

OVERVIEW OF MONTANA BUDGET AND TAX STRUCTURE

- Rose Bender
- Director of Research

WHAT IS THE MONTANA BUDGET & POLICY CENTER

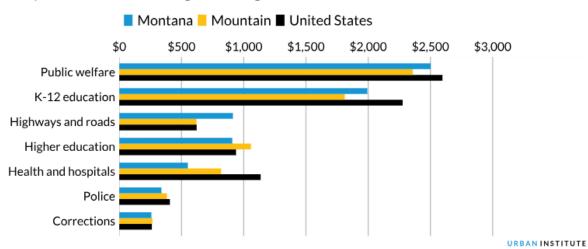
It is our **MISSION** to advance responsible tax, budget, and economic policies through **credible research and analysis** in order to promote opportunity and fairness for **all Montanans**.



MONTANA'S STATE AND LOCAL PER CAPITA EXPENDITURES, FISCAL YEAR 2021

Montana's State and Local Per Capita Expenditures, Fiscal Year 2021

Compared with national and regional averages



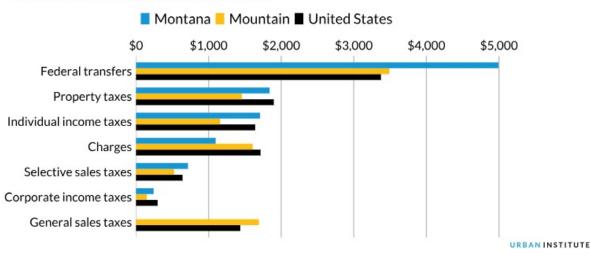
Source: US Census, Fiscal Year 2021.

Note: Medicaid spending is allocated to both public welfare and health and hospitals, with the majority of dollars allocated to the former. Census's definition of the Mountain region includes Arizona, Colorado, Idaho, Minnesota, New Mexico, Nevada, Utah, and Wyoming.

MONTANA RELIES
ON FEDERAL
FUNDS,
INDIVIDUAL
INCOME TAX, AND
PROPERTY TAX TO
FUND STATE AND
LOCAL SERVICES

Montana's State and Local Per Capita Revenue, Fiscal Year 2021

Compared with national and regional averages

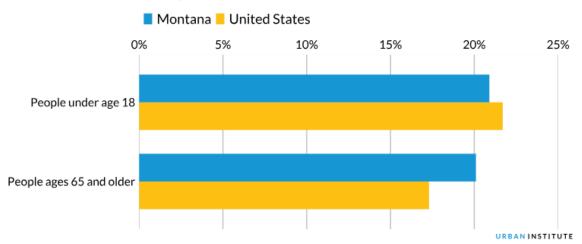


Source: US Census, Fiscal Year 2021.

Note: Census's definition of the Mountain region includes Arizona, Colorado, Idaho, Minnesota, New Mexico, Nevada, Utah, and Wyoming.

Montana's Age Demographics, 2022

Compared with national averages



Source: US Census Bureau.

MONTANA'S
POPULATION IS
OLDER THAN
NATIONAL
AVERAGE

MONTANA ECONOMY (AT A GLANCE)

Montana's top five industries (by share of GDP):

- Finance/Real Estate
- Government (federal, state, and local)
- Trade, Wholesale and Retail
- Health Care & Educational Services
- Business Services

Montana's top five industries (by employment):

- Trade, Wholesale and Retail
- Health Care
- Leisure Activities
- Business Services
- Education

Source: Montana Department of Labor & Industry

KEY BUDGET TERMS

Fiscal Year: A 12-month period used for accounting purposes. Montana's fiscal year runs from July 1 - June 30.

- **FY24:** July 1, 2023 June 30, 2024
- FY25: July 1, 2024 June 30, 2025

Biennium: A two-year period. Montana's legislative biennium is named for the second fiscal year in the biennium.

- Last budget cycle was the 2025 Biennium, which included FY24 and FY25.
- This upcoming budget cycle is the **2027 Biennium**, which includes FY26 and FY27.

KEY BUDGET TERMS

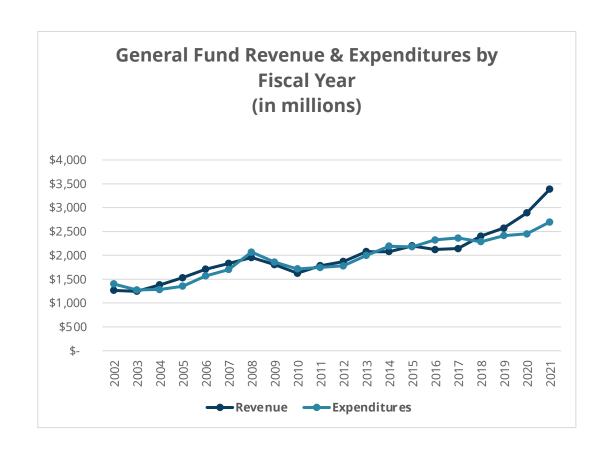
General Fund: Primary fund for the state budget, and unlike other funds, is not a specific purpose fund.

Federal Special Revenue: Accounts deposited in the state treasury from federal sources, to be used for operation of state government.

State Special Revenue: State and other nonfederal sources that are earmarked for a particular purpose or restricted by law

HB 2: The General Appropriations Act to authorize funding for the operation of state government.

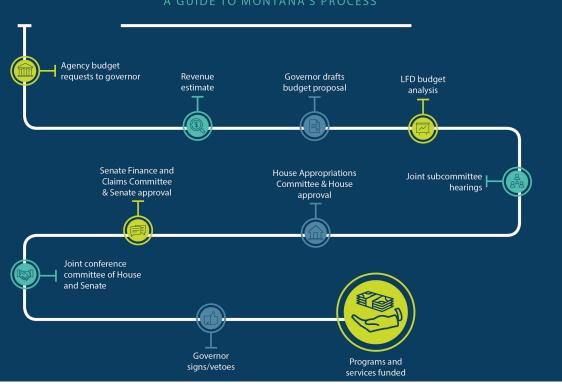
Statutory Appropriation: Funds appropriated in permanent law rather than a temporary bill, such as HB 2, and listed in 17-7-502, MCA.



OVERALL, STATE REVENUE AND EXPENDITURES HAVE GROWN AT SIMILAR RATES

BUILDING A BUDGET

A GUIDE TO MONTANA'S PROCESS



SECTIONS OF THE STATE BUDGET

Section A - Gen. Govt.

Legislative Branch, Consumer Counsel

Governor's Office

Secretary of State

Commissioner of Political Practices

State Auditor

Revenue, Administration

Commerce, Labor and Industry

Military Affairs

Section B - Health and Human Services

Public Health and Human Services

Section C – Natl. Resources and Transp.

Fish, Wildlife and Parks

Environmental Quality

Transportation, Livestock

Natural Resources and Conservation

Agriculture

Section D – Justice

Judicial Branch, Board of Crime Control

Justice, Public Service Commission

State Public Defender, Corrections

Section E - Education

Public Instruction, Board of Public Ed

Higher Education, School for Deaf and Blind

Arts Council, State Library

Historical Society

Section F - Long-Range Planning

Long-Range Building Program, State Building Energy Conservation

Treasure State Endowment Program (TSEP)

Treasure State Regional Water Program

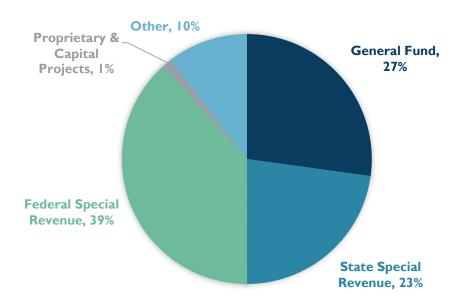
Quality Schools Facility Grant Program, Long-Range IT Program

Reclamation and Development Grant

Renewable Resource Grant and Loan Program

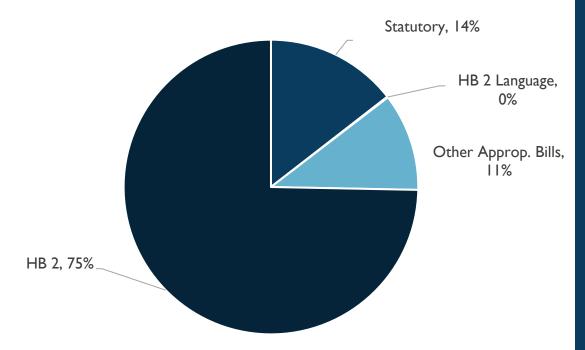
Cultural and Aesthetic Grant Program

2023 BIENNIUM TOTAL BUDGET BY SOURCE OF FUND TOTAL = \$19,323 (MILLIONS)



FEDERAL FUNDS MAKE UP A **BIG PIECE** OF **BUDGET**

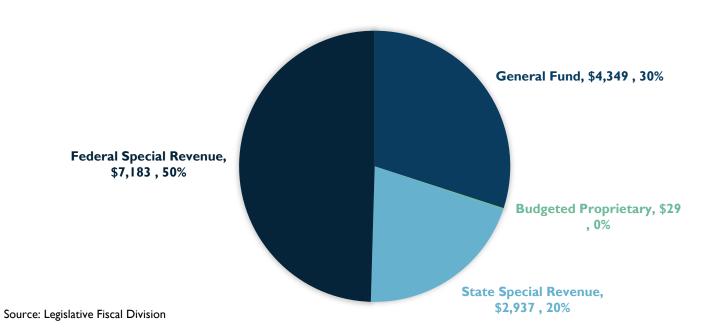
2025 Biennium total budget
By source of appropriation authority
total = \$19,323 (\$ Millions)



MOST OF THE STATE BUDGET IS WITHIN HB 2

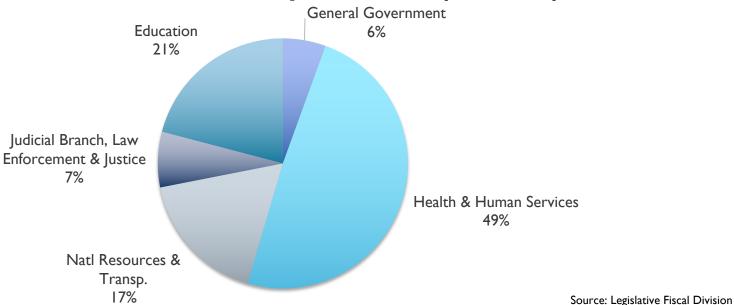
FEDERAL FUNDS MAKE UP HALF OF HB 2

2025 BIENNIUM BUDGET - BY FUND TOTAL FUNDS - HB 2 ONLY = \$14,498 (MILLIONS)



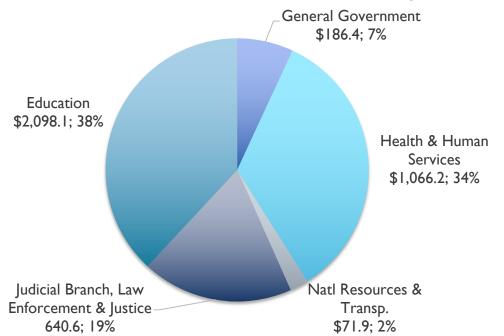
WHEN FACTORING IN FEDERAL FUNDS, HHS MAKES UP THE BIGGEST SHARE OF THE BUDGET

2025 Biennium Budget Total funds - HB 2 only - \$14,498 (millions)



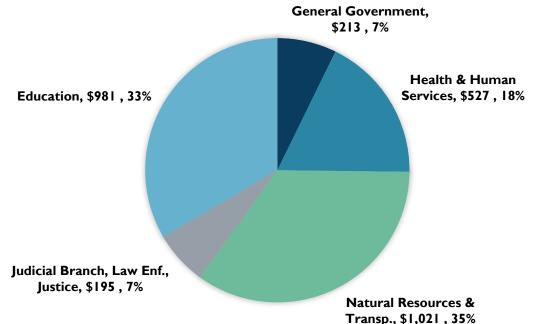
GENERAL FUND PAYS FOR EDUCATION, PUBLIC HEALTH, AND CRIMINAL LEGAL RESPONSIBILITIES

2025 Biennium Budget General Fund - HB 2 only - \$4,349 (millions)



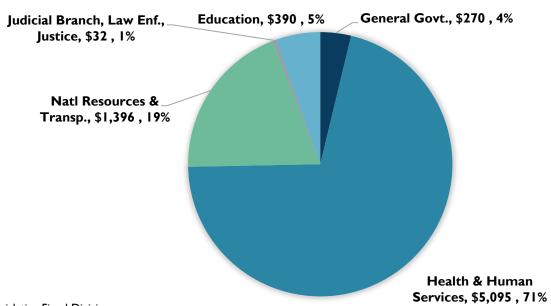
STATE SPECIAL REVENUE FUNDS ARE SPLIT AMONG EDUCATION, NATURAL RESOURCES, AND MORE

2025 BIENNIUM BUDGET STATE SPECIAL REVENUE - HB 2 ONLY = \$2,937 (MILLIONS)

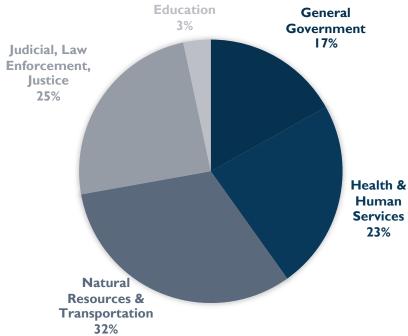


MOST FEDERAL FUNDING GOES TOWARD HEALTH SERVICES, HIGHWAYS, AND EDUCATION

2025 BIENNIUM BUDGET FEDERAL SPECIAL REVENUE - HB 2 ONLY = \$7,183(MILLIONS)



FTE FUNDED IN HB 2 - FY 2025 12,179 ONGOING AND OTO



FULL TIME EMPLOYEES (FTE) BY DEPARTMENT

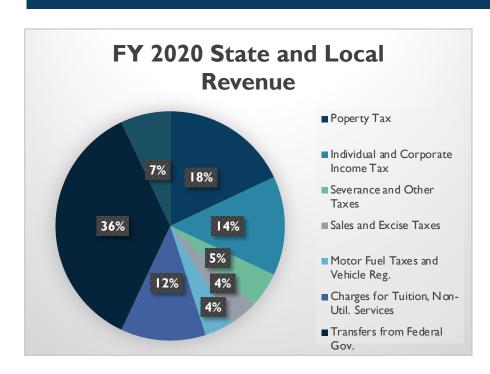
QUESTIONS?

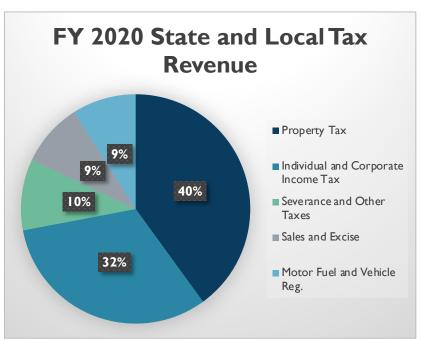


MONTANA TAX STRUCTURE

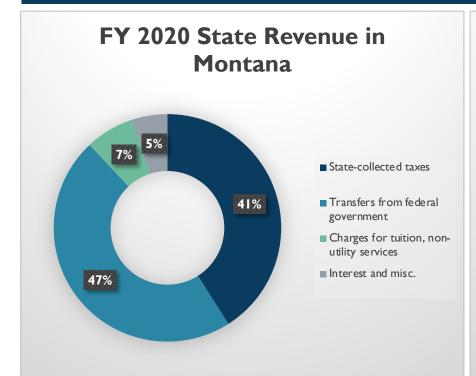
- Rose Bender
- Director of Research
- •June 10, 2024

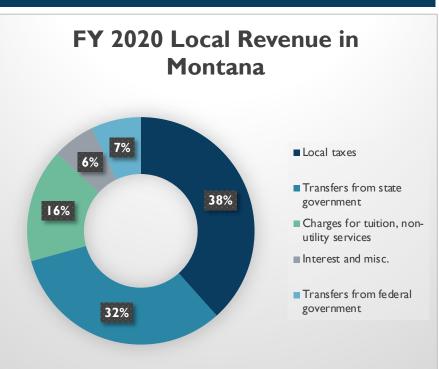
COMBINED STATE AND LOCAL REVENUE



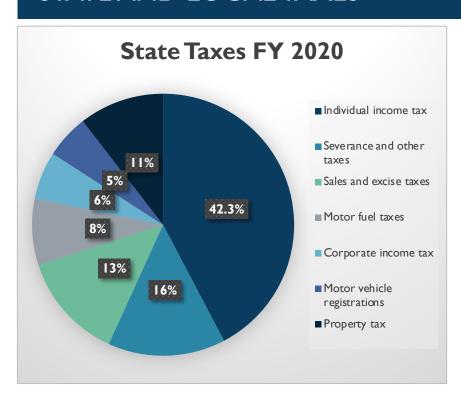


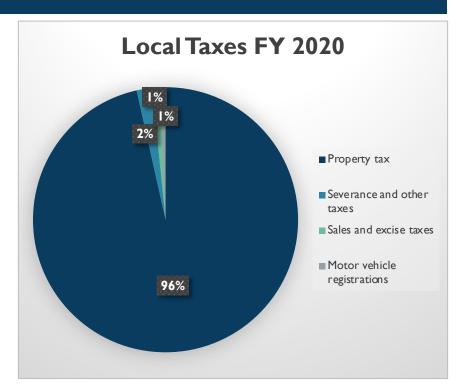
STATE AND LOCAL REVENUE





STATE AND LOCAL TAXES



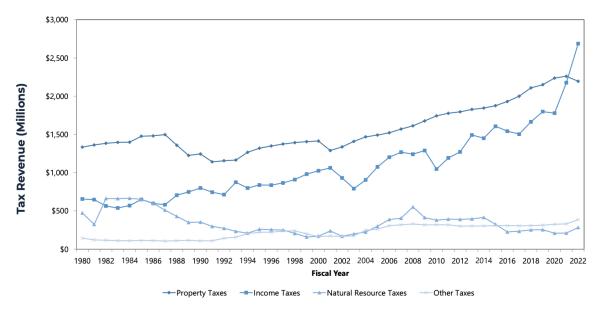


Department of Revenue (DOR) State and Local Taxes in Montana (FY 1980-2022)



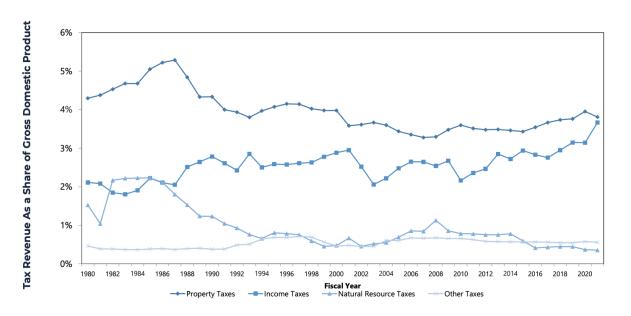
STATE TAX TRENDS

DOR State and Local Taxes in Montana (FY 1980-2022) Four Types of Taxes Reported Separately (Adjusted for Inflation)



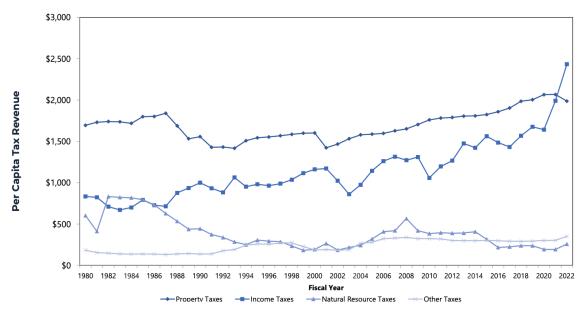
STATE TAX TRENDS, INFLATION ADJUSTED

DOR State and Local Taxes as a Share of GDP in Montana (FY 1980-2021) Four Types of Taxes Reported Separately



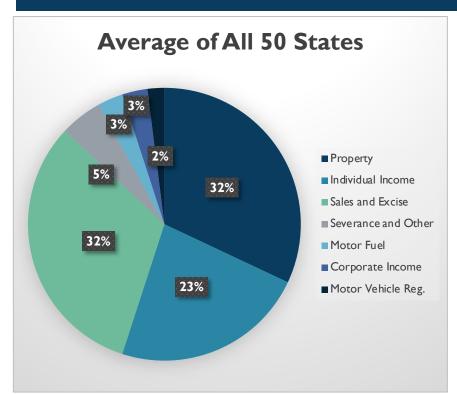
STATE TAX TRENDS AS SHARE OF GDP

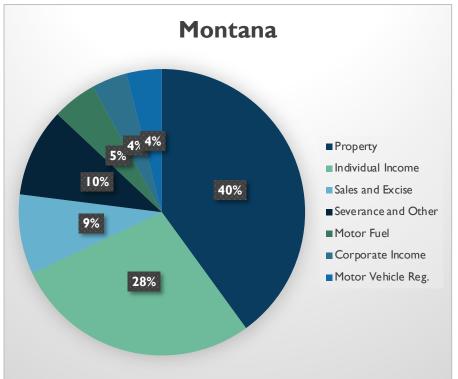
Per Capita DOR State and Local Taxes in Montana (FY 1980-2022) Four Types of Taxes Reported Separately (Adjusted for Inflation)

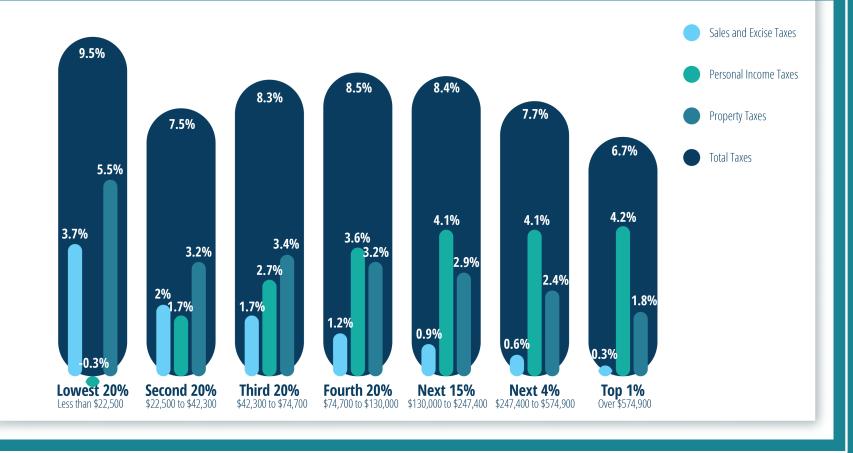


STATE TAX TRENDS, PER CAPITA AND INFLATION ADJUSTED

STATE AND LOCAL TAX COMPARISON

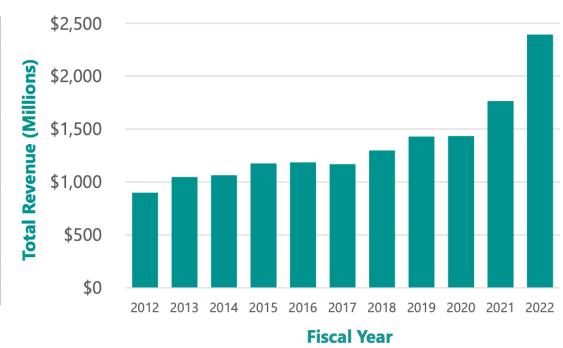




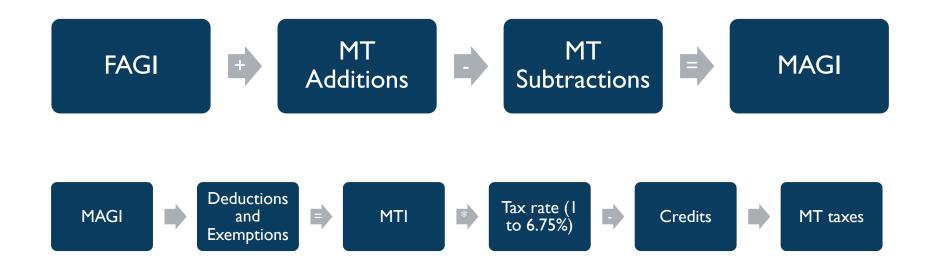


Individual Income Tax Collections

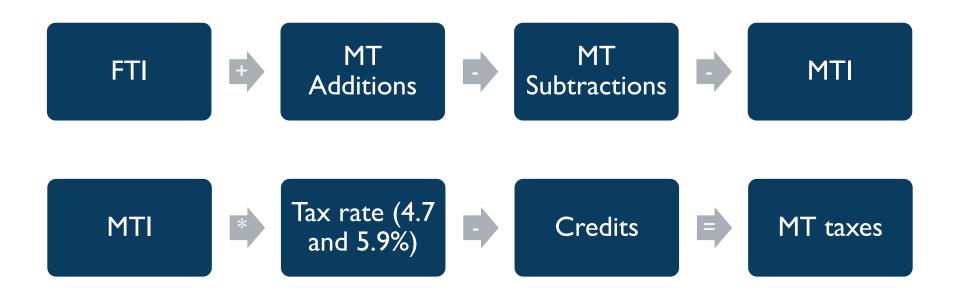
Fiscal Year	Total Revenue
2012	\$898,851,201
2013	\$1,047,789,985
2014	\$1,063,284,408
2015	\$1,175,744,881
2016	\$1,184,827,762
2017	\$1,168,224,644
2018	\$1,297,776,586
2019	\$1,429,010,432
2020	\$1,435,239,997
2021	\$1,765,418,237
2022	\$2,393,807,454



CALCULATION OF INDIVIDUAL INCOME TAX PRE-2024

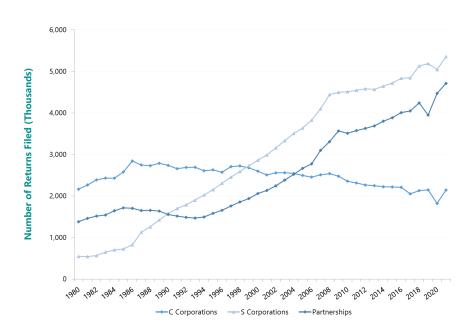


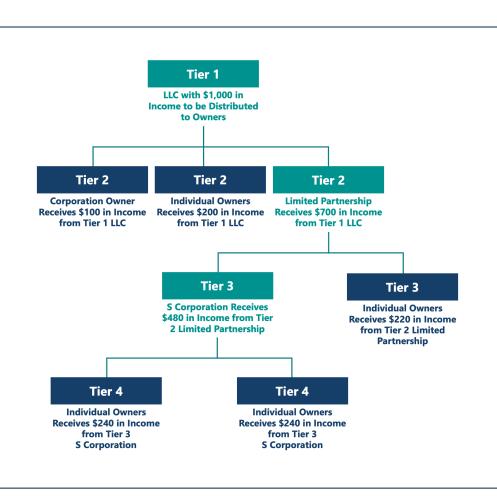
CALCULATION OF INDIVIDUAL INCOMETAX, 2024 ONWARD



Number of U.S. C Corporation Returns Compared to S Corporation and Partnership Returns (Pass-Through Entities): 1980-2021

Number of U.S. C Corporation Returns Compared to S Corporation and Partnership Returns (Pass-Through Entities), 1980-2021

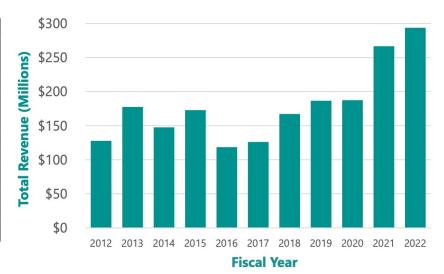




PASS THROUGH ENTITY STRUCTURE

CORPORATE INCOMETAX REVENUE

Fiscal Year	Total Revenue
2012	\$127,774,092
2013	\$177,500,421
2014	\$147,550,091
2015	\$172,731,561
2016	\$118,386,603
2017	\$125,991,635
2018	\$167,099,816
2019	\$186,535,598
2020	\$187,358,214
2021	\$266,517,177
2022	\$293,695,432



Example of Apportionment Factor Calculation for Multi-State Corporation

Payroll in Montana		Total Payroll		Payroll Factor	
\$1,000,000	÷	\$10,000,000	=	0.100	
Property In Montana		Total Property		Property Factor	
\$2,000,000	÷	\$125,000,000	=	0.016	
Receipts In Montana		Total Receipts		Receipts Factor	
\$8,000,000	÷	\$100,000,000	=	0.080	
Apportionment Factor (Av			0.069		

CALCULATION OF CORPORATE INCOMETAX

Corporate Income Tax - Historic Tax Rates and Minimum Tax

Year	Tax Rate	Minimum Tax	Water's Edge
1987	6.75%	\$50	7%
1971	6.75%	\$50	-
1969	6.25%	\$50	-
1965	5.25%	\$10	-
1960	4.5%	\$10	-
1957	5%	\$10	-
1937	3%	\$5	-
1933	2%	\$5	-
1917	1%	-	-

CORPORATE INCOME TAX NOL POLICY BY STATE

■* Does not include the 19 states and District of Columbia that conform to federal NOL provisions of unlimited carryforward, no carrybacks, and the annual loss deduction cap (NOL carryforward may not reduce tax liability by more than 80%)

States: Alaska, Colorado,
Delaware, Florida, Georgia,
Hawaii, Kansas, Kentucky, Maine,
Maryland, New Mexico, North
Dakota, Oklahoma, South
Carolina, South Dakota, Utah,
Virginia, West Virginia, and
Wyoming.

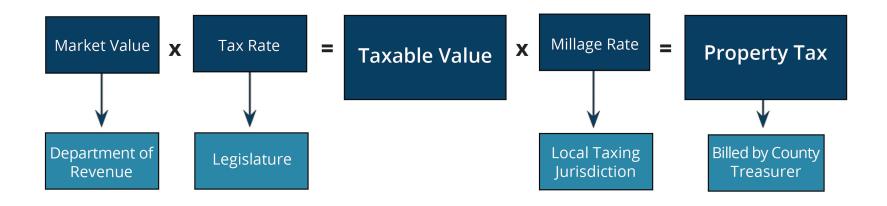
Allowed years of carryforward

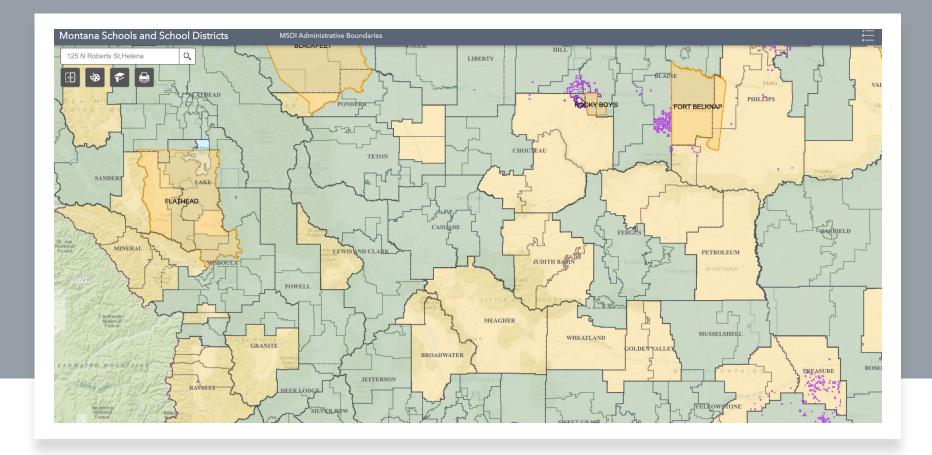
		5 years forward	8 years forward	10 years forward	12 years forward	15 years forward	20 years forward
pack	0 years back	Rhode Island	Arkansas	Kansas Michigan New Hampshire* Vermont	Illinois	Alabama Minnesota North Carolina Oregon Tennessee	Arizona Connecticut Indiana Iowa Louisiana Massachusetts Nebraska New Jersey Pennsylvania* Wisconsin
Allowed years of carryback	2 years back						Idaho* Mississippi Missouri
Allowe	3 years back			Montana*			New York

*Carryback caps for Montana and Idaho. Carryforward caps for New Hampshire and Pennsylvania Source: State Tax Handbook. 2017. CHS; Montana Department of Revenue. 2018.



CALCULATING PROPERTY TAXES





The school district's PROPERTIES











Assessed value \$1 million factory building \$750,000 office building \$300,000 small house \$300,000 small house \$600,000 large house

Property class rate

x 1.89% industrial rate x 1.89% commercial

rate

x 1.35% residential rate x 1.35% residential rate x 1.35% residential rate

Taxable value

\$18,900

\$14,175

\$4,050

\$4,050

\$8,100

Sums to a TAX BASE of \$49,275 total taxable value

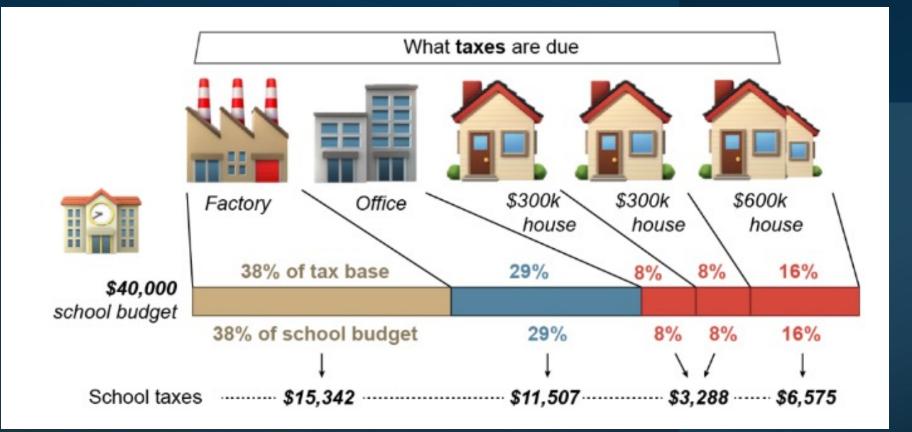
38% of tax base

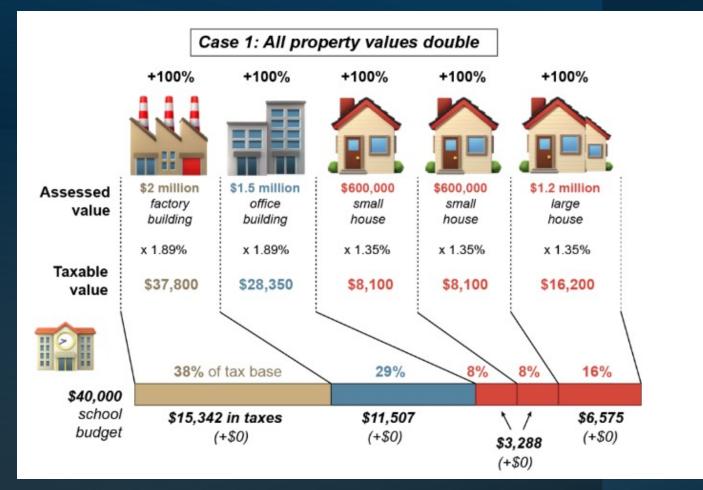
29% of tax base

8% of tax base

8% of tax base

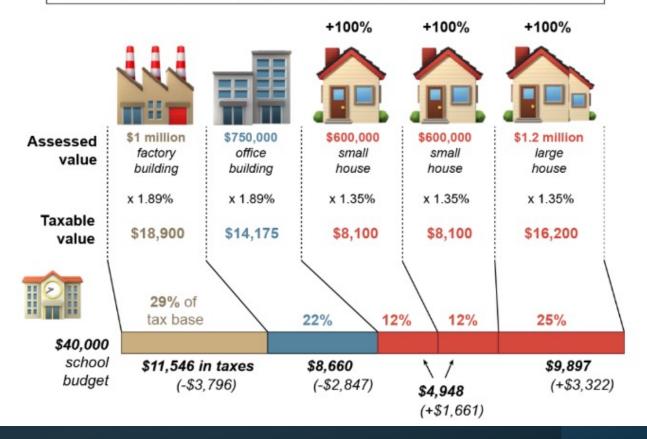
16% of tax base





Source: Montana Free Press

Case 2: Home values double, other property values stay constant

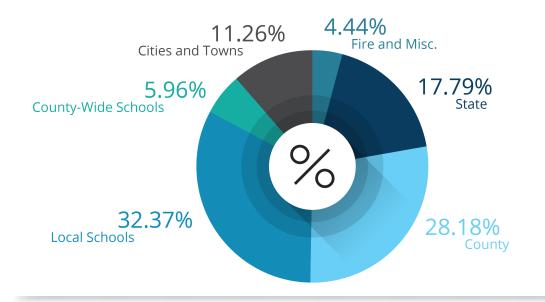


Source: Montana Free Press

PROPERTY TAXES ARE INVESTED IN SCHOOLS AND LOCAL GOVERNMENT SERVICES

Property Taxes Fund Schools and Local Government Services

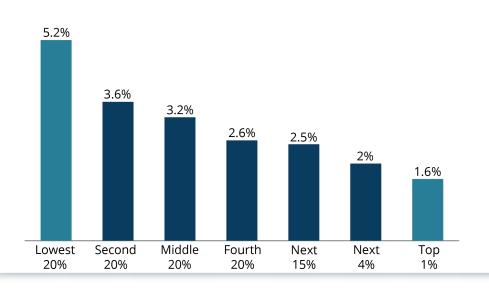
Allocation of property taxes by taxing jurisdiction, FY 2023



FAMILIES WITH
THE LOWEST
INCOMES PAY A
GREATER SHARE
OF INCOME IN
PROPERTY
TAXES

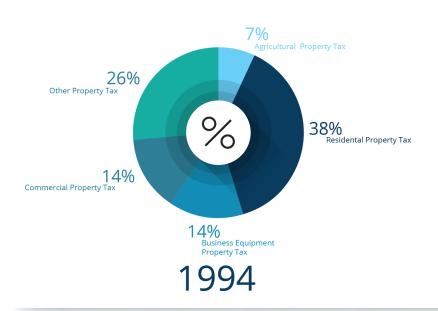
Families with the Lowest Incomes Pay a Greater Share of Income in Property Taxes

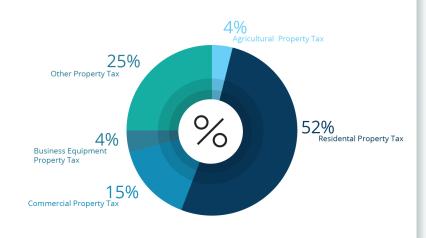
Property taxes as a share of family income



HOMEOWNERS PAY THE LARGEST SHARE OF PROPERTY TAXES

Property Tax Percentage Changes 1994 vs. 2022



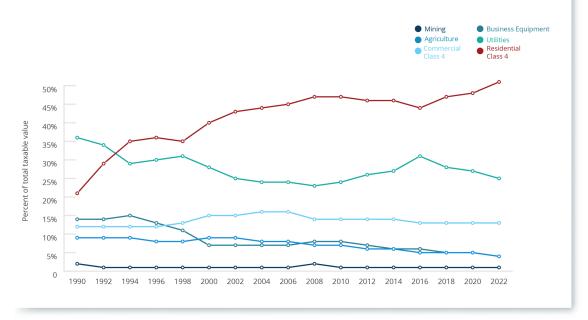


2022

RESIDENTIAL
PROPERTY HAS
GROWN AS A
SHARE OF
OVERALL
TAXABLE
VALUE

Residential Property Has Grown as a Share of Overall Taxable Value

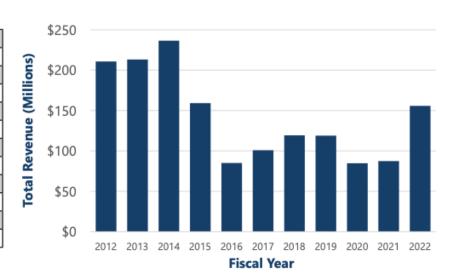
Taxable value by class as a percentage of total taxable value



Oil and Natural Gas Tax

Statute: Title 15, Chapter 36; 20-9-310, MCA

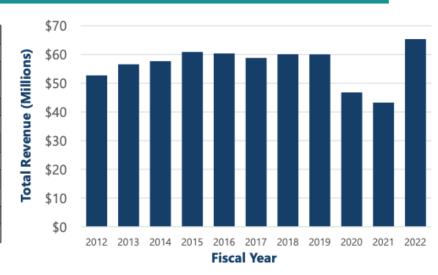
Fiscal Year	Total Revenue
2012	\$210,644,361
2013	\$213,229,045
2014	\$236,496,773
2015	\$159,107,050
2016	\$84,972,199
2017	\$100,769,218
2018	\$119,133,397
2019	\$118,856,040
2020	\$84,611,407
2021	\$87,350,877
2022	\$155,819,083



Coal Severance Tax

Statute: Title 15, Chapter 35, MCA; Article IX, Section 5, Montana Constitution

Fiscal Year	Total Revenue
2012	\$52,742,627
2013	\$56,573,818
2014	\$57,676,184
2015	\$60,891,414
2016	\$60,358,548
2017	\$58,808,035
2018	\$60,097,399
2019	\$60,028,161
2020	\$46,754,498
2021	\$43,256,347
2022	\$65,338,834



QUESTIONS?

THANK YOU FOR ATTENDING!

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