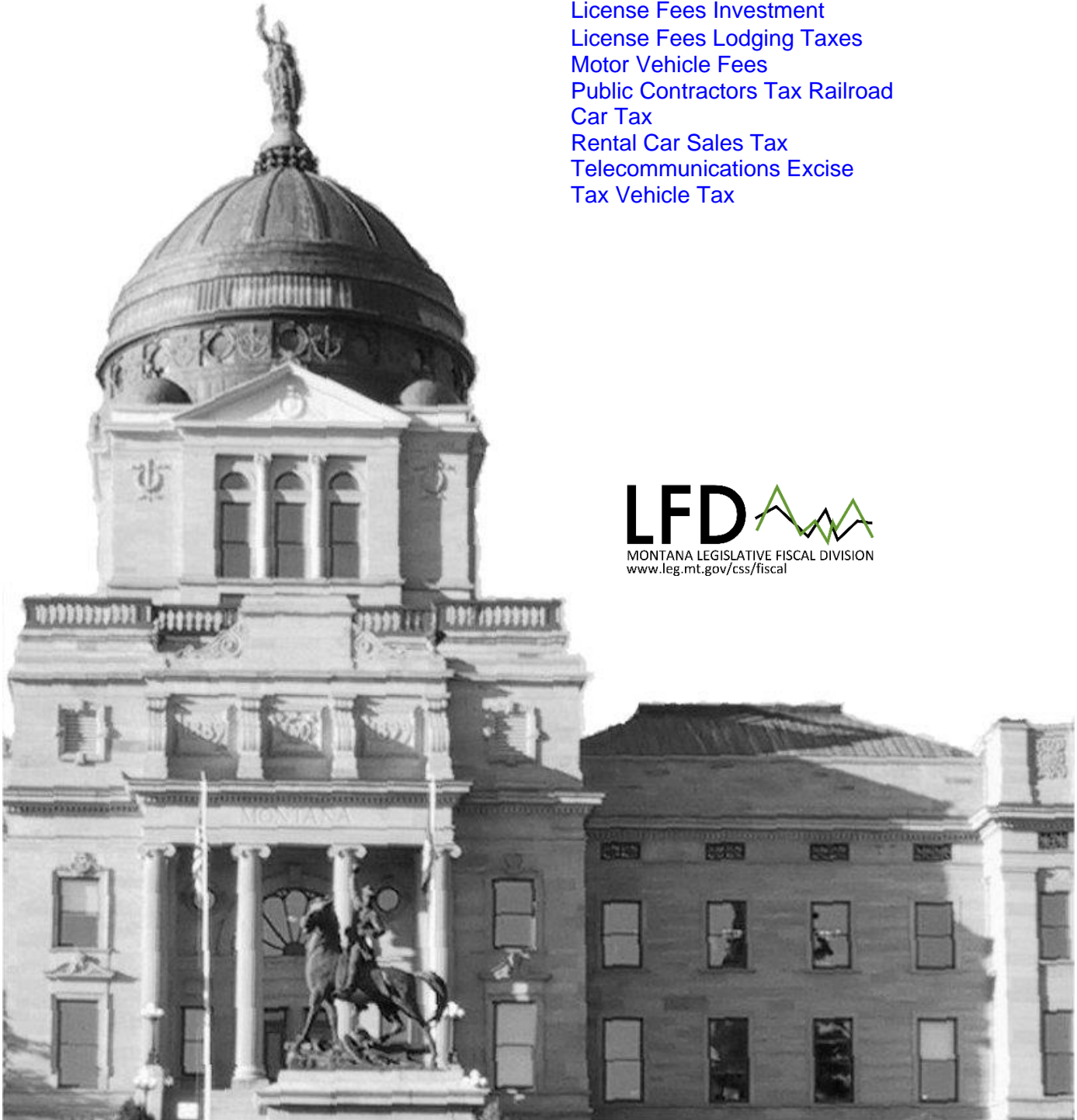


# BUSINESS AND PERSONAL TAXES

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 – 15<sup>th</sup> 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 15<sup>th</sup>, June 15<sup>th</sup>, September 15<sup>th</sup>, and December 15<sup>th</sup> ([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.

### Forecast Risks

- Stock market activity
- Oil price
- Housing market outlook

### Revenue Estimate Methodology

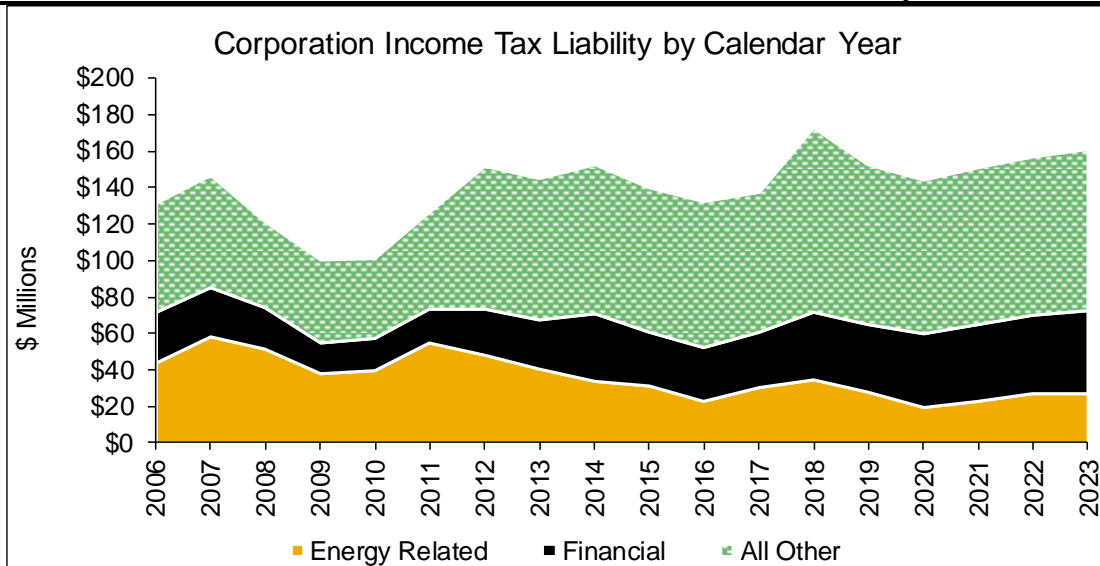
#### Data

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 eleven 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 (19%): 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 (21%): 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 (17%): this combined sector trends well with Montana retail sales and therefore uses retail sales to predict future sector revenues.
- Mining (2%): the mining industry in Montana is heavily dependent on energy prices; it is modeled on gold and copper prices.
- Professional and business services (7%): 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%): 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 (6%): 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%): 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%): the tax liability of the agriculture sector is modeled on forecast cattle prices.
- Social and educational services (3%): 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 (1%): 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.

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 LFD revenue recommendation.

**Business and Personal Taxes**

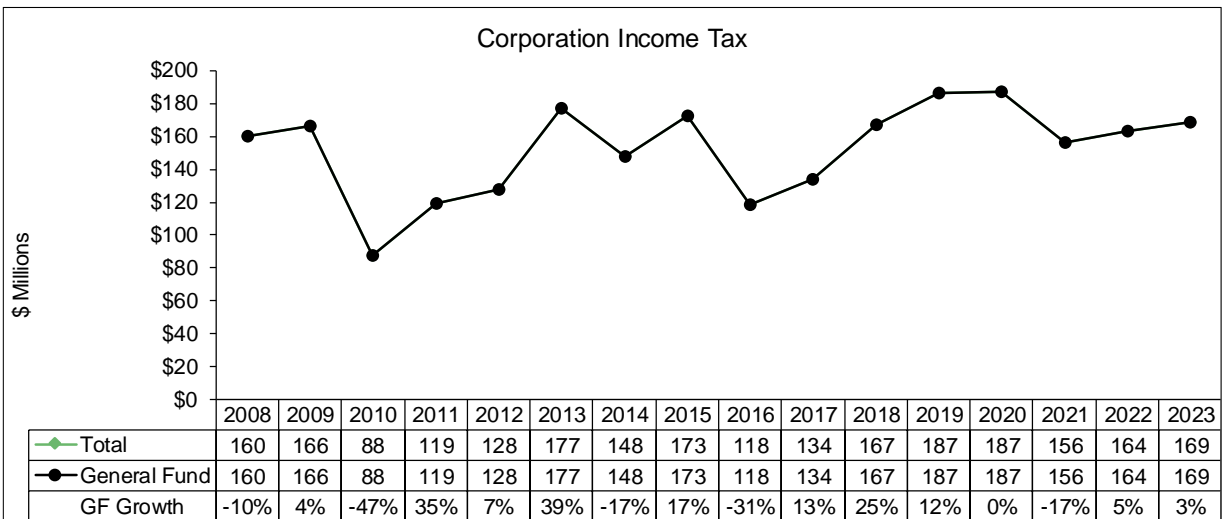
**Corporation Income Tax**

FY	Total Tax \$ Millions	GF Tax \$ Millions	Total FY Liability \$ Millions	Refunds \$ Millions	Audit, P&I Payments \$ Millions
A 2010	\$87.901	\$87.901	\$78.864	(\$16.607)	\$5.916
A 2011	119.04	119.04	68.36	(32.30)	8.08
A 2012	127.77	127.77	77.93	(24.38)	14.17
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
F 2021	156.26	156.26	171.69	(11.00)	16.81
F 2022	163.53	163.53	158.49	(21.71)	10.77
F 2023	168.81	168.81	161.93	(17.97)	28.78
F 2024	172.76	172.76	140.28	(31.39)	9.49
F 2025	177.10	177.10	147.69	(25.85)	12.16

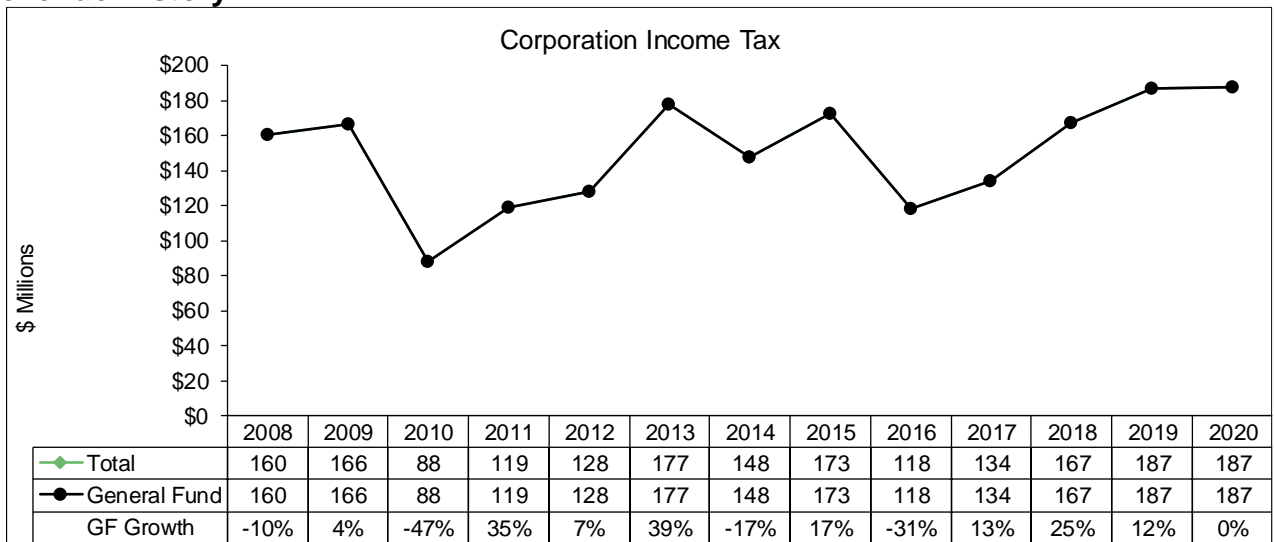
CY	Agriculture \$ Millions	Mining \$ Millions	Utilities \$ Millions	Construction \$ Millions	Manufacture \$ Millions	Trade \$ Millions	Transport \$ Millions
A 2010	\$3.373	\$10.116	\$1.425	\$1.593	\$29.737	\$15.716	\$7.432
A 2011	4.39	16.18	0.72	2.10	38.35	20.11	10.05
A 2012	4.99	7.81	0.75	3.64	40.49	24.48	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
F 2019	4.24	3.14	1.27	2.70	24.30	25.63	20.54
F 2020	4.22	2.97	1.21	2.81	16.77	26.14	15.51
F 2021	4.25	3.17	1.29	2.89	19.80	27.67	14.82
F 2022	4.35	3.36	1.48	3.08	23.25	27.44	15.65
F 2023	4.26	3.21	1.44	3.22	23.94	28.03	16.47
F 2024	4.27	3.17	1.34	3.36	24.45	28.95	17.13
F 2025	4.28	3.18	1.35	3.48	25.47	29.97	17.31

CY	Information \$ Millions	Professional \$ Millions	Large Banks \$ Millions	Social \$ Millions	Unknown \$ Millions	Total CY Liability \$ Millions
A 2010	\$2.720	\$7.263	\$17.392	\$2.034	\$0.192	\$98.991
A 2011	4.62	6.64	18.82	2.18	0.00	124.17
A 2012	7.36	9.29	25.32	3.70	0.01	147.80
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
F 2019	9.09	15.24	37.50	4.15	0.69	148.49
F 2020	9.19	15.95	40.39	3.97	0.81	139.93
F 2021	8.91	17.35	41.84	3.90	1.03	146.94
F 2022	9.43	16.18	43.62	4.03	0.85	152.70
F 2023	9.15	16.49	45.54	4.04	0.90	156.70
F 2024	9.17	16.67	47.56	4.02	0.93	161.01
F 2025	9.17	16.45	49.60	3.99	0.89	165.13

**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	2.5%	3.75%	3.34%	2.50%	
Motorcycle Safety Account			63.46%		
Traffic Education Account	20.7%	8.75%		16.94%	
State General Fund	<u>76.8%</u>	<u>87.50%</u>	<u>33.20%</u>	<u>80.56%</u>	<u>100%</u>
Total	100%	100%	100%	100%	100%

**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 Montana driving age population.

Data

## Business and Personal Taxes

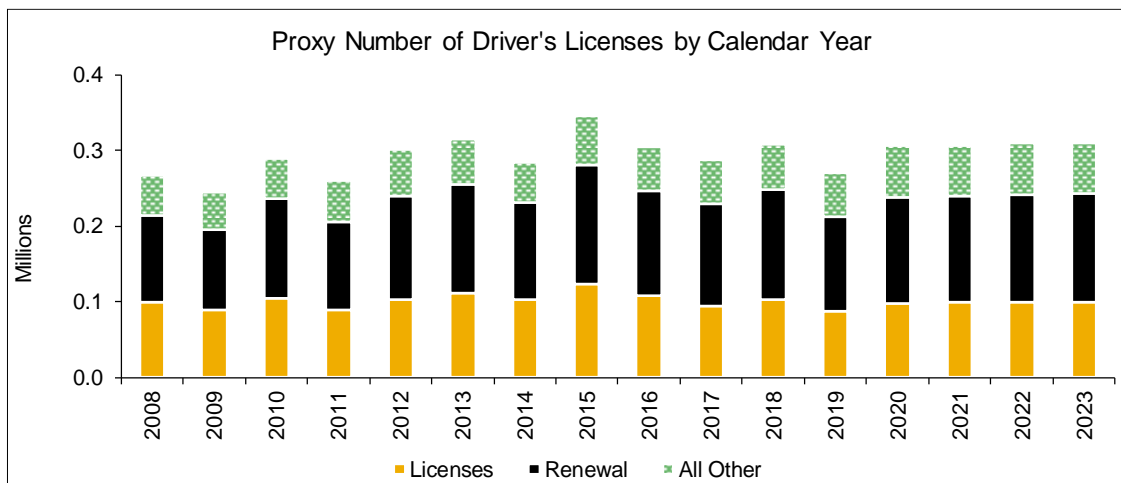
## Driver's License Fees

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 LFD revenue recommendation.



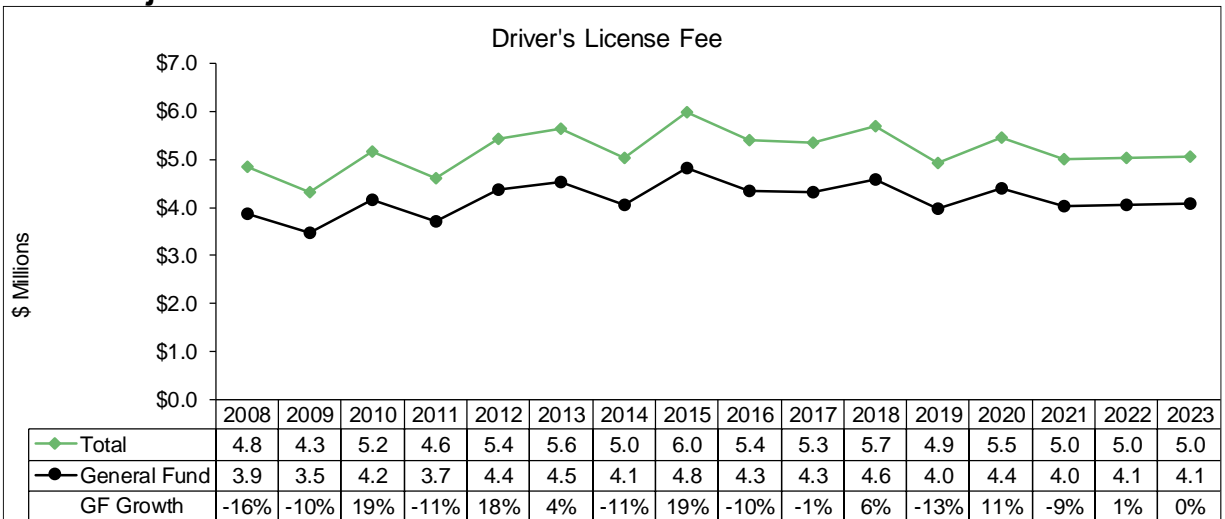
**Business and Personal Taxes**

**Driver's License Fees**

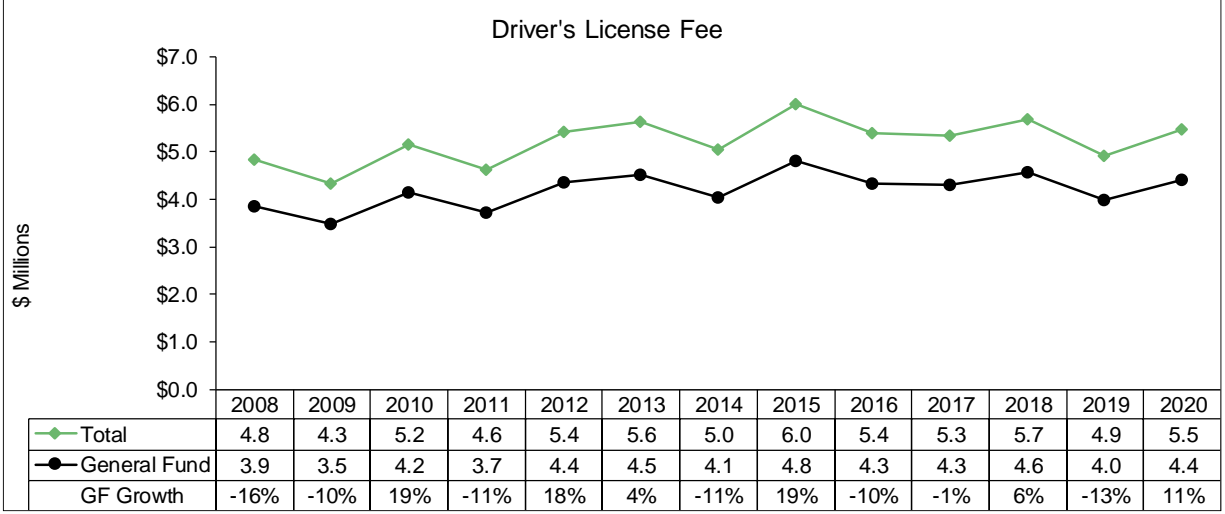
FY	Total Fee \$ Millions	GF Fee \$ Millions	GF Fee Licenses \$ Millions	GF Fee Duplicates \$ Millions	GF Fee Cycle \$ Millions	GF Fee Commercial \$ Millions	GF Fee Renewal \$ Millions
A 2010	\$5.166	\$4.156	3.315	0.278	0.018	0.430	0.065
A 2011	4.61	3.71	2.81	0.28	0.01	0.51	0.06
A 2012	5.43	4.37	3.26	0.29	0.02	0.69	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
F 2021	5.00	4.03	3.11	0.43	0.01	0.40	0.07
F 2022	5.03	4.05	3.13	0.43	0.01	0.40	0.07
F 2023	5.05	4.07	3.15	0.44	0.01	0.40	0.07
F 2024	5.08	4.09	3.17	0.44	0.01	0.40	0.07
F 2025	5.09	4.11	3.18	0.44	0.01	0.40	0.07

FY	Proxy Licenses Millions	Proxy Duplicates Millions	Proxy Cycle Millions	Proxy Interstate Millions	Proxy Intrastate Millions	Proxy Renewal Millions
A 2010	0.105	0.031	0.012	0.009	0.001	0.130
A 2011	0.089	0.032	0.010	0.011	0.001	0.116
A 2012	0.104	0.033	0.013	0.015	0.002	0.136
A 2013	0.112	0.033	0.013	0.013	0.001	0.143
A 2014	0.104	0.034	0.010	0.008	0.001	0.127
A 2015	0.124	0.036	0.014	0.015	0.001	0.157
A 2016	0.107	0.034	0.011	0.012	0.001	0.140
A 2017	0.094	0.037	0.010	0.011	0.001	0.135
A 2018	0.102	0.038	0.011	0.010	0.001	0.146
A 2019	0.088	0.041	0.009	0.007	0.001	0.125
A 2020	0.099	0.048	0.010	0.009	0.001	0.140
F 2021	0.099	0.048	0.009	0.009	0.001	0.141
F 2022	0.100	0.048	0.010	0.009	0.001	0.142
F 2023	0.100	0.048	0.009	0.009	0.001	0.142
F 2024	0.101	0.049	0.010	0.009	0.001	0.143
F 2025	0.101	0.049	0.009	0.009	0.001	0.144

**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 – 15<sup>th</sup> 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 15<sup>th</sup> day of the 4<sup>th</sup>, 6<sup>th</sup>, and 9<sup>th</sup> 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 6.9%, 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%.

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

**Distribution:** All proceeds are deposited into the general fund.

### Forecast Risks

- Changes to the national economic growth outlook
- Changes to Montana's economic growth outlook
- Changes to the outlook for Montana wages
- Taxpayer behavior in response to the Federal CARES Act
- Oil price
- 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.

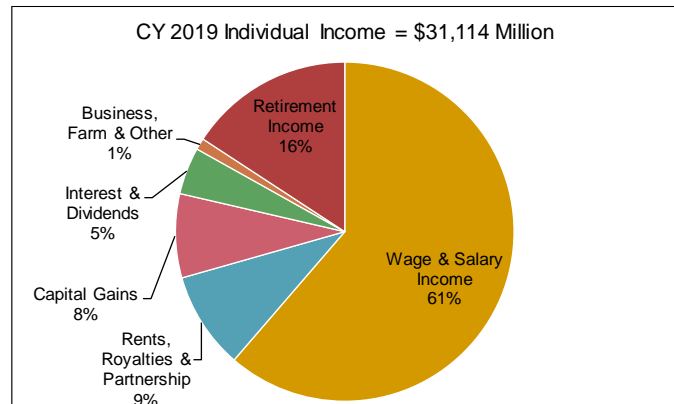
## Business and Personal Taxes

## Individual Income Tax

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.

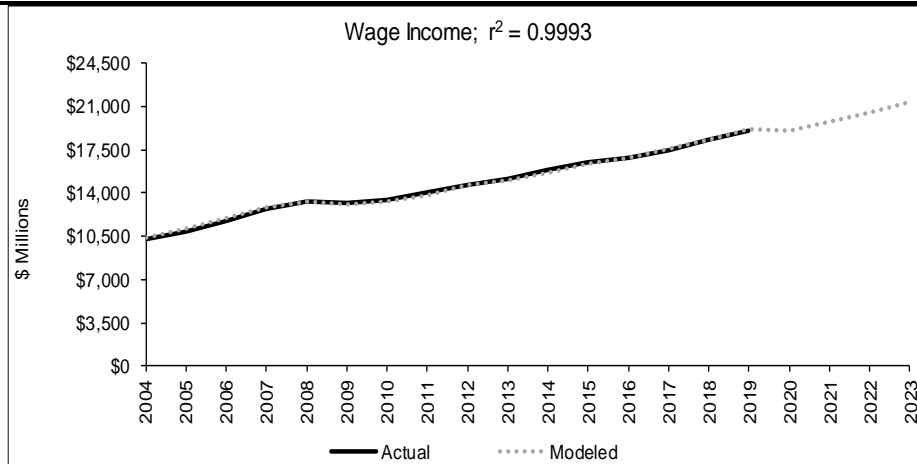
Growth estimates for all other line items—adjustments, additions, reductions and itemized deductions—are included in the revenue estimate assumptions section, which is available online.

	Individual Income Growth Rates					
	CY 2020	CY 2021	CY 2022	CY 2023	CY 2024	CY 2025
FYR Returns (Annual)	-3.0%	2.3%	0.7%	0.7%	0.6%	0.4%
FYR Returns (Cumulative)	97.0%	99.2%	99.9%	100.5%	101.2%	101.6%
Inflation State	1.6%	0.9%	2.3%	1.8%	1.9%	2.1%
Inflation Federal	1.6%	1.9%	2.0%	1.6%	1.7%	1.9%
Wages and salaries	-0.6%	4.2%	3.6%	3.8%	4.2%	4.4%
Interest income	-2.8%	-1.2%	-0.1%	0.7%	0.4%	0.2%
Dividend income	0.6%	-5.6%	1.4%	5.5%	6.7%	6.7%
Taxable refunds	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Alimony received	-7.1%	-7.1%	-7.1%	-7.1%	-7.1%	-7.1%
Net business income	0.5%	2.1%	-0.1%	2.3%	3.0%	3.1%
Capital gains	-2.1%	-1.6%	-1.1%	1.8%	3.0%	3.9%
Supplemental gains	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
IRA distributions	-13.2%	29.5%	5.1%	4.9%	4.5%	4.1%
Taxable pensions	5.5%	5.0%	4.9%	4.5%	4.2%	4.2%
Rents, royalties, etc.	-1.2%	3.1%	5.2%	6.7%	6.8%	6.3%
Farm income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Unemp. compensation	1076.4%	-91.5%	0.0%	0.0%	0.0%	0.0%
Taxable social security	7.1%	6.1%	4.4%	4.3%	3.6%	3.9%
Other income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

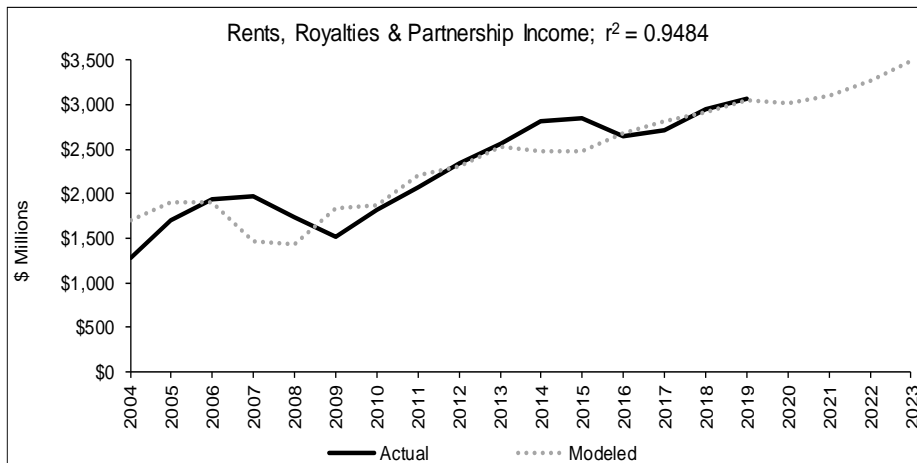
Wage and salary income is the largest source of individual income and is modeled on the IHS Markit series for Montana wage and salary distributions.

### Coronavirus Aid, Relief, and Economic Security (CARES) Act Provisions:

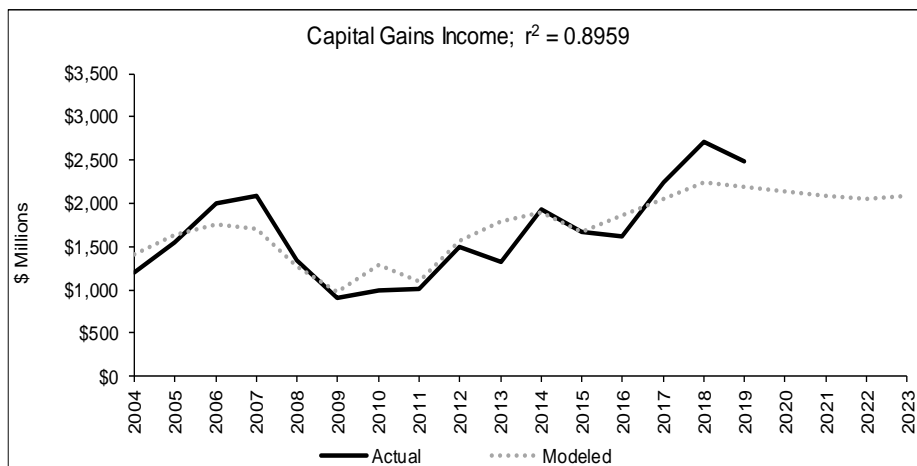
The Federal CARES Act provided additional abilities for corporations and small businesses to offset business losses. These provisions allow for net operating loss (NOL) carrybacks beyond what was previously allowed and removed the threshold on non-business income that could be offset with business losses. The forecast for individual income tax assumes that these provisions will reduce revenues by \$38 million in FY 2022 and \$17 million in FY 2023. Note that there is a significant amount of uncertainty in the estimates for these impacts.



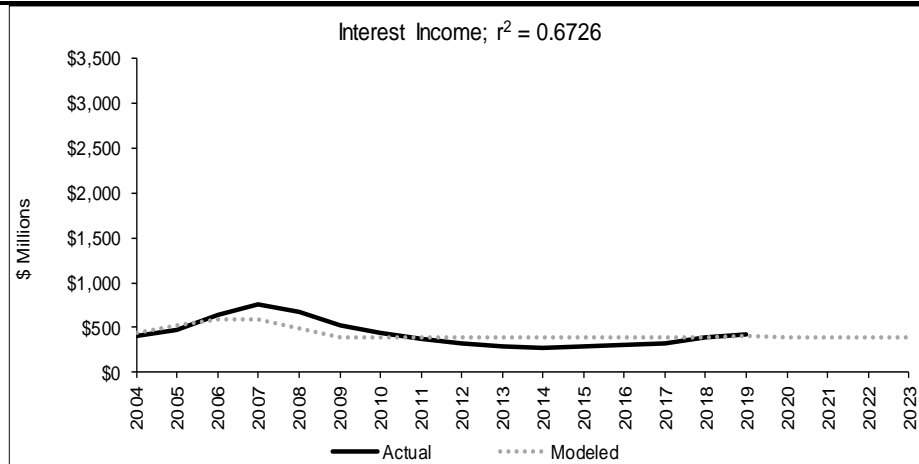
Rent, royalty & partnership (schedule E) income is modeled on S&P 500 and before tax corporate profits and in recent years has trended quite well.



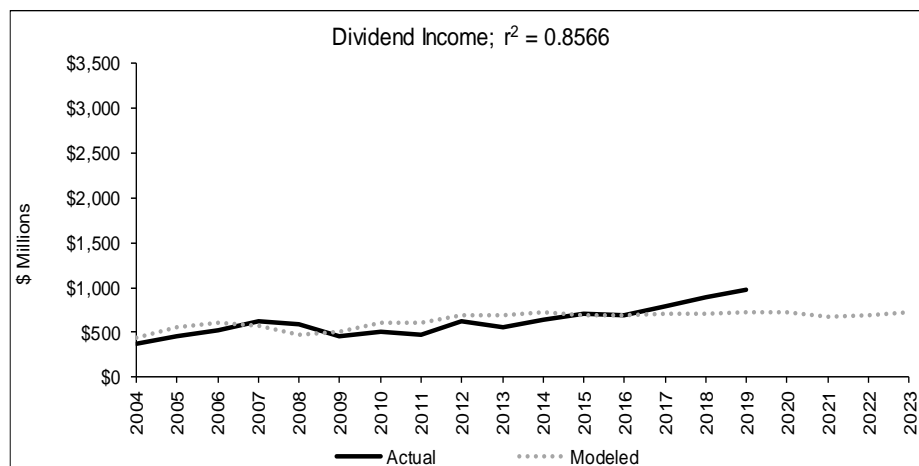
Capital gains income is modeled on a three-year difference of the S&P 500 stock market index, Montana median house price, and the annual number of Montana home sales.



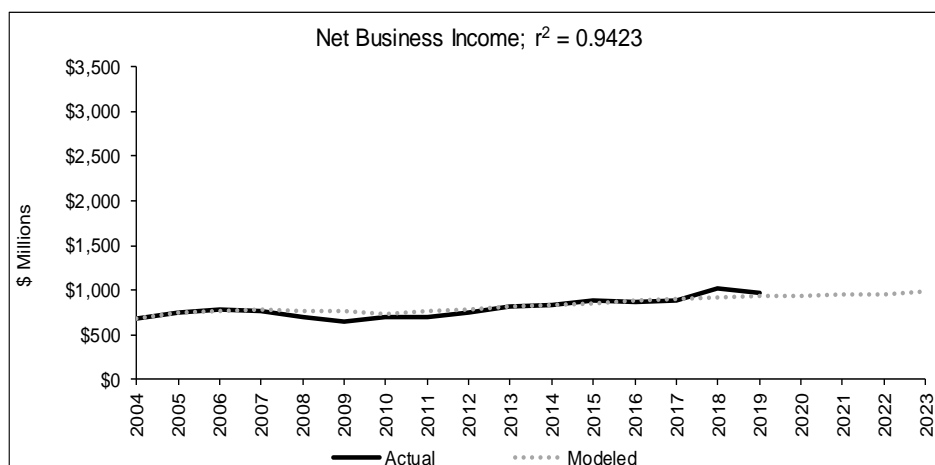
Interest income is modeled on the rate of 3-month negotiable CDs and national personal interest income.



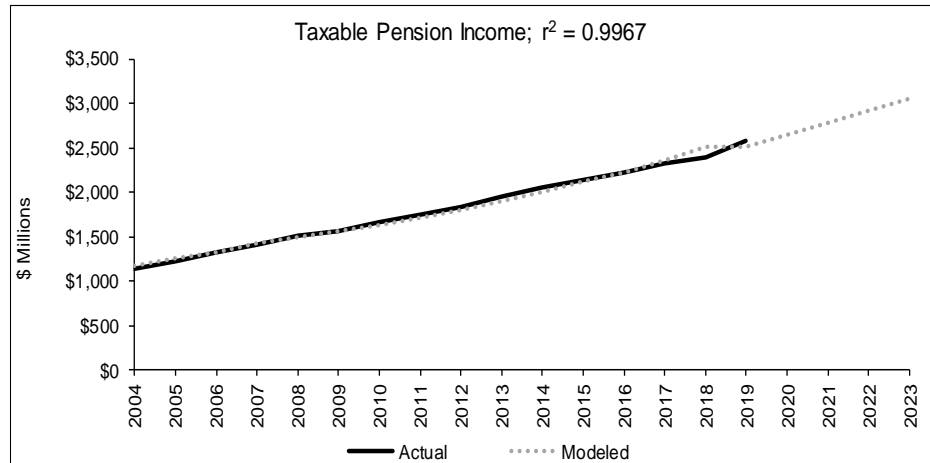
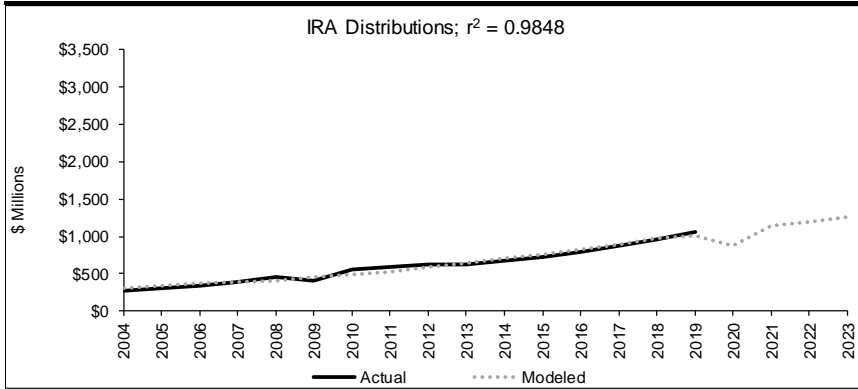
Dividend income is modeled on before-tax corporate profits.



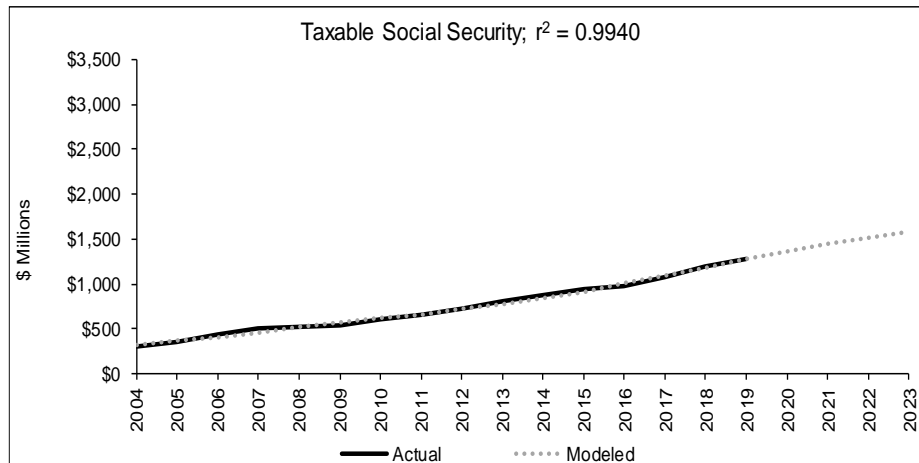
Net business income is modeled on national non-farm proprietor's income, Montana farm proprietor's income, and gross state product for the construction industry.



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 forecast 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.

**Business and Personal Taxes**  
**Revenue Estimate Assumptions**

**Individual Income Tax**

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

FY	Total Tax \$ Millions	GF Tax \$ Millions	Audit, P&I \$ Millions	Earned Income	
				Tax Credit \$ Millions	RIC Adjustment
A 2010	\$717.834	\$717.834	\$35.293		
A 2011	816.09	816.09	33.47		
A 2012	898.85	898.85	28.31		
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		
F 2020	1,435.24	1,435.24	48.21		
F 2021	1,404.58	1,404.58	53.40	(5.21)	(30.16)
F 2022	1,443.77	1,443.77	56.28	(5.29)	(30.16)
F 2023	1,523.16	1,523.16	58.58	(5.31)	(30.16)
F 2024	1,657.09	1,657.09	61.46	(5.30)	
F 2025	1,744.14	1,744.14	64.69	(5.28)	

CY	Modeled FYR	Population	FYR	Non-Resident	Total Liability	Elderly H/R	All Other
	Liability \$ Millions	Adjustment Percent	Liability \$ Millions	Factor Percent	Before Credits \$ Millions	Credit \$ Millions	Credits \$ Millions
A 2010	\$494.216	100.0%	\$494.216	106.3%	\$525.122	\$8.712	\$43.461
A 2011	538.246	100.0%	538.246	106.8%	574.877	8.282	35.901
A 2012	620.965	100.0%	620.965	107.3%	666.250	7.286	39.356
A 2013	652.487	100.0%	652.487	108.6%	708.617	6.697	43.459
A 2014	731.493	100.0%	731.493	107.8%	788.762	6.119	48.085
A 2015	771.627	100.0%	771.627	107.8%	831.967	6.182	50.352
A 2016	741.689	100.0%	741.689	109.7%	813.725	6.510	46.481
A 2017	687.751	100.0%	687.751	105.4%	724.649	6.950	52.617
A 2018	739.846	100.0%	739.846	106.8%	790.464	7.609	68.095
A 2019	776.522	100.0%	776.522	106.8%	829.435	6.583	70.217
A 2020	874.595	100.0%	874.595	107.4%	939.072	7.640	70.516
F 2021	903.847	100.0%	903.847	107.2%	969.219	7.385	71.656
F 2022	997.892	100.0%	997.892	107.2%	1,069.590	7.131	74.343
F 2023	1,034.358	100.0%	1,034.358	106.9%	1,106.240	6.876	77.864
F 2024	1,022.467	100.0%	1,022.467	107.3%	1,096.673	6.621	81.669
F 2025	1,118.513	100.0%	1,118.513	107.0%	1,196.354	6.367	85.440



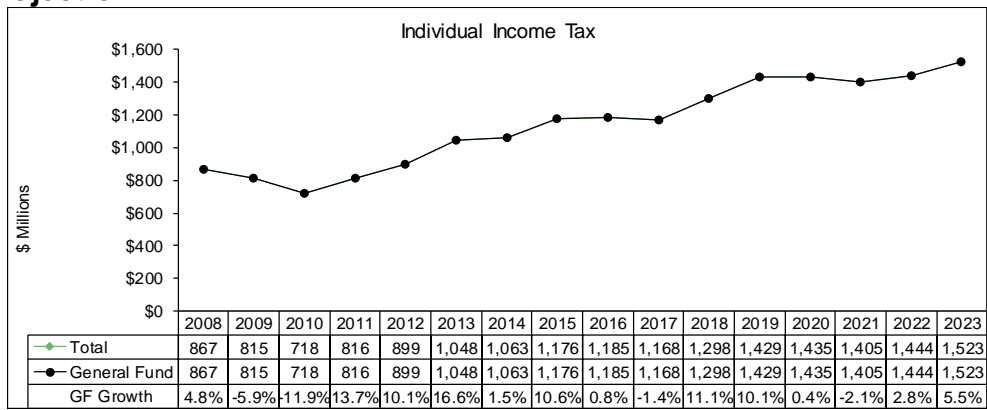
## Business and Personal Taxes

## Individual Income Tax

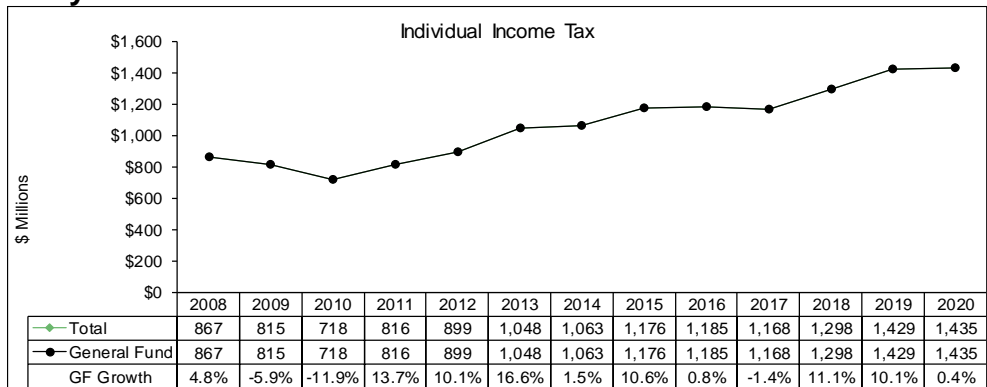
	Wage Income	Rent, Royalty & Part. Inc.	Capital Gains Income	Interest Income	Dividend Income	Net Business Income	IRA Distributions
CY	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions
A 2010	\$13,389.962	\$1,823.263	\$992.632	\$442.983	\$504.422	\$690.830	\$548.648
A 2011	13,995.864	2,075.865	1,015.745	376.777	465.230	702.187	592.390
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	19,085.635	3,072.135	2,491.695	417.758	979.447	974.388	1,060.917
A 2020	18,965.472	3,034.442	2,438.880	405.887	984.903	979.431	920.982
F 2021	19,769.981	3,128.739	2,399.001	401.202	930.227	999.814	1,193.121
F 2022	20,489.527	3,290.717	2,371.859	400.915	943.338	999.127	1,253.589
F 2023	21,268.190	3,509.915	2,413.508	403.825	995.469	1,022.255	1,314.414
F 2024	22,170.597	3,748.237	2,486.159	405.322	1,062.134	1,053.309	1,373.841
F 2025	23,135.573	3,984.747	2,582.640	406.292	1,133.372	1,085.671	1,430.668

	Pension Income	Social Security	Farm Income	Other Income	Adjustments to Income	Additions to Income	Reductions to Income
CY	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions	\$ Millions
A 2010	\$1,509.033	\$603.827	(\$145.068)	(\$408.810)	\$417.143	\$736.051	\$1,487.627
A 2011	1,567.181	651.771	(127.273)	(511.296)	434.745	802.123	1,577.371
A 2012	1,658.178	721.661	(135.869)	(552.855)	445.516	834.573	1,518.641
A 2013	1,752.608	803.831	(138.640)	(523.590)	487.773	803.607	1,404.220
A 2014	1,840.957	882.266	(115.194)	(509.221)	499.660	783.984	1,399.342
A 2015	1,945.506	941.299	(150.769)	(509.770)	522.819	788.052	1,446.849
A 2016	2,050.104	981.545	(230.849)	(545.399)	536.806	797.821	1,477.005
A 2017	2,139.286	1,072.081	(231.618)	(414.158)	550.496	836.955	1,585.401
A 2018	2,215.681	1,191.853	(311.489)	(565.262)	488.838	875.544	1,807.497
A 2019	2,322.764	1,284.201	(333.068)	(564.558)	503.751	833.042	1,841.683
F 2020	2,393.966	1,375.295	(333.068)	(564.558)	518.665	838.411	1,903.006
F 2021	2,572.250	1,459.778	(333.068)	(564.558)	533.578	837.533	1,996.333
F 2022	2,713.159	1,523.942	(333.068)	(564.558)	548.492	835.456	2,094.979
F 2023	2,849.294	1,588.936	(333.068)	(564.558)	563.406	834.458	2,199.011
F 2024	2,989.675	1,645.404	(333.068)	(564.558)	578.319	832.061	2,310.360
F 2025	3,124.262	1,709.119	(333.068)	(564.558)	593.233	829.145	2,429.532

	Itemized Deductions	Montana Adj. Gross Income	Capital Gains Credit	FYR Returns Annual Gr. Percent	Federal Inflation Percent	State Inflation Percent
CY	\$ Millions	\$ Millions	\$ Millions	Percent	Percent	Percent
A 2010	\$4,086.676	19,177.163	19.642	1.0%	0.2%	1.1%
A 2011	4,197.183	19,934.727	19.622	0.8%	1.5%	3.6%
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	4,310.273	29,614.224	50.826	1.0%	2.0%	1.6%
F 2020				-3.0%	1.6%	0.9%
F 2021				2.3%	1.9%	3.0%
F 2022				0.7%	2.0%	2.3%
F 2023				0.7%	1.6%	1.8%
F 2024				0.6%	1.7%	1.9%
F 2025				0.4%	1.9%	2.1%



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

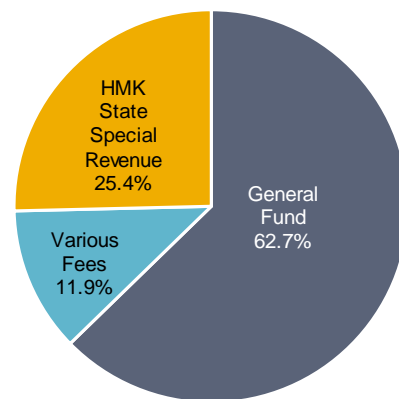
**Applicable Tax Rates**

- 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

**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% to the general fund and 5% (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. The following chart shows the FY 2020 distribution of insurance tax and license fee revenue.



**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

**Business and Personal Taxes**

**Insurance Tax and License Fees**

**Revenue Estimate Methodology**

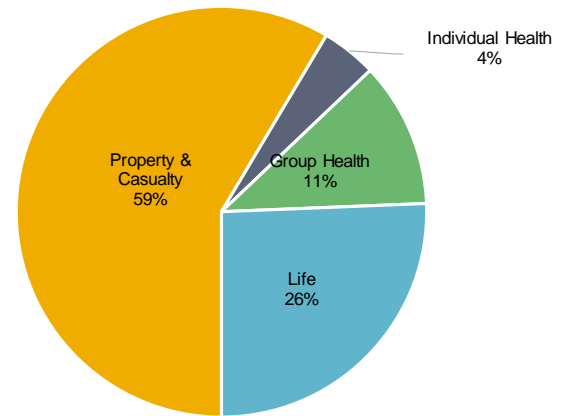
Data

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.

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.

CY 2019 Premium Tax by Type



**Revenue Estimate Assumptions**

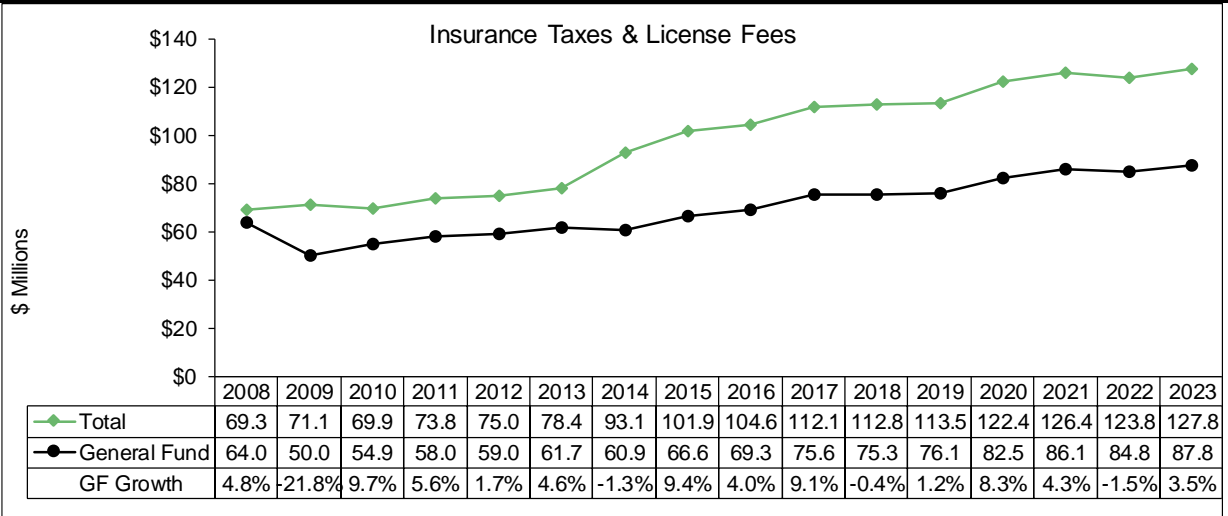
This section contains the assumptions used to generate LFD revenue recommendation.

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 2010	\$69.851	\$54.892	\$65.698	\$1,963.991	\$6.601	\$5.298
A 2011	73.83	57.96	69.87	2,120.43	6.94	5.90
A 2012	75.01	58.95	72.41	2,255.72	6.98	5.66
A 2013	78.39	61.68	75.53	2,317.70	7.74	5.92
A 2014	93.05	60.87	78.65	2,424.07	8.34	6.06
A 2015	101.94	66.58	86.89	2,565.42	8.80	6.26
A 2016	104.56	69.25	87.20	2,697.14	11.00	6.36
A 2017	112.12	75.56	91.07	2,897.65	14.76	6.30
A 2018	112.78	75.27	92.28	3,140.59	13.75	6.74
A 2019	113.46	76.14	92.63	3,368.36	14.39	6.45
A 2020	122.37	82.49	100.18	3,517.04	15.70	6.49
F 2021	126.35	86.07	101.36	3,437.28	18.16	6.83
F 2022	123.79	84.78	97.15	3,171.48	19.69	6.95
F 2023	127.83	87.77	99.99	3,285.27	20.77	7.07
F 2024	133.92	92.07	105.05	3,487.62	21.69	7.18
F 2025	141.50	97.66	110.74	3,715.89	23.46	7.30

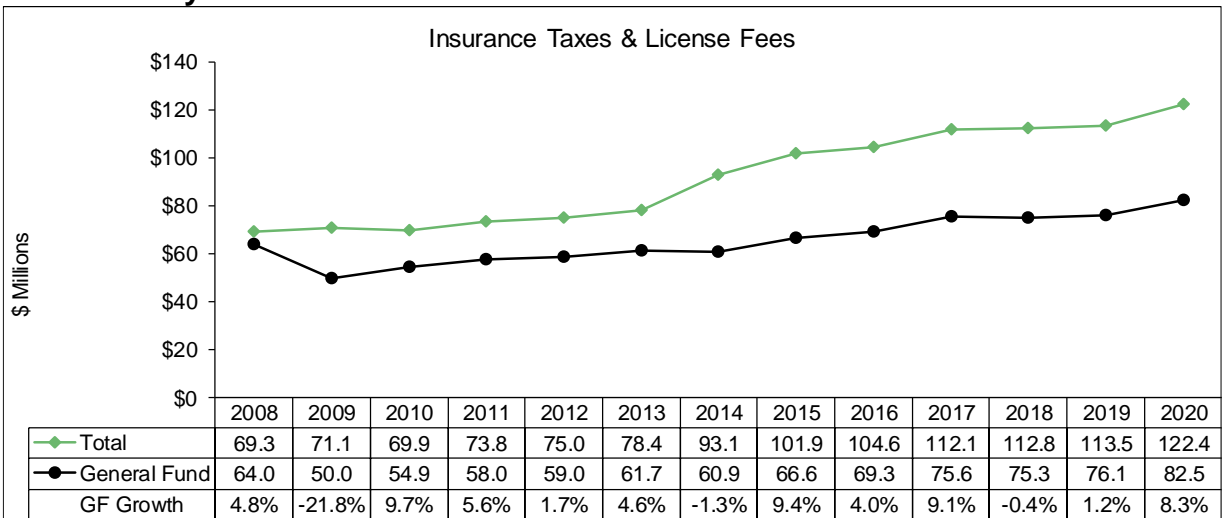
**Revenue Projection**

**Business and Personal Taxes**

**Insurance Tax and License Fees**



**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 31<sup>st</sup> thereafter ([30-10-201 \(9&11\), MCA](#)); securities: upon registration ([30-10-206, MCA](#)) and renewal ([30-10-209\(1b\)](#))

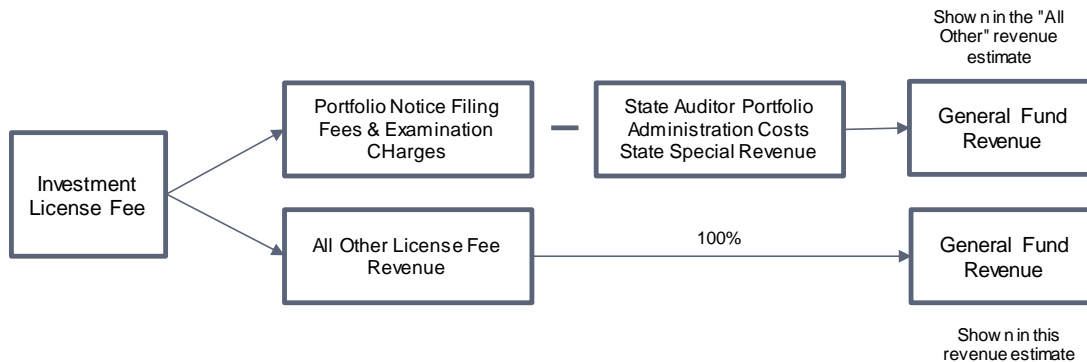
**Applicable Tax Rate**

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.



**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

## Business and Personal Taxes

## Investment License Fee

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

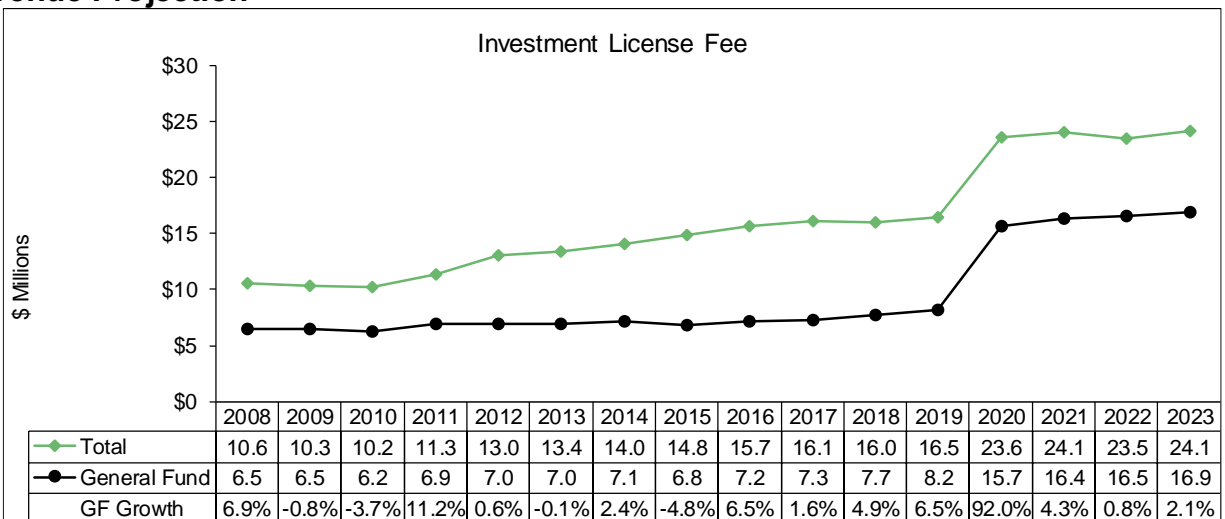
Licenses and permits receipts, and portfolio notice filing fees are modeled separately on the Montana personal consumption expenditures series for finance and insurance services.

### Revenue Estimate Assumptions

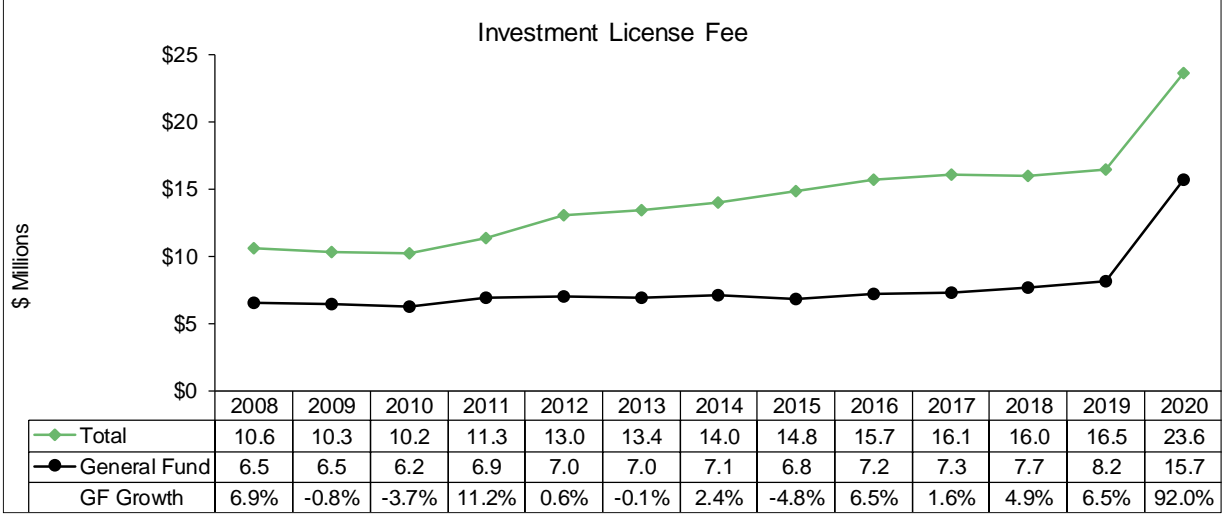
This section contains the assumptions used to generate LFD revenue recommendation.

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 2010	\$10.219	\$6.225	\$6.225	\$3.970	\$0.024	\$1.048	\$1,963.991
A 2011	11.348	6.922	6.922	4.420	0.006	1.169	2,120.434
A 2012	13.026	6.961	6.961	6.055	0.010	1.128	2,255.723
A 2013	13.423	6.951	6.951	6.441	0.030	1.237	2,317.697
A 2014	14.047	7.115	7.115	6.911	0.021	1.389	2,424.072
A 2015	14.821	6.773	6.773	8.048	-	1.442	2,565.424
A 2016	15.661	7.212	7.212	8.449	-	1.490	2,697.135
A 2017	16.071	7.327	7.327	8.702	0.042	1.464	2,897.649
A 2018	16.015	7.683	7.683	8.292	0.039	1.418	3,140.590
A 2019	16.457	8.182	8.182	8.275	-	1.388	3,368.362
A 2020	23.605	15.711	15.711	7.894	-	1.449	3,517.044
F 2021	24.068	16.385	16.385	7.683	-	1.442	3,437.282
F 2022	23.502	16.524	16.524	6.978	-	1.432	3,171.481
F 2023	24.145	16.866	16.866	7.280	-	1.426	3,285.273
F 2024	25.154	17.338	17.338	7.816	-	1.427	3,487.621
F 2025	26.262	17.841	17.841	8.421	-	1.435	3,715.894

### 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% of the amount the state of Montana reimburses for lodging, and facilities rented for 30 days or more.

The 4% 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% lodging facility use tax); [15-68-102, MCA](#) (4% lodging sales tax)

Tax Distribution – [15-65-121, MCA](#) (4% lodging facility use tax), [15-68-820, MCA](#) (4% lodging sales tax)

Date Due – The 4% lodging facility use tax is due before the end of calendar quarter ([15-65-112, MCA](#)). The 3% 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.

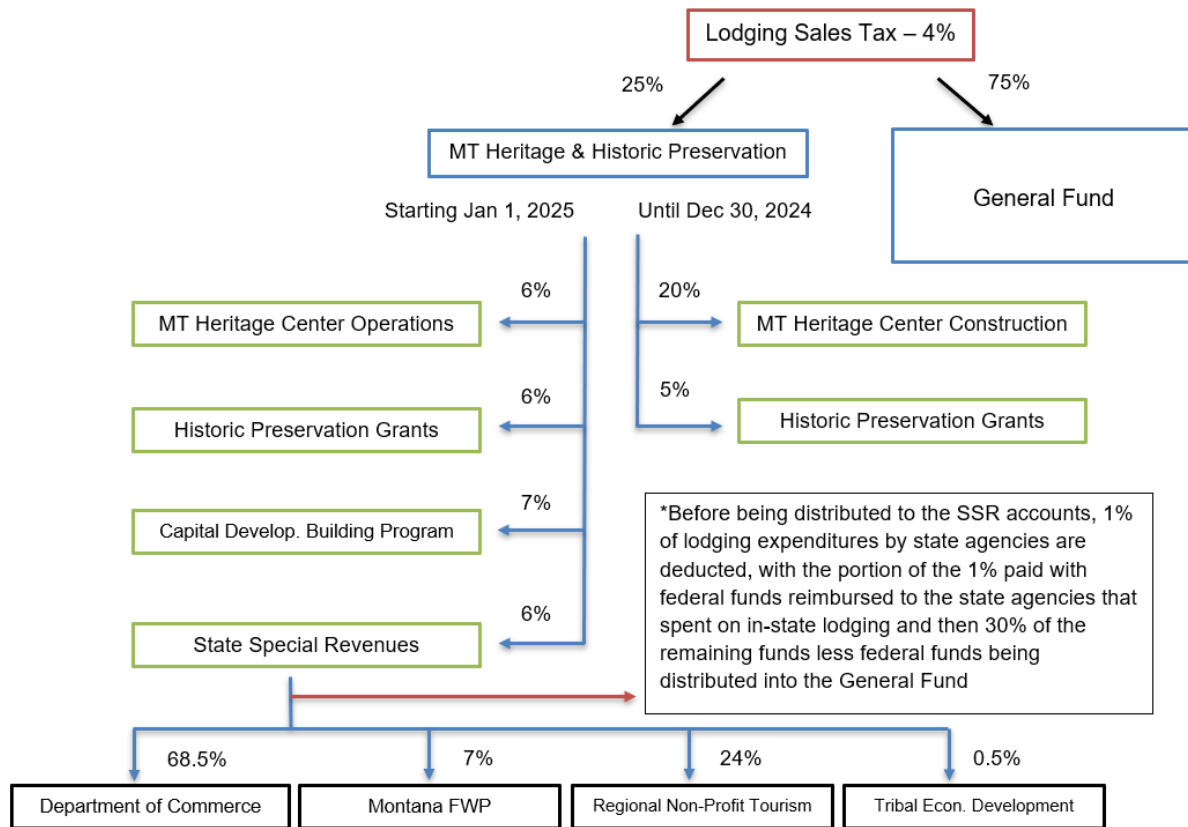
**Collection Frequency:** Quarterly

### Distribution

Sales tax: 75% is deposited into the general fund with the remaining 25% going towards the construction of the Montana heritage center.

Facility use tax: The revenue is first distributed to DOR in the amount appropriated for collection and disbursement costs; 30% of the taxes paid by state employees to the general fund (taxes paid with federal funds are reimbursed to the federal government from the general fund); \$400,000 to the Montana heritage preservation and development fund; and 2.6% to the historical interpretation account. After these distributions, the remainder is distributed and statutorily appropriated:

- 63% to the Department of Commerce for tourism promotion and promotion of the state as a location for the production of motion pictures and television commercials
- 22.5% to regional nonprofit tourism corporations
- 6.5% to the Department of Fish, Wildlife and Parks for maintenance of state park facilities
- 2.6% to the Montana Historical Society for Montana historical interpretation
- 2.5% to the university system for the establishment and maintenance of a Montana travel research program
- 1.0% to the Montana Historical Society to install and maintain roadside historical signs and historic sites
- 0.5% for the state-tribal economic development commission
- 1.4% to the aquatic invasive species fund



**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**

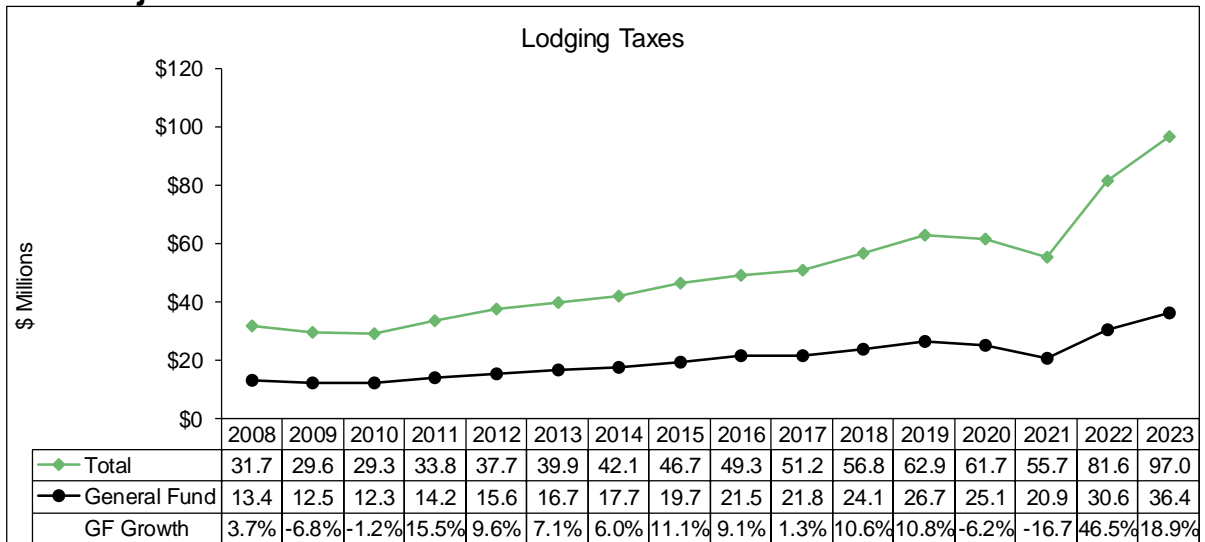
This section contains the assumptions used to generate LFD revenue recommendation.

## Business and Personal Taxes

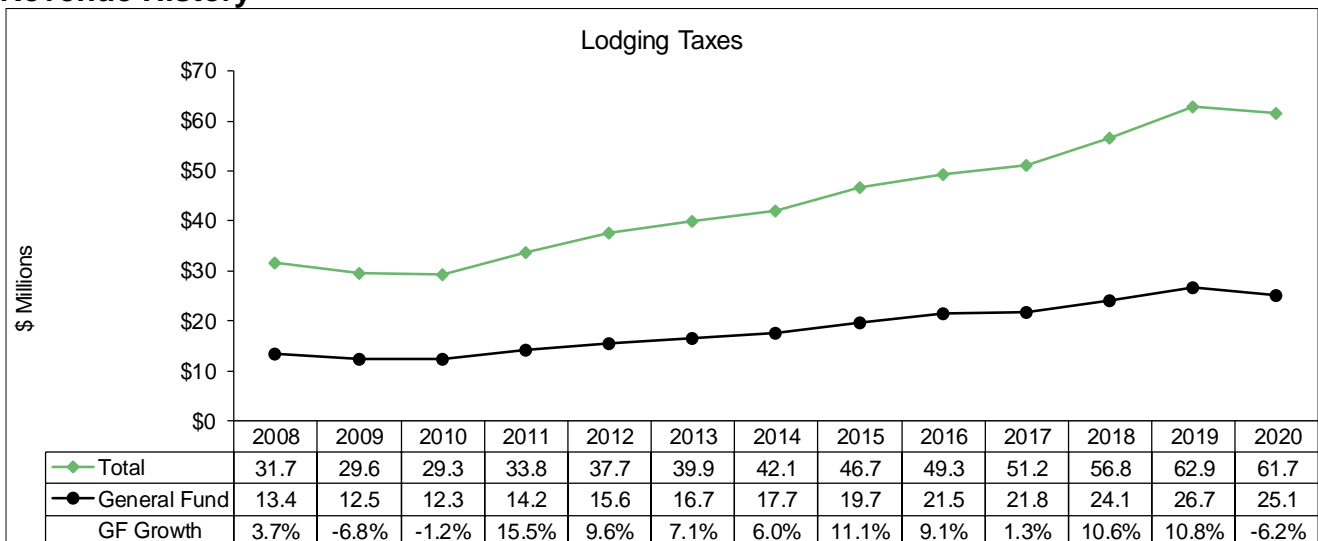
## Lodging Taxes

FY	Total Tax \$ Millions	GF Tax \$ Millions	Proxy Gross Sales \$ Millions	US Consumer Spending Acc. \$ Billions	Calculated Gross Sales \$ Millions
A 2010	\$29.265	\$12.331	\$413.349	\$95.230	\$475.260
A 2011	33.809	14.241	479.219	101.898	507.191
A 2012	37.724	15.606	529.048	109.588	544.018
A 2013	39.919	16.720	555.249	116.536	577.289
A 2014	42.059	17.725	582.894	123.161	609.016
A 2015	46.696	19.697	647.805	132.682	654.609
A 2016	49.290	21.493	667.212	139.167	685.662
A 2017	51.169	21.780	705.970	144.302	710.251
A 2018	56.751	24.091	791.592	148.382	729.791
A 2019	62.874	26.703	876.641	153.653	755.033
A 2020	61.676	25.058	839.140	122.160	604.221
F 2021	55.675	20.878	695.936	100.628	501.107
F 2022	81.570	30.589	1,019.628	149.299	734.181
F 2023	97.009	36.378	1,212.616	178.317	873.141
F 2024	108.040	40.515	1,350.498	199.049	972.423
F 2025	116.277	43.604	1,453.468	214.532	1,046.566

## 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**

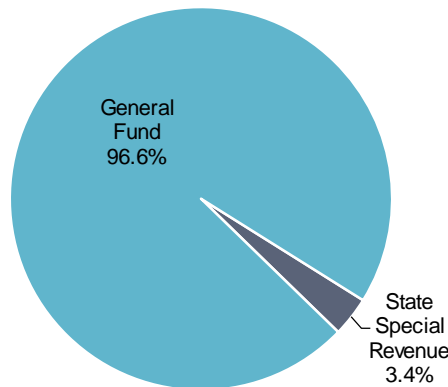
Fee Rate – multiple, but generally in [Title 61, Chapter 3, MCA](#); permanent registration: [61-3-562, MCA](#)  
 Tax Distribution – [61-3-108, MCA](#)

**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.



**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

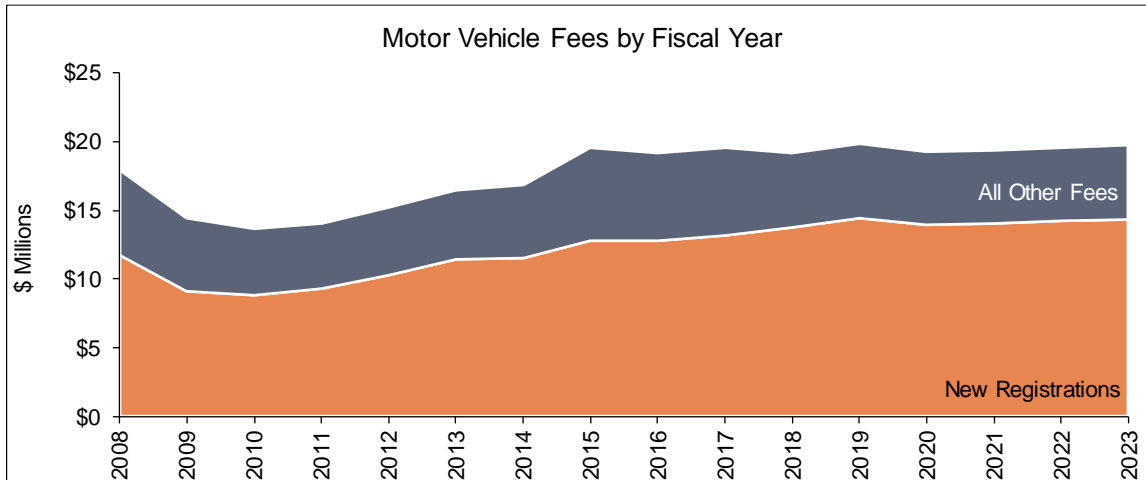
MV fees are currently imposed at different rates on eight major categories. Included in the fees assessed on motor vehicles in Montana are registration fees, two types of record liens, title fees,

**Business and Personal Taxes**

**Motor Vehicle Fee**

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 LFD revenue recommendation.

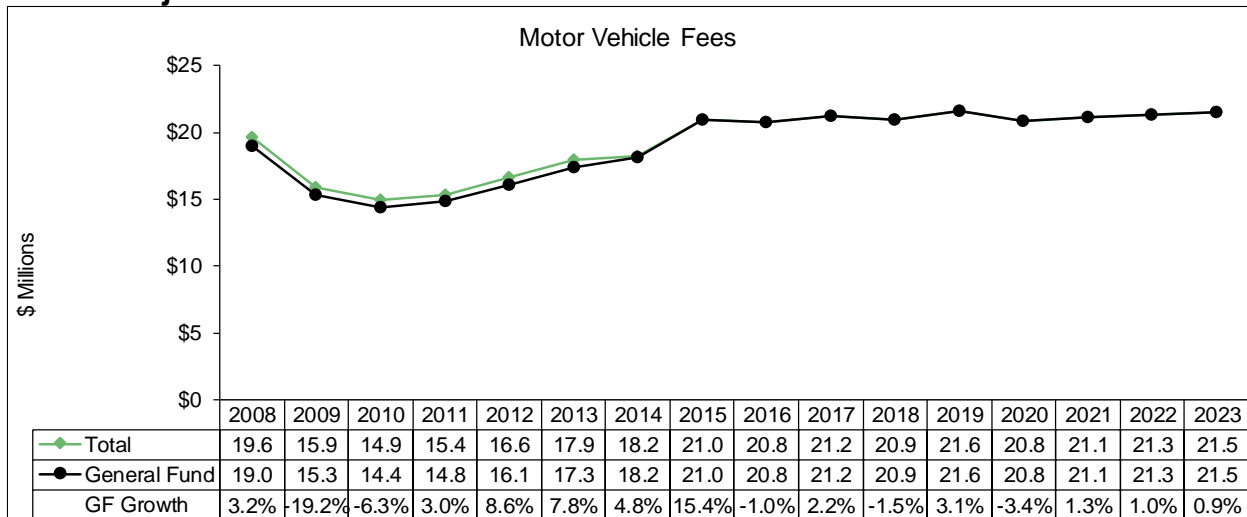
FY	Total Tax \$ Millions	GF Tax \$ Millions	GF Fee Registration \$ Millions	GF Fee Record \$ Millions	GF Fee Titles \$ Millions	GF Fee Personal \$ Millions	GF Fee VA Cemetery \$ Millions
A 2010	\$14.917	\$14.377	\$8.826	\$0.545	\$1.233	\$0.660	\$0.000
A 2011	15.353	14.814	9.283	0.538	1.230	0.529	-
A 2012	16.643	16.084	10.242	0.559	1.246	0.554	-
A 2013	17.921	17.334	11.418	0.588	1.250	0.535	-
A 2014	18.208	18.162	11.494	0.593	1.240	0.850	-
A 2015	20.961	20.961	12.783	0.610	1.267	1.953	-
A 2016	20.751	20.751	12.791	0.641	1.259	1.481	-
A 2017	21.216	21.216	13.204	0.603	1.252	1.538	-
A 2018	20.903	20.903	13.769	0.614	1.239	0.598	-
A 2019	21.553	21.553	14.418	0.590	1.179	0.591	-
A 2020	20.828	20.828	13.968	0.595	1.134	0.596	-
F 2021	21.101	21.101	14.051	0.599	1.141	0.600	-
F 2022	21.319	21.319	14.196	0.605	1.152	0.606	-
F 2023	21.508	21.508	14.322	0.610	1.163	0.611	-
F 2024	21.679	21.679	14.436	0.615	1.172	0.616	-
F 2025	21.862	21.862	14.558	0.620	1.182	0.621	-

**Business and Personal Taxes**

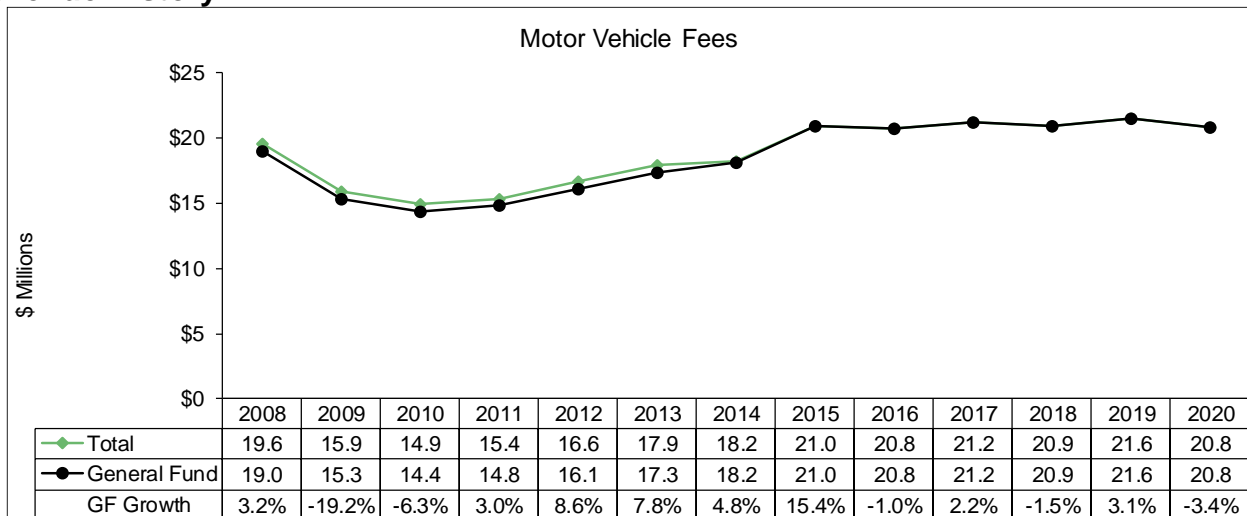
**Motor Vehicle Fee**

FY	GF Fee New Plate \$ Millions	GF Fee Other \$ Millions	Non GF Fee Lien \$ Millions
A 2010	\$0.000	\$0.000	\$2.156
A 2011	-	-	2.286
A 2012	-	-	2.387
A 2013	-	-	2.444
A 2014	-	-	2.457
A 2015	-	-	2.749
A 2016	-	-	2.794
A 2017	-	-	2.750
A 2018	-	-	2.742
A 2019	-	-	2.817
A 2020	-	-	2.707
F 2021	-	-	2.723
F 2022	-	-	2.751
F 2023	-	-	2.776
F 2024	-	-	2.798
F 2025	-	-	2.822

**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.

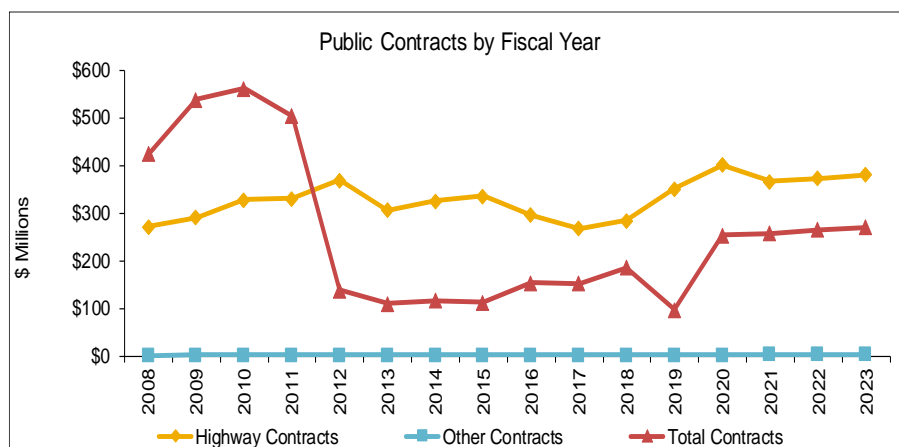
**Forecast Risks**

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

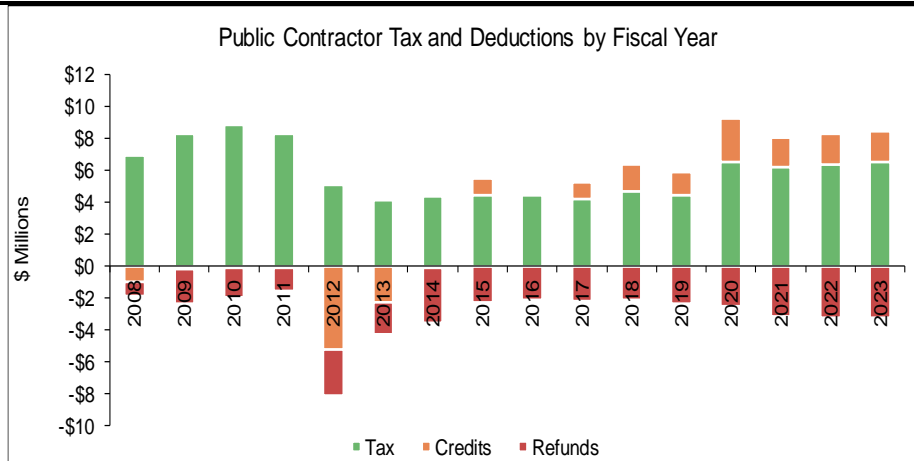
**Revenue Estimate Methodology**

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% 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 LFD revenue recommendation.

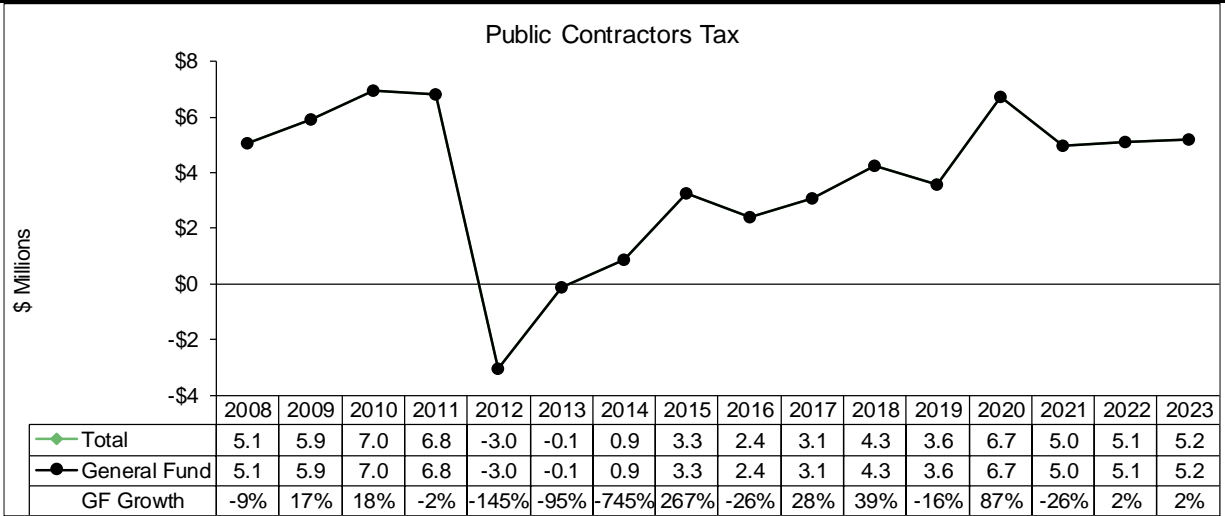
FY	Total Tax \$ Millions	GF Tax \$ Millions	Gross Tax \$ Millions	Credits & Refunds \$ Millions	Highway Payments \$ Millions	Other Contracts \$ Millions
A 2010	\$6.969	\$6.969	\$8.882	\$1.913	\$327.226	\$2.168
A 2011	6.803	6.803	8.329	1.525	329.808	2.211
A 2012	(3.042)	(3.042)	5.068	8.110	368.229	2.276
A 2013	(0.138)	(0.138)	4.162	4.299	306.053	2.314
A 2014	0.887	0.887	4.407	3.520	324.791	2.350
A 2015	3.257	3.257	4.481	1.224	335.646	2.367
A 2016	2.397	2.397	4.481	2.084	295.287	2.382
A 2017	3.078	3.078	4.188	1.110	266.975	2.426
A 2018	4.267	4.267	4.703	0.436	284.639	2.481
A 2019	3.597	3.597	4.486	0.888	351.279	2.533
A 2020	6.729	6.729	6.539	(0.189)	400.970	2.573
F 2021	4.987	4.987	6.233	1.247	365.682	2.621
F 2022	5.103	5.103	6.378	1.276	373.324	2.690
F 2023	5.206	5.206	6.507	1.301	380.967	2.744
F 2024	5.306	5.306	6.632	1.326	388.609	2.793
F 2025	5.412	5.412	6.765	1.353	396.251	2.851

**Revenue Projection**

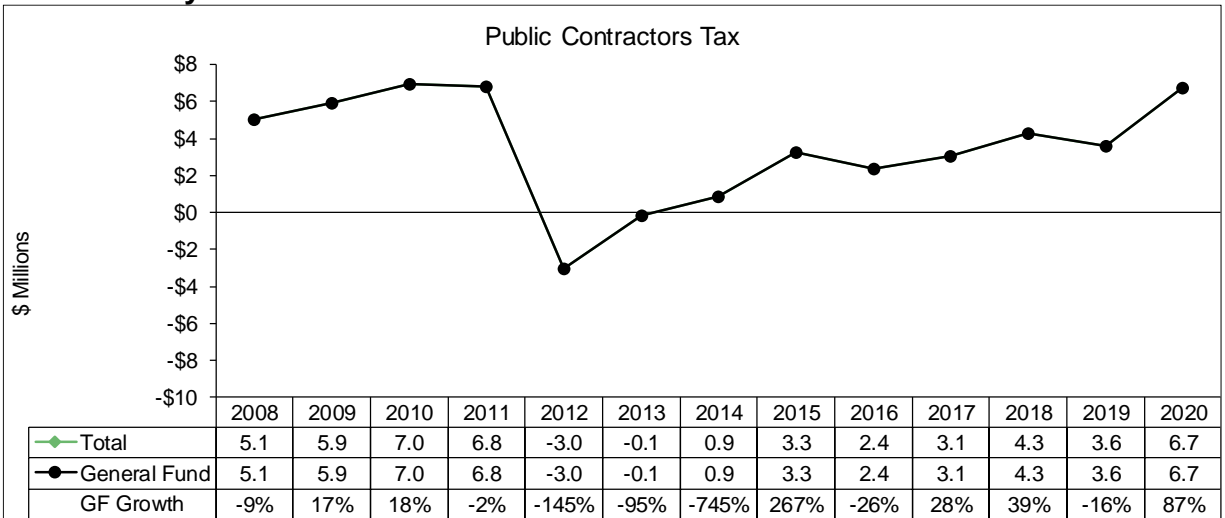


**Business and Personal Taxes**

**Public Contractors Tax**



**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 15<sup>th</sup> 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 30<sup>th</sup> and half is due by May 31<sup>st</sup> ([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.

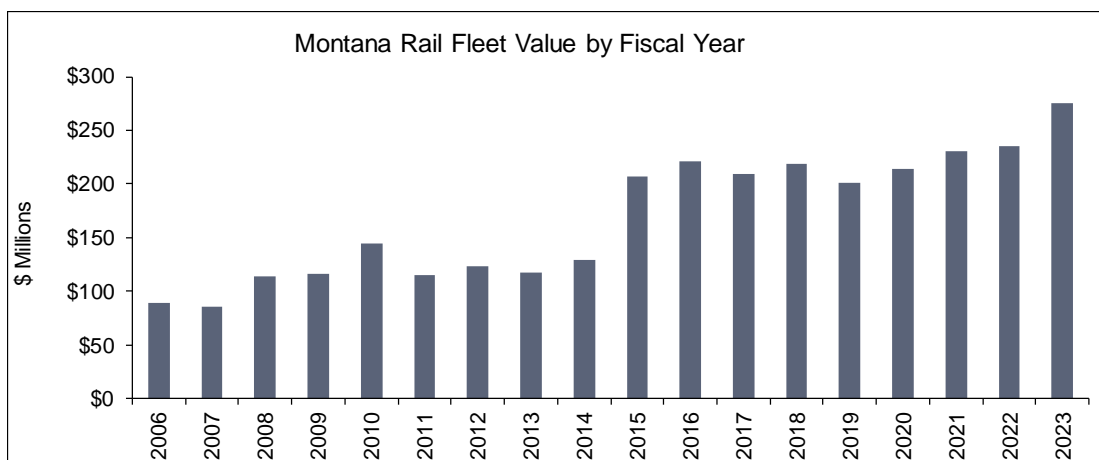
**Forecast Risks**

- 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

## Business and Personal Taxes

## Railroad Car Tax

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.

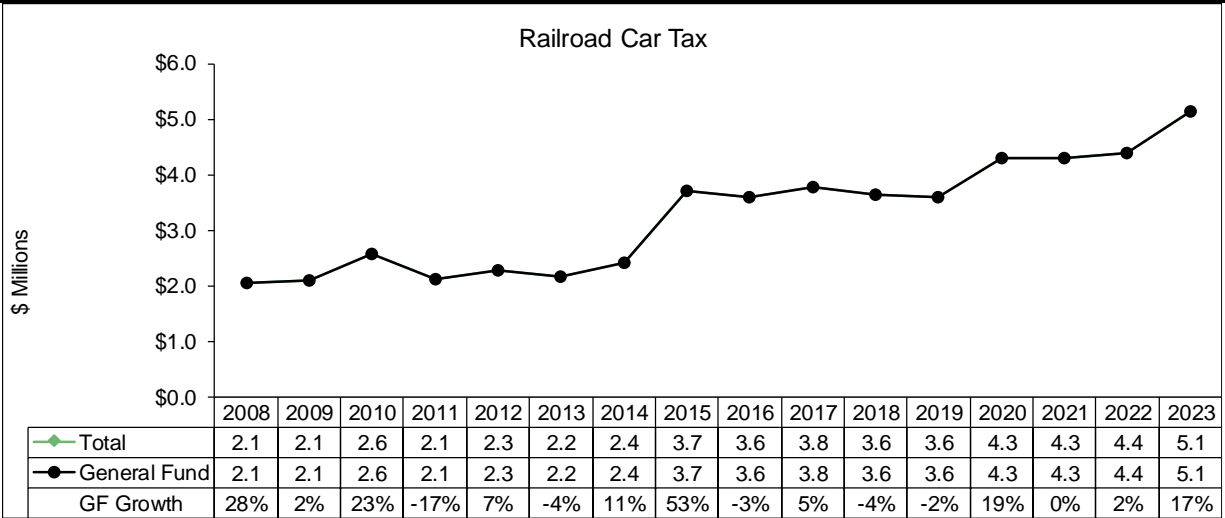
The tax rate for the railroad property is created from a weighted average of six property classes containing commercial and industrial property: class 4, 7, 8, 9, 13 and 14. Class 4 property tax, which contains commercial real estate, is weighted more heavily than the other classes due to its higher 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

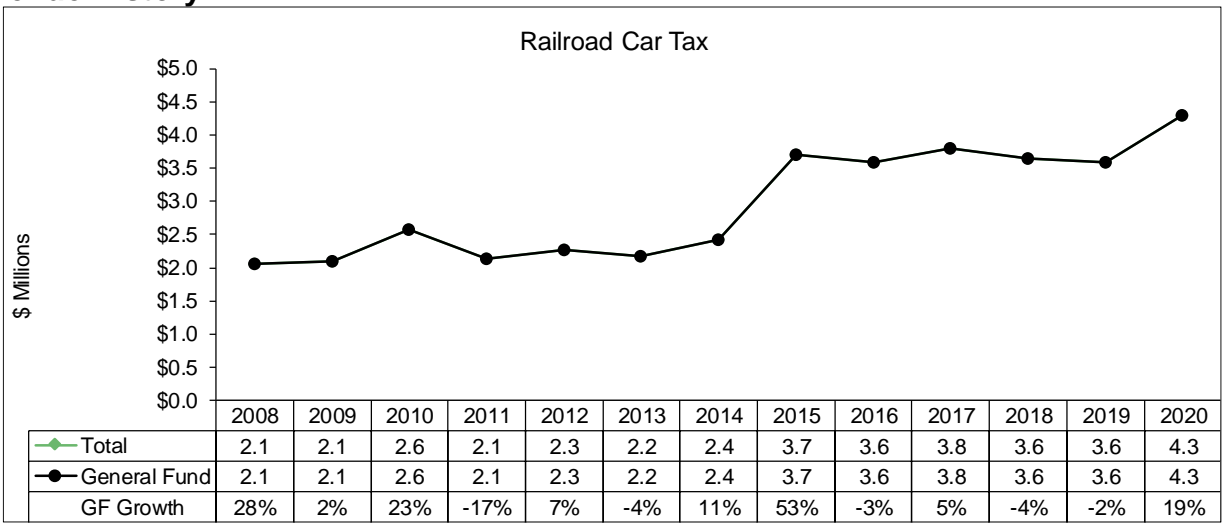
This section contains the assumptions used to generate LFD revenue recommendation.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Total MV of Fleet \$ Millions	MT Allocation Percent	Tax Rate	Mills	Montana Retail Sales \$ Millions
A 2010	\$2.579	\$2.579	\$15,421	6.82%	52.48%	144.031	\$0
A 2011	2.13	2.13	14,074.72	-8.38%	51.73%	115.455	-
A 2012	2.27	2.27	14,110.40	0.24%	53.29%	123.766	-
A 2013	2.18	2.18	14,856.59	5.06%	53.04%	117.899	-
A 2014	2.42	2.42	15,610.43	4.86%	53.75%	129.494	-
A 2015	3.71	3.71	16,210.73	15.15%	53.63%	206.979	-
A 2016	3.59	3.59	16,724.78	6.09%	54.49%	221.101	-
A 2017	3.79	3.79	16,926.95	2.26%	53.81%	209.408	-
A 2018	3.65	3.65	16,767.30	3.13%	54.59%	218.644	-
A 2019	3.59	3.59	16,988.35	9.96%	55.74%	200.806	-
A 2020	4.29	4.29	17,597.53	8.51%	58.33%	214.324	-
F 2021	4.31	4.31	18,076.23	7.62%	58.33%	230.663	-
F 2022	4.39	4.39	18,237.45	2.05%	58.33%	235.380	-
F 2023	5.14	5.14	19,605.75	17.01%	58.33%	275.415	-
F 2024	5.07	5.07	19,476.15	-1.38%	58.33%	271.623	-
F 2025	5.15	5.15	19,614.71	1.49%	58.33%	275.677	-

## Revenue Projection



Revenue History



## Rental Car Sales Tax

### Revenue Description

The 4% 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% 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% sales tax is imposed on the base rental charge for rental vehicles.

**Collection Frequency:** Quarterly

### Distribution

Rental car sales tax revenue is distributed 75% to the general fund and 25% to the senior citizen and persons with disabilities transportation services state special revenue account.

### 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

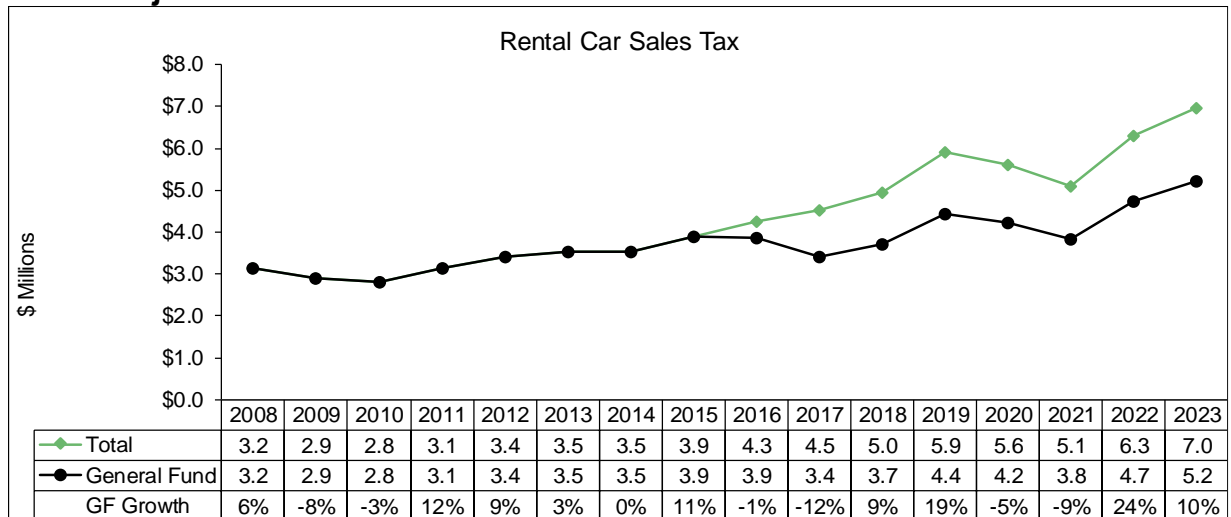
This section contains the assumptions used to generate LFD revenue recommendation.

**Business and Personal Taxes**

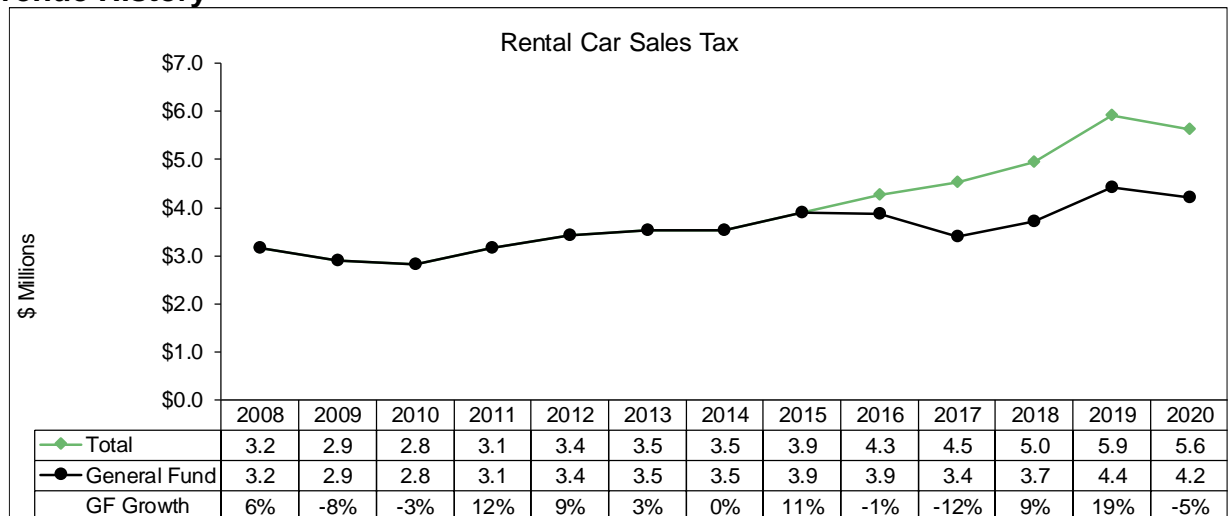
**Rental Car Sales Tax**

FY	Total Tax \$ Millions	GF Tax \$ Millions	Proxy Sales \$ Millions	MT PCE Transportation \$ Millions
A 2010	\$2.807	\$2.807	\$70.185	\$716.305
A 2011	3.149	3.149	78.730	751.612
A 2012	3.420	3.420	85.494	811.831
A 2013	3.523	3.523	88.080	839.240
A 2014	3.521	3.521	88.033	888.802
A 2015	3.907	3.907	97.669	942.842
A 2016	4.269	3.878	106.736	970.960
A 2017	4.536	3.402	113.406	992.304
A 2018	4.959	3.719	123.965	1,048.327
A 2019	5.908	4.431	147.691	1,076.200
A 2020	5.617	4.224	140.415	980.038
F 2021	5.098	3.823	127.443	914.343
F 2022	6.303	4.727	157.566	1,066.892
F 2023	6.958	5.219	173.956	1,149.894
F 2024	7.803	5.852	195.082	1,256.876
F 2025	8.566	6.425	214.161	1,353.494

**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.

**Forecast Risks**

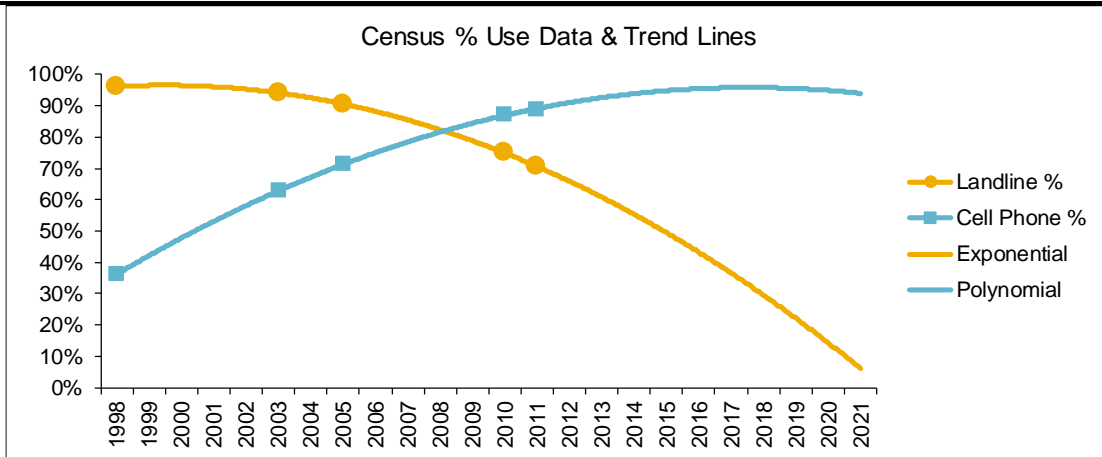
- Changing rate of landline usage
- Changing market share of prepaid smartphones, which are not taxable

**Revenue Estimate Methodology**Data

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, IDC Mobile Phone Tracker statistics, Google smartphone statistics, 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 area—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% of all wireless service; however, if trends follow that of European countries, the prepaid market share could go above 80%, which would result in lower revenue.

**Revenue Estimate Assumptions**

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

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 2010	\$23.523	\$23.523	\$563.234	79%	84%	8%	84%
A 2011	22.050	22.050	585.333	76%	87%	13%	87%
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%
F 2021	10.954	10.954	-	30%	96%	40%	57%
F 2022	10.085	10.085	-	24%	96%	40%	58%
F 2023	9.190	9.190	-	18%	96%	40%	58%
F 2024	8.221	8.221	-	11%	96%	40%	58%
F 2025	7.192	7.192	-	5%	96%	40%	58%

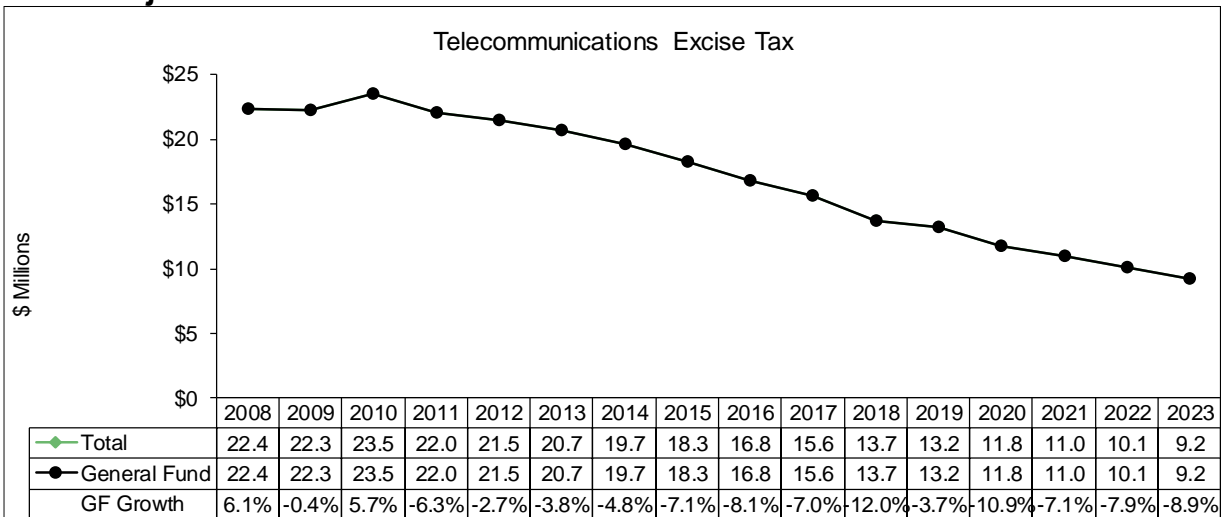


## Business and Personal Taxes

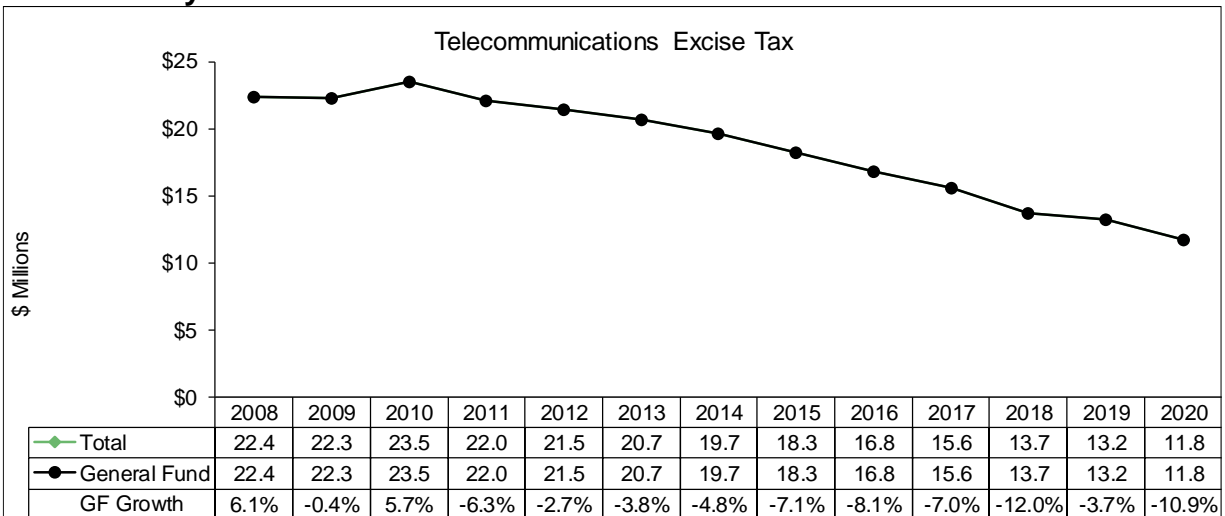
## Telecommunications Excise Tax

FY	Calculated Total % Calendar	Calculated Total % Fiscal	MT Pop. Age >=16 Millions	Calculated Tax. Phones Millions	Trend Taxable Sales \$ Millions
A 2010	164%	164%	0.791	1.298	\$604.255
A 2011	163%	163%	0.797	1.301	605.946
A 2012	145%	154%	0.803	1.235	569.564
A 2013	139%	142%	0.811	1.150	523.425
A 2014	131%	135%	0.819	1.105	498.384
A 2015	123%	127%	0.826	1.048	467.365
A 2016	118%	120%	0.835	1.005	444.025
A 2017	109%	113%	0.845	0.959	418.412
A 2018	104%	107%	0.854	0.911	392.207
A 2019	99%	102%	0.862	0.877	373.941
A 2020	94%	96%	0.869	0.838	352.367
F 2021	88%	91%	0.875	0.792	327.421
F 2022	82%	85%	0.879	0.745	301.453
F 2023	76%	79%	0.885	0.696	274.686
F 2024	69%	72%	0.889	0.643	245.721
F 2025	62%	66%	0.894	0.587	214.977

## 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 20<sup>th</sup> 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% is deposited in the motor vehicle division administration account
- Fee of \$10 that is collected to partially fund highway patrol officers’ salaries

#### Forecast Risks

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

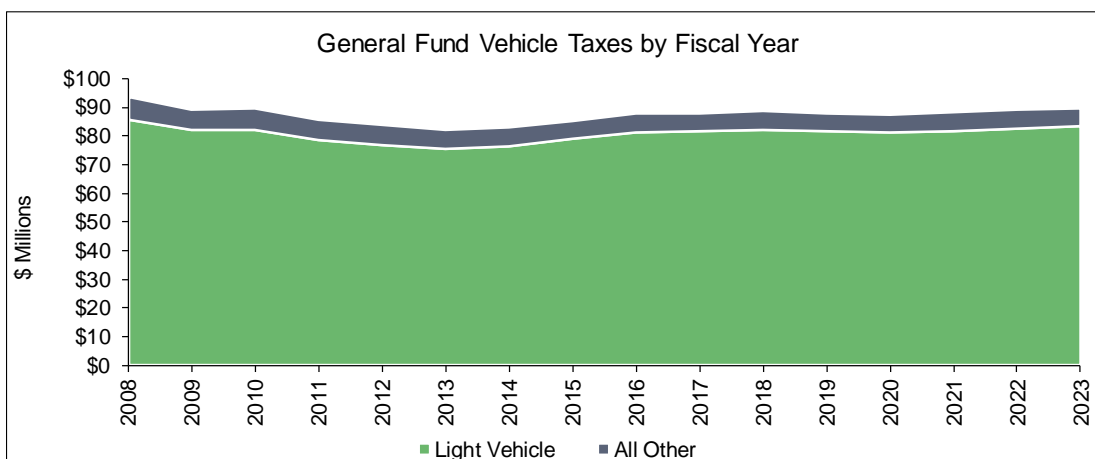
#### Revenue Estimate Methodology

##### 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, motor cycles (including tri-cycles), and boats and snowmobiles.



## Business and Personal Taxes

## Vehicle Tax

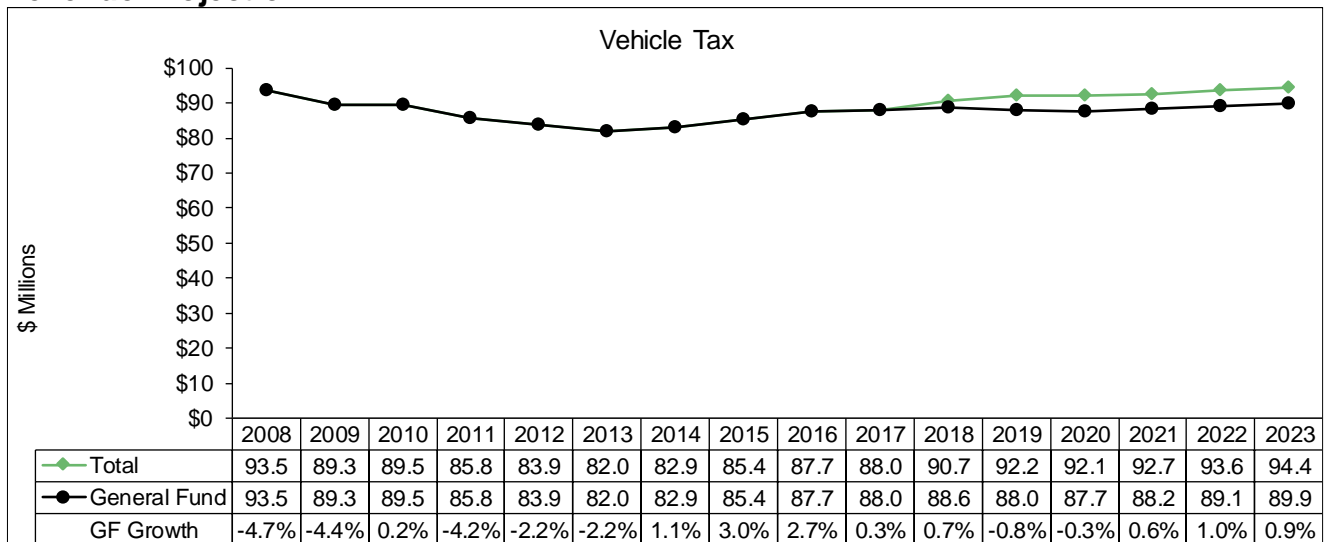
With constant fees, the future change in vehicle tax revenue results from change in the vehicle stock in Montana. Growth rates for the stock of Montana vehicles are modeled on IHS Markit estimates for the national and Montana-specific vehicle stock and new car sales nationwide. The growth rate is applied 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 LFD revenue recommendation.

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 2010	\$89.485	\$89.485	\$2.584	\$3.489	\$82.212	\$1.199	-
A 2011	85.762	85.762	2.726	3.460	78.443	1.133	-
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	2.033
A 2019	92.166	87.955	2.753	2.097	81.693	1.411	4.212
A 2020	92.107	87.654	2.785	2.101	81.356	1.412	4.454
F 2021	92.652	88.172	2.802	2.113	81.837	1.421	4.480
F 2022	93.609	89.083	2.830	2.135	82.682	1.435	4.526
F 2023	94.442	89.875	2.856	2.154	83.418	1.448	4.566
F 2024	95.193	90.591	2.878	2.171	84.081	1.460	4.603
F 2025	95.995	91.353	2.903	2.189	84.790	1.472	4.642

### Revenue Projection



### Revenue History

