

INDIVIDUAL INCOME TAX: ANALYSIS OF CY 2020 NEW RESIDENTS, AND INCOME TRENDS AFTER MOVING

A Report Prepared for the
Financial Modernization and Risk Assessment (MARA) Study

By
Sam Schaefer, Lead Fiscal Analyst

March 7, 2022

BACKGROUND

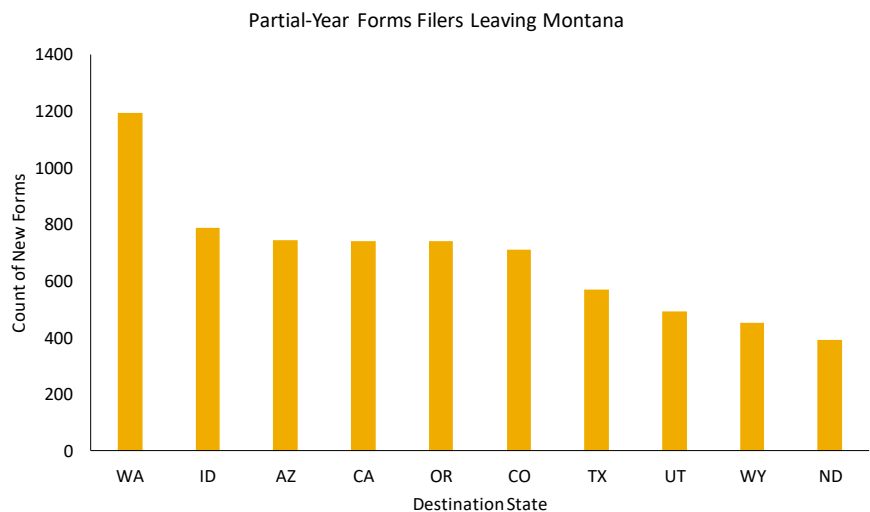
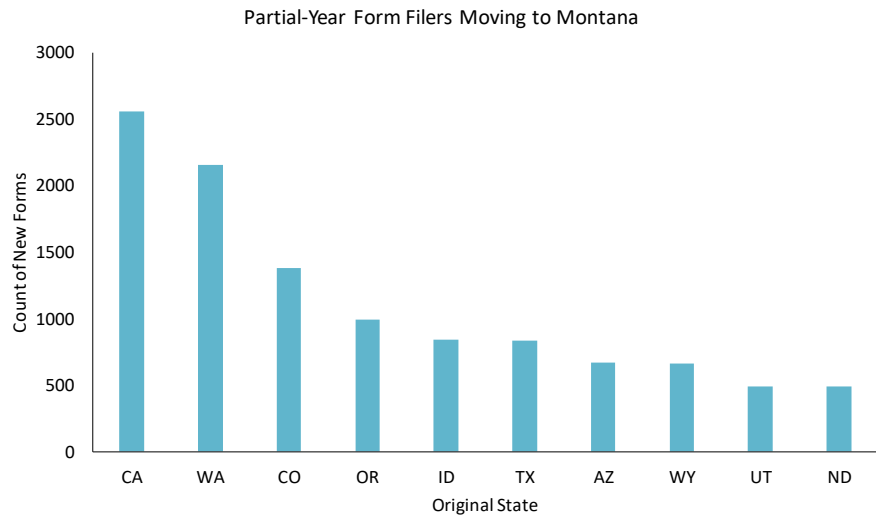
This report is a continuation of an ongoing analysis of income tax trends in Montana, especially concerning new residents in the state. A prior [report](#) analyzed non-resident incomes in CY 2019 compared to full-year residents, as well as those who moved here in CY 2019. Early in the study, focus was put on the ageing demographics of the state, and how incomes differed between those of retirement age compared to working age. Given the in-migration recently experienced, focus has shifted towards the impact these new residents will have on Montana's revenue picture. For context, prior to CY 2021, Montana averaged approximately 1% population growth per year. However, in CY 2021, Montana's population grew by an estimated 1.6%. This study focuses on the incomes of new residents in CY 2020 (the most recently available data) relative to full-year residents, as well as where they came from and where they moved. It also analyzes those residents who moved to Montana in CY 2019, and how their incomes changed, if at all, once they lived in Montana for a whole year.

CY 2020 PARTIAL & FULL-YEAR RESIDENTS

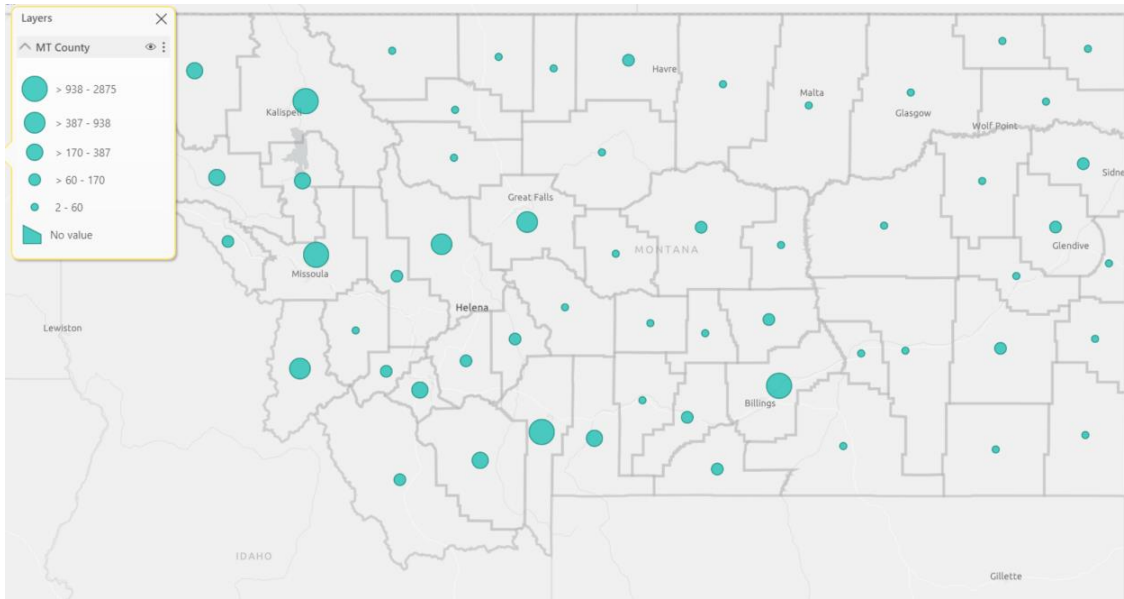
Taxpayers who file taxes in Montana are either residents, non-residents, or partial-year residents. Partial-year residents are those individuals who were residents in Montana for part of the year. The following graphs show the top ten states where people moving to Montana moved from, or where people leaving Montana moved to. Note that these represent new tax forms being filed within the state, not necessarily people.

In CY 2020, 18,077 forms were filed in the state as partial-year residents moving to Montana, while 11,416 were forms from filers that left the state. This equates to in-migration of 6,661 partial-year form filers.

For those new residents coming to Montana, the most populous counties saw more new residents. Gallatin county had the largest number of new tax forms filed, with Flathead, Missoula, Yellowstone, and Lewis and Clark counties rounding out the top five.

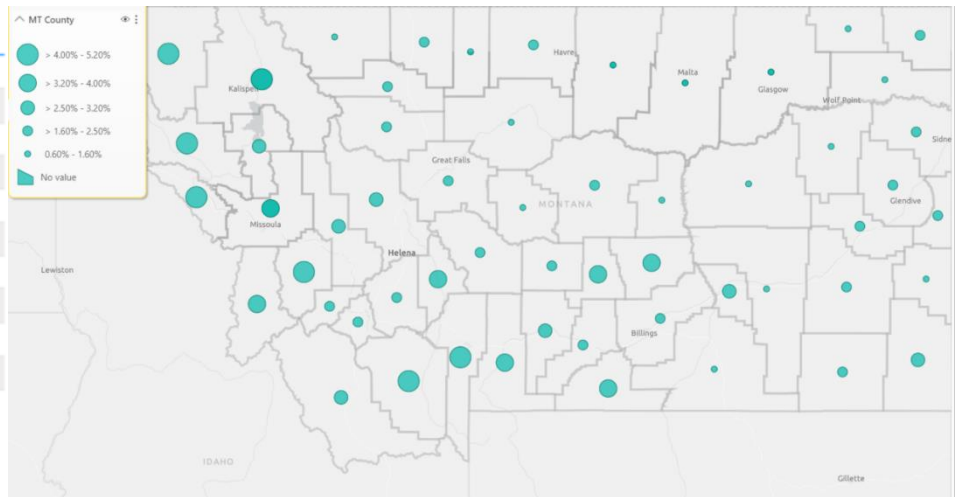


The following figure shows how the new partial-year residents were disbursed across the state.



While the most populous counties saw the most growth in terms of forms filed, the picture is quite different when looking at growth as a percent of a county's population. The following table and map show total growth by county.

MT County	Total Growth
Gallatin County, MT	5.20%
Madison County, MT	4.80%
Flathead County, MT	4.50%
Sanders County, MT	4.40%
Lincoln County, MT	4.30%
Mineral County, MT	4.30%
Granite County, MT	4.20%
Park County, MT	4.00%
Ravalli County, MT	3.90%
Broadwater County, MT	3.80%



When looking at growth as a percent, it is more widespread and not isolated to the most populous counties, even though Gallatin county saw the most growth in terms of both number of forms filed and percentage increase. The two tables show growth rates of the top ten counties after being adjusted for age. Some of the more rural counties experience high percentage growth due to their small populations, but it is growth, nonetheless.

MT County	Growth under 65
Gallatin County, MT	6.00%
Madison County, MT	5.90%
Granite County, MT	5.60%
Golden Valley County, MT	5.30%
Flathead County, MT	5.20%
Lincoln County, MT	5.20%
Sanders County, MT	5.20%
Mineral County, MT	5.00%
Park County, MT	4.70%
Broadwater County, MT	4.60%

MT County	Growth over 65
Sanders County, MT	2.80%
Mineral County, MT	2.60%
Lincoln County, MT	2.50%
Ravalli County, MT	2.30%
Prairie County, MT	2.20%
Meagher County, MT	2.10%
Flathead County, MT	2.00%
Park County, MT	1.90%
Carbon County, MT	1.80%
Petroleum County, MT	1.80%

For the remaining analysis, income levels will be analyzed for those partial year residents who moved to Montana in CY 2020. It does not include those partial year residents who left the state. In addition, it only analyzes taxpayers that had a positive tax liability in CY 2020.

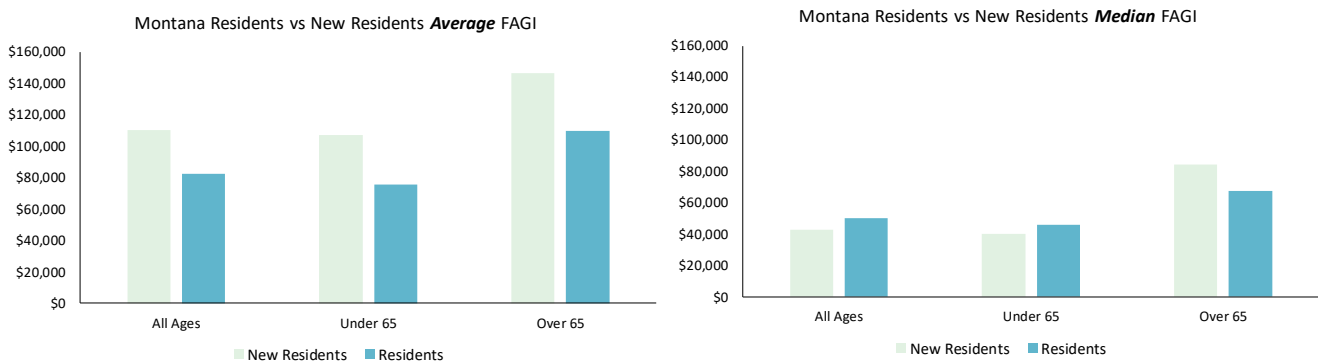
Median vs. Average

The next section of the report focuses on comparing Montana residents vs new residents and shows comparisons in terms of median or average Federal Adjusted Gross Income (FAGI). The median simply represents the middle value of all taxpayers, whereas the average is far more impacted by larger incomes. Furthermore, taxes are paid on income, both large and small, therefore it may make more sense to use averages for comparisons to get insight into potential revenue impacts.

As a collective unit, Montana residents had a median Federal Adjusted Gross Income (FAGI) of \$50,243 in CY 2020. As has been the trend in past analyses, this varies significantly based on age. Those residents under the age of 65 had a median FAGI of \$46,002, up 7.5% from CY 2019 levels. For those residents over the age of 65, the median FAGI was \$67,735, up 1.5% from CY 2019.

On average, Montana residents had an FAGI of \$82,287 in CY 2020. Residents under 65 had an average FAGI of \$75,667 while those over 65 had an average FAGI of \$110,057. New residents to the state had an average FAGI of \$110,271, with those over 65 averaging \$146,601 and those under 65 averaging \$107,383.

The two charts below compare both **average** and **median** FAGI of full-year residents and new residents.

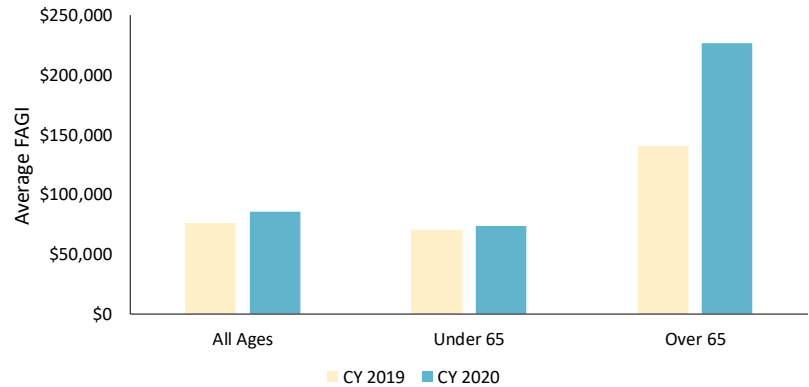


On average, new residents earned more in CY 2020 across all ages and both age demographics, whereas for median incomes only those new residents over the age of 65 earned more than full-year residents. This indicates that those new residents at the upper income levels earned far more than their resident counterparts. In fact, the top 10% of new residents had an average FAGI of \$598,737, compared to \$312,759 for full-year residents. Even the median was significantly higher for the top 10%, with new residents having a median FAGI of \$244,700 and full-year residents having a median FAGI of \$187,212.

CY 2019 PARTIAL-YEAR RESIDENTS AND SUCCEEDING CY 2020 INCOME

In a previous analysis on CY 2019 income, similarly to above for CY 2020 partial-year residents, FAGI levels were analyzed. FAGI was used because it is a comparable income metric that all taxpayers report on their federal income tax form. Each taxpayer has a unique taxpayer ID in Montana's Gentax tax system. Using these ID's, those taxpayers who moved to Montana in CY 2019 were tracked to see how their incomes changed, if at all, once they resided in Montana for a whole year in CY 2020.

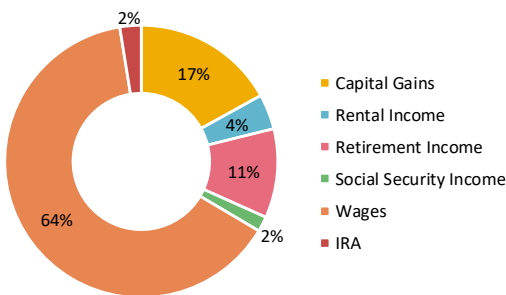
Those taxpayers who moved to Montana in CY 2019 saw their income increase in CY 2020, and was especially pronounced for those over the age of 65.



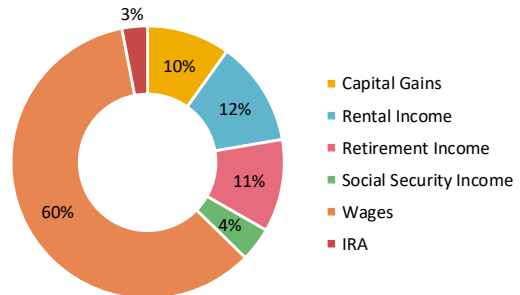
On average, taxpayers who moved to Montana in CY 2019 saw their FAGI increase in CY 2020. In aggregate, these taxpayers saw their average FAGI grow from \$75,624 to \$85,872, an increase of 13.6%. Those working-age residents under 65 saw their incomes grow 5.0%, from \$70,389 to \$73,921. **This indicates that these individuals acquired similar paying jobs in Montana or were able to bring their jobs with them.** Finally, those over 65 saw the largest increase from \$140,485 to \$226,501, an increase of 61.2%.

Compared to full-year residents, those who moved in CY 2019 and were established residents for all of CY 2020 had a similar income portfolio. Wages made up a slightly larger share of the total CY 2020 income portfolio for the CY 2019 new residents. Capital gains income was also a larger share, while rental income was a smaller share than all CY 2020 full-year residents.

New 2019 Residents' Full CY 2020 Income Distribution

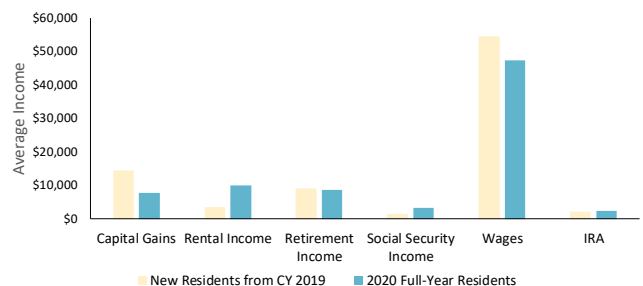


CY 2020 Full-Year Residents' Income Distribution

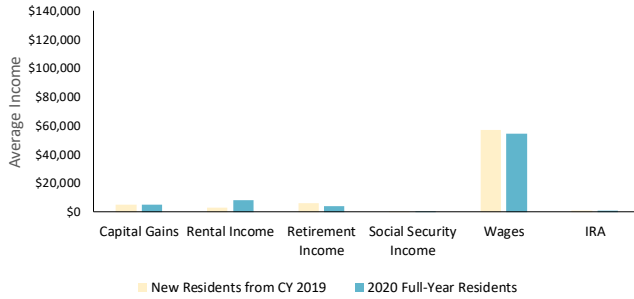


The average CY 2020 income amounts by income type for those who moved to Montana in CY 2019 is shown to the right, along with the comparable levels for all full-year CY 2020 residents. As was mentioned earlier, taxpayers who moved to Montana in CY 2019 had an average FAGI of \$85,872 in CY 2020. CY 2020 full-year residents had an average FAGI of \$82,287. There is a more pronounced difference when looking at income distributions when adjusting for age. This can be seen in the two charts on the following page.

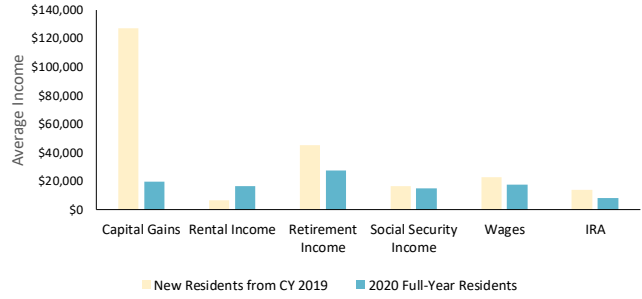
Taxpayers who moved to Montana in CY 2019 had larger CY 2020 average incomes than CY 2020 residents as a whole, and was driven by larger capital gains and wage income.



Under 65 CY 2020 Income Distribution



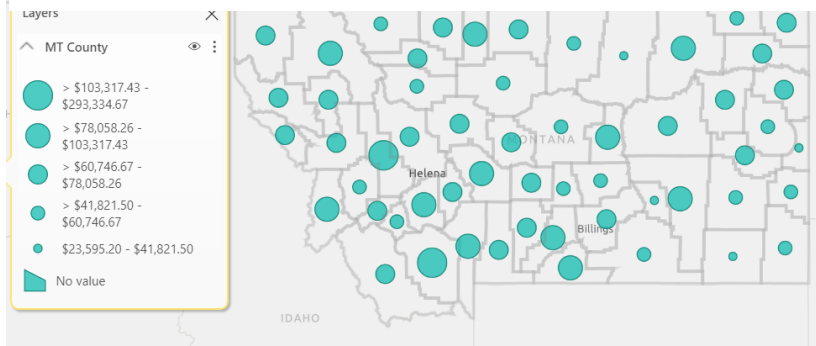
Over 65 CY 2020 Income Distribution



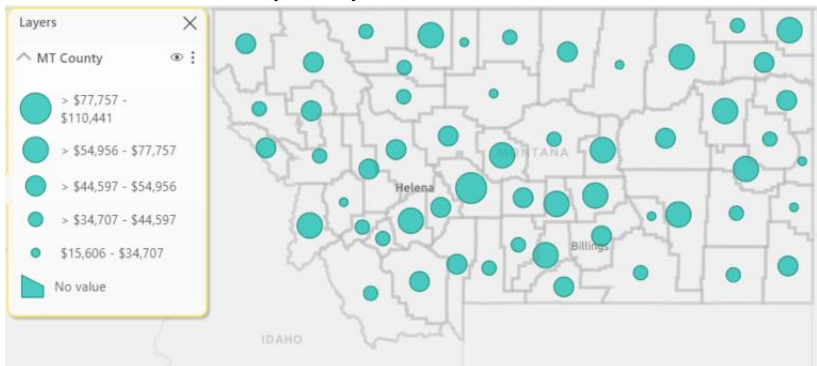
Note that the discrepancy is driven by a few taxpayers with significant capital gains income in the over-65 cohort. Nonetheless, this is still taxable income. There are many taxpayers who did not record income in every category shown in the charts above. Therefore, looking at the median values is not as informative as average amounts, as the median is 0 for many income categories.

While certain counties are experiencing more new, high income taxpayers than others, it is fairly distributed throughout the state. The map to the right shows average CY 2020 FAGI for those taxpayers who moved to Montana in CY 2019. For those counties that saw few new residents in CY 2019, a single large earner can influence the average. Both measurements provide insight, however. The bottom chart to the right shows median FAGI by county and may more aptly represent a more “typical” new resident to the county. The map of median FAGI also suggests that levels of income of newly established residents is evenly distributed throughout the state, and certainly not concentrated in the more populous counties. The following two tables show the counties with the top five average CY 2020 FAGI for those taxpayers who arrived in Montana in CY 2019. For confidentiality purposes, only those counties with at least ten new taxpayers were included in the top five.

Average CY 2020 FAGI by county for those CY 2019 new residents



Median CY 2020 FAGI by county for those CY 2019 new residents



Over 65 Average FAGI

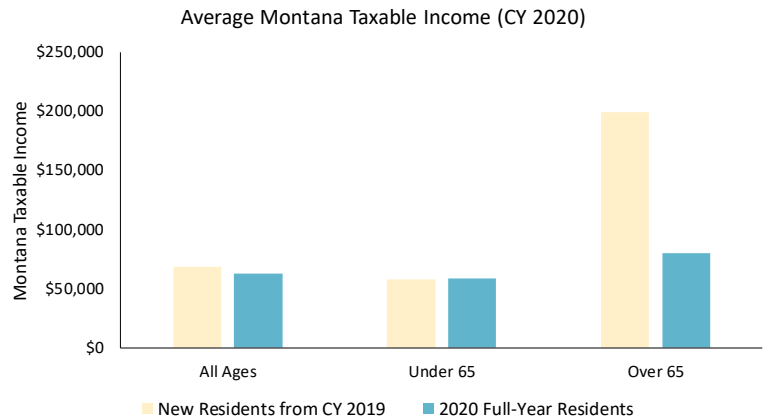
County	New Residents	Full-Year Residents	% Difference
Madison County	\$428,062	\$145,130	195%
Flathead County	\$156,995	\$114,807	37%
Gallatin County	\$141,653	\$165,197	-14%
Ravalli County	\$115,897	\$97,469	19%
Missoula County	\$114,711	\$144,490	-21%

Under 65 Average FAGI

County	New Residents	Full-Year Residents	% Difference
Madison County	\$282,720	\$111,953	153%
Powell County	\$226,226	\$72,570	212%
Jefferson County	\$93,255	\$89,965	4%
Flathead County	\$91,328	\$79,943	14%
Stillwater County	\$89,878	\$86,575	4%

For both age cohorts, Madison county had the highest average FAGI in CY 2020 for those taxpayers who moved to Montana in CY 2019. Furthermore, their income was significantly larger than the average taxpayer in that county. Surprisingly though, those retiree-age individuals moving to Gallatin and Missoula counties had lower average incomes than established residents.

Ultimately, taxpayers pay final taxes based upon their Montana Taxable Income (MTI), not FAGI, though FAGI is utilized in the calculation. On average, taxpayers who moved to Montana in CY 2019 had an average CY 2020 MTI of \$68,822 while full-year residents had an MTI of \$62,642. The chart to the right shows this breakout by age, and once again the largest discrepancy is those over the age of 65.



CONTINUED ANALYSIS

Prior to the pandemic, Montana’s population had already been growing, but growth was accelerated into CY 2020 and especially CY 2021. Newly available population data shows growth of 1.1% in CY 2020, followed by extremely strong growth of 1.6% in CY 2021. With these new individuals comes an increasing tax base, and if trends continue with those seen in CY 2019 and CY 2020, these new taxpayers will bring incomes typically larger than existing Montana residents, especially for those aged over 65.

When CY 2021 data becomes available, a similar analysis will be conducted. Furthermore, individuals who moved to Montana in CY 2019 and CY 2020 will be continually monitored, to see how their incomes changed, if at all, once they were full-year residents.

Appendix

Summary Statistics of New CY 2020 Tax Forms with a Positive Tax Liability							
MT County	Average FAGI (All Ages)	Count (All Ages)	Average FAGI (Under 65)	Count (Under 65)	Average FAGI (Over 65)	Count (Over 65)	
No County Listed	\$93,562	1,894	\$90,826	1,832	\$174,422	62	
Beaverhead County, MT	\$85,619	100	\$81,852	89	\$116,099	11	
Big Horn County, MT	\$55,918	38	\$50,844	34		4	
Blaine County, MT	\$83,689	14	\$87,417	13		1	
Broadwater County, MT	\$75,574	70	\$79,224	60	\$53,672	10	
Carbon County, MT	\$97,861	138	\$79,337	120	\$221,354	18	
Carter County, MT	\$68,309	15	\$68,309	15			
Cascade County, MT	\$62,627	655	\$61,915	614	\$73,288	41	
Chouteau County, MT	\$57,574	26	\$57,574	26			
Custer County, MT	\$51,083	105	\$50,585	96		9	
Daniels County, MT		6		6			
Dawson County, MT	\$52,154	76	\$47,019	72		4	
Deer Lodge County, MT	\$72,620	66	\$67,666	58		8	
Fallon County, MT	\$62,506	14	\$65,492	13		1	
Fergus County, MT	\$73,982	76	\$74,657	74		2	
Flathead County, MT	\$133,108	1,785	\$123,397	1,613	\$224,175	172	
Gallatin County, MT	\$140,163	2,509	\$138,445	2,397	\$176,942	112	
Garfield County, MT		6		6			
Glacier County, MT	\$60,015	45	\$59,611	43		2	
Golden Valley County, MT		9		8		1	
Granite County, MT	\$65,913	37	\$64,953	36		1	
Hill County, MT	\$67,619	108	\$67,494	102		6	
Jefferson County, MT	\$98,644	110	\$100,081	99	\$85,712	11	
Judith Basin County, MT		9		8		1	
Lake County, MT	\$87,462	309	\$73,266	279	\$219,488	30	
Lewis and Clark County, MT	\$103,584	819	\$100,557	761	\$143,291	58	
Liberty County, MT		4		4			
Lincoln County, MT	\$83,331	254	\$84,297	209	\$78,844	45	
Madison County, MT	\$768,226	226	\$810,491	207	\$307,766	19	
McCone County, MT		5		3		2	
Meagher County, MT	\$66,523	15	\$50,593	12		3	
Mineral County, MT	\$89,323	71	\$83,395	56	\$111,454	15	
Missoula County, MT	\$85,791	1,764	\$81,847	1,636	\$136,206	128	
Musselshell County, MT	\$64,701	43	\$59,875	38		5	
Park County, MT	\$90,327	295	\$86,619	262	\$119,767	33	
Petroleum County, MT		1				1	
Phillips County, MT	\$50,420	20	\$48,161	18		2	
Pondera County, MT	\$59,703	45	\$59,060	43		2	
Powder River County, MT	\$51,646	10	\$51,646	10			
Powell County, MT	\$64,743	60	\$66,136	56		4	
Prairie County, MT		7		5		2	
Ravalli County, MT	\$131,667	649	\$131,909	549	\$130,336	100	
Richland County, MT	\$50,591	109	\$50,073	106		3	
Roosevelt County, MT	\$54,230	40	\$53,658	38		2	
Rosebud County, MT	\$54,782	39	\$44,164	35		4	
Sanders County, MT	\$92,050	146	\$88,381	116	\$106,240	30	
Sheridan County, MT	\$56,759	33	\$55,226	32		1	
Silver Bow County, MT	\$69,673	326	\$69,227	312	\$79,615	14	
Stillwater County, MT	\$86,904	92	\$76,317	82	\$173,720	10	
Sweet Grass County, MT	\$92,256	35	\$70,652	32		3	
Teton County, MT	\$50,911	44	\$42,598	38		6	
Toole County, MT	\$63,323	32	\$63,323	32			
Treasure County, MT	\$112,314	11	\$111,047	10		1	
Valley County, MT	\$55,004	49	\$52,686	46		3	
Wheatland County, MT	\$61,562	12		9		3	
Wibaux County, MT		7		6		1	
Yellowstone County, MT	\$75,368.24	1,649	\$74,507.80	1,542	\$87,768.21	107	
Total	\$110,271	15,132	\$107,383	14,018	\$146,601	1,114	

* For confidentiality purposes, only those counties with at least ten taxpayers can be shown