



Montana Department of Revenue
Biennial Report

July 1, 2022 - June 30, 2024



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About the Agency

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Foreword by Director Brendan Beatty

Hello and thanks for your interest in the Montana Department of Revenue! Since January, 2021, it's been my honor to serve as the Director under Governor Greg Gianforte. Over the past 4 years, we've focused DOR's efforts on our new mission statement: *"To be the nation's most citizen-oriented, efficiently administered, state tax agency."* This has been extremely important to me and I'm happy to report that we've made great strides. Some of the highlights include:

- **Town Hall Meetings** outreach to citizens: In 2023, we hosted 59 Town Hall meetings across Montana focused on property taxes. In 2024, we hosted 26 more around the theme of *How Property Taxation Happens*. Given recent major valuation increases and, in some cases, significant increases in residential property taxes, we felt compelled to reach out and help citizens better understand this somewhat complex topic.
- **Income Taxation and Alcohol Regulation Outreach:** Each year, our Business and Income Tax Division hosts webinars for accountants and citizens who need to understand how new tax laws affect Montana income taxpayers.
- **Alcohol Regulation Laws:** Our Alcohol Beverage Control Division (ABCD) organized and hosted 13 in-person workshops and one zoom workshop open to the public across Montana to assure understanding of Montana's comprehensive alcohol regulation laws after the 2023 Legislative Session. ABCD conducted 1,052 licensee visits comprised of new, existing, compliance failure meetings. ABCD met with 42 licensees regarding compliance issues to help them understand alcohol laws relating to their business. ABCD arranged 28 discussion meetings with nonprofit organizations, city staff, and county officials around the state. The meetings' intent was to ensure understanding of the lawful and responsible sales and serving of alcoholic beverages during festivals.
- **Income and Property Tax Rebates:** The 2023 Montana Legislature passed bills regarding, and Governor Gianforte signed into law, historic income tax and property tax rebates. Our DOR team issued over 468,000 income tax rebates totaling \$483 million in 2023. That same year, we processed over 227,000 property tax rebates applications resulting in issuing over 216,000 property tax rebates totaling \$142 million. We processed over 230,000 property tax rebate applications resulting in issuing over 224,000 rebates totaling \$148 million. We improved the process in 2024 based on lessons learned in 2023 and having more time for system development. I'm happy to report that the process went very smoothly for citizens in 2024.
- **Property Appraisal:** Every two years, Montana law dictates that all property is re-appraised at 100% of market value. Through our network of about 300 appraisers, property valuation specialists, computer modelers, management, and other staff members, we appraised over 500,000 residential properties this past cycle, along with 316,000 commercial, industrial, and ag properties. Our internal cross-checking process showed that our processes were highly precise, that is, within 5% of 100% accuracy. Citizens can rely on our meticulous appraisal processes, and, in the few instances where our models don't get it right, we work just as hard to make adjustments or corrections to assure accuracy.
- **Fair and Equal Treatment:** DOR regularly works to assure that all citizens are treated fairly and equally, that the correct amount of taxes are determined, and that everyone who should pay taxes does so. Thus tax burdens are not shifted from those who, according to law, should be paying a tax, to others. We watch for areas of noncompliance and make concerted efforts to discover and properly assess any who aren't paying what they owe. One priority for non-compliance is people who have a Montana drivers' license, have a resident fishing/hunting license, and/or are registered to vote in Montana, yet don't file as a resident on their Montana income tax return. From April to October of 2024 this initiative resulted in 514 tax adjustments, \$2.7 million total dollars assessed, and \$375,000 total dollars collected.

I sincerely hope you find the following report useful and informative. Please also explore our website at mtrevenue.gov for additional resources and always feel free to reach out with any questions or concerns you may have. We'd like to help you!

- DOR Director Brendan Beatty

About the Agency

What is the Department of Revenue?

The 1972 Montana Legislature ratified the state's new Constitution, creating the Montana Department of Revenue in the process.

This reorganization of state government effectively consolidated the assessment and collection of state taxes, property valuation, and alcoholic beverage control into one agency.

Today, the department:

- Administers approximately 40 Montana taxes and fees to achieve equity and integrity in taxation.
- Values all property as accurately as possible and supervises Montana's property tax system.
- Administers alcohol and cannabis laws to protect public health and safety.
- Receives abandoned property and seeks to return it to its rightful Montana owners.
- Administers unlocatable mineral trusts.
- Informs and advises the governor, the legislature, and the public on tax trends and issues; and
- Cooperates with local, state, tribal, and federal governments to advance the public interest under the law.

The department is committed to fulfilling its mission to be the nation's most citizen-oriented, efficiently administered state tax agency by:

- Improving citizen interactions
- Accurately valuing property
- Efficiently regulating alcohol and cannabis
- Efficiently processing revenue and data
- Developing electronic filing and payment services
- Developing equitable collection practices
- Securing confidential information
- Providing a simple and seamless process for business registration and licensing
- Hiring and retaining qualified and competent employees

Tax Structure and Trends

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Introduction

The Department of Revenue collects state taxes and values property for state and local property taxes. These taxes provide funding for state and local governments, local schools, and the state university system. This section of the Biennial Report puts the department's tax-related activities in context by summarizing state and local government finance in Montana, and by comparing Montana's tax system to those of other states.

After a brief introduction to state and local government finance in Montana, the section presents:

- a breakdown of spending by state and local governments, including school districts, showing the sources of funds for that spending
- a summary of all the taxes the Department of Revenue collects or administers
- a history of tax collections, with taxes combined into four broad groups
- a comparison of state and local taxes in Montana to taxes in other states.

Government Functions and Revenue Sources

Governments provide services to individuals, businesses, and other entities in their jurisdictions. Governments also raise the revenue to pay for those services in a variety of ways.

In the United States, private businesses and non-profit groups provide many of the goods and services that people want. Businesses provide goods and services that can be sold to their customers at a profit. Nonprofit groups provide goods and services that donors and customers are willing to pay for or volunteers are willing to provide.

Governments provide other services that lawmakers have concluded their constituents want and are willing to finance. These services, such as police and fire protection, are designed to benefit everyone in the community. Governments also provide services, such as road systems, where the costs of charging individual users and excluding those who don't pay are prohibitive. In other cases, governments deliver services such as sewer systems, where benefits such as public health are obtained only if everyone participates. Governments also provide services, such as the education of children, to ensure that these services are available to everyone regardless of their ability to pay.

Governments pay for these services by raising revenue from various sources, such as the collection of taxes, user fees, interest, the selling of property, and transfers from other governments.

Taxes are payments to a government that are not made in exchange for a good or service. Examples are income and property taxes. The amount of the tax paid generally depends on certain characteristics of the taxpayer; for example, the result may be based on the taxpayer's income or property value. Tax revenue may be earmarked for specific uses or deposited into the government's general fund.

Fees are payments that are made in exchange for goods or services. Tuition at a state college and charges for filing legal documents are fees. The amount of the fee generally depends on the service received, not on the person receiving it.

Governments also receive revenue from normal business transactions. For example, governments earn interest on investments and from the sale of surplus property. Local governments often operate utilities that may sell water, electricity, or natural gas.

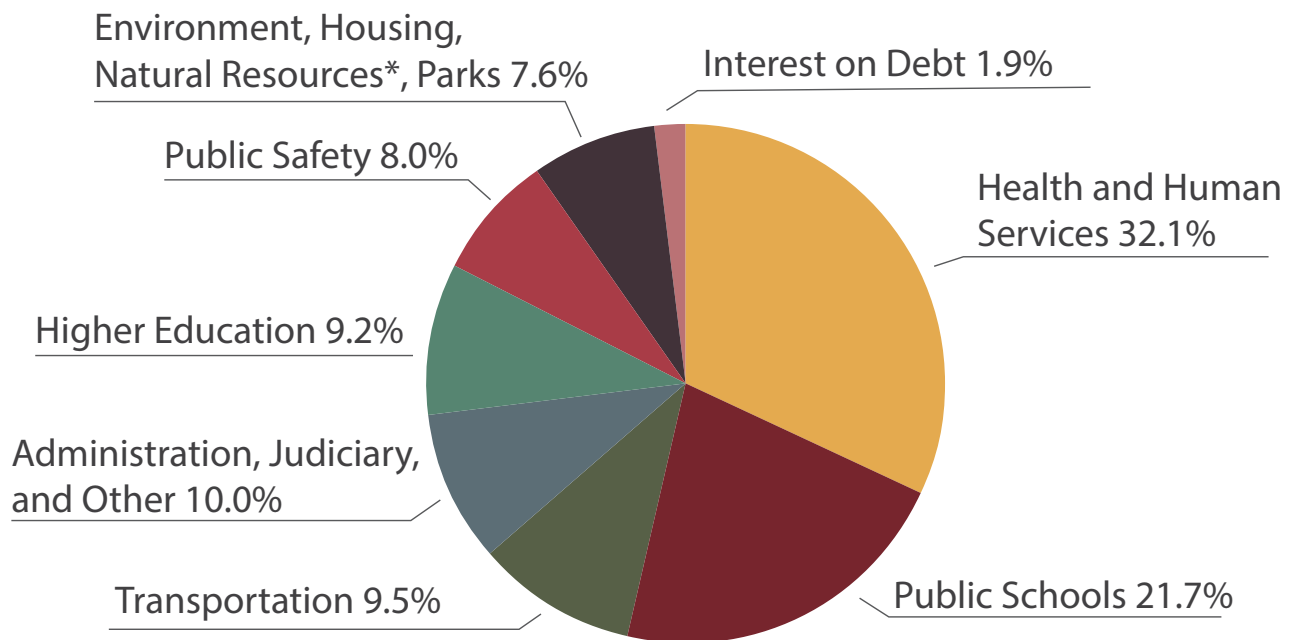
State and local governments receive intergovernmental transfers from the federal government, while local governments also receive transfers from state governments. These transfers include federal payments to states for Medicaid and state support for local school districts. In Montana, transfers include entitlement share payments from the state to local governments.

State and Local Government Finance in Montana

State and Local Spending

The chart below shows the percentage of state and local spending in Montana in each of eight general categories for the fiscal year (FY) ending June 30, 2022¹. Education, including public schools and the university system, accounts for one-third of total spending. Health and Human Services accounts for a little less than one-third of total spending. This includes Medicaid, public health programs, and income support programs. Other categories make up smaller shares of total spending.

Figure 2.1 Detailed State and Local Spending in Montana, Fiscal Year 2022



* Natural Resources are aid for: forests and grasslands; soil, water, and energy conservation; flood prevention and drainage; fish and wildlife management; and mine reclamation and safety.

¹ In this section, information on combined state and local spending, and state and local revenue from all sources, is from the U.S. Census Bureau's annual survey of state and local governments. This is the only source for combined state and local data that is collected consistently across states. For comparisons between states, it is important to use combined state and local data because taxing and spending are divided differently between state and local governments in different states. The most recent fiscal year for which the Census Bureau has compiled data is 2022. Information on Montana state and local tax collections through Fiscal Year 2024 is from the state accounting system and Department of Revenue records.

More than half of total state and local government spending occurs at the state level, and less than half at the local level. Table 2.1, below shows the breakdown for Fiscal Year 2022. It shows direct spending to provide government services. It excludes state transfers of funds to local governments and school districts because those amounts are accounted for in local spending.

Table 2.1 State and Local Government Direct Expenditures on Government Services – FY 2022

	\$ million	% of Total
State Direct Expenditures (Excludes Transfers to Local Governments and School Districts)	\$6,699	58%
Local Expenditures	\$4,811	42%
Total	\$11,510	100%

The two charts on the following page (Figure 2.2 and Figure 2.3) show state and local spending separately. Figure 2.2, shows state spending, including transfers to local governments and school districts, as well as direct spending. Figure 2.3, shows local spending.

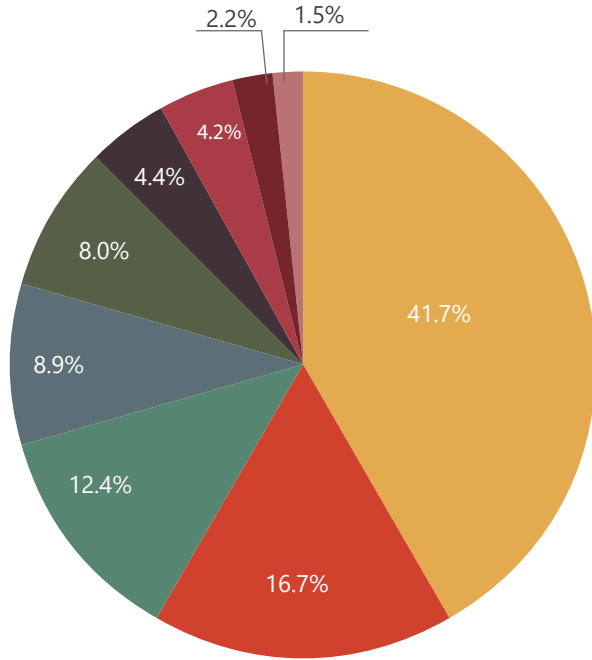
Nearly 20 percent of state spending is comprised of transfers to local governments, school districts, and public schools.

The transfers to local governments include the local share of state-collected taxes, primarily from the oil and gas production tax, and from Entitlement Share payments. The local share of oil and gas tax was originally classified as a local tax. In the 1990s, the legislature combined state and local taxes on oil and gas production into a single state-collected tax, with revenue split between the state and local taxing jurisdictions. Before 2001, many revenue sources, including gambling taxes and motor vehicle license fees, were divided between the state and local governments. HB 124, passed by the 2001 Legislature, moved the collection of most of these taxes and fees to the state and replaced the local revenue collection activity with formula-based Entitlement Share payments.

The transfers to school districts include direct state payments for education, along with school districts' shares of state-collected taxes.

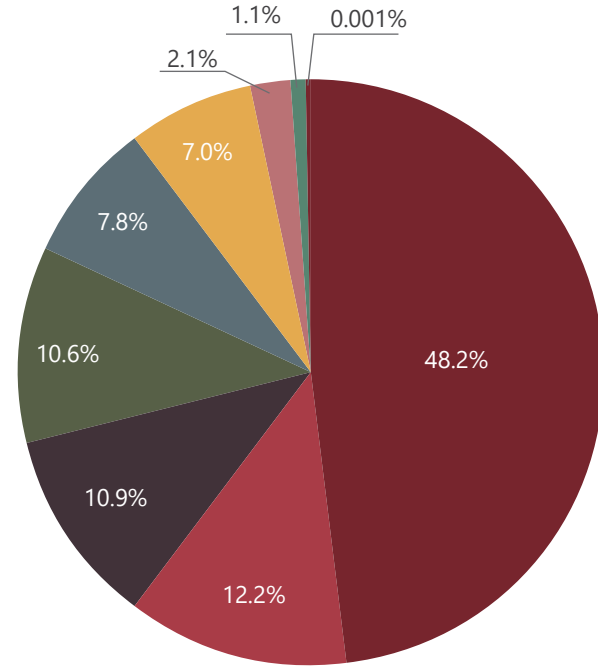
Direct spending for public schools is primarily local, accounting for almost half of local spending. Higher education spending is almost all at the state level, accounting for 12.4 percent of state spending. Health and human services spending is significant at both the state and local level, accounting for 41.7 percent of state spending and 7.0 percent of local spending. Spending for other functions also occurs at both levels. This includes transportation, public safety, and general government administration.

Figure 2.2 State Spending in Montana FY 2022



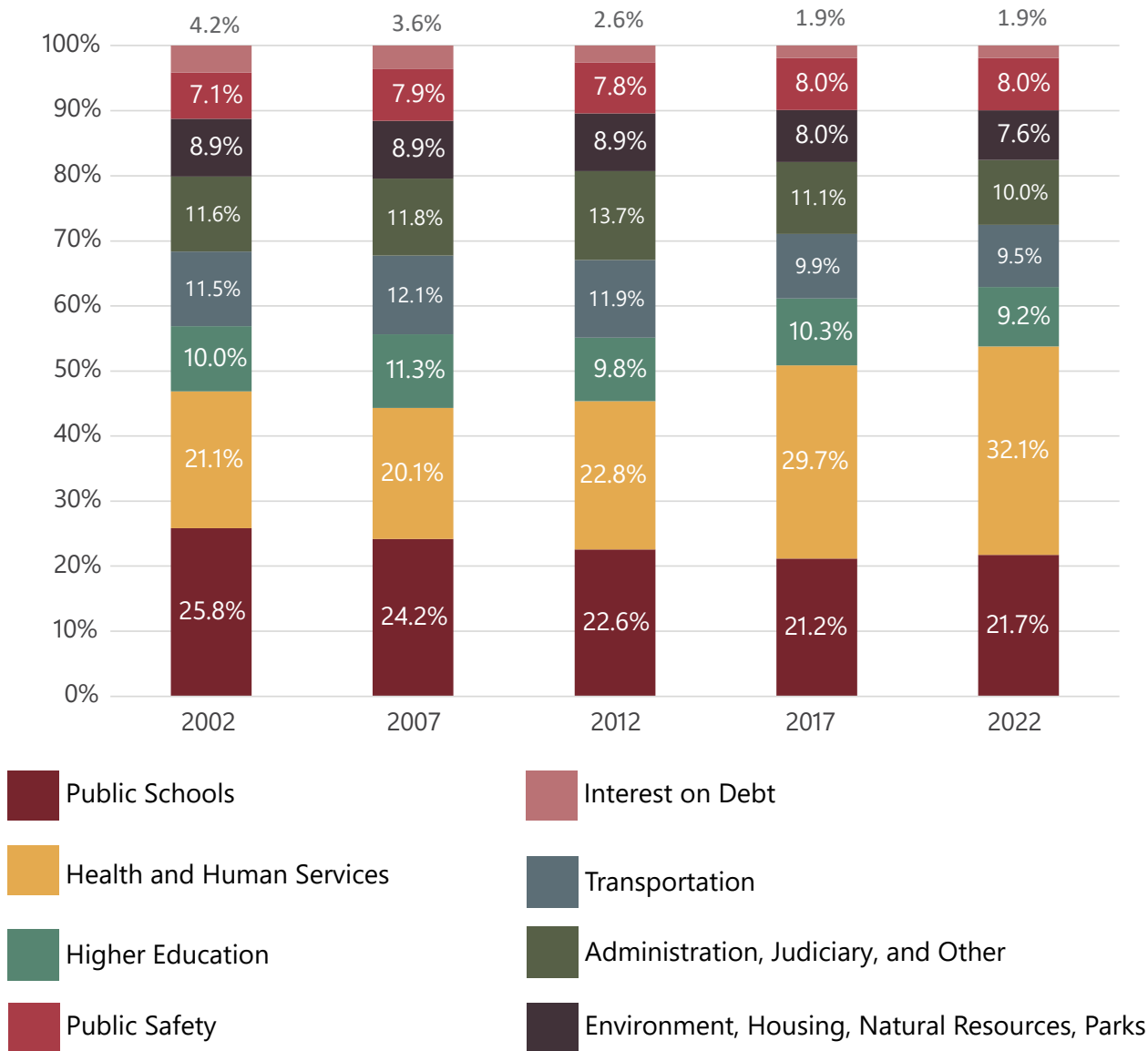
- Public Safety
- Public Schools
- Health and Human Services
- Administration, Judiciary, and Other

Figure 2.3 Local Spending in Montana FY 2022



- Transportation
- Interest on Debt
- Higher Education
- Environment, Housing, Natural Resources, Parks
- Transfers to School Districts
- Transfers to Local Governments
- Transfers to Other Gov. & School Dist.

Figure 2.4 Trends in Types of State and Local Spending in Montana FY 2002 – 2022



Over the past 20 years, spending at the state and local levels has shifted in several areas. The share of spending on public schools has declined, from nearly 26 percent in Fiscal Year 2002 to 22.6 percent in Fiscal Year 2012 and to 21.7 percent in Fiscal Year 2022. At the same time, the share of state and local government spending on public safety and health and human services has increased, from 28.1 percent in Fiscal Year 2002 to 40.1 percent in Fiscal Year 2022. Figure 2.4, above shows the percentage of state and local spending in Montana for each of the eight general spending categories for Fiscal Years 2002, 2007, 2012, 2017, and 2022.

State and Local Revenue

The charts (Figure 2.5 through Figure 2.10) on the following page show the sources of funds to pay for state and local spending. Figure 2.5, shows state government revenue. Figure 2.8, shows revenue for local governments and school districts.

State-collected taxes are the largest source of state revenue, at 46 percent of the total. Transfers from the federal government are the second largest source of state revenue, making up 43 percent of the total. This includes federal funding for Medicaid and other state programs, as well as federal education funds that are passed on to school districts.

Charges and fees make up 6 percent of state revenue. Of the 6 percent in charges and fees, approximately 82.8 percent of the charges and fees are university system tuition and fees. This category also includes income from state lands.

The remaining 5 percent of state revenue is comprised of two sources: interest earnings on trust funds and other state accounts.

All additional transfers from the state government and local taxes make up 35 percent and 37 percent of local revenue, respectively. Charges for local services make up 15 percent of local revenue. Transfers from the federal government and revenue from miscellaneous sources each account for 7 percent.

The remaining four charts (Figure 2.6, 2.7, 2.9 and 2.10) show combined state and local revenue. Because state and local governments and school districts are combined in these charts, transfers between these levels of government are not shown. Figure 2.6, at the top middle of the page, shows that revenue is almost evenly split between taxes and all other sources. Figure 2.9 below shows total revenues, with taxes broken down into five types, and other revenue sources, broken down into three types.

Figure 2.7 shows state and local non-tax revenue, while Figure 2.10 shows state and local tax revenue.

Figure 2.5 FY 2022 State Revenue

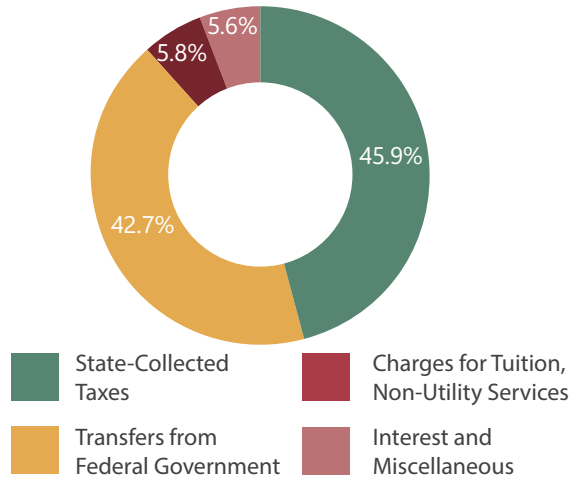


Figure 2.6 FY 2022 Tax and Nontax State and Local Revenue

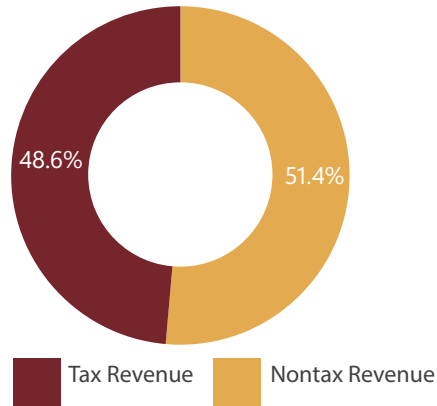


Figure 2.7 FY 2022 State and Local Nontax Revenue

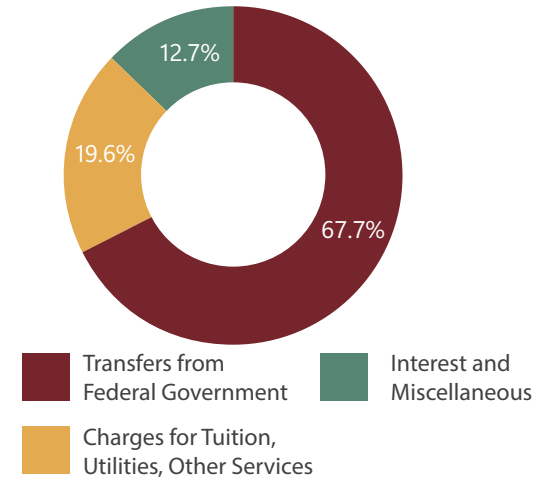


Figure 2.8 FY 2022 Local Revenue

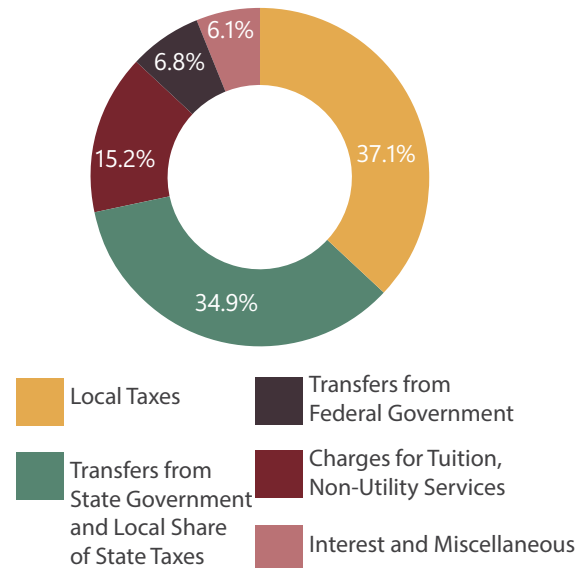


Figure 2.9 FY 2022 Detailed State and Local Revenue

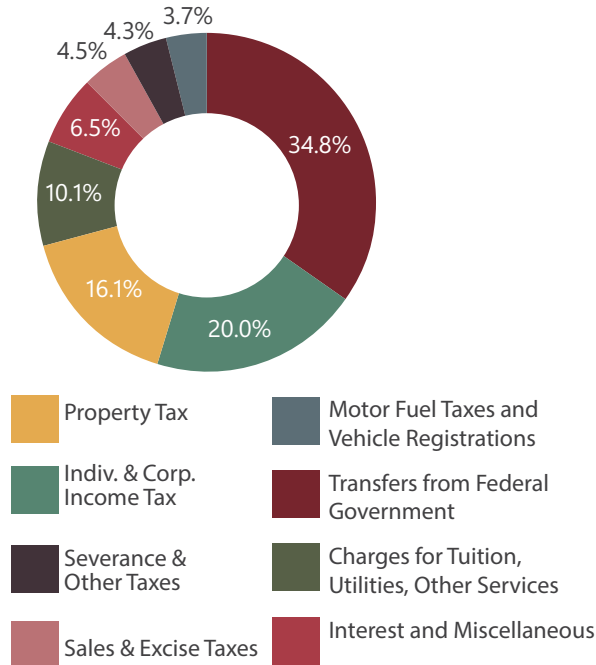
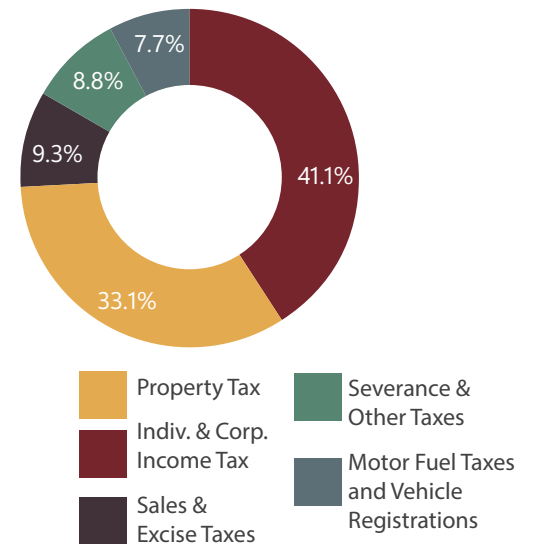


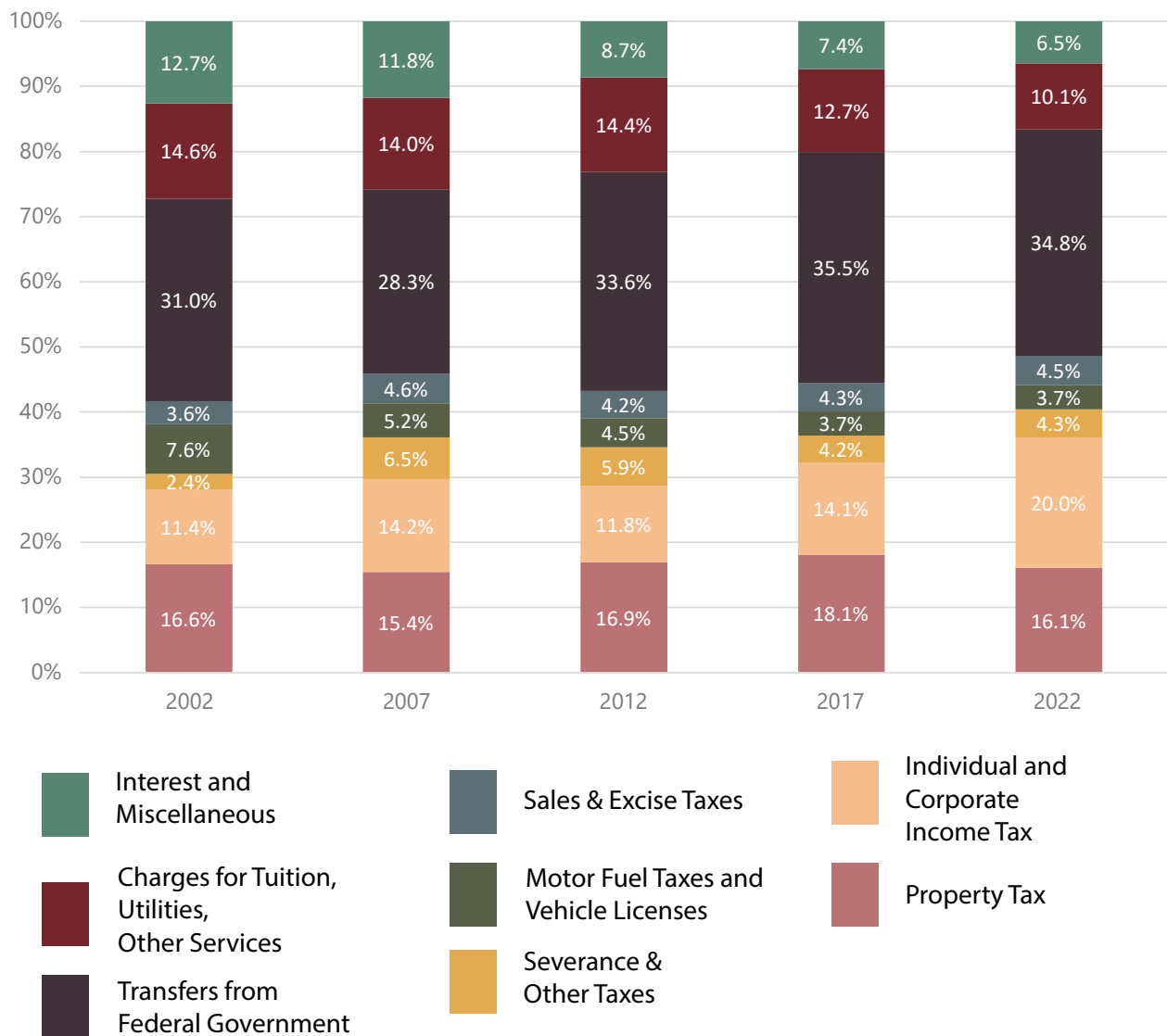
Figure 2.10 FY 2022 State and Local Tax Revenue



The sources of state and local revenue have changed in relative importance, as illustrated in Figure 2.11. Transfers from the federal government have varied over time, partly because state revenue grows slowly or even decreases during a recession. The federal transfers to state and local governments have remained unchanged or have even increased. Between 2002 and 2022, the share of state and local revenue coming from the federal government has increased from 31 percent to 34.8 percent.

Changes in the other shares reflect changes in both the state economy and in the state and local legislative actions. For example, the share of severance and other taxes decreased from 1998 to 2002 due to low oil and gas prices causing falling production. This share increased from 2002 to 2008, as higher prices and new technology led to increased production. As another example, the share of sales and excise taxes increased between 2002 and 2022, due in part to new taxes on lodging and rental cars.

Figure 2. 11 Trends in State and Local Revenue Sources FY 2002 – FY 2022



Department of Revenue Tax Collections

State and Local Taxes

The two figures (Figure 2.12 and 2.13) below show state and local tax revenue.

The state collects a wide variety of taxes. The largest source of state tax revenue is the individual income tax. In Fiscal Year 2022, sales and excise taxes made up the second largest category, generating more than 12.4 percent of state tax revenue. The share of state taxes generated by severance and other taxes decreased from 14.5 percent in 2020 to 11.6 percent in 2022.

Statewide property taxes, which comprised 7.8 percent of revenue in 2022, are earmarked for public schools and the university system. Revenue from the 95 mills levied for schools (see the State Mill Rates section in the Property Tax chapter of this report) is deposited in a state special revenue account for school equalization fund, and non-levy revenue associated with the 95 mills is deposited in the state general fund. Motor fuel taxes are earmarked for the highway system and other related uses.

Local government and school district tax collections come almost entirely from property taxes. Local option sales taxes collected by resort communities and local option vehicle taxes are each 1.5 percent and 0.6 percent of local tax collections.

Figure 2.12 State Taxes in Montana FY 2022

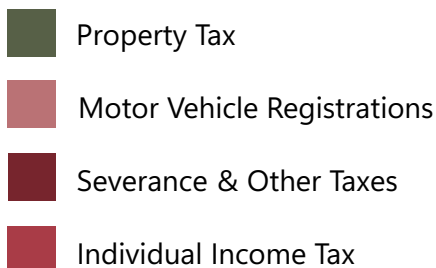
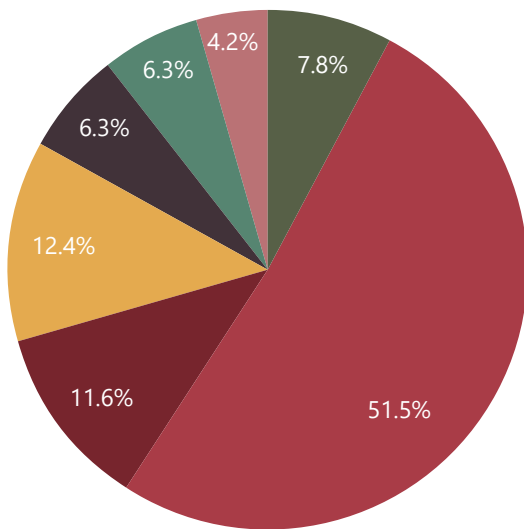
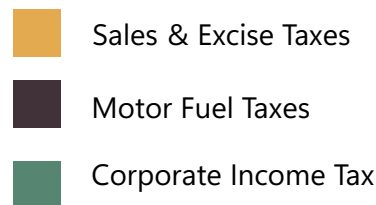
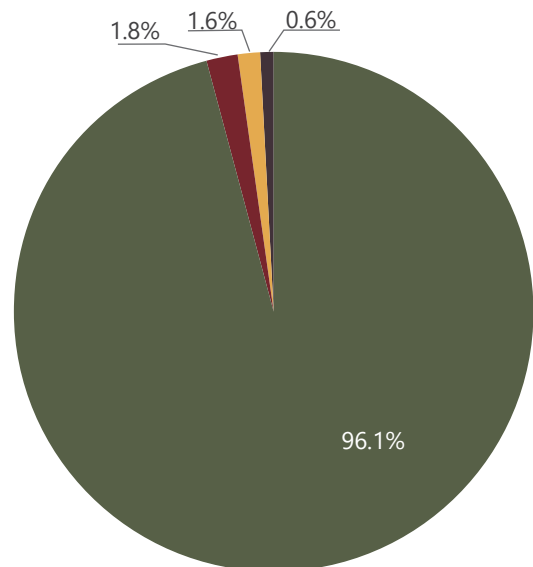


Figure 2.13 Local Taxes in Montana FY 2022



The following Table 2.2 shows how each type of tax was allocated between state and local governments in the fiscal year (FY) ending June 30, 2024. For the state share, the table shows the allocation between the state general fund and earmarked uses. Each table column shows the allocation of one type of tax. The bottom row shows the percentage of total state and local tax revenue from each type of tax. The rest of each column shows the percentage of collections of each type of tax that went to local governments, school districts, the state general fund, and various earmarked state funds in FY 2024.

Table 2.2 Allocation of Montana State and Local Taxes - FY 2024

	Property Tax	Individual Income Tax	Severance & Other Taxes	Sales & Excise Taxes	Motor Fuel Taxes	Corporate Income Tax	Motor Vehicle Licenses
Local							
Governments & Special Districts	42.76%	-	14.60%	0.36%	-	-	-
Schools	36.72%	-	16.19%	-	-	-	-
State							
General Fund	1.27%	100.00%	37.97%	39.67%	-	100.00%	66.49%
University System	1.26%	-	0.81%	0.92%	-	-	-
Health & Human Services	-	-	-	18.57%	-	-	-
Regulation & Agency Operations	-	-	1.81%	22.50%	-	-	6.99%
Public Safety	-	-	1.95%	1.71%	0.05%	-	-
Transportation	-	-	-	0.40%	96.10%	-	23.33%
Environment	-	-	5.66%	0.18%	3.85%	-	-
State Buildings	-	-	3.95%	1.30%	-	-	-
Trust Funds (inc. Retirement)	-	-	17.06%	-	-	-	0.12%
Parks, Recreation, Tourism	-	-	-	14.37%	-	-	3.08%
State Education Equalization	17.99%	-	-	-	-	-	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
% of Total from Each Tax	35.93%	34.60%	3.64%	15.09%	3.13%	4.76%	2.84%
Total From Each Tax (\$ millions)	\$2,344.269	\$2,257.087	\$237.404	\$984.641	\$204.436	\$310.515	\$185.535

Figure 2.14 below shows the breakdown of general fund revenue for the fiscal year (FY) ending June 30, 2024, including taxes and non-tax revenue. Individual income tax is by far the largest single source of revenue for the general fund, accounting for over half of state general fund revenue. The second largest single source of general fund revenue is the corporate income tax, accounting for 9 percent of general fund revenue.

Each of the other revenue categories accounts for less than 10 percent of general fund revenue. The Department of Revenue collects over 80 percent of state tax revenue. Other agencies that collect at least 1 percent of state tax revenue are the Department of Transportation (motor fuel taxes), the Commissioner of Securities and Insurance (insurance taxes), and the Department of Justice (gambling taxes).

In previous years, property tax collections from the 95 mills statewide school equalization levy were the second largest source of general fund revenue. However, beginning in FY 2024, most of the revenue generated by the 95 mills was no longer being deposited into the state's general fund, and instead began being deposited into the state's Education Equalization special revenue fund.

Figure 2.14 State General Fund Revenue Fiscal Year 2024 Total = \$3.486 Billion

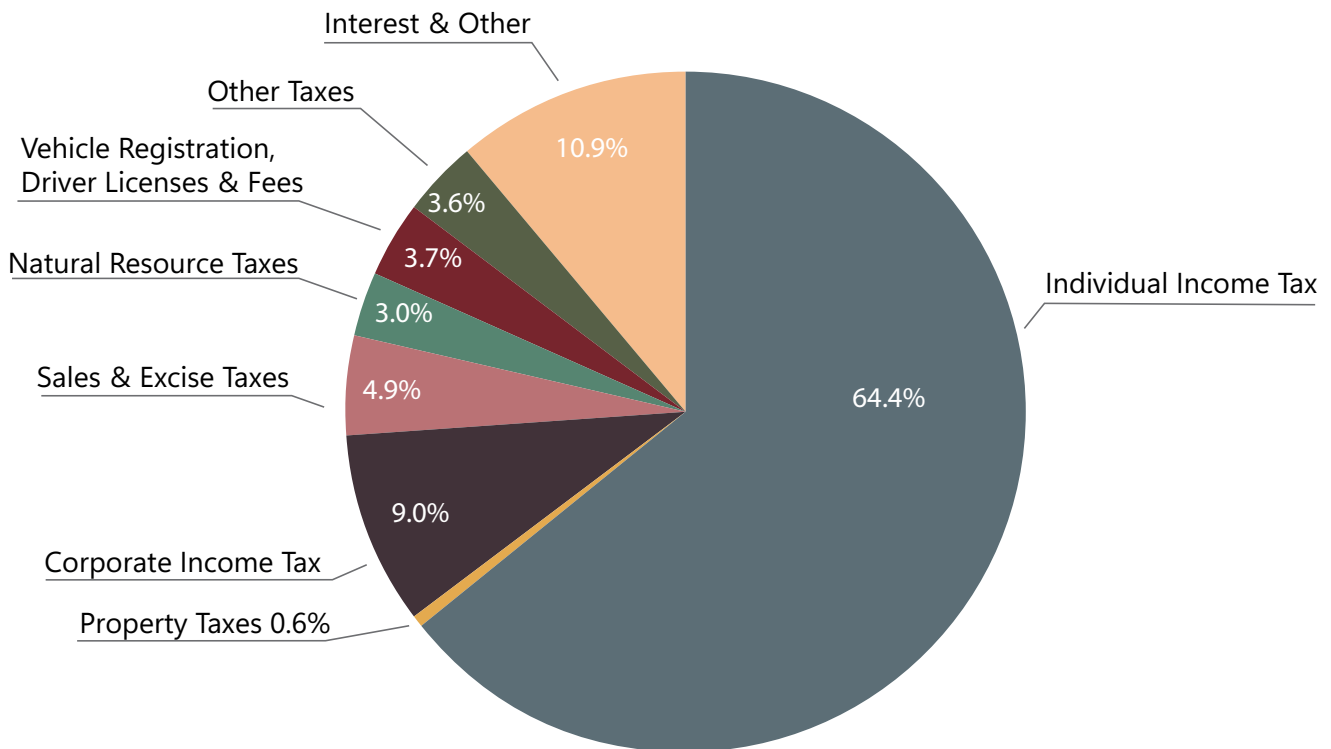


Table 2.3 shows Department of Revenue collections of state taxes for FY 2018 through 2024. This table only shows the state share for taxes where revenue is split between the state and local governments. Details on each tax can be found in later sections of this report.

Table 2.3 Department of Revenue State Collections - FY 2018 - 2024

	2018	2019	2020	2021	2022	2023	2024
Individual Income Tax							
Income Tax Withheld	\$998,390,078	\$1,063,441,499	\$1,122,338,145	\$1,245,358,454	\$1,416,500,565	\$1,521,233,638	\$1,476,608,792
Pass-through Entities	36,422,032	42,002,629	44,874,531	74,824,347	122,266,716	150,332,288	424,594,807
Income Tax All Other	262,964,476	323,566,304	268,027,321	445,235,436	855,040,173	582,739,138	342,742,725
Subtotal	1,297,776,586	1,429,010,433	1,435,239,997	1,765,418,237	2,393,807,454	2,254,305,063	2,243,946,324
Corporation Income Tax	167,099,816	186,535,598	187,358,214	266,517,177	293,695,432	309,897,622	312,282,363
Property Tax	282,963,084	299,376,892	319,479,315	322,166,368	348,549,263	369,626,846	467,885,528
Natural Resources Taxes (State Portion)							
Bentonite Tax	291,255	261,049	180,636	103,183	173,986	126,374	481,940
Coal Severance Tax	60,097,399	60,028,161	46,754,498	43,256,347	65,338,834	88,442,499	77,151,301
Oil and Gas Production Tax	65,514,847	66,044,561	46,407,318	46,302,343	83,798,223	88,977,163	80,817,263
Resource Indemnity Trust Tax	2,531,336	2,923,403	2,269,192	1,870,702	2,470,720	4,443,778	5,052,738
Metalliferous Mines License Tax	8,700,599	9,551,676	12,065,538	16,783,517	16,885,939	10,028,321	9,090,082
Subtotal	137,135,436	138,808,850	107,677,182	108,316,092	168,667,703	192,018,135	172,593,324
Other Taxes, Licenses and Services							
Cigarette Tax	65,495,811	64,496,884	63,447,053	65,291,417	65,508,116	49,078,065	49,224,138
Telecommunications Excise Tax	13,725,924	13,223,885	11,788,418	8,814,228	8,570,714	8,435,920	8,138,595
Lodging Facility Use Tax	32,805,856	36,297,514	33,679,511	35,058,060	61,624,239	58,520,125	62,408,137
Inheritance/Estate Tax (Net)	-	-	735	24	-	-	-
Sales Tax - Accommodations	24,091,089	26,703,268	28,110,048	36,045,092	63,138,857	58,346,514	60,810,399
Nursing Facility Bed Tax	16,959,437	23,200,576	22,088,780	17,800,928	18,061,814	18,250,318	18,280,740
Hospital Utilization Fee	22,619,596	22,578,403	32,681,387	31,937,500	35,016,050	33,501,091	32,293,240
Emergency Telephone 911 System	13,003,639	13,558,898	13,752,387	14,140,568	14,408,215	13,838,168	14,469,578
Electrical Energy Production Tax	4,301,551	4,184,978	3,910,294	3,298,244	3,929,711	4,003,929	4,089,882
Abandoned Property	13,868,626	11,775,074	14,316,177	17,058,760	17,362,872	18,237,133	23,749,750
Tobacco Products Tax	12,864,522	12,702,208	12,185,252	11,882,493	11,768,474	11,316,428	10,797,346
Wholesale Energy Transaction Tax	3,628,180	3,490,244	3,350,982	2,981,105	3,352,254	3,455,287	3,545,160
Public Service Commission Tax	3,936,916	2,460,333	5,239,599	5,331,686	4,056,719	5,133,381	6,296,170
Sales Tax - Rental Vehicles Tax	4,958,598	5,907,633	5,572,444	5,455,846	9,529,671	10,140,631	9,796,532
Contractor's Gross Receipts Tax	4,266,687	3,597,205	6,728,555	3,897,240	2,840,073	6,733,045	9,124,961
Rail Car Tax	3,648,993	3,593,860	4,293,652	5,186,537	4,019,546	4,012,330	3,644,552
Consumer Counsel Tax	919,347	768,265	1,736,461	1,093,101	1,170,580	1,061,084	1,131,725
TDD Telecommunications Service Fee	1,365,782	1,386,037	1,421,675	1,502,526	1,541,544	1,577,788	1,623,531
Intermediate Care Utilization Fee	614,244	397,440	323,293	311,860	313,407	527,716	492,630
Other Taxes and Licenses	3,921,363	3,866,229	2,736,072	2,745,439	1,786,111	1,788,719	1,808,712
Subtotal	246,996,161	254,188,934	267,362,775	269,832,654	327,998,967	307,957,671	321,725,777
Cannabis Taxes							
Medical Cannabis Tax	1,836,085	1,626,805	3,871,936	6,319,828	5,595,671	3,061,340	2,067,613
Cannabis Licensing Fees	-	-	-	-	3,482,011	6,348,382	6,757,303
Adult Use Cannabis Tax	-	-	-	-	18,816,673	47,613,282	49,722,303
Subtotal	1,836,085	1,626,805	3,871,936	6,319,828	27,474,515	57,023,004	58,547,219
Liquor Taxes, Profits, and Licenses							
Liquor Profits and License Fees (to GF)	12,459,988	13,492,341	18,079,825	13,255,804	14,208,948	11,073,544	12,072,794
Liquor, Beer, and Wine Taxes	36,450,544	37,829,198	40,543,368	46,547,190	48,206,735	48,815,801	49,366,487
Subtotal	48,910,532	51,321,540	58,623,194	59,802,994	62,415,683	59,889,345	61,439,280
Total Collections	\$2,182,717,700	\$2,360,869,051	\$2,379,612,613	\$2,798,373,349	\$3,622,609,017	\$3,550,717,686	\$3,638,419,815

*Data in this table was updated 01-29-2025

Montana Tax Trends

The next two graphs show total collections of taxes, divided into four categories, for FY 1980 through 2024. Figure 2.15 shows the actual amount of collections each year. Figure 2.16 shows collections adjusted for inflation, with each year's collections shown in terms of their value in 2024.

Figure 2.15 DOR State and Local Taxes in Montana 1980 - 2024

Four Types of Taxes Reported Separately

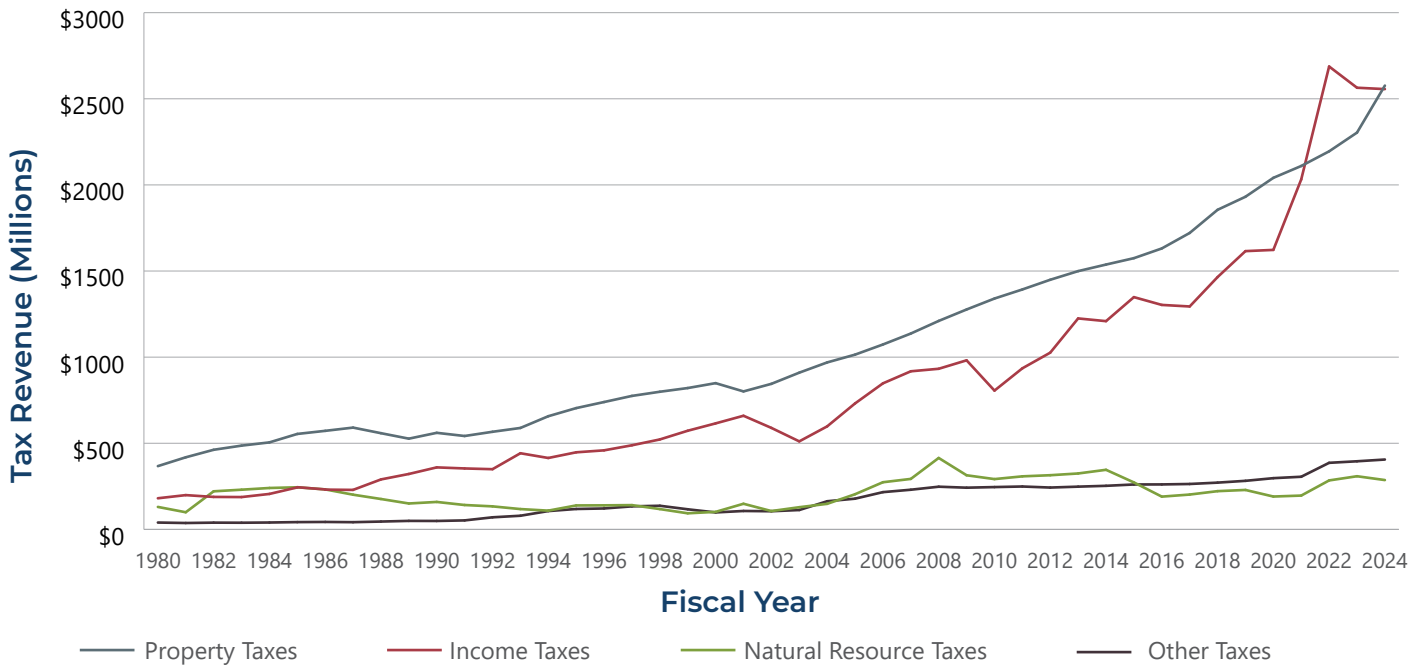
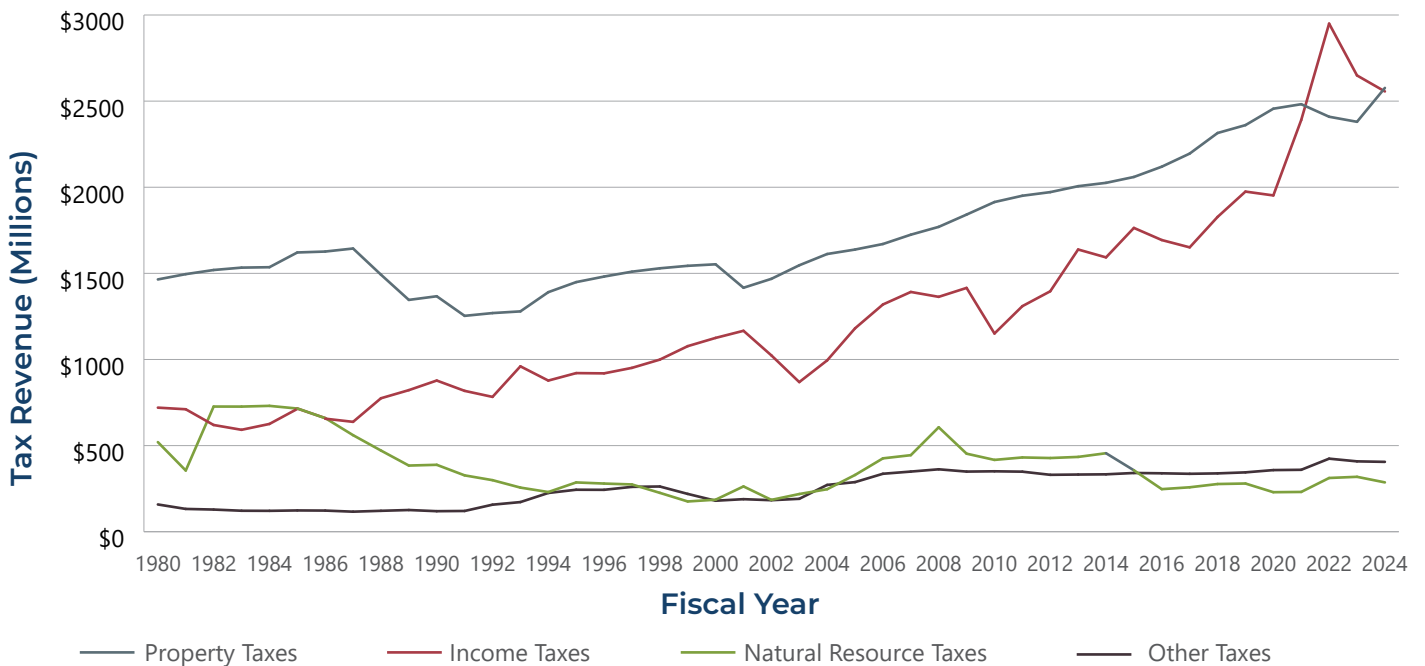


Figure 2.16 DOR State and Local Taxes in Montana 1980 - 2024

Four Types of Taxes Reported Separately (Adjusted for Inflation)



The two graphs below show the total collection of taxes in Montana, divided into the same four categories, for FY 1980 through 2024. Figure 2.17 shows the amount of collections for each tax type as a share of Montana's gross domestic product for the same period. The second shows the amount of revenue collected on a per capita basis. Figure 2.18 is also adjusted for inflation, with each year's collections shown in terms of their 2024 value.

Figure 2.17 DOR State and Local Taxes as a Share of GDP in Montana 1980 - 2023
Four Types of Taxes Reported Separately

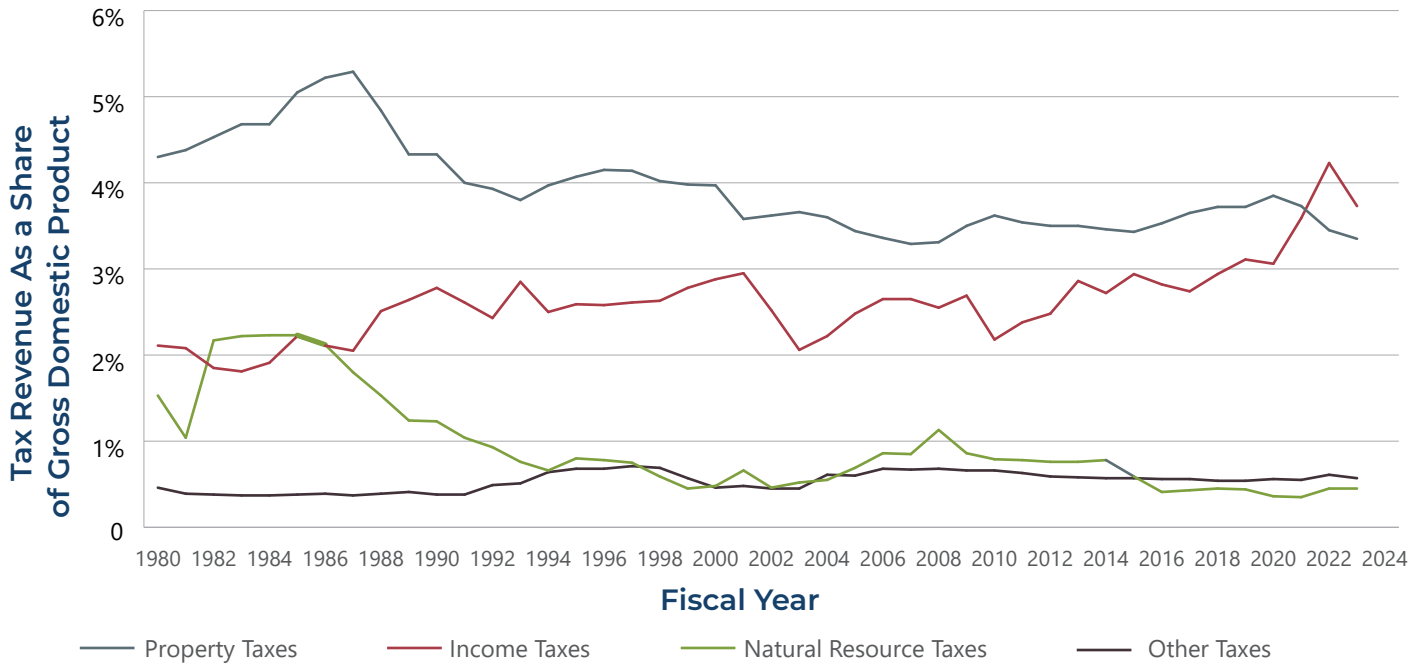
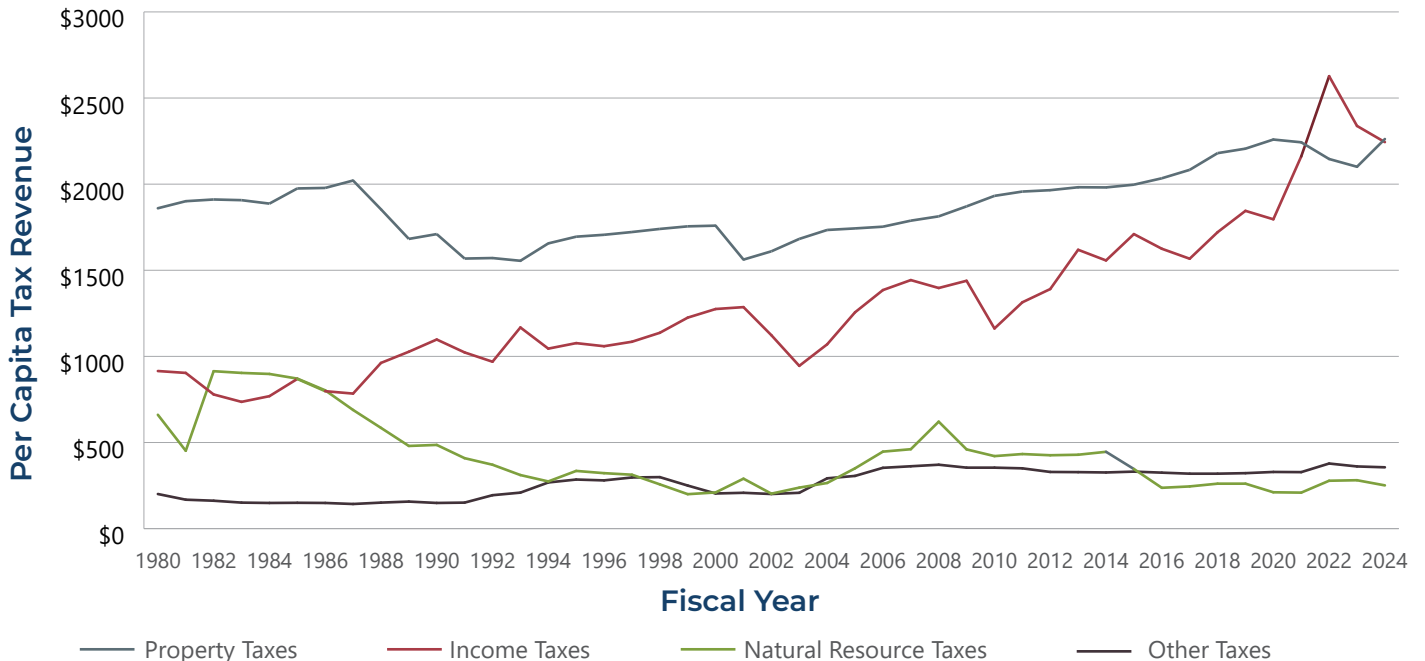


Figure 2.18 Per Capita DOR State and Local Taxes in Montana 1980 - 2024
Four Types of Taxes Reported Separately (Adjusted for Inflation)



Taxes and Spending in Montana and Other States

The following show how taxes are grouped in the previous graphs:

Property Tax
Taxes Based on Mill Levies
Special Improvement Districts (SID)
Rural Improvement Districts (RID)
Other Fees

Income Taxes
Individual Income Taxes
Corporate Income Taxes
Pass-through Entity Tax

Natural Resource Taxes	
Coal Severance Tax	Miscellaneous Mines Net Proceeds Tax
Coal Gross Proceeds Tax	Bentonite Tax
Metal Mines License Tax	Oil and Natural Gas Severance Tax
Metal Mines Gross Proceeds Tax	Cement and Gypsum Taxes
Resource Indemnity and Groundwater Assessment Tax	

Other Taxes		
Lodging Facility Use Tax	Alcoholic Beverage License Fees	Public Service Commission Tax
Accommodations Sales Tax	Cannabis - Recreational Sales Tax	Unclaimed Property
Rental Vehicle Tax	Cannabis - Medical Sales Tax	Public Contactor's Gross Receipts Tax
Cigarette Tax	Opioid License Fee	Inheritance and Estate Tax
Tobacco Product Tax	Telephone Company Tax and Retail Telecommunication Tax	Nursing Facility Bed Tax
Cigarette Seller Licenses	Emergency Telephone System Fee	Intermediate Care Facility Utilization Fee
Liquor License Tax	TDD Telecommunications Fee	Cannabis - License Fees
Liquor Excise Tax	Electrical Energy Producers' Tax	Invasive Species Fee
Beer Tax	Wholesale Energy Transaction Tax	Hospital Facility Utilization Fee
Wine Tax	Consumer Council Tax	Rail Car Tax

The charts on the next page (Figures 2.19) show the mix of taxes in FY 2022 for Montana, for the average of all 50 states, and for Idaho, North Dakota, South Dakota, and Wyoming. The charts on the following page (Figures 2.20) show the mix of state and local spending for the same states.

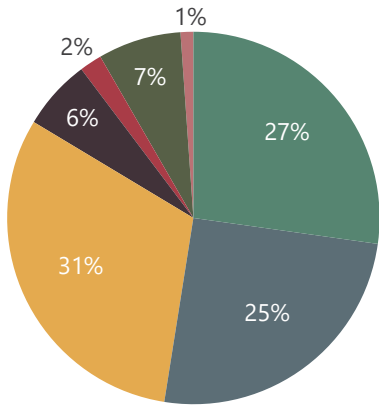
The chart in the upper left corner of the next page (Figure 2.19) shows the average percentage of tax revenue from each tax type for all states. Property taxes, sales taxes, and individual income taxes together account for 83 percent of state and local tax revenue. This combination of taxes is often referred to as the “three-legged stool” of state and local taxation.

Compared to the average, Montana gets a much smaller share of tax revenue from sales and excise taxes and a somewhat larger share from each of the other types. Of the four neighboring states, only Idaho looks like the average state. In North Dakota, severance and other taxes were over 43 percent of total collections in FY 2022. North Dakota’s share of revenue from sales and excise taxes and property taxes was a little less than the 50-state average. South Dakota and Wyoming do not have individual income taxes, and Wyoming does not have a corporate income tax. South Dakota compensates by receiving a somewhat higher proportion of tax revenue from property taxes and a much higher proportion from the sales tax. Wyoming receives a much higher-than-average proportion of tax revenue from the severance and other categories.

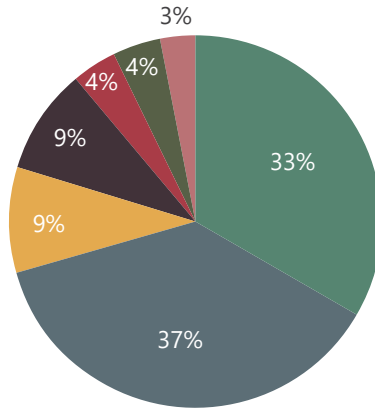
The mix of spending shows much smaller differences between states. All the states in the region devote an average share of spending to public schools. Montana, Idaho, and Wyoming devote the same proportion to higher education as the average state, while the proportion is slightly higher in North Dakota. The Dakotas devote a smaller-than-average share of spending to health and human services, while Idaho is close to the average. Transportation’s share of spending is higher than the US average in all the five states in the region.

Figure 2.19 State and Local Taxes in FY 2022

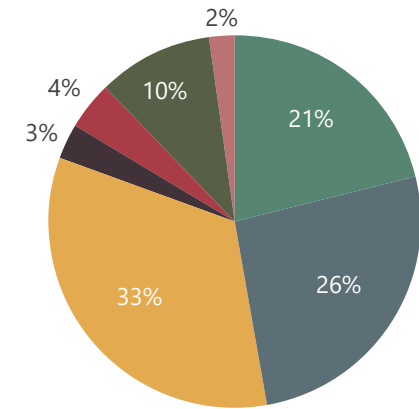
Average of All Fifty State



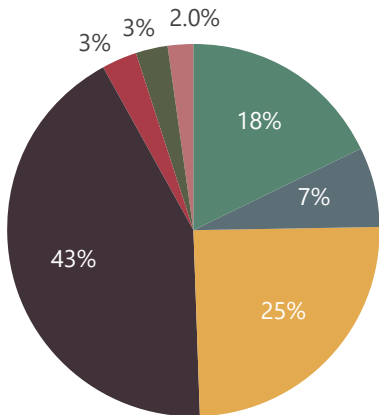
Montana



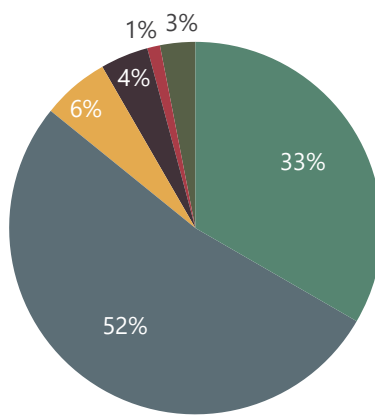
Idaho



North Dakota



South Dakota



Wyoming

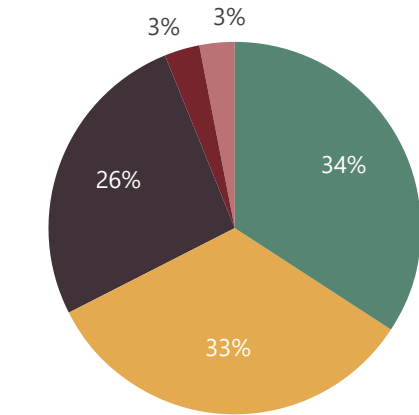
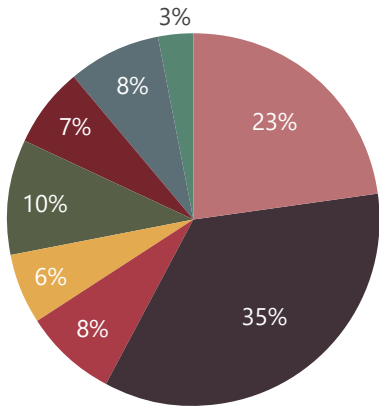
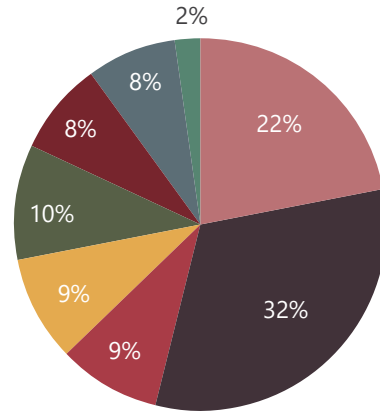


Figure 2.20 State and Local Spending in FY 2022

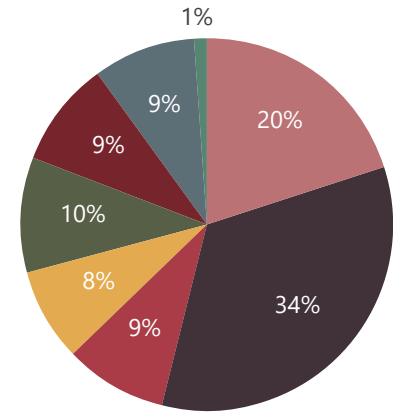
Average of All Fifty State



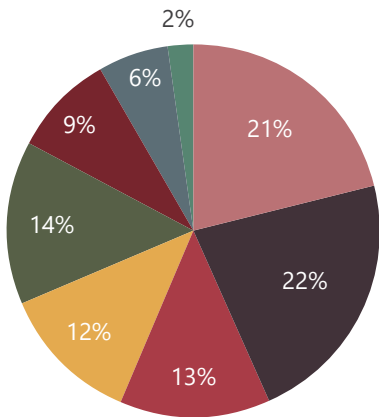
Montana



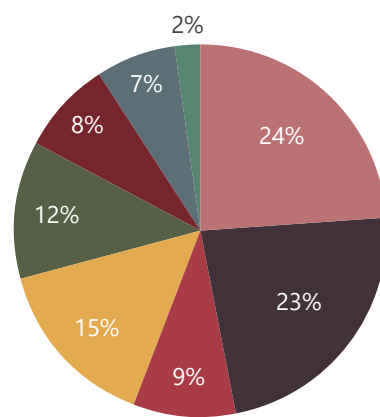
Idaho



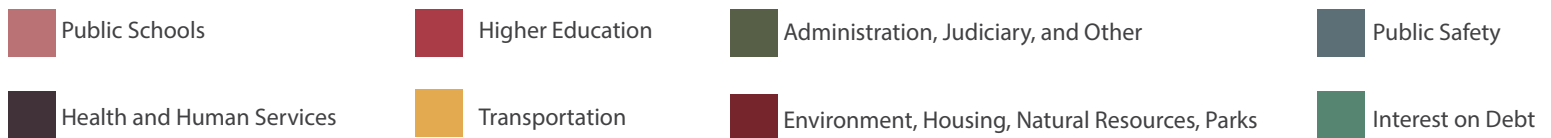
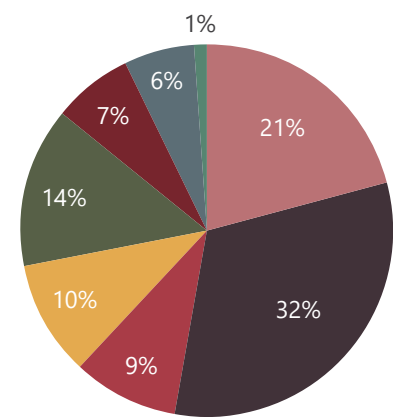
North Dakota



South Dakota



Wyoming



How Does Montana's State and Local Revenue System Measure Up?

There are many ways to evaluate state and local revenue systems. People and business care about different aspects of revenue systems because state and local taxes affect them differently. For example, a family with a large mortgage may benefit from itemized deductions for property taxes and home mortgage interest, while a family who lives in an apartment would not. A business with large investment in buildings and fixed equipment may prefer a location with low property taxes even if it has a high sales tax, while a business with few fixed assets but large expenses for supplies may prefer the opposite.

To evaluate Montana's tax system, this report next examines Montana's tax structure, utilizing 10 principles that are generally considered important components of a high-quality tax system:

- 1.** The elements of a tax system should be complementary to each other. This means individual state taxes should harmonize with each other, and state and local taxes should complement each other rather than conflict.
- 2.** Revenue should be reliable at the state, local, and individual level. At the state and local level, revenue should be adequate for government functions. There should not be wide fluctuations in government revenue from one year to the next. Taxpayers should not face frequent and significant changes in tax rates, structures, or tax liabilities.
- 3.** There should be a balanced mix of revenue sources. All taxes have strengths and weaknesses, and a system with multiple taxes is more likely to be able to offset the weaknesses of one with the strengths of another. Multiple taxes also allow lower rates for each tax.
- 4.** Taxpayers in similar circumstances should pay similar taxes, a concept known as horizontal equity.
- 5.** Lower-income taxpayers should not pay more in taxes than higher-income taxpayers, a concept known as vertical equity.
- 6.** Taxes should be easy to understand and easy to comply with.
- 7.** Taxes should be easy to administer in a fair, efficient, and effective manner.
- 8.** A state's taxes should compete with taxes in other states and countries, while financing a competitive level of infrastructure and public services. Competitiveness should be measured by the state's entire package of taxes and public services, not by the special treatment given to a specific group of taxpayers.
- 9.** The tax system should minimize its impacts on taxpayer decisions and state budgeting decisions; any such impacts should be explicit. Tax systems affect taxpayer decisions by imposing higher taxes on some activities than on others. Sometimes this is intentional, as with targeted tax credits, and sometimes it is a consequence of adopting certain types of taxes. Tax systems affect budgeting decisions primarily through earmarking of particular taxes.
- 10.** The system of collecting revenue should be transparent and accountable to taxpayers. The processes for setting and changing taxes should be public and accessible. Taxpayers should know the taxes they pay and special provisions of the tax code should be reviewed regularly.

The rest of this section presents information on ways that Montana either conforms to or differs from each of the principles listed above. Where possible, it also compares Montana to the other states.

Complementary

There are several ways that state and local taxes can fail to be complementary:

- state and local governments may compete for the same tax base
- the state may impose spending mandates on local governments
- the state may impose limits on local governments' ability to raise revenue.

In Montana, both the state and local governments levy property taxes, so there is some degree of competition for tax base. In the past, the state and local governments shared a variety of taxes. The 2001 Legislature replaced this with a system where these taxes are collected by the state. Local governments receive fixed entitlement share payments. The oil and natural gas production tax continues to be shared. Before 2003, the state and local shares were partly determined by property tax mill levies; the 2003 Legislature made state and local shares fixed percentages.

The state mandates minimum and maximum spending levels for school districts, but also provides state funding.

The state imposes a limit some local jurisdiction's annual property tax revenue growth, but allows voter-approved levies to exceed the limit.

The state limits local government taxing authority to property taxes, a local sales tax in communities that qualify as resort areas, and a local option vehicle registration fee.

Reliable

For a tax system to be reliable, revenue collected should not fluctuate too much.

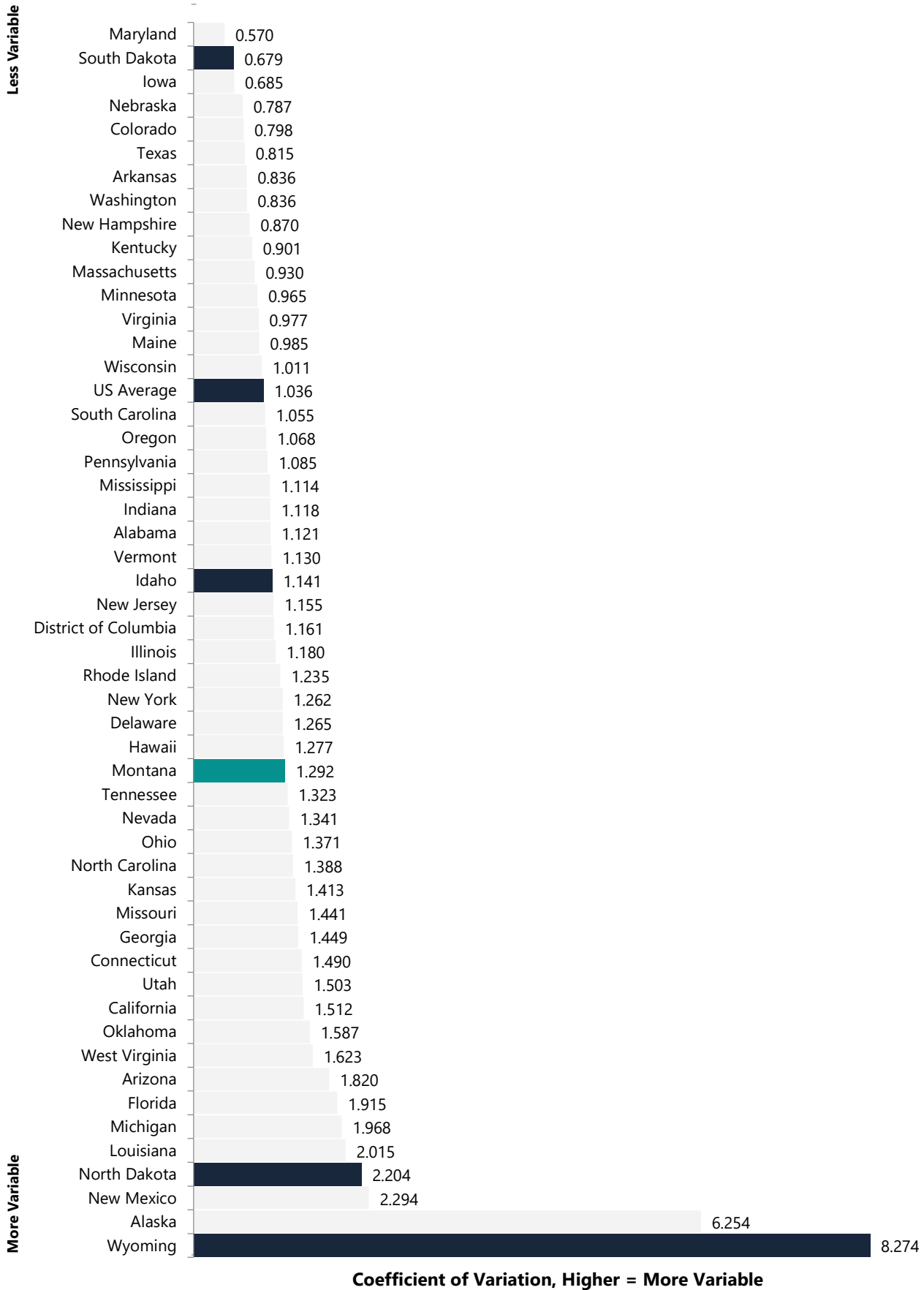
The next graph (Figure 2.21) compares states on the variability of state and local tax revenue. It shows all states, including the District of Columbia, ranked by a measure of the relative variability² of revenue growth over the period 2008 to 2022. Montana is highlighted in teal, and the four surrounding states and the U.S. average³ are dark blue.

Montana ranks 32nd, with higher-than-average relative variability. The stability of a state's revenue depends on its tax structure and how that structure interacts with the state's economy. States with the most volatile taxes have less diverse tax structures and are more dependent on volatile taxes, such as corporation tax and severance taxes.

² The coefficient of variation is a measure of relative variability. A higher CV indicates that the variation in annual growth rates is a larger percent of the average growth rate.

³ In this section, U.S. averages are calculated from total revenue for all 50 states, not the average of the 50 state numbers.

Figure 2.21 Variability of Revenue Growth (2008 - 2022)



Balance

A balanced tax structure would generate revenue from multiple sources, so that the weakness of each tax can be balanced against the strengths of the other taxes. This balancing should reduce revenue volatility and minimize the economic distortions caused by each tax. An unbalanced tax system relies on one or two taxes for most of its revenue. The next two graphs (Figure 2.22 and 2.23) compare states on their share of taxes from the largest tax type and from the two largest tax types.

The conventional view is that a balanced tax system would get most of its revenue from the “three-legged stool” of income, property, and sales taxes, but balance can be achieved in other ways. Despite not having a general sales tax, Montana has a relatively balanced tax system, as measured by the percent of revenue from one or two taxes, with 36.7 percent from one tax and 69.8 percent from two taxes. In the past, Montana’s selective sales and excises taxes and severance taxes together made up about the same share of revenue as general sales taxes did for other states, although this has decreased in recent years.

Figure 2.22 Percent of Revenue From One Tax

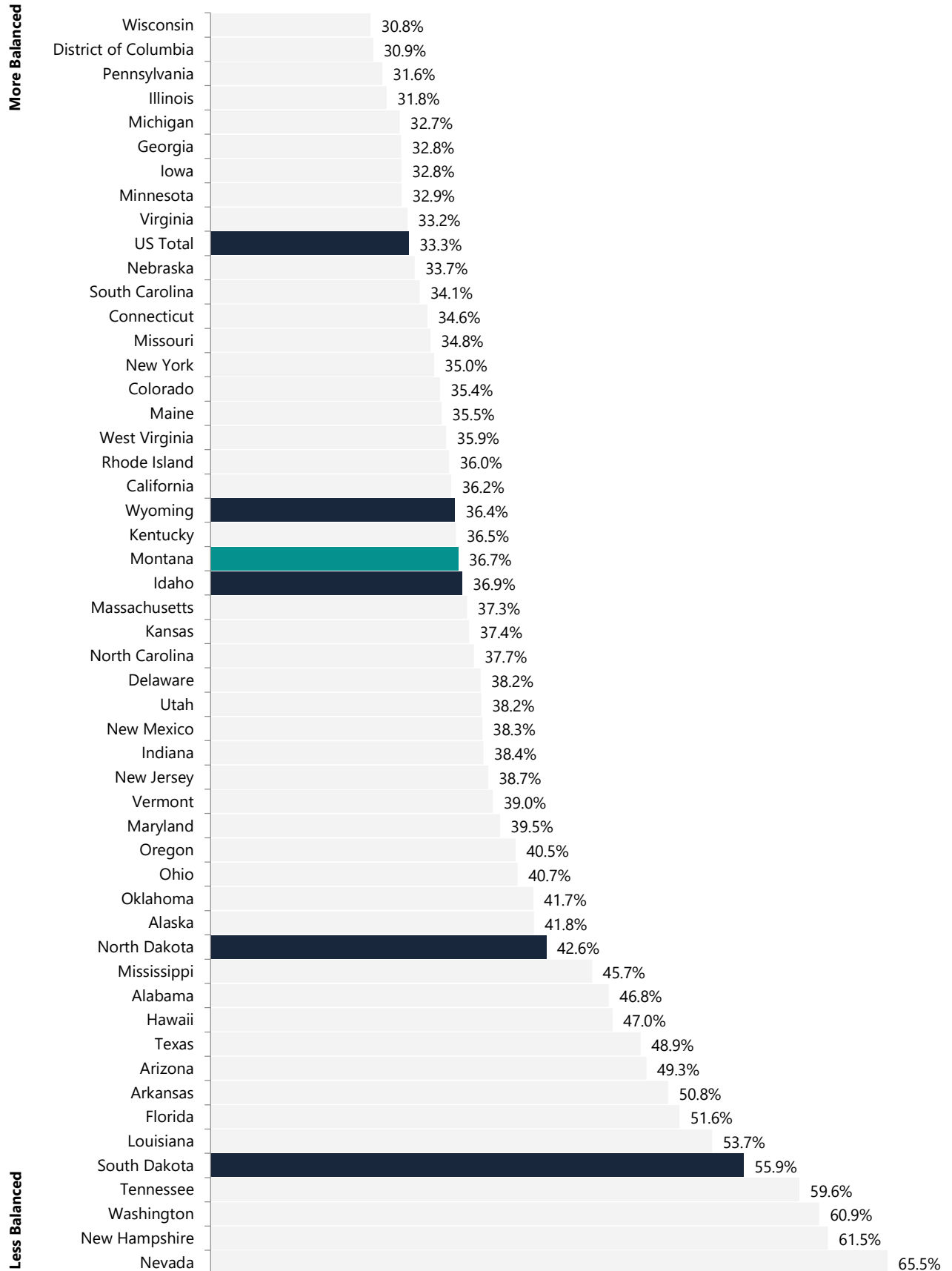
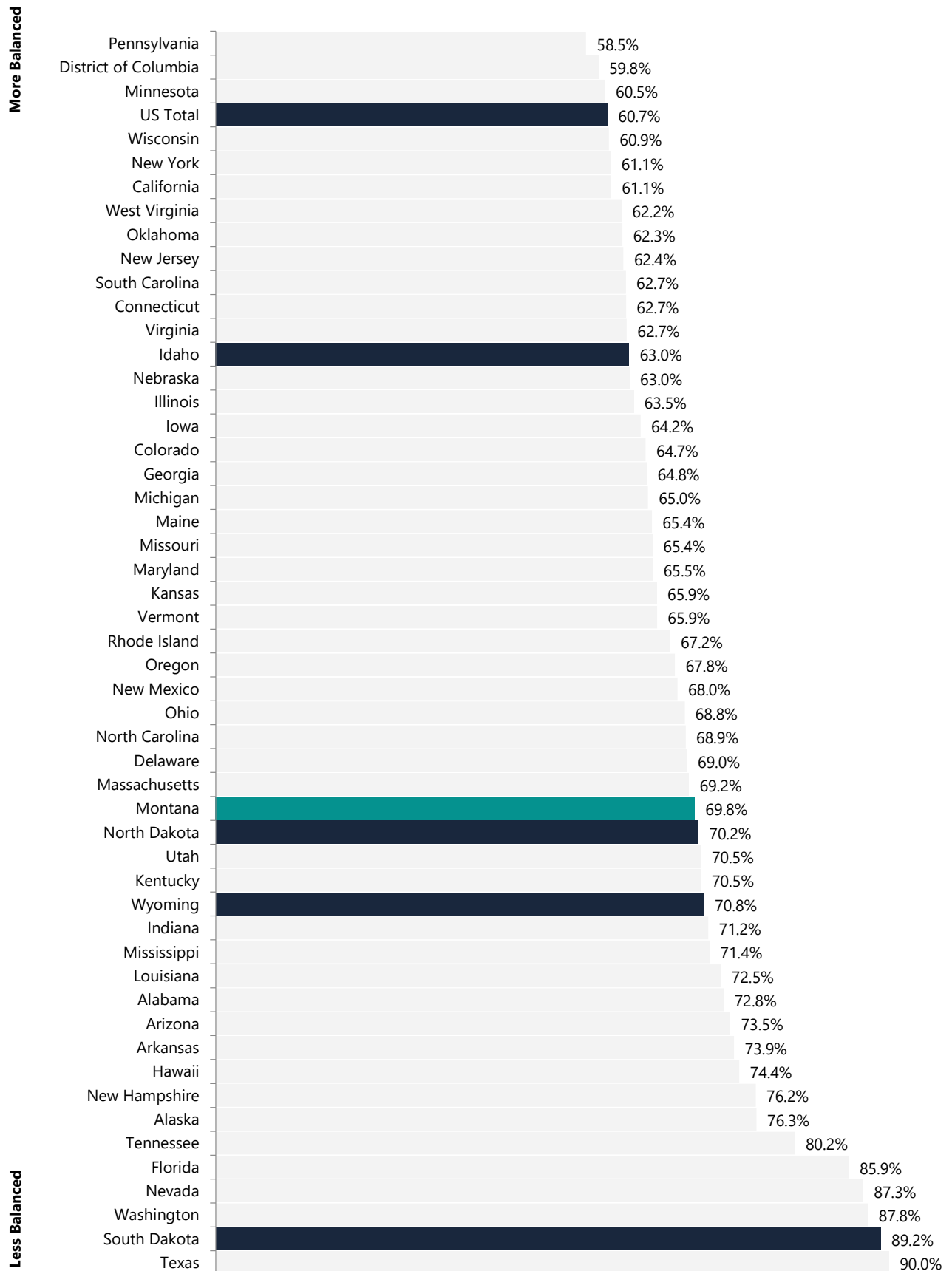


Figure 2.23 Percent of Revenue From Two Taxes



Similar Circumstances and Similar Taxes

For most Montana taxes, taxpayers who have similar tax bases pay similar taxes. There are two exceptions. One exemption is income tax, where taxpayers with similar incomes may have very different tax liabilities if they differ in their ability to take advantage of the itemized deductions and tax credits allowed by the state. For example, a taxpayer with a mortgage on a house can claim itemized deductions for mortgage interest and property taxes. This is likely to result in this taxpayer having lower income tax liability than an otherwise identical taxpayer who rents and cannot claim these deductions.

In general, the Montana property tax system is designed so that similar properties will have similar taxable values, and any differences in taxes will be due to differences in local mills. Sometimes, differences in local mills reflect differences in local services. For example, if residents of one town choose to have more parks and recreation facilities than residents of a similar town, the first town is likely to have higher property taxes to pay for the additional facilities. Differences in local mills may also reflect differences in the costs of providing local services. If the cost of living is higher in one area than another, school districts in the higher cost area may have to levy more mills so they can pay teachers higher salaries to induce them to live and work in the higher-cost area.

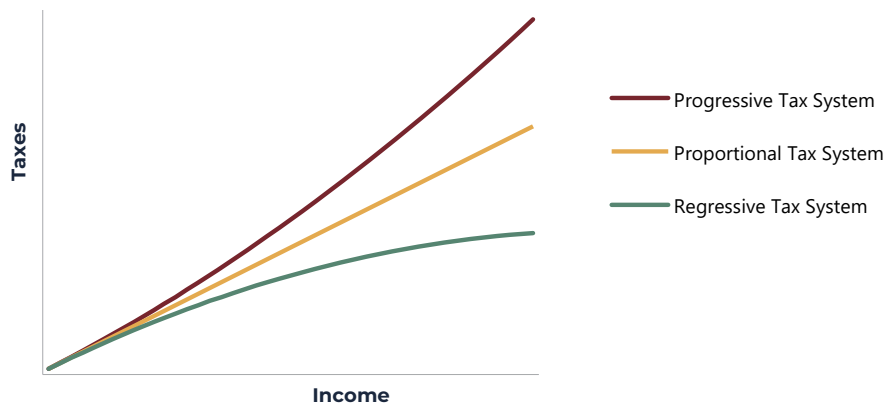
However, one of the main determinants of mill levies in a taxing jurisdiction is the amount of industrial and commercial property in the jurisdiction. Jurisdictions with large amounts of industrial and commercial property relative to the population tend to have low mill levies. In contrast, similar jurisdictions with little or no industrial or commercial property tend to have higher mill levies. This disparity can result in similar properties with similar taxable values, paying very different amounts of property tax for the same public services.

Taxes Paid Relative to Income

A tax system is determined to be proportional if the ratio of taxes to income is the same for taxpayers with different incomes. A tax system is considered progressive if the ratio of taxes to income is higher for taxpayers with higher incomes, and regressive if the ratio of taxes to income is lower for taxpayers with higher incomes.

The graph on the next page (Figure 2.24) illustrates these concepts. The yellow line shows a proportional tax system, where taxes are the same proportion of income at all income levels. The red line shows a progressive tax system where taxpayers with higher incomes pay a higher percentage of their incomes in taxes. The green line shows a regressive tax system where taxpayers with lower incomes pay a higher percentage of their incomes in taxes.

Figure 2.24 Different Types of Tax Systems



The graph on the following page (Figure 2.25) shows the measure of progressivity or regressivity, also called the Suits index, for each of the 50 states and the District of Columbia. The Suits index will be positive for a progressive tax system, zero for a proportional tax system, and negative for a regressive tax system. A larger negative number indicates a more regressive tax system. The Suits index is always between -1 and 1. If all taxes were paid by the person with the highest income, the Suits index would be equal to 1. If all of taxes were paid by the person with the lowest income, the Suits index would be equal to -1.⁴

As Figure 2.26, shows, most state tax systems are regressive—taxpayers with higher incomes pay a smaller portion of their income in taxes. While state income taxes often are progressive, property and sales taxes together generate more revenue than the income tax in most states.

Property taxes are regressive because, while higher-income individuals typically have more expensive houses, taxpayers' personal real estate holdings rarely increase proportionally with their income. Taxpayers with higher incomes are more likely to own business property, but property taxes, like other costs, generally are passed along to customers.

Sales taxes generally are regressive because (1) services and other non-taxable purchases make up a larger percentage of higher-income taxpayers' spending, and (2) higher-income taxpayers typically spend a smaller fraction of their income. Higher-income taxpayers are more likely to be accumulating wealth by spending less than they receive, both in any year and over their lifetimes. Montana has one of the least regressive tax systems as measured by the Suits index, due in part to our lack of a general statewide sales tax.

The second graph (Figure 2.36) compares the percentage of income going to state and local taxes for the fifth of taxpayers with the lowest incomes to the same percentage for all taxpayers. The number for a state is less than one if low-income taxpayers pay a smaller share of their income in state and local taxes than other taxpayers. It is more than one if low-income taxpayers pay a larger share of their income in state and local taxes.

Montana low-income taxpayers pay 1.18 times as large a share of their income in state and local taxes as taxpayers as a whole. This is one of the lower ratios, and well below the national average of 1.23. There are 12 states where the ratio is 1 or less.

⁴ Suits Indices in the graph are calculated from information in "Who Pays: A Distributional Analysis of the Tax Systems in All 50 States," 7th ed, Institute on Taxation and Economic Policy, 2024

Figure 2.25 Regressivity of State Tax Systems

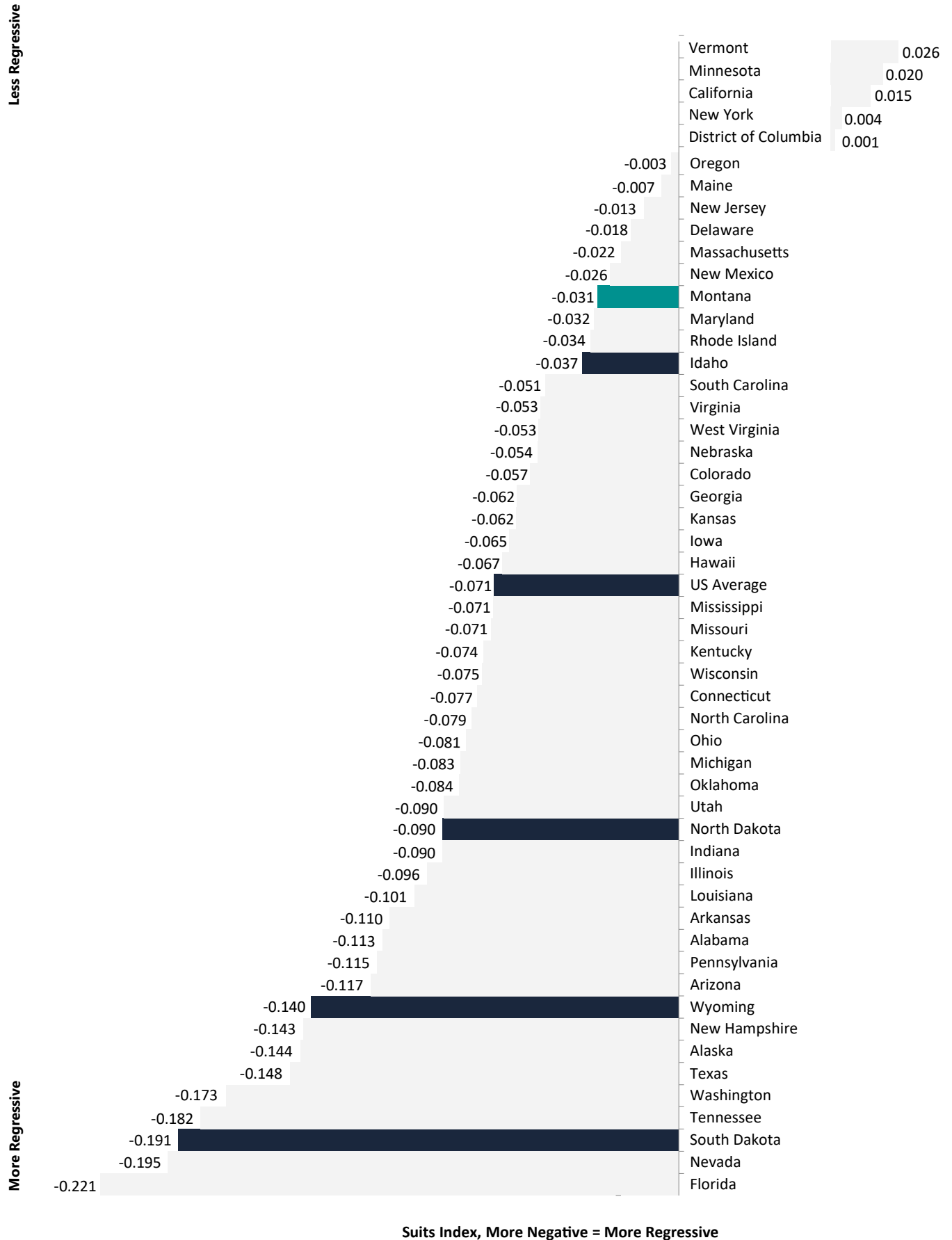
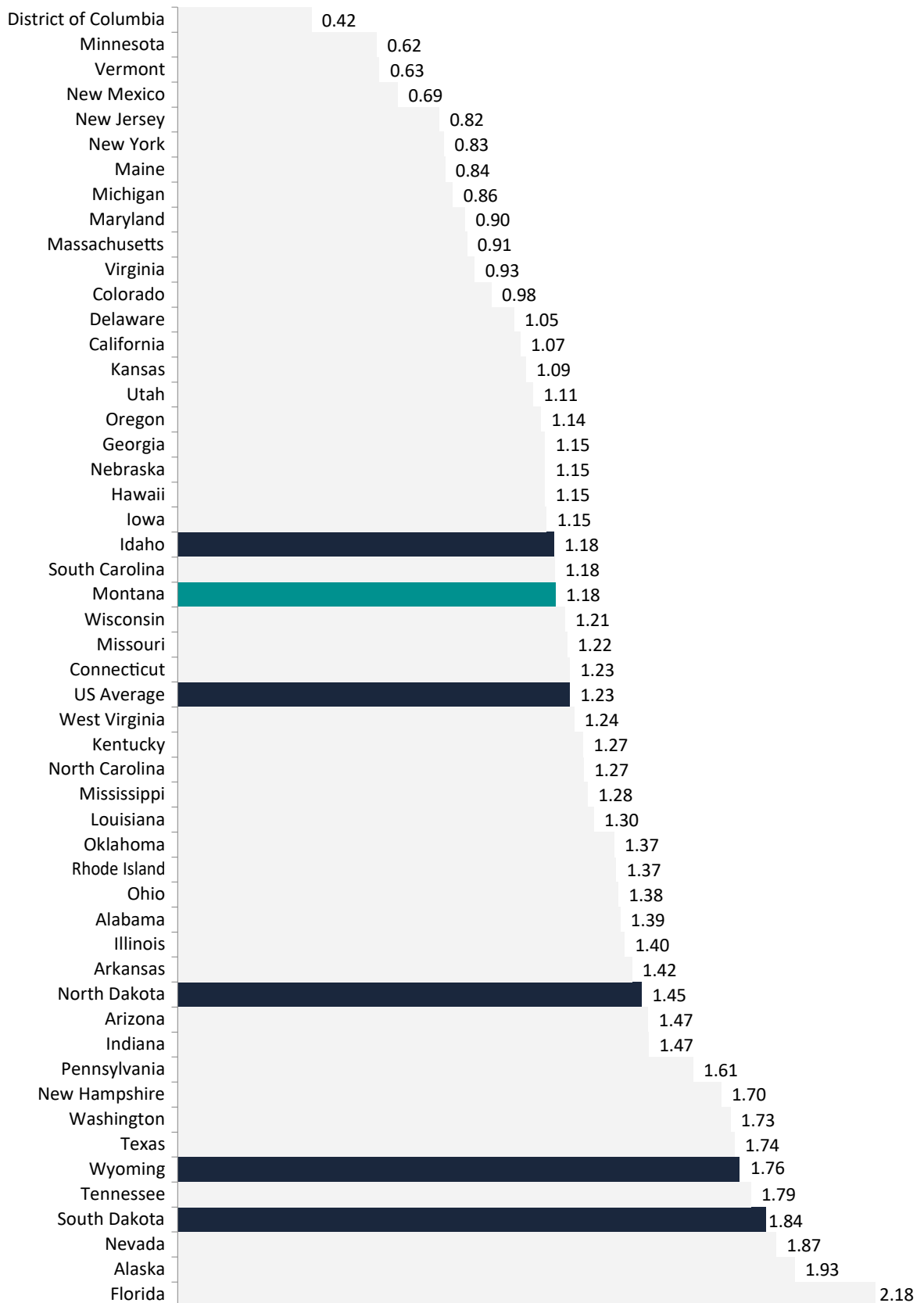


Figure 2.26 Taxes as Percent of Income, Low-Income Households Compared to All Households

**Lower Taxes
on Low-Income
Households**



**Higher Taxes
on Low-Income
Households**

Easy to Understand and Comply

Ideally, paying for public services would be simple and straightforward. The taxpayer would receive a bill, verify that the amount was correct, and have a convenient way to pay.

Whether a state's tax system is easy to understand and easy to comply with depends on the types of taxes collected and on the details of the specific taxes. Some taxes are inherently harder to understand or harder to comply with. The way a tax is implemented can also make it easier or more difficult to understand and comply with. A state that relies more on taxes that are more complex will have a tax system that is harder to understand and comply with than a state that relies more on taxes that are less complex.

Characteristics of a tax that affects how easy it is easy to understand and comply with include:

- if the taxpayer receives a bill or self-assesses (files a return)
- if the tax is self-assessed, the ease or difficulty of the process if tax is billed and if the taxpayer can easily verify that the tax assessment is correct, and
- how the tax is paid.

The process for resolving disputes between the taxpayer and the taxing jurisdiction also affects the ease of complying with a tax; it is generally similar between taxes and across states. In general, the taxpayer can request an informal review, then proceed to a formal review first with the department, next to an appeal before a quasi-judicial body (such as the Montana Tax Appeals Board), and ultimately, to an appeal before state, and possibly federal, courts.

One difference between taxes is who initiates the process. With taxes that are billed, the process generally begins with the taxpayer disagreeing with the taxing authority's assessment. With taxes that are self-assessed, the process generally begins when the taxing authority audits the taxpayer's return, disagrees with the self-assessed tax, and assesses additional tax.

Billed or Self-Assessed

Property taxes are generally billed to taxpayers, though some types of property are self-reported.

Sales taxes and excise taxes generally are assessed by the vendor as part of the ultimate taxpayer's bill for the taxable good or service.

Individual and corporate income taxes are self-assessed, as well as severance taxes and most business taxes.

Unlike most states, Montana does not have a general sales tax. Because of this, a taxpayer in Montana self-assesses a larger proportion of tax transactions than a taxpayer in the typical state. However, the effort required to self-assess taxes depends on the number of returns a taxpayer must file and the effort each return requires, not on the tax due with each return. A taxpayer in a state with sales tax, income taxes, and property taxes will have to file about the same number of returns as they would in Montana.

Ease or Difficulty of Self-Assessment

How difficult it is for taxpayers to file returns for a tax depends on the length and complexity of the return, and on additional recordkeeping the tax requires.

Personal Income Tax

The income tax is self-assessed. Taxpayers are required to complete and file an annual return, necessitating some recordkeeping, organization and planning. The ease of filing returns differs between taxpayers. Filing a return is simple for taxpayers who report only wage and interest income on Forms W-2 or 1099, claim a standard deduction, and do not claim any credits. For taxpayers who have business income or claim a credit, there is a greater need to keep records; completing a return will thus take more time and effort.

Like most states, Montana has tied its income tax closely to federal income tax requirements. For taxpayers who are required to file a federal income tax return, the more the state return form resembles the federal return form, the easier it will be for taxpayers to file their state return. For many taxpayers, the income and deduction information they use to calculate their state income tax will be the same information they used for their federal returns. All states have some differences from the federal return, such as income exemptions, itemized deductions, and credits allowed. Until Tax Year 2024, Montana had more differences from federal law than its surrounding states. Starting in Tax Year 2024, however, Montana's personal income tax was changed to resemble federal tax law more closely.

Before Tax Year 2024

Before Tax Year 2024, Montana's personal income tax was based on Federal Adjusted Gross Income (AGI). Starting from Federal AGI required taxpayers in Montana to calculate a separate state standard or itemized deduction. This also means taxpayers who itemize deductions must keep track of deductible expenditures and fill out additional schedules on their Montana tax returns. As the table on the following page shows, Montana had more differences from federal itemized deductions than its surrounding states. Montana law also provided for a smaller standard deduction than federal law, which results in more taxpayers itemizing deductions on their state returns than on their federal returns.

Until 2024, one significant difference between Montana and other states was that Montana was one of a few states that did not require married couples to make the same filing choice on their state and federal income tax returns. At the same time, Montana had only one set of tax rates for all taxpayers. With only one rate table, most married couples in Montana with two incomes had a lower state tax liability if they filed separate tax returns. Because of this, a larger number of married couples in Montana filed a joint federal tax return, but separate state tax returns. This process of changing their filing status made Montana's filing process slightly more complex. In addition, many couples also calculated their state income taxes under both filing options in order to minimize their state tax liability. This significantly increased the time and effort required to file a Montana return.

Finally, all states with income taxes exempt some income from taxation at the state level that is considered taxable income at the federal level. Exempting more income sources makes the filing process more complex for taxpayers, as it requires additional steps to determine if a taxpayer's income is taxable at the state level. As can be seen in the Table 2.4 below, Montana exempted 36 different types of income taxed at the federal level from its income tax before Tax Year 2024, which is more than its surrounding states.

Federal law prohibits states from taxing some types of income that the federal government taxes and many states have chosen to exempt from taxation. States are allowed to tax some income that the federal government has chosen to exempt. All state income taxes have a definition of taxable income that has some differences from the federal definition. As Table 2.4, shows, Montana had more differences than its surrounding states before Tax Year 2024.

Table 2.4 State Income Tax Components

	Montana - Tax Year 2023	Montana - Tax Year 2024	Idaho	North Dakota	South Dakota	Wyoming
Federal Income Type Used	Federal Adjusted Gross Income	Federal Taxable Income	Federal Taxable Income	Federal Taxable Income		
Additions to Federal Income	14	8	5	3	No Income Tax	No Income Tax
Subtractions to Federal Income	36	17	22	18		
Itemized Deductions	Additional Deductions Allowed	Federal Itemized Deductions	Federal Itemized Deductions	Federal Itemized Deductions		
Credits	19	18	17	25		

Starting Tax Year 2024

Starting Tax Year 2024, Montana personal income tax was changed from being based on Federal AGI to Federal Taxable Income (TI). Beginning from Federal TI removes the requirement for taxpayers to estimate separate standard and itemized deduction amounts for the Montana income tax. The larger federal standard deduction also reduces the number of taxpayers who itemize their deductions. The move to Federal TI should reduce the complexity of Montana’s personal income tax and should also reduce the time and effort required to file a Montana tax return.

The changes to Montana’s personal income tax in 2024 also includes the creation of separate rate tables for taxpayers who file a single, joint, or head of household return. The creation of multiple tables eliminates the benefits of taxpayers filing separate returns instead of jointly. At the same time, the option to file a Montana tax return with a different filing status from the federal return was eliminated. The creation of separate rate tables, and the elimination of the alternative filing status option, will reduce the time and effort required of taxpayers when filing their returns.

Overall, the changes made to Montana’s personal income tax starting in Tax Year 2024 reduced the complexity of the tax to match Montana’s surrounding states and the federal income tax more closely. This reduced complexity should make it easier for taxpayers to file their state return.

Corporation Income Tax

The corporate income tax return also is tied to federal law. The Montana return begins with federal taxable income from the taxpayer's federal return. Montana has some adjustments to federal taxable income and most taxpayers are affected by at least one. In particular, taxpayers must add back any Montana corporation tax deducted while calculating federal taxable income. Montana also offers a large number of tax credits for corporations, but only about 1 percent of corporate returns claim a credit.

The most difficult state-specific aspect of the Montana return is the apportionment of the income of multi-state corporations to Montana. The form itself is not difficult, but filling it out requires keeping records of the location of the corporation's sales, payroll, and property. However, a multistate corporation has to make an apportionment calculation for each of the states where it pays corporation tax, so the extra recordkeeping is not all attributable to Montana.

Selective Sales, Excise Taxes and Severance Taxes

The returns for Montana's sales and excise taxes and severance taxes are relatively short and straightforward. Most returns are one page. The taxpayer lists either total or taxable sales, subtract a few deductions, and then multiply the net amount by a tax rate. However, having the information to fill out the forms may require significant recordkeeping for the taxpayer. Much of the information needed to fill out the tax forms is information most businesses would already track, such as total sales and various expenses, but some records may only be needed for taxes, such as which sales are taxable and which are exempt.

Ease of Payment

Property Tax

Before 2024, property tax payments were due for all taxpayers twice a year. The need to make two significant cash payments requires planning by the taxpayer. Most homeowners with a mortgage make monthly payments to a financial institution that then makes the biannual tax payments on the homeowner's behalf.

Starting in 2024, however, the owner of a primary residence in the state can apply to, and enter into an agreement with, their county treasurer to enroll in an alternative payment schedule. Under the alternative payment schedule, property tax payments are due seven times a year, instead of the normal two times. The ability to make seven payments instead of two larger payments should make it easier for many taxpayers to plan for and make payments on their property taxes.

Personal Income Tax

Taxpayers are required to make payments during the year of at least 90 percent of the current year's tax liability or 100 percent of the previous year's tax liability. Any excess payments are refunded when the taxpayer files a return, while any shortfall must be paid at the time of filing. Payments during the year may be made by withholding or quarterly estimated payments. Most taxpayers who receive periodic payments can choose to have income tax withheld from these payments. Taxpayers who make estimated payments generally have to keep track of their income, calculate the amount to pay each quarter, and make sure that funds are available to make the payments. Approximately eight in 10 individuals or couples have taxes withheld from wages or other periodic payments, while one in 10 makes estimated payments. One in 20 does both withholding and estimated payments.

Corporation Income Tax

Corporations are required to make quarterly estimated payments during a tax year. Any excess or deficiency is refunded or paid when the corporation files its return. Making periodic tax payments generally will not be significantly different from making payments to suppliers or employees or paying dividends to shareholders. These activities are things businesses do routinely; making four additional payments should have only minimal additional cost.

Selective Sales and Excise Taxes

Consumers pay these taxes as part of their point-of-sale payment for taxable goods and services. There is no additional effort required on the consumer's part.

Vendors who collect these taxes from their customers must calculate the tax, track the amount collected, and remit it to the state periodically. The tax calculation can be automated as part of the billing process and is done as part of a transaction the vendor would already be regularly making. Remitting sales and excise taxes are no different from making the other types of payments that a business makes routinely and should have only minimal additional cost.

Severance Taxes

Severance tax payments are due with the taxpayer's periodic return. Making these periodic payments generally is no different than other payments regularly made by a business and should have only minimal additional costs.

Easy to Administer Fairly, Efficiently, and Effectively

A tax that is easy to administer fairly, efficiently, and effectively will have a low cost for the tax agency to either assess the tax or to process and verify tax returns. The tax return filing and payment process will have few opportunities for taxpayers to evade the tax and it will not create disparities in how taxpayers are treated.

Cost to Access or Process Returns

The tax agency's cost to administer a tax depends on the number of taxpayers and the time and effort the agency must expend per taxpayer. The number of taxpayers varies between types of taxes. Taxes that are paid directly by most individuals or businesses have many returns. Taxes that are paid by a few taxpayers or that are collected from many taxpayers by a few vendors have fewer returns to process.

The time spent by the agency per taxpayer depends on the length of the return and the amount of information that must be recorded. It will also depend on the time required to verify and correct a typical return.

To some extent, there may be a trade-off between taxpayers' ease of compliance and the tax agency's ease of administration. For example, having a tax billed rather than self-assessed shifts most of the effort of calculating the tax from the taxpayer to the tax agency. Conversely, requiring additional information regarding sales or income would increase the effort required of the taxpayer or third party to comply with the tax, but could reduce the tax agency's auditing effort required to administer a tax effectively.

Property Tax

The property tax is a relatively expensive tax to administer, primarily because it is billed rather than self-assessed. Montana's property tax has some complexities that make it more expensive to administer than property taxes in some states but does not have some complications found in other states.

The Department of Revenue assesses all property in the state, certifies the total taxable value for each taxing jurisdiction, and certifies the value of newly taxable property to be used in calculating each taxing jurisdiction's spending limits. Each local taxing jurisdiction calculates its mill levy or levies based on its budget and taxable value. The department calculates tax for each taxable property. The county treasurers then print and mail property tax bills to each property owner.

These functions are common to the property tax systems in all states. In Montana, more of these functions are performed by the state than by local jurisdictions than is common in other states. Montana is one of two states where all property assessment is a state function instead of a local function. In most states, a state agency oversees and supports local assessors. Property that crosses county lines, such as railroads or pipelines, is assessed by the state.

Property assessment became a state function in Montana for both historic and practical reasons. The 1972 Constitutional Convention made property assessment a state function after hearing widespread concerns about lack of uniformity in appraisals done by county assessors. In states with state-wide property taxes, such as Montana, it is important that assessments be uniform statewide as well as within local jurisdictions.

Identical properties need to have the same assessed value within a taxing jurisdiction to ensure that property owners pay the same taxes. However, the taxes on individual properties in a jurisdiction will be the same whether assessments are all at market value or are uniformly high or low. This occurs because property taxes are based on a taxpayer's share of taxable value in a jurisdiction, not on the absolute value of the taxpayer's property.

A taxpayer with 0.01 percent of the taxable value in a jurisdiction will pay property taxes equal to 0.01 percent of the taxing jurisdiction's revenue requirement. Millage rates are set by dividing a jurisdiction's revenue requirement by its taxable value. If, for example, all properties in a jurisdiction are over-assessed by 10 percent, the mills will be 10 percent lower than if assessments were at market value, and taxes will be the same as if assessments were at market value.

In other states with only local property taxes, assessments are required to be uniform within each local taxing jurisdiction, but do not need to be uniform across jurisdictions. For example: if assessments are 10 percent higher than market value in Town A and 10 percent lower than market in Town B, taxpayers in both jurisdictions pay the same taxes as if both towns assessed at market value.

When a state levies property taxes, assessments need to be uniform statewide or some adjustment needs to be made for differences between local assessment practices. Montana has made assessment a state function. Most of the other states with state property taxes provide state oversight for local assessors. Washington, for example, conducts annual sales-assessment ratio studies and uses the results to adjust state mills in each county to compensate for differences in local assessment practices.

While assessing property at the state level increases the state cost of administering the property tax, it eliminates most local costs. It is not known how state level assessment affects the total of state and local costs.

The basis for property taxation is the market value of property. Determining the tax this way can be simple or complex. In some states, all property is assessed at its market value and the tax equals market value multiplied by millage. In other states, property is assessed at a percent of its market value. The percentage may vary between classes of property. Some types of property may be assessed on something other than market value, resulting in part of a property's value being exempt from taxes or in different rates to different properties.

When property is assessed at less than full market value, the ratio of assessed value to market value is called the assessment ratio. Property tax rates give the ratio of tax to taxable value. In Montana, these rates are expressed in mills, or dollars of tax per thousand dollars of taxable value. Some states express rates as a percentage, or dollars of tax per hundred dollars of taxable value. Property tax rates may either be set by statute or determined annually by dividing a taxing jurisdiction's revenue requirement by its total taxable value.

The following Table 2.5 shows the number of states with uniform taxation of all property (except agricultural land, which is generally assessed on its value in its current use rather than its market value), and the number of states that treat classes of property differently either through different assessment ratios or different mill levies.

Table 2.5 States* With Uniform and Nonuniform Taxation of Property Classes

Categories	Data
One Assessment Ratio and Uniform Mills	16
One Assessment Ratio and Nonuniform Mills	13
Multiple Assessment Ratios and Uniform Mills	19 - Includes Montana
Multiple Assessment Ratios and Nonuniform Mills	3
Credits	19

* Includes Washington DC

<https://www.lincolnst.edu/data/significant-features-property-tax/access-database/property-tax-classification/>

More than half of the states have some departure from uniform property taxation. The largest group, which includes Montana, has classes of property with different assessment ratios (multiple assessment ratios), but the same millage rates (uniform mills). Thirteen states have the same assessment ratio for all classes of property (one assessment ratio), but have at least one situation where a property class pays a different millage rate (nonuniform mills). Three states have classes with different assessment ratios and different millage rates. One state, California, does not base taxes on market value. Property taxes in California are based on a purchase price that has been partially adjusted for inflation. This practice is equivalent to having a different assessment ratio for property sold each year.

Montana's property tax does not have some features that make property tax administration more complex and costly in other states. Some states have mill levies that apply to some classes of property and not to others. For example, in some states, school district levies may apply to residential property but not commercial property, or public safety levies may apply to buildings but not land. This requires a layer of recordkeeping and a step in the tax calculation not required in Montana. Some states have caps on increases in the assessed value of individual properties. These caps take several forms. Sometimes, assessors are required to track several values for each property, such as current market value, purchase price adjusted for inflation, or purchase price adjusted by an arbitrary growth rate, and then apply the lowest value. This also requires additional layers of record keeping and additional steps in the tax calculation that are not required in Montana. States can also have limits on tax rates or levies.

Table 2.6 States with Limits on Property Tax Growth

	States With Limits on Assessed Value Growth	States Without Limits on Assessed Value Growth	Total
States With Limits on Tax Rates or Levies	17	28 (Including Montana)	45
States Without Limits on Tax Rates or Levies	3	3	6
Total	20	31	51

Personal Income Tax

The provisions of the Montana income tax that make it more difficult for taxpayers to file returns also generally make it more expensive for the department to process and audit returns. Building the abilities to both handle separate returns filed on the same form and the large number of line items into the department's data processing system required significant up-front costs. These changes also required considerable extra work when the system was upgraded and somewhat increased the cost of processing each return and storing the information on it.

The large number of state credits, and the differences from the federal definition of income and federal itemized deductions, created more line items on returns that must be verified and may need to be audited to ensure high compliance. Table 2.8 on the next page contains a list of the tax credits and other tax expenditures

currently in Montana’s personal income tax rules in Tax Year 2023. Additional information on each of the tax expenditures listed on the next two pages in Table 2.8, as well as tax expenditure information for other tax types, can be found in the Tax Expenditure section of this report.

The changes made to Montana’s personal income tax starting Tax Year 2024 should reduce many of these additional compliance and processing costs. In addition, once the changes are implemented, the cost to the department’s data processing system could be reduced in future years as well.

Increased electronic filing has improved the efficiency and reduced the cost of administration of the income tax return process. However, the cost of processing paper tax returns continues to be significant and time consuming. The table below contains a breakdown on the number of personal income tax returns that are filed by Montana taxpayers. The percentage of e-filed returns in Montana has increased from 55 percent of returns filed in Tax Year 2007 to more than 92 percent in Tax Year 2023.

Table 2.7 Income Tax returns File in Montana

Tax Year	Total	Paper	E-file	% E-file
2007	511,235	230,490	280,745	54.9%
2008	542,625	219,182	323,443	59.6%
2009	533,161	193,843	339,318	63.6%
2010	522,381	165,237	357,144	68.4%
2011	526,902	123,179	403,723	76.6%
2012	535,682	109,058	426,624	79.6%
2013	547,558	103,101	444,457	81.2%
2014	552,189	93,924	458,265	83.0%
2015	562,647	88,524	474,123	84.3%
2016	571,114	81,333	489,781	85.8%
2017	568,961	78,196	490,765	86.3%
2018	579,865	81,938	496,180	85.6%
2019	584,897	72,643	510,141	87.2%
2020	596,344	67,191	525,865	88.2%
2021	607,404	57,550	547,810	90.2%
2022	617,741	50,009	564,891	91.4%
2023	634,064	47,625	584,703	92.2%

Table 2.8 Individual Income Tax Expenditures – 2023

Individual Income Tax Expenditures - 2023	Number	\$
Deductions for the Self-Employed	71,911	\$21,173,733
Health Savings Account Deduction	12,609	\$3,246,951
Individual Retirement Account Deduction	11,575	\$3,929,463
Student Loan Interest Deduction	25,921	\$1,080,645
Archer MSA Deduction	17	\$2,887
ABLE Accounts	198	\$23,993
Business Purchases of Recycled Material	88	\$12,401
Mobile Home Park Capital Gain Exclusion	*	\$39,602
Disability Retirement Income	14	\$936
Exempt Tribal Income	5,506	\$10,272,654
Medical Marijuana Provider Expenses	74	\$392,294
Family Education Savings Account	5,675	\$1,245,132
Farm and Ranch Risk Management Account	*	\$0
First-Time Home buyer Account	186	\$40,160
Highly Compensated Employee Health Benefits	105	\$42,211
Interest on Federal Government Bonds	30,356	\$9,698,094
Exempted Military Salary	4,706	\$12,194,490
Montana Medical Care Savings Account	5,120	\$1,419,950
National Guard Life Insurance Premiums	13	\$5,836
Partial Interest Exclusion For Elderly Taxpayers	89,479	\$2,705,958
Partial Pension Exemption	48,419	\$5,453,272
Sales of Land to Beginning Farmers	0	\$0
Small Business Investment Company Dividends	20	\$2,380
Health Care Professional Student Loan Repayment	74	\$116,904
Quality Educator Loan Assistance Program	597	\$13,935
Tier I and Tier II Railroad Retirement Benefits	3,378	\$3,885,600
Tip Income and Gratuities	22,109	\$6,506,115
Unemployment Compensation	15,440	\$4,981,818
Worker's Compensation	148	\$39,832
Casualty and Theft Losses	35	\$83,081
Charitable Contributions	146,635	\$50,005,469
Child and Dependent Care Expenses	191	\$2,179
Federal Income Tax	192,520	\$64,106,417
Mortgage Interest and Insurance Premiums	124,193	\$59,951,132
Light Vehicle Registration Fees	29,243	\$443,463
Long-Term Care Insurance Premiums	8,357	\$1,526,310
Medical and Dental Expenses	46,035	\$12,257,288
Medical Insurance Premiums	104,011	\$27,805,768
Per Capita Livestock Fees	495	\$8,436
Political Contributions	5,951	\$45,512
Other Deductible Taxes	5,404	\$467,424
State and Local Taxes	190,195	\$38,778,093
Adoption Credit	205	\$1,906,579

Table 2.8 Individual Income Tax Expenditures – 2023 (continued)

Individual Income Tax Expenditures - 2023	Number	\$
Apprenticeship Credit	424	\$617,027
Capital Gains Credit	65,536	\$77,730,688
Credit for Other States' Taxes	15,513	\$69,814,800
Earned Income Tax Credit	56,502	\$4,047,850
Elderly Homeowner / Renter Credit	15,195	\$10,035,293
Historic Property Preservation Credit	*	\$6,028
Infrastructure Users Fee Credit	*	\$246,298
Innovative Educational Program Credit	54	\$764,211
Qualified Endowment Credit	590	\$2,948,736
Recycling Credit	78	\$362,703
Student Scholarship Organization Credit	47	\$1,470,326
Unlocking State Lands Credit	*	\$2,215
Media Production Credit	22	\$2,589,812
Trades Education and Training Credit	25	\$25,101
Job Growth Incentive Credit	0	\$0

* Not disclosed due to confidentiality concerns

Sales and Excise Taxes

Not having a general sales tax significantly reduces the cost of administering Montana’s tax system. In states that have both a general sales tax and an income tax, the costs of administering the two taxes generally are in the same range. Sales tax is collected by almost all businesses making retail sales and many businesses making wholesale sales. Thus, there are a large number of sales tax returns to process. Significant effort is required to verify that an individual taxpayer has applied the tax to the correct transactions and collected and remitted the correct amount of tax.

Montana’s selective sales and excise taxes have a relatively small number of taxpayers, ranging from a few hundred to 10,000.

Severance Taxes

Most severance taxes have a small number of taxpayers and relatively simple returns. The Oil and Gas Production Tax is an exception. Part of the revenue from this tax is allocated to the county and school district where each well is located. This means that, besides the normal processing and verifying of returns, the department must calculate the distribution of revenue separately for each return.

Fairness of Administration

Whether a tax is administered fairly is a different question than whether the tax is fair. A tax may be unfair if, for example, it imposes wildly different taxes on taxpayers in similar circumstances. Administration of a tax may be unfair if, for example, the cost to comply is much higher for some taxpayers than for others, or if some group of taxpayers find it easy to evade the tax while others pay.

The property tax and the personal income tax are the two taxes that pose the greatest challenges for fairness in administration.

Property Tax

Two properties with the same value and in the same class should only have different property taxes if they face different local mill levies. This will be the case if the department's assessments of property value are uniform.

Assessing property values is a much more difficult and involved process than determining the tax base for other taxes. For most other taxes, the tax base is either the value of a market transaction, such as income earned or goods sold, or some physical quantity, such as tons of a mineral mined, or packs of cigarettes sold.

For property tax, there is an observable, current market transaction only for a fraction of properties every year. For properties that have not sold recently, the department must estimate the price at which they would sell. Even for properties that have sold recently, the department has to estimate how much the value changed between the date when it sold last and the reappraisal date.

The department has several tools for making these estimates. For residential property, the main tool is statistical modeling, which uses the prices and characteristics of homes that have sold recently to estimate the value of other similar homes in the same neighborhood. Another tool is direct comparison with a limited number of similar properties that have sold recently. Other tools include estimates of the cost of constructing a similar building, and estimating the present value of the stream of rent or other income that the property could produce.

For all these appraisal tools, there is a trade-off between the effort and cost that goes into appraisal and the accuracy of the estimated value of individual properties. For example, statistical models do a good job of estimating the average value of a certain type of house in a certain neighborhood, but may not pick up the unique features that make the value of a particular house higher or lower than average. Collecting additional information and using it to build more sophisticated models can lead to more accurate individual appraisals, but also may increase the cost of the appraisal process.

Personal Income Tax

The primary difficulty in administering the income tax fairly comes from differences in the ease of noncompliance for taxpayers in different circumstances. Taxpayers with income from wages and salaries, interest, corporate dividends, or pensions have their income reported to the IRS and the department and may have tax withheld from their payments. Taxpayers with income from a sole proprietor business or a pass-through entity do not have the same third-party reporting and withholding requirements. IRS research indicates that taxpayers whose income is not subject to third party reporting or withholding under-report income and under-pay tax at higher rates. Most credits and deductions also are based on information that is self-reported by the taxpayer with little or no third-party verification.

Maintaining acceptable compliance and fairness between taxpayers requires the department to audit and verify a sample of returns with items where there is no third-party verification and to search for non-filers. Increasing fairness of administration by reducing non-compliance by taxpayers with income, deduction, or credit items without third-party reporting is possible but only by imposing additional costs, either on the department for additional auditing or on taxpayers through additional reporting requirements.

Competitive

People and businesses consider taxes and government services, among other factors, such as location to natural resources and employment, in deciding where to be located. State and local governments often compete for business presence in their communities or state by providing special tax treatment for specific industries or groups of residents. However, with the requirements to have a balanced budget, state and local governments can only cut taxes for one group by raising taxes for another or by reducing spending. Governments can compete by giving special treatment to favored groups at the cost of higher taxes or fewer services for someone else. They can also compete by efficiently providing a level of services that citizens want at the lowest possible cost.

Even without consciously competing, states make themselves more or less attractive to certain types of taxpayers because of their mix of taxes and the features of individual taxes. Taxpayers generally prefer the taxes they pay to be lower and may not care about taxes they do not pay. For example, retirees may be attracted by low property taxes, while young families may find large income tax exemptions for dependents attractive. Taxpayers may also be attracted by the quality of specific public services, such as schools or roads.

The next 12 tables show taxes per person and taxes per dollar of income received by state residents for the 50 states and the District of Columbia for the fiscal year ending June 30, 2022. The tables show property taxes, sales and gross receipts taxes, individual and corporate income taxes, other taxes, and the total of all taxes. These tables show state and local taxes adjusted for the size of each state's population and the size of its economy. They also show the relative importance of each type of tax in each state. These tables do not show taxes paid by a typical individual or the percent of income a typical individual pays in taxes. States differ in the shares of taxes paid by individuals and businesses and by residents and non-residents.

Accountability

In an accountable tax system, taxpayers know what they pay and what their taxes buy. Taxpayers also know how taxing and spending decisions are made and they have the opportunity to participate in and influence those decisions.

Taxes differ in how obvious they are to taxpayers and in how easy it is for taxpayers to compare the amount they are paying for public services to the amount they pay for other goods and services. With taxes that are billed or that require taxpayers to file a periodic return, taxpayers can easily see the total amount they pay for the period. With property taxes, the bill can also tell taxpayers what they are paying for particular public services, such as roads, schools, and public safety. With sales and excise taxes, it is much less obvious to a taxpayer how much they are paying. Even when excise taxes are stated on a bill, the customers paying the bill are likely to be only vaguely aware of the amount of tax. When businesses are taxed with the intention that they pass the tax on to customers, the point-of-sale taxpayers will often be unaware of the tax. When businesses are taxed to pay for public services that the businesses use, the cost will be passed on to customers in the same way as other costs of doing business.

In Montana, taxing and spending decisions are made by the state legislature, elected local officials, or by citizens voting for services they want. In addition, growth in local property taxes is often limited by Montana statute, but those limits can generally be modified by a vote of the electorate.

Provisions of the tax code that have aims other than raising revenue should be explicit and should be reviewed regularly. Tax preferences are an alternative to spending as a way to accomplish legislative goals and they should be given the same type of scrutiny. One tool of that scrutiny is a tax expenditure report. Such a report should explain each tax expenditure's purpose, if it has been explicitly defined, and how it works, measure its revenue cost, and evaluate its effectiveness as well as its cost-effectiveness in accomplishing its purpose. Montana is one of the states that produce a periodic tax expenditure report. It is the Tax Expenditure section of this Biennial Report.

Table 2.9 Taxes Per Person - FY 2022

State	Property Tax		Sales and Gross Receipts		Individual and Corporate Income Tax		Other Taxes		Total	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Average of All States	\$1,947		\$2,368		\$2,281		\$508		\$7,104	
Alabama	\$697	51	\$2,205	25	\$1,516	35	\$294	39	\$4,711	50
Alaska	\$2,389	11	\$1,012	48	\$563	44	\$2,961	3	\$6,926	20
Arizona	\$1,259	38	\$2,566	15	\$1,182	40	\$196	49	\$5,203	42
Arkansas	\$860	50	\$2,678	10	\$1,492	36	\$243	44	\$5,273	39
California	\$2,137	15	\$2,578	13	\$4,923	3	\$708	12	\$10,346	3
Colorado	\$2,123	16	\$2,569	14	\$2,259	17	\$301	38	\$7,252	16
Connecticut	\$3,364	4	\$2,308	21	\$3,743	5	\$312	36	\$9,727	4
Delaware	\$1,156	42	\$655	51	\$2,857	10	\$2,974	2	\$7,643	14
District of Columbia	\$4,334	1	\$3,163	4	\$6,123	1	\$1,400	6	\$15,020	1
Florida	\$1,675	29	\$2,517	16	\$170	46	\$521	20	\$4,883	48
Georgia	\$1,462	33	\$1,720	45	\$1,906	26	\$150	51	\$5,238	40
Hawaii	\$1,607	32	\$4,484	2	\$2,831	11	\$610	16	\$9,531	5
Idaho	\$1,076	45	\$1,896	39	\$1,875	27	\$287	40	\$5,135	43
Illinois	\$2,611	8	\$2,592	12	\$2,569	12	\$427	30	\$8,199	9
Indiana	\$1,259	39	\$2,212	24	\$2,121	20	\$175	50	\$5,766	32
Iowa	\$1,999	18	\$2,094	34	\$1,856	28	\$428	29	\$6,377	24
Kansas	\$1,802	25	\$2,367	19	\$1,943	25	\$217	47	\$6,329	25
Kentucky	\$1,021	47	\$1,908	38	\$2,095	21	\$201	48	\$5,226	41
Louisiana	\$1,039	46	\$2,968	6	\$1,203	39	\$314	35	\$5,524	34
Maine	\$2,557	9	\$2,145	29	\$2,164	19	\$327	33	\$7,193	17
Maryland	\$1,873	23	\$2,099	32	\$3,536	6	\$569	18	\$8,077	11
Massachusetts	\$2,998	7	\$1,758	42	\$4,153	4	\$471	24	\$9,380	7
Michigan	\$1,704	27	\$1,731	44	\$1,532	33	\$322	34	\$5,288	38
Minnesota	\$1,916	21	\$2,227	23	\$3,476	7	\$440	27	\$8,058	12
Mississippi	\$1,228	40	\$2,181	28	\$1,105	41	\$262	42	\$4,777	49
Missouri	\$1,362	35	\$1,732	43	\$1,664	30	\$219	46	\$4,977	47
Montana	\$1,922	20	\$798	49	\$2,385	14	\$692	13	\$5,797	31
Nebraska	\$2,271	12	\$1,972	36	\$2,009	24	\$480	22	\$6,733	22
Nevada	\$1,345	37	\$4,041	3	\$0	48	\$780	8	\$6,166	28
New Hampshire	\$3,642	2	\$690	50	\$977	42	\$610	15	\$5,920	30
New Jersey	\$3,631	3	\$2,143	30	\$3,163	9	\$452	26	\$9,389	6
New Mexico	\$1,106	44	\$2,971	5	\$1,260	37	\$2,422	4	\$7,760	13
New York	\$3,319	5	\$2,730	9	\$6,090	2	\$612	14	\$12,751	2
North Carolina	\$1,169	41	\$2,002	35	\$1,805	29	\$330	32	\$5,306	37
North Dakota	\$1,621	30	\$2,477	17	\$901	43	\$3,969	1	\$8,968	8
Ohio	\$1,616	31	\$2,337	20	\$1,547	32	\$247	43	\$5,747	33
Oklahoma	\$940	49	\$2,097	33	\$1,236	38	\$753	9	\$5,026	45

Table 2.9 Taxes Per Person - FY 2022 (continued)

State	Property Tax		Sales and Gross Receipts		Individual and Corporate Income Tax		Other Taxes		Total	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Oregon	\$1,890	22	\$1,106	47	\$3,219	8	\$724	10	\$6,938	19
Pennsylvania	\$1,719	26	\$2,101	31	\$2,238	18	\$600	17	\$6,658	23
Rhode Island	\$2,534	10	\$2,192	27	\$2,036	22	\$267	41	\$7,029	18
South Carolina	\$1,433	34	\$1,708	46	\$1,525	34	\$347	31	\$5,012	46
South Dakota	\$1,683	28	\$2,824	7	\$68	47	\$479	23	\$5,053	44
Tennessee	\$971	48	\$2,806	8	\$427	45	\$503	21	\$4,707	51
Texas	\$2,234	13	\$2,659	11	\$0	48	\$542	19	\$5,434	35
Utah	\$1,347	36	\$2,387	18	\$2,291	16	\$221	45	\$6,247	27
Vermont	\$3,184	6	\$2,196	26	\$2,331	15	\$453	25	\$8,165	10
Virginia	\$2,017	17	\$1,888	40	\$2,502	13	\$432	28	\$6,838	21
Washington	\$1,995	19	\$4,519	1	\$0	48	\$902	7	\$7,417	15
West Virginia	\$1,106	43	\$1,919	37	\$1,617	31	\$709	11	\$5,352	36
Wisconsin	\$1,832	24	\$1,794	41	\$2,024	23	\$305	37	\$5,955	29
Wyoming	\$2,149	14	\$2,280	22	\$0	48	\$1,826	5	\$6,255	26

Figure 2.27 Property Taxes Per Person FY 2022



Figure 2.28 Sales and Gross Receipts Taxes Per Person FY 2022

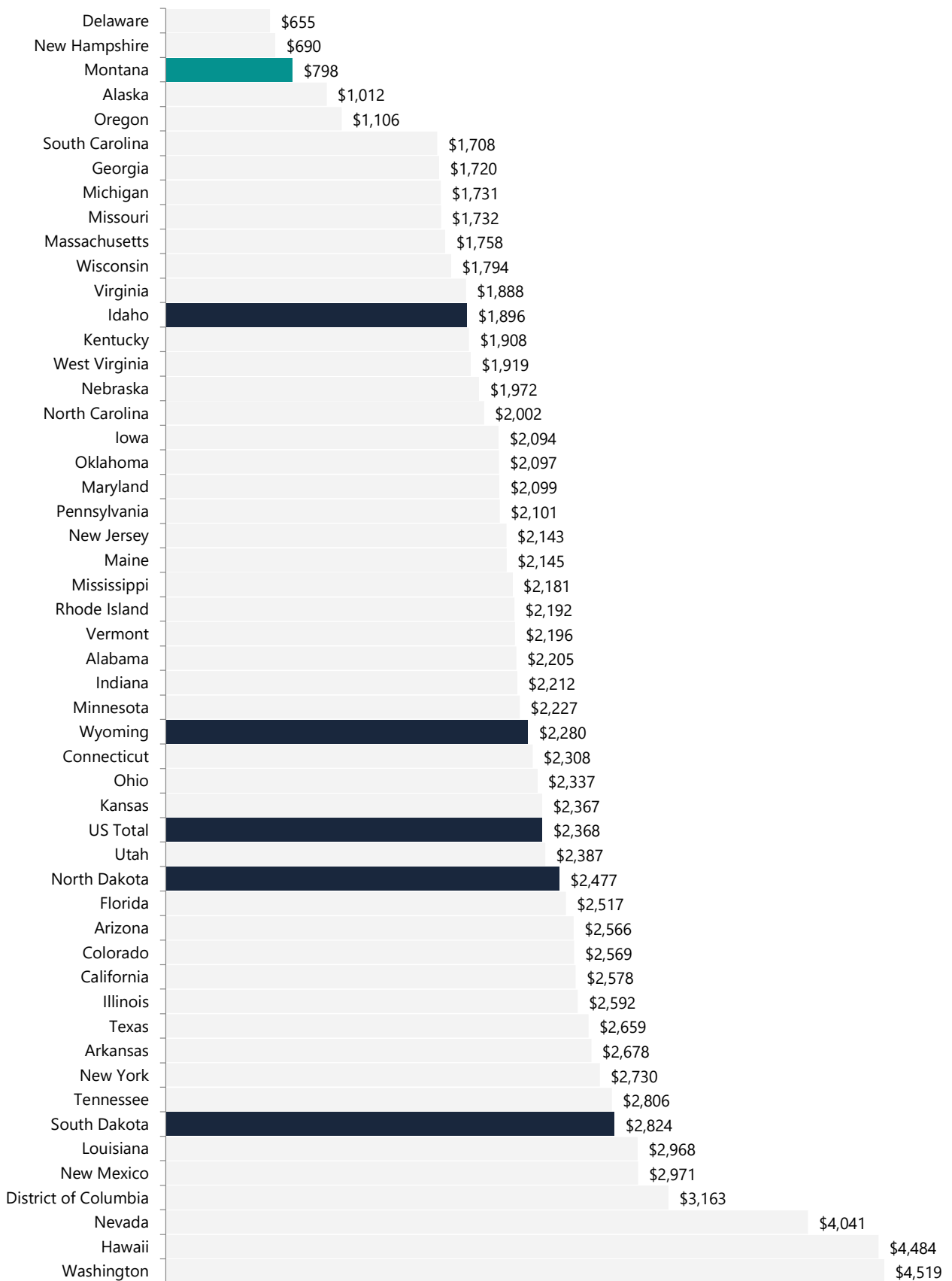


Figure 2.29 Individual and Corporate Income Taxes Per Person FY 2022



Figure 2.30 Natural Resource and Other Taxes Per Person FY 2022

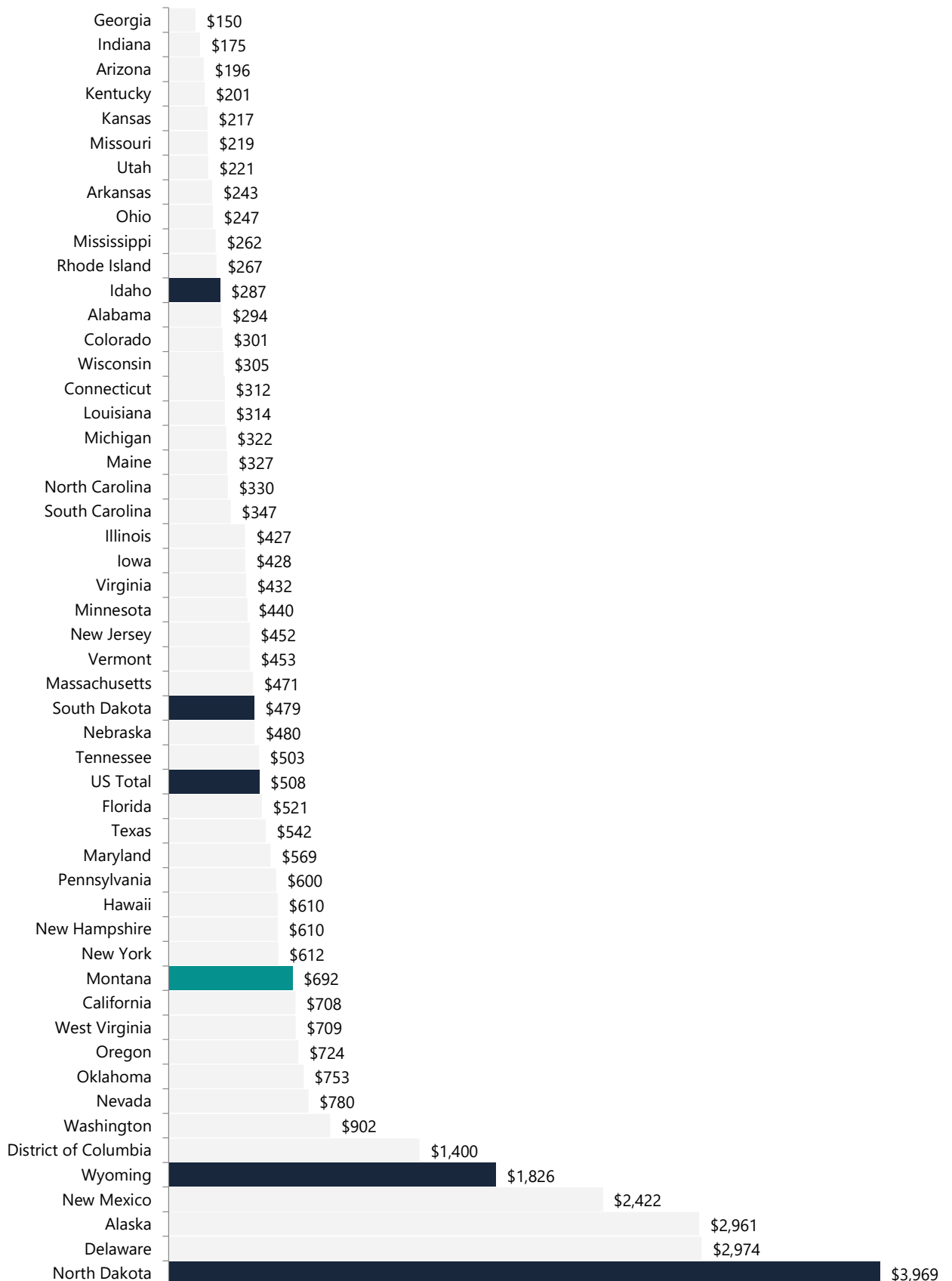


Figure 2.31 Total State and Local Taxes Per Person FY 2022

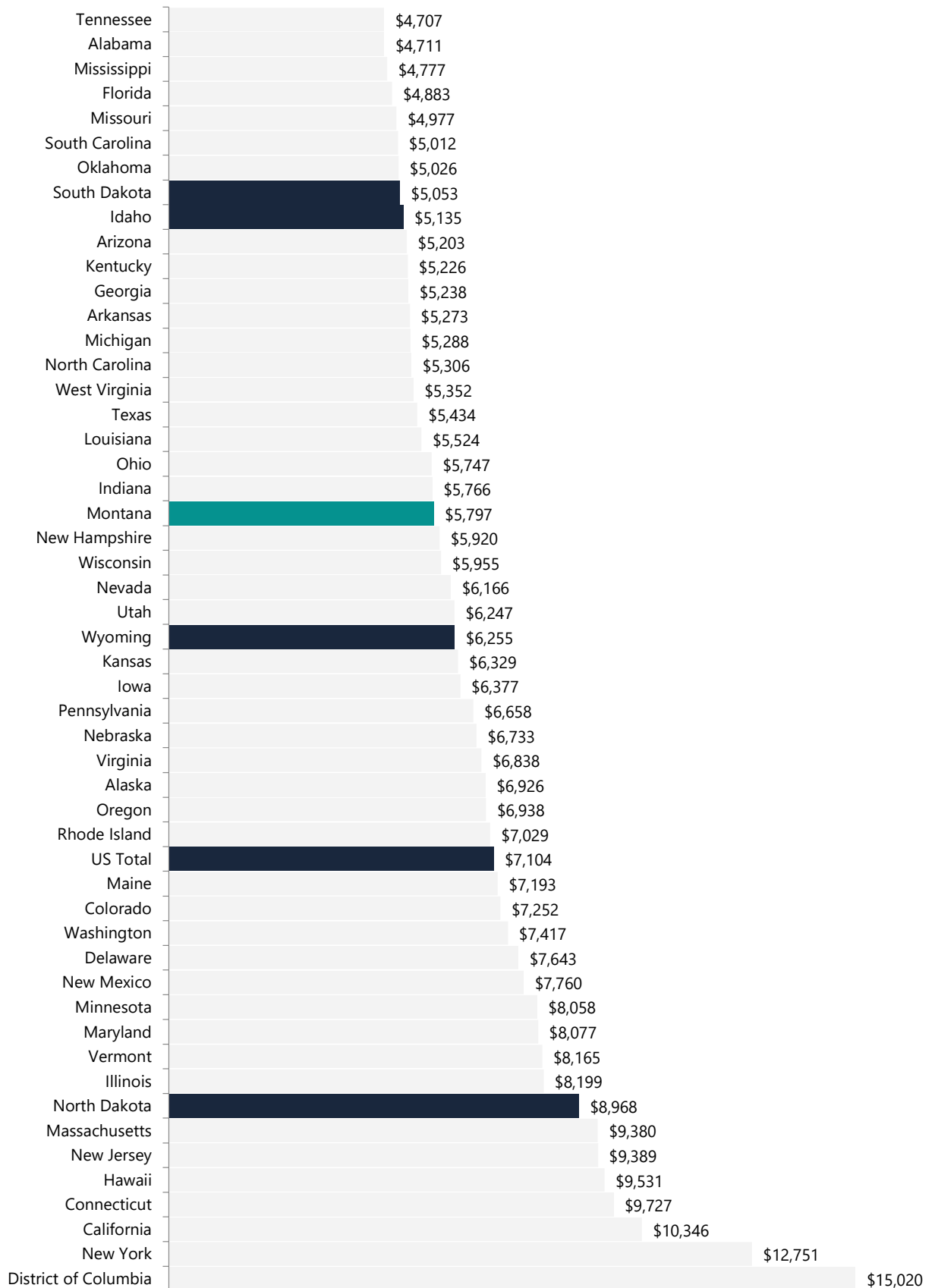


Table 2.10 Taxes as a Percent of Personal Income - FY 2022

State	Property Tax		Sales and Gross Receipts		Individual and Corporate Income Tax		Other Taxes		Total	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Average of All States	2.94%		3.57%		3.44%		0.77%		10.72%	
Alabama	1.35%	51	4.27%	10	2.93%	31	0.57%	31	9.12%	39
Alaska	3.46%	12	1.47%	48	0.82%	44	4.29%	4	10.04%	25
Arizona	2.14%	40	4.35%	9	2.00%	41	0.33%	49	8.82%	43
Arkansas	1.56%	50	4.84%	6	2.70%	34	0.44%	40	9.53%	34
California	2.78%	22	3.35%	29	6.40%	2	0.92%	14	13.45%	5
Colorado	2.77%	23	3.35%	30	2.95%	30	0.39%	43	9.46%	35
Connecticut	3.96%	7	2.72%	44	4.40%	10	0.37%	46	11.44%	13
Delaware	1.81%	47	1.02%	50	4.47%	9	4.65%	2	11.95%	10
District of Columbia	4.29%	4	3.13%	35	6.06%	3	1.39%	7	14.87%	3
Florida	2.59%	31	3.90%	15	0.26%	46	0.81%	19	7.56%	50
Georgia	2.55%	33	3.00%	36	3.33%	21	0.26%	51	9.14%	38
Hawaii	2.57%	32	7.17%	1	4.52%	8	0.97%	13	15.23%	2
Idaho	1.88%	45	3.32%	31	3.28%	22	0.50%	38	8.99%	42
Illinois	3.81%	9	3.78%	18	3.75%	15	0.62%	28	11.96%	9
Indiana	2.13%	41	3.75%	19	3.60%	17	0.30%	50	9.78%	32
Iowa	3.25%	14	3.40%	27	3.01%	28	0.69%	24	10.36%	19
Kansas	2.89%	20	3.80%	17	3.12%	26	0.35%	48	10.15%	22
Kentucky	1.94%	44	3.62%	20	3.98%	12	0.38%	44	9.91%	26
Louisiana	1.86%	46	5.33%	5	2.16%	39	0.56%	32	9.91%	27
Maine	4.14%	6	3.48%	23	3.51%	19	0.53%	37	11.66%	11
Maryland	2.63%	29	2.94%	39	4.96%	6	0.80%	20	11.32%	14
Massachusetts	3.48%	11	2.04%	46	4.82%	7	0.55%	36	10.88%	16
Michigan	2.94%	18	2.98%	37	2.64%	36	0.55%	35	9.12%	40
Minnesota	2.74%	25	3.19%	33	4.97%	5	0.63%	27	11.53%	12
Mississippi	2.60%	30	4.63%	8	2.35%	38	0.56%	34	10.13%	23
Missouri	2.31%	35	2.93%	41	2.82%	32	0.37%	45	8.44%	46
Montana	3.12%	15	1.30%	49	3.87%	13	1.12%	12	9.42%	36
Nebraska	3.39%	13	2.94%	40	3.00%	29	0.72%	22	10.04%	24
Nevada	2.15%	39	6.47%	2	0.00%	48	1.25%	9	9.87%	28
New Hampshire	4.87%	2	0.92%	51	1.31%	42	0.82%	18	7.91%	49
New Jersey	4.67%	3	2.76%	43	4.07%	11	0.58%	30	12.08%	8
New Mexico	2.08%	42	5.60%	4	2.37%	37	4.56%	3	14.62%	4
New York	4.28%	5	3.52%	22	7.86%	1	0.79%	21	16.45%	1
North Carolina	1.98%	43	3.40%	28	3.06%	27	0.56%	33	9.00%	41
North Dakota	2.28%	36	3.48%	24	1.27%	43	5.57%	1	12.59%	7
Ohio	2.77%	24	4.00%	13	2.65%	35	0.42%	41	9.84%	29
Oklahoma	1.62%	49	3.61%	21	2.13%	40	1.30%	8	8.66%	44
Oregon	2.95%	17	1.72%	47	5.02%	4	1.13%	11	10.82%	17

Table 2.10 Taxes as a Percent of Personal Income - FY 2022 (continued)

State	Property Tax		Sales and Gross Receipts		Individual and Corporate Income Tax		Other Taxes		Total	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Pennsylvania	2.63%	28	3.21%	32	3.42%	20	0.92%	15	10.18%	21
Rhode Island	3.93%	8	3.40%	26	3.16%	25	0.41%	42	10.91%	15
South Carolina	2.63%	27	3.14%	34	2.80%	33	0.64%	26	9.21%	37
South Dakota	2.41%	34	4.05%	12	0.10%	47	0.69%	25	7.25%	51
Tennessee	1.64%	48	4.74%	7	0.72%	45	0.85%	17	7.95%	48
Texas	3.55%	10	4.22%	11	0.00%	48	0.86%	16	8.63%	45
Utah	2.22%	37	3.93%	14	3.77%	14	0.36%	47	10.28%	20
Vermont	5.00%	1	3.45%	25	3.66%	16	0.71%	23	12.83%	6
Virginia	2.89%	19	2.71%	45	3.59%	18	0.62%	29	9.81%	30
Washington	2.64%	26	5.97%	3	0.00%	48	1.19%	10	9.80%	31
West Virginia	2.21%	38	3.83%	16	3.23%	24	1.42%	6	10.68%	18
Wisconsin	2.96%	16	2.89%	42	3.26%	23	0.49%	39	9.61%	33
Wyoming	2.81%	21	2.98%	38	0.00%	48	2.39%	5	8.18%	47

Figure 2.32 Property Taxes, % of Personal Income FY 2022

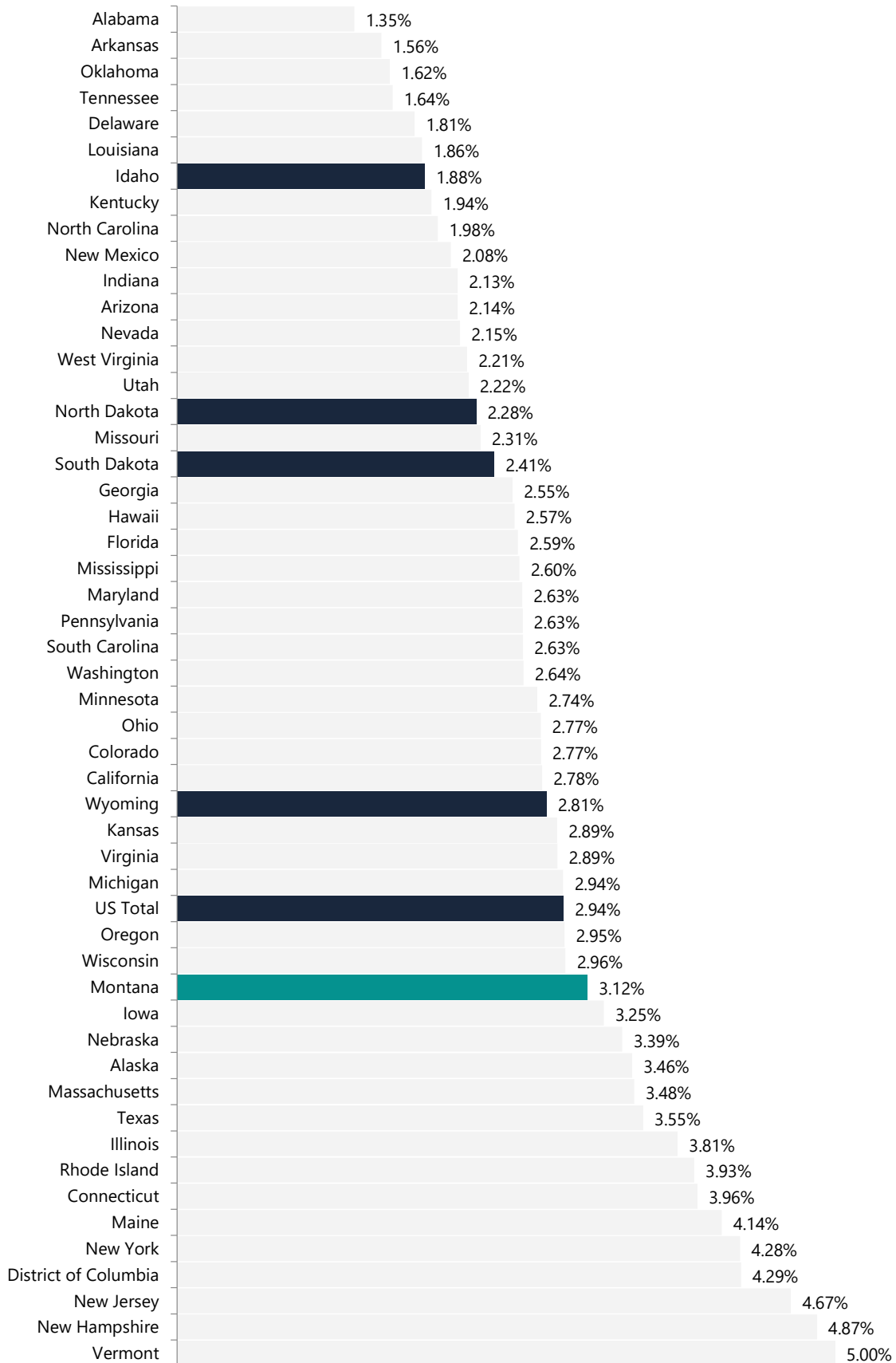


Figure 2.33 Sales and Gross Receipts Taxes, % of Personal Income

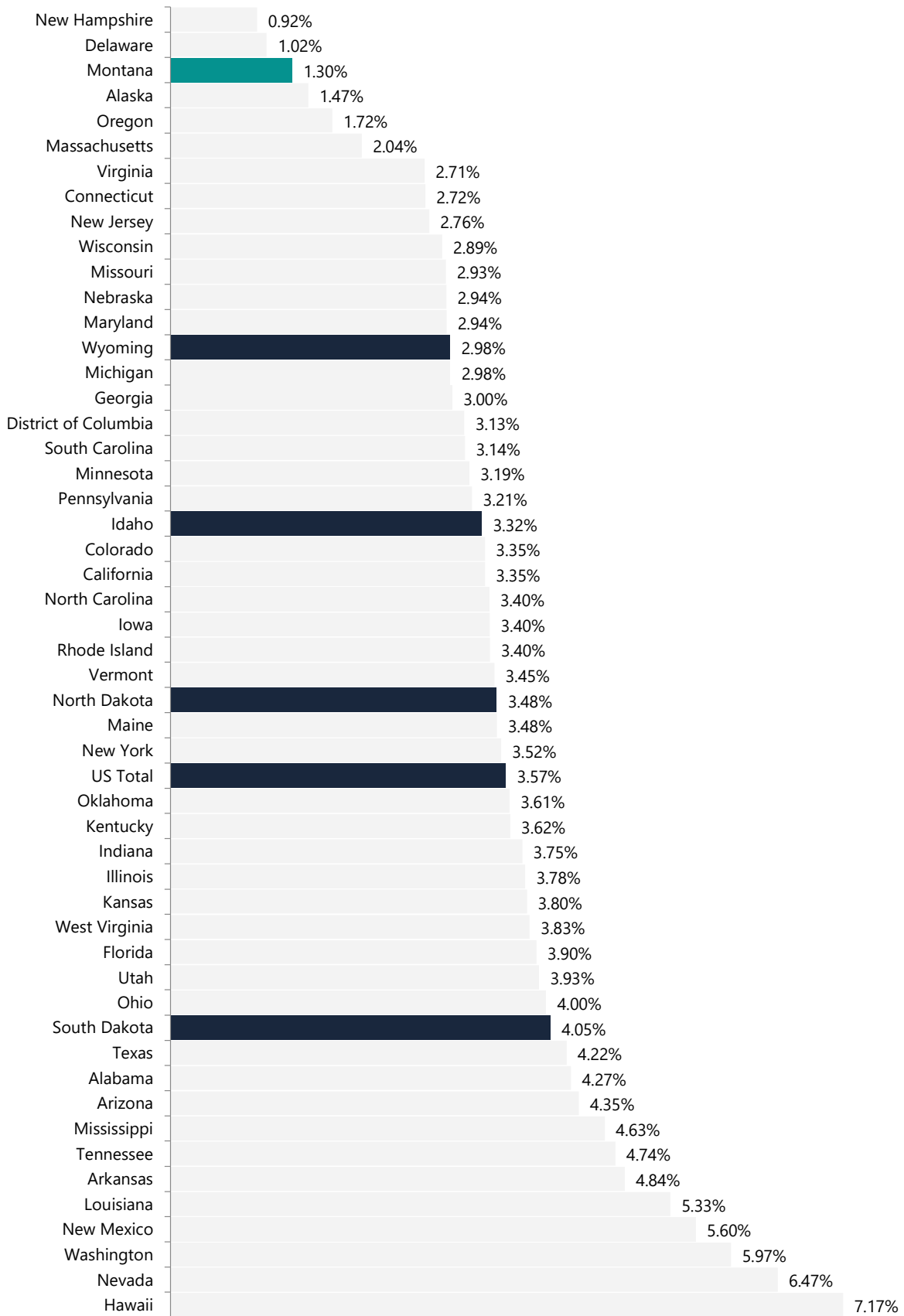


Figure 2.34 Individual and Corporate Income Taxes, % of Personal Income FY 2022

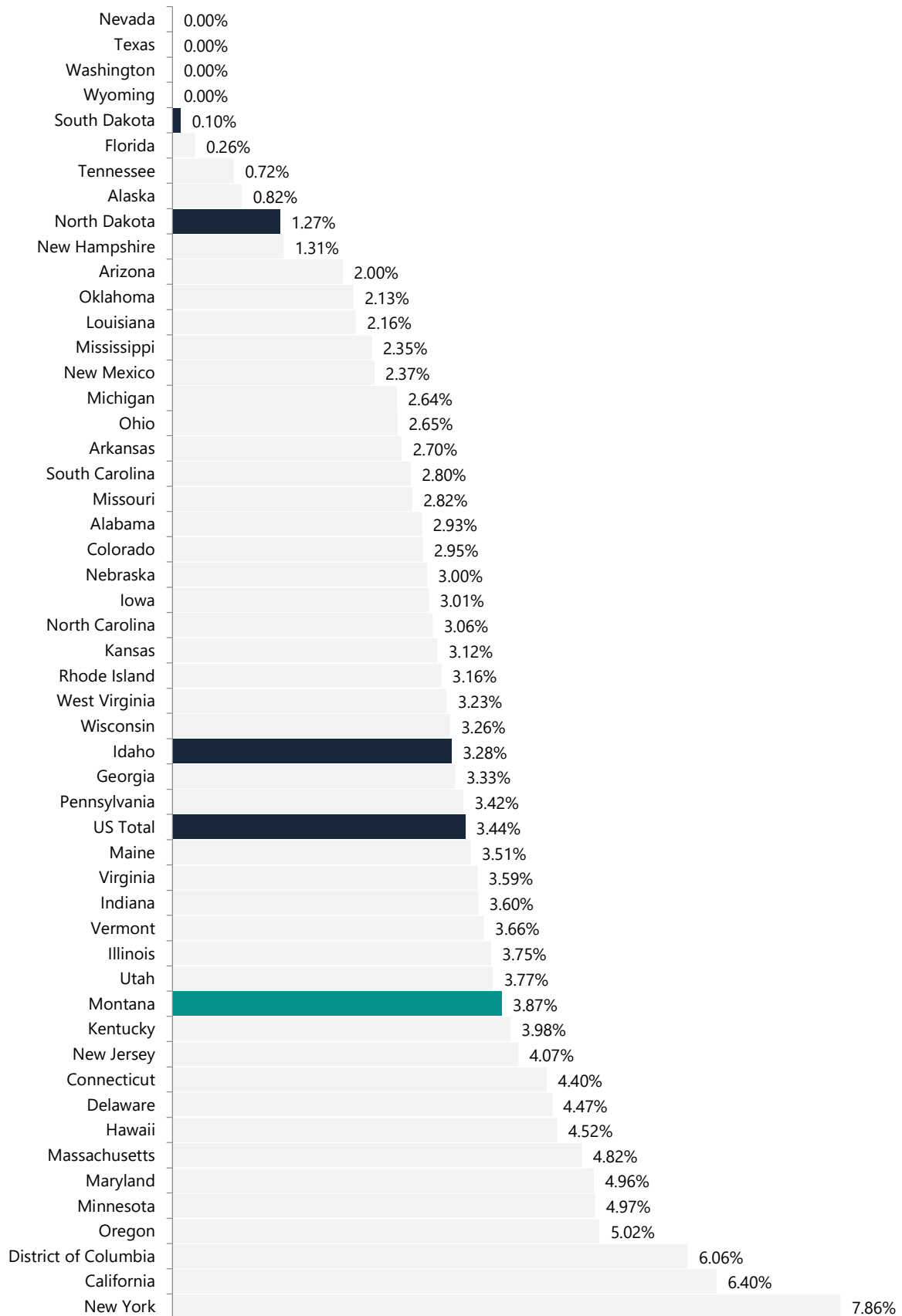


Figure 2.35 Natural Resource and Other Taxes, % of Personal Income, FY 2022

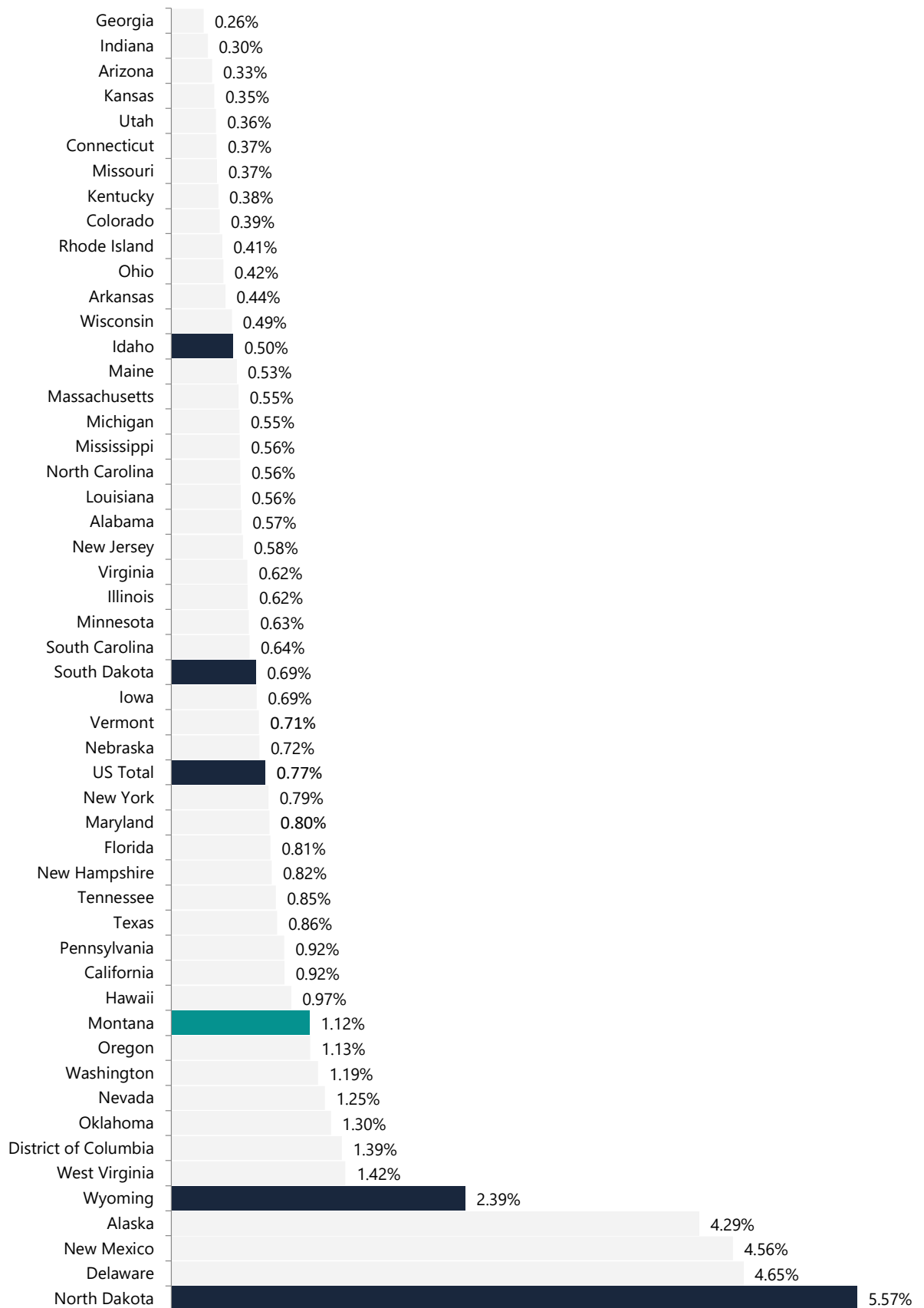
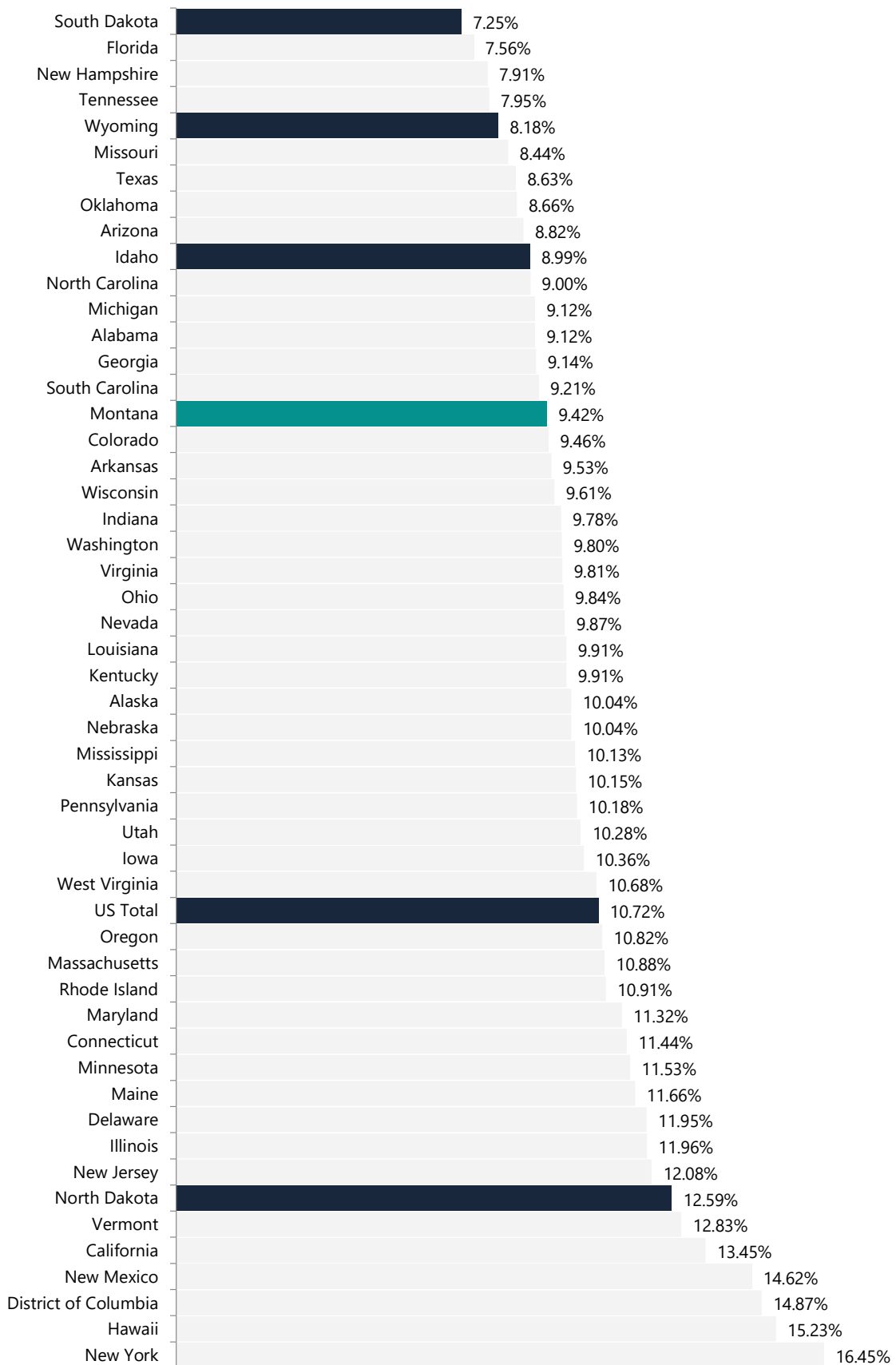


Figure 2.36 State and Local Taxes, % of Personal Income., FY 2022



Individual and Corporate Income Tax

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Overview

The individual income tax is the largest source of state tax revenue. All income tax revenue is allocated to the state general fund, accounting for 64.4 percent of general fund revenue for Fiscal Year 2024. Income tax revenue is collected primarily through withholding from wages and other periodic payments, quarterly estimated tax payments, and payments made when a return is filed. The following tables show income tax revenue and return filings.

Table 3.1 Individual Income Tax Collections

Fiscal Year	Total Revenue
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
2023	\$2,254,305,063
2024	\$2,243,946,324

Figure 3.1

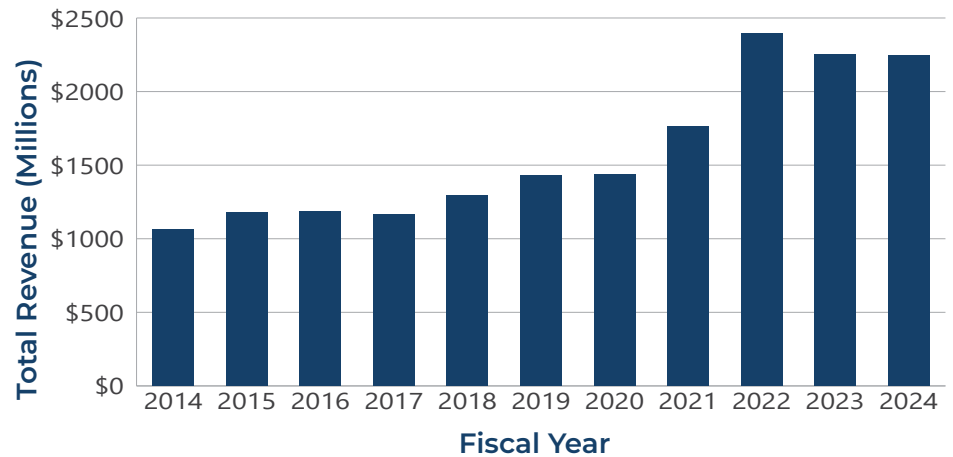


Table 3.2 Income Tax Returns and Refunds

Calendar Year	Returns	Returns with Refund	Percent with Refund	Average Refund
2006	572,256	311,789	66%	\$464
2007	591,874	345,972	71%	\$506
2008	601,078	345,172	70%	\$598
2009	587,425	337,714	70%	\$545
2010	596,021	335,904	68%	\$532
2011	604,758	341,057	68%	\$538
2012	611,360	343,678	68%	\$523
2013	626,654	348,137	67%	\$532
2014	635,045	350,760	67%	\$536
2015	647,329	357,902	67%	\$546
2016	647,855	364,936	68%	\$578
2017	657,720	366,734	67%	\$591
2018	660,060	404,727	74%	\$504
2019	681,306	424,853	75%	\$535
2020	682,782	423,981	74%	\$566
2021	699,955	418,338	72%	\$612
2022	713,694	444,284	74%	\$667
2023	715,357	446,710	75%	\$856

The Legislature enacted the state income tax in 1933 and has made major changes infrequently. The latest change was enacted in 2021 (effective Tax Year 2024). This change moved Montana from basing its income tax on Federal Adjusted Gross Income to Federal Taxable Income, eliminated Montana specific deductions and exemptions, reduced the number of tax rates, lowered the top tax rate, created separate rate tables based on filing status, and began requiring taxpayers to use the same filing status on both their federal and Montana income tax return.

Before Tax Year 2024

Most differences that existed between the federal and Montana income tax structure before Tax Year 2024 reflected the legislative decision to allow married couples to file separate returns in Montana when they filed jointly for federal tax purposes and to use Montana-specific additions, subtractions, and deductions in determining Montana taxable income.

Federal law provides different rate tables for married couples who file joint and separate returns. Couples generally have lower federal tax if they file a joint return. Most states either require couples to make the same choice between joint and separate returns as they did for their federal taxes, have different rate tables for joint and separate returns, or have a single tax rate so that the choice does not matter. Montana was one of a handful of states that did not have at least one of these provisions. Because of this, most two-income married couples could minimize their combined tax liability if they filed a joint federal return and separate Montana returns. This occurred because when they filed separately, the spouses could apply the lower brackets of the tax table twice on their combined income, instead of only once when they filed jointly.

Montana was one of the few states that allowed an itemized deduction for federal income taxes. Montana capped the deduction to \$5,000 for single filers and \$10,000 for joint returns. Most states avoid a federal income tax deduction because not having it allows lower rates. To raise the same revenue, a state that allowed the deduction must have higher rates to compensate for the smaller tax base.

Starting Tax Year 2024

The 2021 Legislature made several significant changes to Montana's personal income tax in Senate Bill 399. The 2023 Legislature made several additional changes to Montana's personal income tax in House Bill 221 and Senate Bill 121.

Starting Tax Year 2022, sixteen of the state's personal income tax credits were eliminated, including the College Contribution credit, the Energy Conservation credit, the Alternative Energy Systems credit, the Adoption credit, and the Geothermal Systems credit.

Starting in Tax Year 2024, the state's personal income tax moved from being based on Federal adjusted gross income to Federal taxable income. This change eliminated the state's standard and itemized deductions and personal exemption. It also eliminated a large number of the additions and subtractions that were used to modify Federal adjusted gross income when determining Montana adjusted gross income.

Taxpayers are now required to use the same filing status, a joint return or a separate return, as chosen for their federal tax return. Separate rate tables for joint and non-joint returns were also created.

A new income exemption of \$5,500 was also created for taxpayers who are at least 65 years old.

While Montana's new tax structure is based on Federal taxable income, it does not include the federal Qualified Business Income deduction, which taxpayers must exclude when determining their Montana taxable income.

The number of tax brackets that apply to Montana taxable income was also reduced from the previous seven brackets to two brackets, which vary depending upon the filing status of the taxpayer. The new rates for each bracket are 4.7 percent and 5.9 percent. In addition, the state's 2 percent capital gains income tax credit was

replaced with two separate net-long term capital gains tax rates of 3 percent and 4.1 percent.

Before 1981, the legislature occasionally adjusted rate tables and other tax parameters for the effects of inflation. The 1981 Legislature assigned this task to the department. Each year, the department adjusts each applicable income tax factor for inflation. This prevents individual tax liabilities from increasing simply due to inflation. Without this inflation adjustment, a person whose income just kept up with inflation would pay higher effective tax rates over time as inflation moved them to higher rate brackets and reduced the real value of their income exemptions.

Recent Legislative Changes to Individual Income Tax

The following bills passed by the 2021 Legislature affected the individual income tax:

- HB 53** Adopted the Multistate Tax Commission model statute for standardizing reporting adjustments to federal taxable income and partnership audit adjustments.
- HB 129** Linked Montana’s 529 education savings plans to federal law, which expands the types of spending that qualifies for account funds.
- HB 191** Increased the Elderly Homeowner / Renter credit income exclusion amount from \$6,300 to \$12,600. The maximum credit amount was also increased from \$1,000 to \$1,150.
- HB 252** Created a tax credit for employers, equal to 50% of their training expenses associated with technical, vocational and trade professions.
- HB 279** Increased the maximum per-person credit amount from the Student Scholarship Organization and Educational Improvement Program credits from \$150 to \$200,000. The maximum total credits that can be claimed were reduced to \$1,000,000 for Tax Year 2022 and \$2,000,000 in Tax Year 2023.
- HB 340** Increased the annual film tax credit cap from \$10 million to \$12 million.
- HB 629** Created a job growth tax credit for businesses that hire at least 10 new qualifying employees from their base employment level in 2021 and reach a total of 15 new qualified employees in a following tax period. The number of required employees is reduced to 5 and 7 qualifying employees, respectively, in counties with a population of less than 20,000.
- SB 41** Revised the tax credit review process and required a review of tax credits at least once every 10 years.
- SB 159** Reduced the top income tax rate from 6.9 percent to 6.75 percent starting Tax Year 2022.
- SB 184** Created a net long-term capital gains income tax rate of 0 percent for qualifying income. The new tax rate applies starting Tax Year 2026.
- SB 253** Changed the state’s medical care savings accounts so that investment options that qualify under the federal health savings accounts are allowed for the state accounts as well.
- SB 269** Excluded the capital gains income reported by a taxpayer from the sale of a mobile home park to a qualified buyer from Montana taxable income.

SB 399 Changed Montana’s income tax so that Montana taxable income is based on Federal taxable income. The number of individual income tax brackets was reduced from seven to two, with corresponding rates of 4.7 percent and 6.5 percent. The state’s capital gains income tax credit was also replaced with a 30 percent capital gains income deduction. The bill also eliminated 16 other income tax credits. The elimination of the 16 tax credits applies starting Tax Year 2022, while the other changes apply starting Tax Year 2024.

The following bills passed by the 2023 Legislature affected the individual income tax:

HB 89 Eliminated Montana’s National Guard Life Insurance reimbursements, while also eliminating the personal income tax deduction for the reimbursements.

HB 192 Created an income tax rebate of \$1,250 for individuals and \$2,500 for married taxpayers.

HB 221 Replaced the 30% net-long term capital gains deduction set to be implemented in Tax Year 2024 with separate capital gains tax rates of 3% and 4.1%.

HB 225 Created a refundable income tax credit for taxpayers who legally adopt a child.

HB 245 Expanded the Trades Education and Training tax credit to include additional occupations and industries and to extend the expiration date to December 31, 2028.

HB 397 Allowed the Department of Justice to share information with the Department of Revenue for use in administering and enforcing Montana’s income tax laws.

HB 408 Increased the credit cap for the Student Scholarship Organization and Innovative Education tax credits to \$5 million in Tax Year 2024. The credits are set to increase by 20% if at least 80% of maximum number of credits were claimed the previous tax year.

HB 447 Clarifies when non-resident taxpayers who receive Montana source income for temporary work in the state need to file a Montana income tax return.

HB 601 Clarifies the calculation of the job growth incentive tax credit.

HB 816 Created a supplemental property tax rebate and increased the funding for the income tax created by HB 192.

SB 104 Exempted a portion of a taxpayer’s military retirement income for up to 5 years if they meet the necessary qualifications.

SB 121 Reduced the top personal income tax rate set to be implemented starting Tax Year 2024 from 6.5% to 5.9%. The state’s Earned Income Tax credit is also increased from 3% to 10% of the

federal tax credit starting Tax Year 2024.

- SB 303** Increased the fines for not filing necessary wage withholding or mineral royalty withholding annual statements with the Department of Revenue.
- SB 506** Increased the maximum allowable charitable endowment credit from \$10,000 to \$20,000 and eliminated the sunset date for the credit.
- SB 554** Created an optional pass-through entity tax that may be elected and paid by any pass-through entity filing a return in Montana. Taxpayers reporting income from a pass-through entity can claim a personal income tax credit for any pass-through entity tax paid on their behalf.
- SB 550** Extended and expanded the Montana medical savings account personal income tax exemption.

See previous Biennial Reports for legislative history prior to 2021.

Calculation of Individual Income Tax

Calculation of Taxable Income

Before Tax Year 2024

Before Tax Year 2024, the calculation of Montana’s individual income tax began with the taxpayer’s Federal Adjusted Gross Income. Several adjustments were made to determine Montana Adjusted Gross Income:

- Income taxed by the state but exempted by the federal government was added.
- Income exempted by the state but taxed by the federal government was subtracted.
- Deposits to Montana tax-advantaged savings accounts were subtracted.
- Taxable withdrawals from Montana tax-advantaged savings accounts were added.
- Net adjustments from filing a joint federal return and separate state returns were added.
- Recoveries of costs deducted in previous years (primarily refunds of federal taxes previously deducted) were added.

The values of the taxpayer’s exemptions, and itemized or standard deductions, were subtracted from Montana Adjusted Gross Income to determine Montana taxable income. The state’s standard deduction amount was set at 20 percent of the taxpayer’s Montana Adjusted Gross Income, with minimum and maximum deduction amounts set. The value of exemptions and maximum and minimum standard deductions were adjusted for inflation each year.

Table 3.3 Personal Income Tax Exemptions and Deductions

Tax Year	Single and Separate Returns			Joint Returns	
	Exemption Amount	Min. Standard Deduction	Max. Standard Deduction	Min. Standard Deduction	Max. Standard Deduction
2019	\$2,510	\$2,090	\$4,710	\$4,180	\$9,420
2020	\$2,560	\$2,130	\$4,790	\$4,260	\$9,580
2021	\$2,580	\$2,140	\$4,830	\$4,280	\$9,660
2022	\$2,710	\$2,260	\$5,090	\$4,520	\$10,180
2023	\$2,960	\$2,460	\$5,540	\$4,920	\$11,080

After Tax Year 2024

After Tax Year 2024, the calculation of Montana’s individual income tax is based on the taxpayer’s federal taxable income, but with any deductions for state income taxes paid and the federal qualified business income deduction added back in. As before, other adjustments to taxable income can also be made when determining Montana taxable income. These include:

- Income taxed by the state but exempted by the federal government is added.
- Income exempted by the state but taxed by the federal government is subtracted.
- Deposits to Montana tax-advantaged accounts, such as 529 and ABLÉ accounts, are subtracted.
- Taxable withdrawals from Montana tax-advantaged savings accounts are added.
- The \$5,500 income exemption for taxpayers at least 65 years old.

As federal taxable income already includes the federal standard or itemized deduction and any personal exemptions, no other adjustments are required to determine Montana taxable income.

Income, Deductions, Credits, and Tax Liability

Tax liability is calculated from the rate table. The rate table shows the tax rates to apply to taxable income, that is, income after making all federal and state adjustments and subtracting exemptions and deductions. The rate table is adjusted each year for inflation. The following tables (Table 3.4, Table 3.5, and Table 3.6) show the upper limit on taxable income subject to each rate and the number of full-year resident returns with taxable incomes that do not exceed the bracket. Non-resident and partial-year resident returns are not included in the table below or in any of the tables in this section. This is due to a significant portion of the income reported on these returns not being taxable by the state.

Table 3.4 Pre-2024 Marginal Tax Rate Income Limits

Tax Rate	Tax Year 2022	Tax Year 2023
1.00%	\$3,300	\$3,600
2.00%	\$5,800	\$6,300
3.00%	\$8,900	\$9,700
4.00%	\$12,000	\$13,000
5.00%	\$15,400	\$16,800
6.00%	\$19,800	\$21,600
6.75%	Unlimited	Unlimited

Table 3.5 Tax Year 2024 Marginal Tax Rate Income Limits

Tax Rate	Filing Status		
	Single	Head of Household	Joint
Non-Capital Gains			
4.7%	\$20,500	\$30,750	\$41,000
5.9%	Unlimited	Unlimited	Unlimited
Net Long-Term Capital Gains			
3.0%	Up To \$20,500	Up To \$30,750	Up To \$41,000
4.1%	Unlimited	Unlimited	Unlimited

Table 3.6 Tax Year 2023 Full-Year Resident Returns

Tax Rate	Primary Return	Spouse Return	Total	% Total
0.00%	79,381	10,563	89,944	14.6%
1.00%	23,303	3,144	26,447	4.3%
2.00%	17,275	3,039	20,314	3.3%
3.00%	22,529	4,198	26,727	4.3%
4.00%	20,533	4,299	24,832	4.0%
5.00%	22,957	5,018	27,975	4.5%
6.00%	27,669	6,325	33,994	5.5%
6.75%	292,396	72,917	365,313	59.3%
Total	506,043	109,503	615,546	100.0%

Any credits the taxpayer may claim are subtracted from their tax liability to determine the net tax. Non-refundable credits can partially or completely offset a taxpayer’s tax liability. Refundable credits can more than offset a taxpayer’s tax liability, so that the taxpayer receives a payment from the state general fund rather than paying tax. Before Tax Year 2024, taxpayers with capital gains income were allowed a nonrefundable credit equal to 2 percent of their capital gains. In effect, this credit reduced the taxes on capital gains to a maximum rate of 4.75 percent, compared to the maximum rate of 6.75 percent for other types of income. Other credits generally are a percentage of a certain type of qualifying expenditure the taxpayer has made.

The next six tables (Table 3.7, Table 3.8, Table 3.9, Table 3.10, Table 3.11 and Table 3.12) show information about individual line items on timely-filed, full-year residents’ income tax returns for Tax Years 2022 and 2023. For each line item, the table shows the count of the number of returns with a value on that line and the sum of those values. The total in each count’s column is the number of returns with a number on at least one line.

Information in these tables is from unaudited returns as filed by taxpayers. It does not reflect changes or adjustments that taxpayers or the department may make after the extension filing deadline. It also does not include information from returns received or processed by the department after November 1.

Table 3.7 Montana Individual Income Tax Income Reported on Full-Year Residents' Returns

Income Items	2022		2023	
	Count	Total	Count	Total
Wage and salary income	458,901	\$23,332,694,100	461,253	\$24,972,540,734
Taxable interest income	208,327	\$368,566,943	241,625	\$855,657,152
Ordinary dividend income	136,728	\$1,128,756,788	141,712	\$1,388,497,033
Taxable refunds of state/local income taxes	12,796	\$13,367,708	14,630	\$17,939,334
Alimony received	366	\$10,194,917	308	\$9,634,504
Business income (Schedule C)	87,805	\$1,179,505,077	89,949	\$1,238,275,926
Capital gains income	134,991	\$3,913,120,779	131,211	\$3,269,504,954
Ordinary income gains	14,068	\$248,169,225	13,131	\$189,391,767
IRA income - Taxable amount	71,327	\$1,438,555,595	67,404	\$1,490,835,858
Pension and annuity income - Taxable amount	116,806	\$3,025,719,032	116,973	\$3,174,709,313
Rent, royalty, partnership, etc. income	99,633	\$4,355,486,932	98,980	\$4,242,044,152
Farm income	16,731	-\$311,203,434	16,463	-\$324,961,932
Unemployment compensation	15,738	\$70,068,144	15,649	\$79,275,782
Taxable social security benefits	117,143	\$1,667,532,817	122,911	\$1,920,208,705
Other income	38,171	-\$221,694,057	41,418	-\$51,079,776
Total	605,313	\$40,218,840,566	611,763	\$42,415,906,394

Table 3.8 Federal Adjustments to Income

Income Items	2022		2023	
	Count	Total	Count	Total
Federal Adjustments to Income				
Educator expenses	10,489	\$2,895,063	10,470	\$2,896,357
Certain business expenses of qualified individuals	537	\$1,993,688	570	\$2,172,155
Health savings account deduction	13,587	\$48,365,484	13,193	\$50,306,359
Moving expenses for members of the Armed Forces	252	\$663,652	291	\$871,972
One-half self-employment tax	71,062	\$120,009,724	72,309	\$124,011,990
Self-employed SEP, SIMPLE, and qual. plans	2,871	\$64,922,623	2,822	\$66,345,746
Self-employed health insurance deduction	22,625	\$149,819,439	22,264	\$156,003,629
Penalty on early withdrawal of savings	2,084	\$832,177	3,209	\$1,707,895
Alimony paid	631	\$13,986,585	532	\$11,739,235
IRA deduction	13,397	\$62,122,400	13,167	\$62,796,894
Student loan interest deduction	14,700	\$11,281,776	27,225	\$16,659,122
Archer MSA deduction	26	\$32,879	18	\$48,081
Other deductions	1,276	\$9,150,951	1,635	\$34,355,269
Total adjustments to income	119,817	\$486,076,441	131,418	\$529,914,704
Federal Adjusted Gross Income	605,329	\$39,732,916,291	611,764	\$41,885,991,690

Table 3.9 Montana Additions Reported on Full-Year Residents' Returns

Income Items	2022		2023	
	Count	Total	Count	Total
Montana Additions to Federal Adjusted Gross Income				
Taxable federal refunds	26,902	\$33,916,812	26,804	\$38,222,898
Recoveries of amounts deducted in earlier years	194	\$276,880	508	\$411,008
Interest on other states' municipal bonds	21,478	\$94,752,304	21,138	\$113,257,480
Dividends not included in federal adjusted gross income	965	\$993,149	940	\$846,226
Adjustment for smaller federal estate and trust taxable distributions	246	\$696,801	213	\$2,344,328
Medical savings account nonqualified withdrawals	275	\$869,951	234	\$689,284
First-time home buyer's account nonqualified withdrawals	16	\$51,430	12	\$45,637
Allocation of compensation to spouse	237	\$4,133,746	209	\$3,967,232
Federal net operating loss carryover	4,943	\$491,094,461	4,486	\$425,016,522
Expenses used to claim a Montana tax credit	55	\$742,784	51	\$209,104
Farm and ranch risk management account taxable distributions	*	\$4,629	*	\$801
Federal taxes paid by your S. corporation	400	\$4,196,129	3,327	\$96,528,503
Title plant depreciation and amortization	*	\$5	*	\$100,750
Other additions	1,684	\$27,229,196	2,355	\$24,347,258
Addition to taxable social security benefits	9,073	\$22,716,033	9,709	\$22,973,762
Total Montana Additions	59,115	\$681,671,620	63,238	\$783,346,292

* Not disclosed due to confidentiality concerns

Table 3.10 Montana Subtractions Reported on Full-Year Residents' Returns

Montana Subtractions from Federal Adjusted Gross Income	2022		2023	
	Count	Total	Count	Total
State tax refunds included in Federal Adjusted Gross Income	12,695	\$13,167,030	14,537	\$17,761,970
Federal bonds exempt interest	28,617	\$47,207,761	37,105	\$139,105,688
Elderly interest exclusion	94,528	\$37,966,773	105,467	\$56,323,782
Larger federal estate and trust taxable distributions	452	\$2,994,425	468	\$3,926,017
Exempt income of child taxed to parent	136	\$473,558	154	\$584,051
Recoveries of amounts deducted in earlier years	37	\$714,330	320	\$694,562
Exempt unemployment compensation	15,738	\$70,068,144	15,649	\$79,275,782
Exempt tribal income	5,566	\$255,683,004	5,576	\$405,640,646
Exempt tip income	24,160	\$122,035,317	22,352	\$124,077,840
Exempt worker's comp benefits	141	\$994,545	150	\$983,491
Exempt health insurance premiums taxed to employee	98	\$501,614	117	\$670,584
Student loan repayments taxed to health care professional	348	\$1,164,412	612	\$1,680,338
Student loan repayments taxed to educator	67	\$184,903	67	\$206,197
Exempt active duty military salary	5,007	\$231,079,130	4,821	\$238,092,021
Exempt life insurance premiums reimbursement (National Guard)	26	\$29,357	15	\$110,053
Medical care savings account exempt deposits	6,791	\$24,217,502	6,884	\$25,393,441
First-time home buyer exempt savings account deposits	260	\$972,820	220	\$674,039
Family education savings account exempt deposits	7,857	\$18,997,754	7,993	\$19,202,170
ABLE account exempt deposits	187	\$380,383	225	\$520,131
Subtraction for spouse filing joint return: capital loss adjustment	343	\$1,953,519	329	\$651,897
Subtraction for spouse filing joint return: passive loss carryover	127	\$1,319,353	114	\$1,599,723
Allocation of compensation to spouse	239	\$4,136,754	209	\$3,967,232
Montana net operating loss carryover	3,956	\$352,305,328	3,829	\$316,991,044
Business expense of recycled material	89	\$904,440	94	\$288,638
Business expenses not included in Federal AGI due to federal credit	284	\$3,139,027	244	\$2,550,305
Medical marijuana provider expenses	68	\$7,920,136	77	\$6,671,294
Sales of land to beginning farmers	0*	0	0	0
Capital gains from small business investment companies	24	\$222,230	20	\$35,540
Certain gains recognized by liquidating corporation	*	\$626,689	*	\$233,346
Farm and ranch risk management accounts exempt deposits	*	\$803	*	\$1,000
Gain on eligible sale of mobile home park	*	\$787,338	0	0
Pass-through Subtractions Reported on K-1	686	\$12,593,396	987	\$22,789,194
Exempt retirement disability income (under age 65)	18	\$92,658	14	\$61,548
Subtraction for federal taxable Tier II railroad retirement	3,156	\$55,194,883	3,084	\$56,881,820
Subtraction for federal taxable Tier I railroad retirement	1,981	\$28,339,037	2,181	\$34,133,687
Exempt pension income	49,447	\$205,312,143	51,181	\$228,981,362
Subtraction to federal taxable social security	52,343	\$267,935,985	56,136	\$311,329,589
Total Montana Subtractions	205,740	\$1,771,616,495	215,000	\$2,102,090,026

* Not disclosed due to confidentiality concerns

Table 3.11 Montana Deductions Reported on Full-Year Residents' Returns

Deductions	2022		2023	
	Count	Total	Count	Total
Deductible medical expenses	49,214	\$304,195,192	47,601	\$316,871,679
Medical insurance premiums not deducted elsewhere	123,784	\$565,333,261	123,930	\$660,771,330
Long-term care insurance premiums	11,103	\$28,916,875	10,539	\$28,087,891
Federal Income Tax				
Federal income tax withheld*	241,972	\$2,276,073,537	233,649	\$2,315,516,624
Federal income tax estimated payments*	52,144	\$1,234,184,903	52,374	\$1,159,367,006
Last year's federal income tax paid (e.g. with return)*	79,063	\$1,330,343,475	72,316	\$983,733,788
Federal income tax from previous years*	1,307	\$7,693,800	1,227	\$6,079,769
Total federal income tax deduction	270,991	\$1,178,374,560	262,001	\$1,151,420,993
State or local sales tax	394	\$382,458	383	\$309,184
Local income taxes	462	\$293,061	414	\$215,008
Real estate taxes	216,572	\$639,435,897	214,481	\$733,944,625
Personal property taxes	135,106	\$48,033,739	128,526	\$46,122,984
Combined State and Local Tax Deduction	232,567	\$634,229,242	227,909	\$676,103,837
Montana light vehicle registration fee	35,009	\$7,913,839	33,584	\$7,469,337
Per capita livestock fee	578	\$83,399	547	\$200,538
Other deductible taxes	6,130	\$2,818,356	6,068	\$3,129,203
Home mortgage interest	149,526	\$900,683,824	145,316	\$1,007,632,419
Investment interest	6,236	\$44,614,080	6,485	\$70,524,420
Contributions by cash or check	145,277	\$585,440,790	139,832	\$583,088,556
Contributions other than cash or check	53,889	\$148,049,106	53,055	\$154,222,790
Carryover of contributions from previous years	2,758	\$37,023,310	2,498	\$41,848,209
Child and dependent care expenses	230	\$509,733	216	\$425,443
Casualty and theft losses	347	\$4,435,344	38	\$2,157,970
Political contributions	8,620	\$847,647	7,999	\$770,120
Gambling losses	1,772	\$32,478,313	1,963	\$43,622,888
Other miscellaneous deductions	1,661	\$46,465,916	1,567	\$14,850,415
Total itemized deductions	301,911	\$4,522,412,787	292,094	\$4,763,198,038
Standard deductions	277,973	\$1,444,885,788	291,976	\$1,660,352,691
Total deductions	605,339	\$5,967,298,575	611,904	\$6,423,550,729

* Items either are a part of another line or include another line. They are not part of the total.

Table 3.12 Montana Tax Exemptions, Taxable Income, Tax, Payments on Full-Year Residents Returns

	2022		2023	
	Count	Total	Count	Total
Exemptions *				
Self Exemption		609,240		615,546
Self 65 and Over Exemption		147,992		152,394
Self Blind Exemption		1,033		997
Total Taxpayer Exemptions	609,240	758,265	615,546	768,937
Spouse Exemption		82,837		82,989
Spouse 65 and Over Exemption		28,034		28,548
Spouse Blind Exemption		167		182
Total Spouse Exemptions	82,837	111,038	82,989	111,719
Dependent Exemptions	130,037	235,837	130,166	235,656
Total Exemptions	609,240	1,105,140	615,546	1,116,312
Value of Exemptions		\$2,994,921,270		\$3,304,282,270
Taxable Income				
Federal Adjusted Gross Income	605,329	\$39,732,916,291	611,764	\$41,885,991,690
+Montana Additions	59,115	\$681,671,620	63,238	\$783,346,292
-Montana Subtractions	205,740	\$1,771,616,495	215,000	\$2,102,090,026
-Deductions	605,339	\$5,967,298,575	611,904	\$6,423,550,729
-Value of Exemptions	609,238	\$2,994,921,270	615,546	\$3,304,282,270
Montana Taxable Income	609,214	\$29,680,599,405	615,529	\$30,839,414,957
Tax Liability Before Credits				
Tax from Tax Table	520,635	\$1,802,003,606	525,217	\$1,868,290,410
Tax on Lump Sum Distributions	13	\$768	*	\$24
Recapture of Credits Claimed Previously	12	\$10,443	12	\$11,197
Total Tax	520,637	\$1,802,014,817	525,217	\$1,868,301,631
Payments				
Montana income tax withheld from wages	487,371	\$1,268,629,373	492,533	\$1,343,244,454
Estimated tax payments	50,529	\$325,507,716	47,060	\$261,454,747
Overpayment applied from previous tax year	21,187	\$68,910,670	26,573	\$85,792,020
Withholding from pass-through entities	1,049	\$5,125,498	1,007	\$7,166,578
Other payments	9,103	\$84,817,947	0	\$0
Total Payments	544,516	\$1,764,164,128	548,867	\$1,935,580,646

* Taxpayers claim exemptions for themselves and their spouses by checking boxes on the return. The counts for exemptions show the number of returns where the taxpayer claimed at least one exemption for themselves, their spouse, or dependents.

The totals column shows the number and type of exemptions claimed. For the taxpayer and spouse, the totals column shows the numbers of basic exemptions and extra exemptions for being 65 or over or blind. For dependent exemptions, the count is the number of returns claiming at least one dependent, and the total is the number of dependents claimed.

Table 3.13 Montana Credits Reported on Full-Year Resident Returns

	2022		2023	
	Count	Total	Count	Total
Credits				
Non-Refundable and No Carryover				
Capital gains income tax credit	84,846	\$79,894,105	78,663	\$67,122,869
Other states' income tax credit	18,090	\$77,406,239	16,231	\$70,101,811
Qualified endowment tax credit	727	\$3,372,075	671	\$3,126,367
Recycling tax credit	106	\$642,146	84	\$590,774
Apprenticeship credit	436	\$596,970	489	\$682,857
Trades education and training credit	32	\$34,641	26	\$53,521
Non-Refundable but with Carryover				
Innovative educational program credit	23	\$209,131	59	\$763,376
Student scholarship organization credit	43	\$590,850	49	\$1,818,564
Contractor's gross receipts tax credit	612	\$6,438,103	594	\$6,728,830
Historic property preservation tax credit	*	\$828	*	\$5,832
Infrastructure user fee credit	*	\$74,578	*	\$4,196,583
Jobs growth incentive credit	0	\$0	0	\$0
Media credit	*	\$800,619	23	\$2,845,824
Total Non-Refundable Credits	98,284	\$170,132,544	91,025	\$158,168,451
Refundable Credits				
Adoption credit	N/A	N/A	234	\$1,839,079
Earned income tax credit	58,334	\$3,737,191	57,384	\$3,943,201
Elderly homeowner/renter tax credit	16,242	\$10,579,731	15,195	\$10,022,907
Pass-through entity tax credit	N/A	N/A	7,635	\$153,770,432
Unlocking state lands credit	*	\$1,500	*	\$1,929
Total Refundable Credits	74,578	\$14,318,422	80,452	\$173,520,749
Total Credits	112,711	\$184,450,966	163,748	\$331,689,200

* Not disclosed due to confidentiality concerns

Figure 3.2 Breakdown of Income Sources – Tax Year 2023

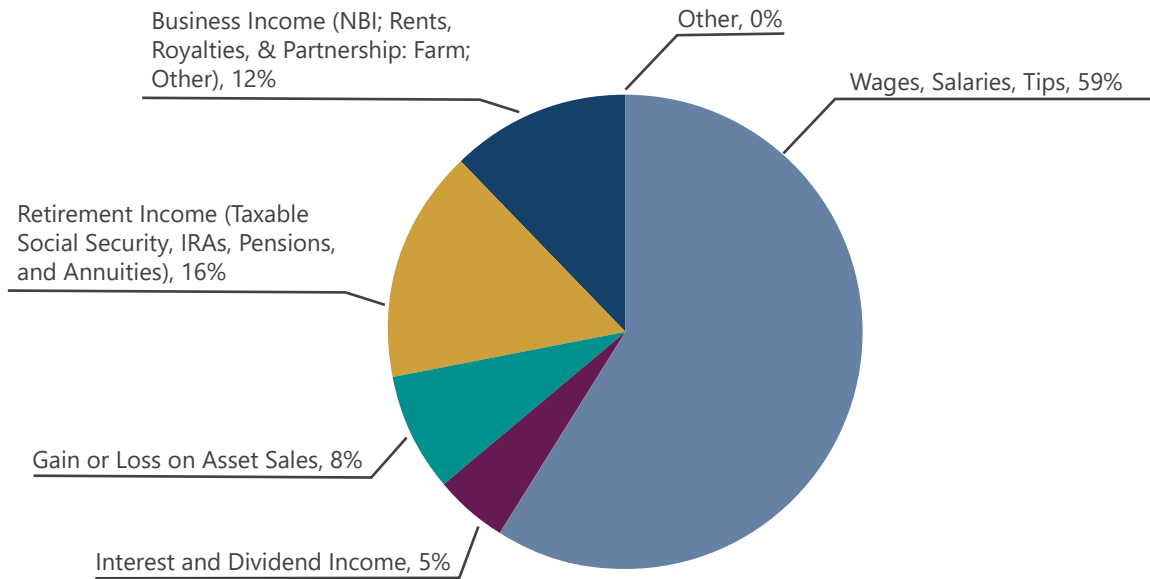
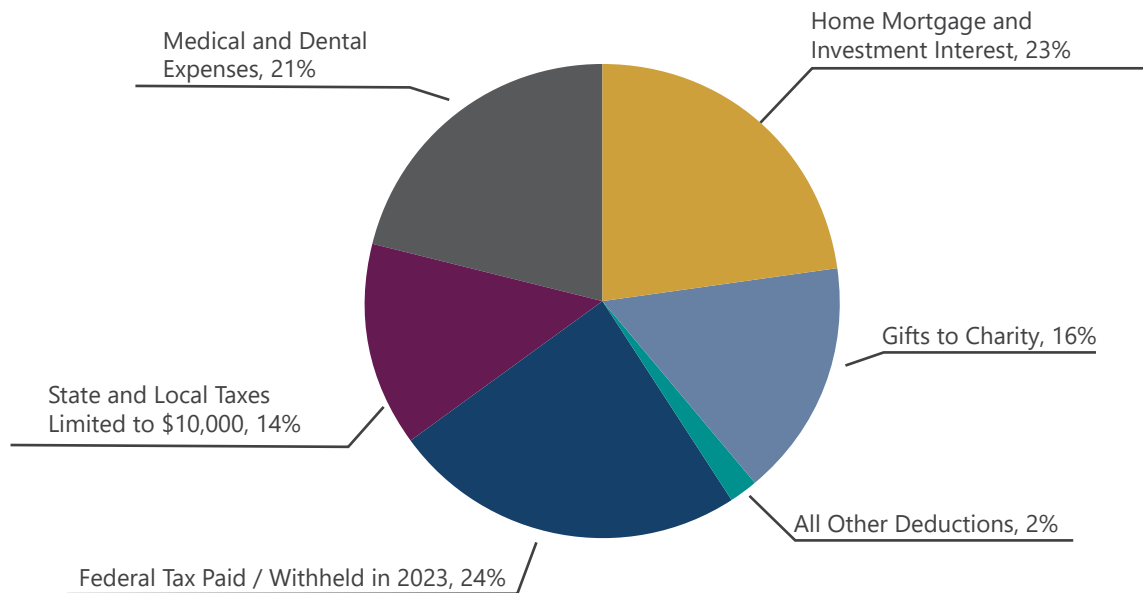


Figure 3.3 Breakdown of Itemized Deductions – Tax Year 2023



The following tables show Montana Adjusted Gross Income, deductions, taxable income, and tax liability by decile group for full-year Montana residents. Each decile is 10 percent of the population of full year resident returns, sorted by adjusted gross income. Group 1 is the 10 percent with the lowest incomes, while Group 10 is the 10 percent with the highest incomes. In these tables, married couples who file separate returns on the same form are counted as two returns and their income and tax are counted separately. Non-residents and part-year residents are not included because their tax depends on the fraction of income that is apportioned to Montana, which varies widely for these individuals.

Table 3.14 Deciles of Montana Adjusted Gross Income: Full-Year Residents:

Tax Years 2022 and 2023

Decile Group	2022				2023			
	Returns	Income Range	Montana Adjusted Gross Income		Returns	Income Range	Montana Adjusted Gross Income	
			\$ million	% of total			\$ million	% of total
1	60,924	less than \$5,264	-\$360.5	-1%	61,554	less than \$5,580	-\$469.8	-1%
2	60,924	\$5,264 to \$13,262	\$566.5	1%	61,555	\$5,580 to \$14,263	\$611.6	2%
3	60,924	\$13,263 to \$21,950	\$1,066.7	3%	61,554	\$14,264 to \$23,568	\$1,159.4	3%
4	60,924	\$21,951 to \$31,116	\$1,617.6	4%	61,555	\$23,569 to \$33,273	\$1,750.7	4%
5	60,924	\$31,117 to \$40,412	\$2,176.4	6%	61,555	\$33,274 to \$43,053	\$2,344.5	6%
6	60,924	\$40,413 to \$50,128	\$2,749.7	7%	61,554	\$43,054 to \$53,331	\$2,961.0	7%
7	60,924	\$50,129 to \$62,209	\$3,405.5	9%	61,555	\$53,332 to \$65,881	\$3,651.8	9%
8	60,924	\$62,210 to \$79,243	\$4,269.2	11%	61,554	\$65,882 to \$83,618	\$4,558.5	11%
9	60,924	\$79,244 to \$114,186	\$5,721.0	15%	61,555	\$83,619 to \$119,541	\$6,081.2	15%
10	60,924	more than \$114,186	\$17,430.7	45%	61,555	more than \$119,541	\$17,918.2	44%
All	609,240		\$38,642.8		615,546		\$40,567.2	

Table 3.15 Deductions by Decile Group: Full-Year Residents: Tax Years 2022 and 2023

Decile Group	2022					2023				
	% Returns Itemize	Itemized Deductions		Standard Deductions		% Returns Itemize	Itemized Deductions		Standard Deductions	
		\$ million	Average	\$ million	Average		\$ million	Average	\$ million	Average
1	33%	\$158.3	\$7,936	\$109.6	\$2,675	32%	\$165.2	\$8,348	\$121.5	\$2,908
2	30%	\$140.6	\$7,608	\$113.2	\$2,666	30%	\$182.1	\$10,026	\$125.6	\$2,895
3	34%	\$178.8	\$8,751	\$150.1	\$3,705	32%	\$191.9	\$9,635	\$166.2	\$3,993
4	32%	\$203.0	\$10,282	\$207.3	\$5,034	31%	\$198.5	\$10,354	\$230.3	\$5,434
5	33%	\$221.0	\$10,838	\$223.8	\$5,521	32%	\$204.3	\$10,310	\$249.3	\$5,973
6	47%	\$313.9	\$11,033	\$196.2	\$6,042	44%	\$361.6	\$13,291	\$222.6	\$6,483
7	59%	\$444.5	\$12,421	\$164.3	\$6,538	55%	\$454.6	\$13,434	\$194.5	\$7,019
8	69%	\$584.2	\$13,956	\$129.2	\$6,777	64%	\$595.9	\$15,018	\$158.4	\$7,242
9	77%	\$758.5	\$16,158	\$99.4	\$7,109	73%	\$786.6	\$17,389	\$123.4	\$7,558
10	88%	\$1,519.7	\$28,254	\$51.8	\$7,260	86%	\$1,622.2	\$30,700	\$68.8	\$7,888
All	50%	\$4,522.4	\$13,041	\$1,444.9	\$4,762	48%	\$4,763.0	\$14,115	\$1,660.6	\$5,191

Table 3.16 Deductions as a Percent of Montana Adjusted Gross Income: Full-Year Residents: Tax Years 2022 and 2023

Decile Group	2022			2023		
	Itemized Deductions	Standard Deductions	All	Itemized Deductions	Standard Deductions	All
1	-87%	-61%	-74%	-69%	-52%	-61%
2	81%	29%	45%	100%	29%	50%
3	50%	21%	31%	51%	21%	31%
4	39%	19%	25%	36%	19%	24%
5	30%	15%	20%	27%	16%	19%
6	24%	13%	19%	27%	14%	20%
7	22%	12%	18%	23%	12%	18%
8	20%	10%	17%	20%	10%	17%
9	17%	8%	15%	18%	8%	15%
10	9%	4%	9%	10%	4%	9%
All	16%	14%	15%	17%	14%	16%

Table 3.17 Taxable Income and Tax Liability - Tax Years 2022 and 2023

Decile Group	2022						2023					
	Taxable Income			Tax Liability			Taxable Income			Tax Liability		
	\$ million	Average	% of Total	\$ million	Average	% of Total	\$ million	Average	% of Total	\$ million	Average	% of Total
1	\$0.6	\$11	0.0%	\$0.0	\$0	0.0%	\$0.5	\$8	0%	\$0.0	\$0	0%
2	\$166.0	\$2,725	0.5%	\$2.3	\$38	0.1%	\$174.1	\$2,828	1%	\$2.4	\$39	0%
3	\$506.2	\$8,309	1.6%	\$11.5	\$188	0.7%	\$549.8	\$8,932	2%	\$12.4	\$201	1%
4	\$959.4	\$15,747	3.1%	\$32.2	\$528	1.9%	\$1,039.1	\$16,881	3%	\$34.4	\$559	2%
5	\$1,499.1	\$24,605	4.9%	\$64.8	\$1,064	3.8%	\$1,606.4	\$26,096	5%	\$68.6	\$1,114	4%
6	\$1,967.8	\$32,300	6.4%	\$95.6	\$1,569	5.5%	\$2,115.4	\$34,366	7%	\$102.1	\$1,658	6%
7	\$2,508.5	\$41,175	8.1%	\$131.4	\$2,158	7.6%	\$2,685.5	\$43,628	8%	\$139.9	\$2,273	8%
8	\$3,248.8	\$53,325	10.5%	\$180.6	\$2,965	10.5%	\$3,466.6	\$56,318	11%	\$192.0	\$3,119	11%
9	\$4,526.3	\$74,294	14.7%	\$264.9	\$4,348	15.3%	\$4,801.0	\$77,995	15%	\$280.2	\$4,552	16%
10	\$15,490.6	\$254,262	50.2%	\$942.3	\$15,468	54.6%	\$15,821.6	\$257,032	49%	\$972.2	\$15,794	54%
All	\$30,873.4	\$50,675		\$1,725.7	\$2,833		\$32,259.9	\$52,409		\$1,804.1	\$2,931	

Table 3.18 Tax as Percent of Montana Adjusted Gross Income

Decile Group	2022			2023		
	Montana Adjusted Gross Income \$ million	Tax Liability \$ million	Tax / Income %	Montana Adjusted Gross Income \$ million	Tax Liability \$ million	Tax / Income %
1	-\$360.5	\$0.0	0.0%	-\$469.8	\$0.0	0.0%
2	\$566.5	\$2.3	0.4%	\$611.6	\$2.4	0.4%
3	\$1,066.7	\$11.5	1.1%	\$1,159.4	\$12.4	1.1%
4	\$1,617.6	\$32.2	2.0%	\$1,750.7	\$34.4	2.0%
5	\$2,176.4	\$64.8	3.0%	\$2,344.5	\$68.6	2.9%
6	\$2,749.7	\$95.6	3.5%	\$2,961.0	\$102.1	3.4%
7	\$3,405.5	\$131.4	3.9%	\$3,651.8	\$139.9	3.8%
8	\$4,269.2	\$180.6	4.2%	\$4,558.5	\$192.0	4.2%
9	\$5,721.0	\$264.9	4.6%	\$6,081.2	\$280.2	4.6%
10	\$17,430.7	\$942.3	5.4%	\$17,918.2	\$972.2	5.4%
All	\$38,642.8	\$1,725.7	4.5%	\$40,567.2	\$1,804.1	4.4%

The table below breaks down the returns based on the Montana Adjusted Gross Income reported on the returns. Unlike the previous tables, which broke down the returns into equal categories, the number of returns in each of the categories below is uneven, with a larger number of returns in the lower income categories and a smaller number of returns in the larger income categories.

Table 3.19 Tax Year 2023 Returns by Montana Adjusted Gross Income

Montana Adjusted Gross Income	Primary Return	Spouse Return	Total	% Total
Less Than \$0	19,918	3,607	23,525	3.8%
Between \$0 and \$50,000	269,648	56,998	326,646	53.1%
Between \$50,000 and \$100,000	141,142	36,435	177,577	28.8%
Between \$100,000 and \$150,000	41,638	7,481	49,119	8.0%
Between \$150,000 and \$200,000	13,720	2,156	15,876	2.6%
Between \$200,000 and \$250,000	6,219	1,045	7,264	1.2%
Between \$250,000 and \$300,000	3,547	538	4,085	0.7%
Between \$300,000 and \$350,000	2,319	351	2,670	0.4%
Between \$350,000 and \$400,000	1,581	197	1,778	0.3%
Between \$400,000 and \$450,000	1,087	113	1,200	0.2%
Between \$450,000 and \$500,000	806	121	927	0.2%
More than \$500,000	4,418	461	4,879	0.8%
Total	506,043	109,503	615,546	100.0%

Taxation of Business Income

Business Structure and Taxation

The legal ownership structure of a business generally determines how income from the business is taxed. Business organization is established by state law. A business operating in Montana may be organized under the laws of Montana (generally Title 35, Montana Code Annotated) or of the laws of another state. States vary somewhat in the options for business organization they allow and in the details of particular business structures.

While tax considerations may affect a business's choice of ownership structure, there are other factors that may have a larger influence. Different business structures give the owners different types of protection from or exposure to the business's legal and financial liabilities. They have different mechanisms for decision making and control of the business's operations, and different arrangements for the sharing of income, expenses, risks, and rewards among the owners.

Business structures offer different levels of privacy or transparency of ownership. How a business is organized can also affect its ability to access capital markets. Most corporations and some types of partnerships can raise funds by issuing new shares. Existing shares can be bought and sold without requiring the other owners' consent. In other business structures, buying and selling ownership interests or raising funds by bringing in new owners may require the other owners' consent.

For taxation, the Internal Revenue Code puts all businesses in one of three categories. Montana law generally requires a business to be in the same category for state taxation as it is for federal taxation.

Individuals/Sole Proprietors

Informally organized sole proprietor businesses are not treated as an entity separate from the owner for income tax reporting purposes. The owner of a sole proprietor business must be an individual or a married couple. Some formally organized businesses with a single owner are not sole proprietor businesses and are treated as separate from the owner for income tax reporting purposes. These businesses are called disregarded entities and are subject to filing a Montana information return and income tax withholding on behalf of the owner, when such owner is not a resident. The disregarded entity's income is still reported on the owner's tax return and is taxed as part of the owner's income. If the disregarded entity pays income tax on behalf of the owner, the owner can claim the payment as a refundable credit.

Pass-Through Entities

Partnerships, limited liability companies, and other unincorporated businesses with more than one owner generally are treated as pass-through entities. A corporation with no more than 100 shareholders, with a single class of stock, and with no shareholders that are another business entity or a nonresident alien, may elect to be treated as a pass-through entity. Such a corporation is known as an S corporation because its taxation is laid out in Subchapter S of Chapter 1 of the Internal Revenue Code.

For a pass-through entity, there is no tax on income at the business entity level. The entity calculates its net income and each owner's share of that net income. The owners must include that income (or loss) in the calculation of their taxable income. An owner's income from a pass-through entity is their distributive share of the entity income, whether the income is distributed to the owners or remains in the business to finance expansions or other investments.

When a pass-through entity retains part of its income, the accounting value of each ownership interest is increased by the owner's share of the retained income. If the pass-through pays out more than its annual net income, the excess is treated as a return of a portion of the owner's investment. It is not taxed, and the accounting value of each ownership interest is reduced by the owner's share of the excess distribution.

A pass-through entity is required to file an annual information return showing the calculation of its net income or loss and the distribution of that income or loss to owners. The owners are then responsible for reporting this income on their tax returns and including it in the calculation of their taxable income. If a pass-through entity has a nonresident or second-tier pass-through entity owner, then the pass-through must include the owner in a composite return or withhold income tax on behalf of the owner. Some owners who do not elect to pay composite tax can apply for a waiver of withholding. See the Pass-through Entities section elsewhere in this report.

C Corporations

A corporation that does not meet the requirements to be allowed pass-through entity treatment, or that does not choose pass-through treatment, is taxed on income at the business entity level. The corporation calculates its net income and is taxed on it at the corporate income tax rate.

The corporation's income is not directly attributed to the owners. A corporation's owners must include dividends they receive in the calculation of their taxable income. A corporation may pay dividends that are more or less than its net income. If dividends are less than net income, there is no adjustment to the accounting value of individual shares. This allows a corporation to retain profits for reinvestment without the shareholders being taxed on those profits.

Table 3.20 on the next page shows the characteristics of businesses falling into each of the four business tax categories.

Table 3.20 Business Structure and Taxation

	Sole Proprietor	Pass-Through Entity (S Corporation or Partnership)	C Corporation	Disregarded Entity
Legal Business Organization	Informal	Partnership, Limited Liability Company (LLC), Corporation, Limited Partnership, etc.	Corporation	Single Member LLC, etc.
May Be Owned By	Individual or Married Couple	Individuals or Other Business Entities	Individuals or Other Business Entities	Individuals or Other Business Entities
Business Income and Owner's Income	The business net income is all attributed to the owner.	The business calculates its net income, and this income is attributed to the owners.	The business calculates its net income. Owners' income is dividends received.	The business net income is all attributed to the owner.
Distribution of Income to Owners	The business net income is the owners' income from the business.	Distributions to owners need not equal businesses' current net income.	Business pays dividends to shareholders. Dividends need not equal businesses' current net income.	Distribution to owner need not equal businesses' current net income.
Taxation	Owner reports income from business as part of income subject to individual income tax.	No tax at the entity level. Owners responsible for tax on income attributed to them.	Business net income subject to corporation income tax. Owners taxed on dividends.	Entity is ignored. Businesses' income is taxed as owner's income.
Reporting	The business receipts and costs are reported on Schedule C of the owners' federal tax return (Schedule F for a farm), and net income is reported on Line 12 for Business Income or Loss (Line 18 for Farm Income or Loss) of the state return.	The business files federal and state information returns. Federal return shows receipts and costs and both show income, deductions, and credits passed through to owners. Owners report their share of net business income from the pass-through as business income (Schedule E and Line 17 of the tax return for individuals). If the business receives dividends, capital gains, or other passive income, owners report those separately on the appropriate return lines.	The business files federal and state corporate income tax returns and a federal information report, Form 1099-DIV, for each owner who received at least \$10 of dividends. Owners report dividends received on their tax returns (Line 9 of state return for individuals).	Income is reported on owner's return. Information return required if owner is a non-resident.

Business Structure, Tax Administration, and Compliance

Taxation of business income can be complicated when a business operates in more than one taxing jurisdiction and when one business entity is partly or completely owned by another. When a business operates in more than one taxing jurisdiction, it is necessary to decide how much of the business's income is taxable by each jurisdiction. When one business entity owns another, or two businesses have a common owner, it can be necessary to decide how much of the common income is due to each business. When affiliated businesses operate across multiple jurisdictions, the complications are compounded.

A general principle, followed by most U.S. state and most countries, is that business income should be taxable by the jurisdiction where the business activity that created the income took place and should not be taxable by other jurisdictions. This is often called the source principle of income taxation.¹

When a business operates in more than one taxing jurisdiction, each must decide how much of the business's income has its source in that jurisdiction. For example: a company harvests timber and mills it into lumber in Montana and sells the lumber in North Dakota. The company receives all its gross income in North Dakota and pays most of its costs in Montana. Its net income, which is the basis of taxation in both Montana and North Dakota, is due to the combined operation in both states.

Each state decides how much of the combined net income to tax through a process called apportionment. Each state uses a formula to determine an apportionment factor, the portion of the company's business income² to attribute to operations in the state. Over the past two legislative sessions, Montana has moved from an equal-weighted three-factor apportionment formula to a double-weighted sales, three-factor apportionment formula to single-sales apportionment factor where the apportionment factor is solely based on the proportions of a company's sales in Montana to total sales. Other states use one of these three formulas, but the trend around the country is moving towards single sales apportionment, in conjunction with market-based sourcing. More information on apportionment factors can be found in the corporate income tax section.

If lumber production in Montana and lumber sales in North Dakota were separate, unrelated businesses, there would be no need for apportionment. The lumber production company's net income would be the difference between its receipts from selling lumber wholesale and its costs of harvesting timber and milling lumber. This net income would be taxable by Montana. The lumber sales company's net income would be the difference between its receipts from retail lumber sales and its costs of buying the lumber wholesale and operating its lumber yards. This net income would be taxable by North Dakota.

If the two companies in this example are affiliates, such as two separate legal entities both owned by a third company, the situation becomes more complicated. Apportionment is still needed because wholesale lumber sales from the mill in Montana to the yards in North Dakota are not considered arms-length transactions with affiliate companies. The transfer prices at which the lumber mill sells to the lumberyards are not determined in a market and do not necessarily reflect the lumber's true value.

¹ The source principle of income taxation contrasts with the destination principle of consumption taxation. U.S. states and most countries follow the principle that taxes on consumptions, such as sales taxes, should be levied by the jurisdiction where the goods or services are used rather than by jurisdictions where they are made or sold

² Income that is not from a company's normal line of business, such as income from the sale of some of a company's assets, generally is assigned to the state where the assets are located rather than being apportioned.

From the point of view of the parent company, these transfer prices are irrelevant. The mill's revenue from wholesale sales and the lumberyard's expenses for wholesale purchases cancel each other out. The parent company's net income is the difference between the revenue from retail lumber sales and the costs of timber harvesting, lumber milling, and lumberyard operations.

Montana law addresses this problem through combined reporting. Affiliated companies that are not engaged in clearly identifiable separate businesses are required to file a single, combined return and to apportion the group's income. The Montana timber harvesting and lumber milling company, the North Dakota lumberyard company, and their parent company would file a combined return and should pay the same Montana taxes as if they were a single company.

Another complication can arise when affiliated companies are pass-through entities and there is a tiered ownership structure, with a company that is actually conducting business being owned by a second-tier pass-through entity. The second-tier pass-through entity may be one of several owned by a third-tier pass-through entity, which may be a partnership owned by several fourth-tier pass-through entities, and so on.

As income passes through this chain to the individuals who are the ultimate owners, its original source may be ignored. For example, a person in New York or California who is a partner in a company that owns other companies may be unaware that part of their income from this partnership ultimately comes from business operations in Montana. In this case, they are likely to overlook their obligation to pay income tax in Montana.

Montana law tries to address this problem by requiring pass-through entities with out-of-state owners either to have the out-of-state owners agree to file Montana tax returns, to withhold Montana tax for the out-of-state owners, or to file a composite return and pay Montana tax on behalf of its owners.

Montana law requires individual corporations and affiliated groups to report worldwide income and apportion a share to Montana, with one exception. A group of affiliated companies may make what is called a water's edge election. When a group makes this election, it is only required to include affiliates in its combined report if one or more of these situations exists:

- the primary company owns at least half the stock and at least 20 percent of the affiliate's payroll and property is in the United States
- the affiliate is one of several types of companies defined in federal law that only engage in
- international trade
- the affiliate has gains or losses from selling U.S. real estate, or
- the affiliate is incorporated in one of the countries listed as tax havens in Montana law

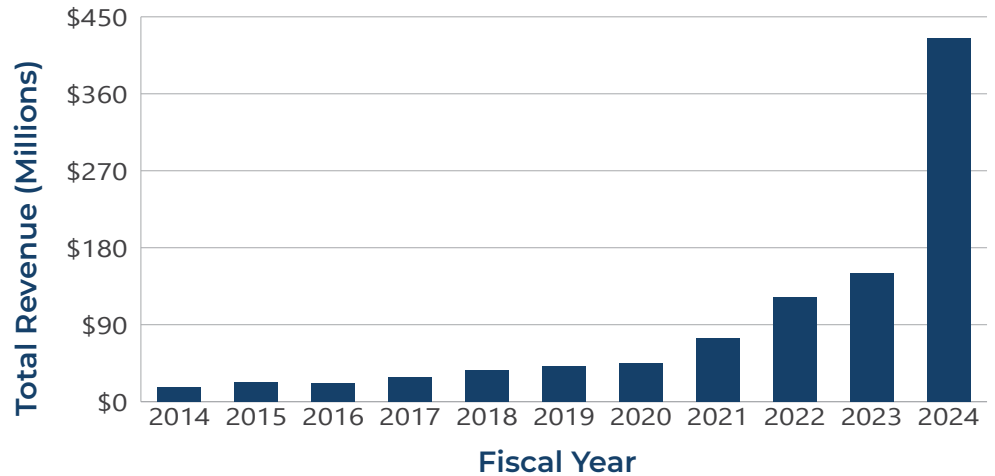
A corporate group that makes the water's edge election is taxed at a rate of 7 percent rather than the normal rate of 6.75 percent.

Pass-Through Entities

Table 3.21 Income Tax Collections paid by Pass-through Entities

Fiscal Year	Total Revenue
2014	\$16,972,674
2015	\$22,981,503
2016	\$22,125,425
2017	\$28,421,676
2018	\$36,422,032
2019	\$42,002,629
2020	\$44,874,531
2021	\$74,824,347
2022	\$122,266,716
2023	\$150,332,288
2024	\$424,594,807

Figure 3.4



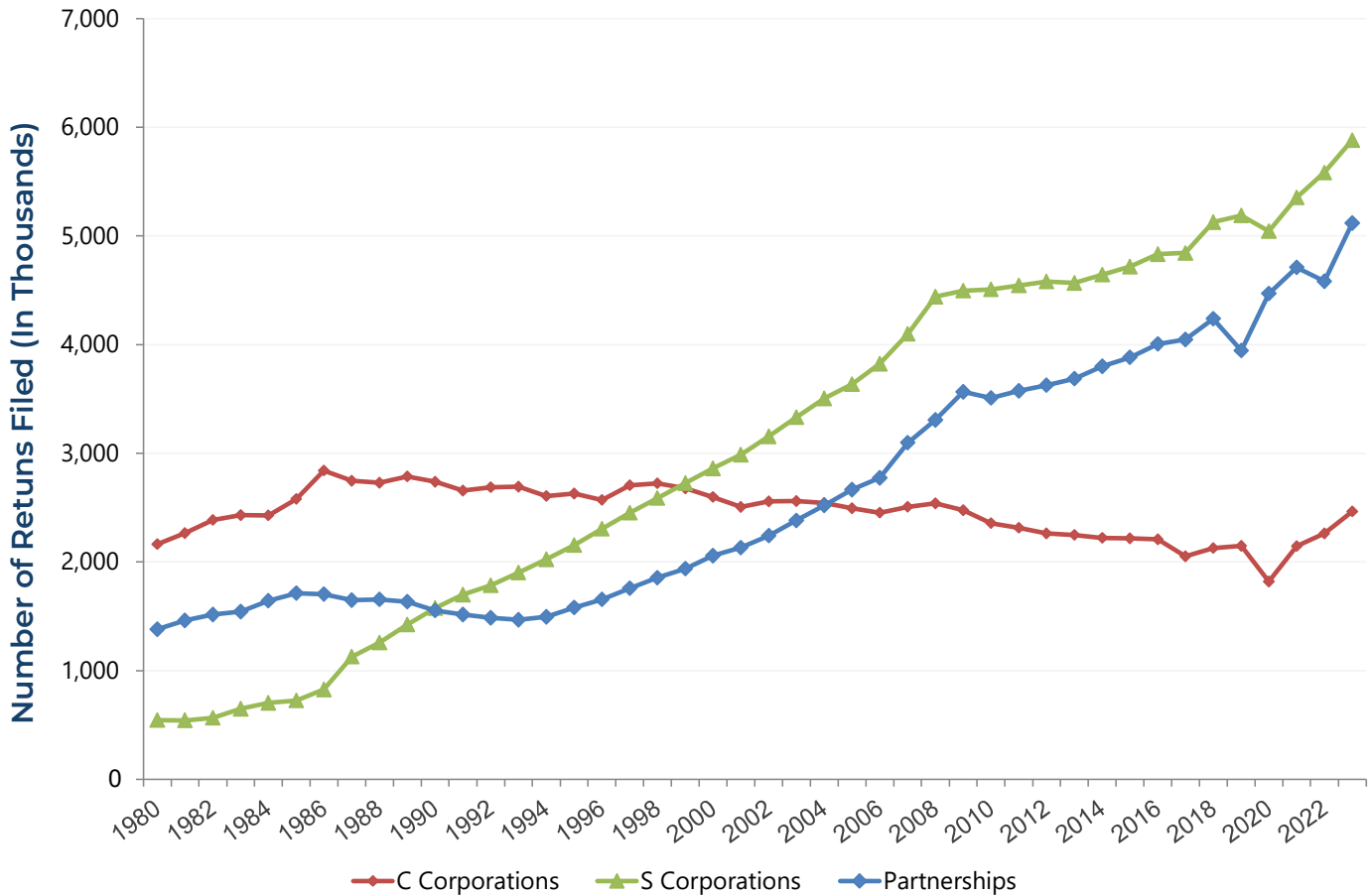
Income taxes paid by pass-through entities have increased significantly in Montana over recent years. A big component of the significant jump in collections in Fiscal Year 2024 are from pass-through entity tax (PTET) payments, which were introduced by the 2023 Legislature and began for Tax Year 2023.

Growth of Pass-Through Entities

Increasingly, both in Montana and nationwide, business and investment activities are being conducted by pass-through entities. The graph below shows the number of returns filed with the IRS by C corporation versus those filed by pass-through entities (partnerships and S corporations) from 1980 through 2021. The graphs and history in this section are from the Internal Revenue Service’s annual Data Book and other Statistics of Income Division reports.

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

Figure 3.5 Number of U.S. C Corporation Returns Compared to S Corporation and Partnership Returns (Pass-Through Entities), 1980-2021



The number of C corporation returns declined slightly over the past few decades from a peak of 2.84 million returns in 1986 to a low of 1.82 million in 2020 but has increase the last 3 years back up to 2.47 million in 2023. However, C corporations in Montana, and around the country, vary greatly in size. There are large or very large businesses, which engage in operations across many states and even countries, but there are also smaller firms that engage in agricultural operations, are Main Street businesses, or are regional operations. Some of these corporations may have been incorporated before the S corporation structure was available. Others may have been incorporated as C corporations to be better positioned to access capital markets, or for other advantages that a C corporation status provides.

The number of businesses filed as S corporations has grown very rapidly during the last four decades, from 545,000 returns in 1980 to over 5.88 million returns in 2023. Partnerships have also grown significantly, from 1.38 million in 1980 to 5.12 million in 2023.

Over time, Congress has modified the rules governing pass-through entities, particularly S corporations, making those business structures more attractive for business purposes. For example, the number of permitted shareholders has been expanded from the original 10 in 1958, to 35 in 1982, 75 in 1996, and 100 in 2004, where it remains today.

If the business owner has a farm or ranch operation that is operated as a sole proprietorship, the taxpayer reports his or her income on the farm income or (loss) line of the state individual income tax form and attaches a copy of their federal Schedule F, as filed with their federal form. The total number of farms in the United States filing Schedule F has declined from 2.6 million in 1980 to 1.72 million in 2021. However, it should be noted that farms can also operate as partnerships or be incorporated as S or C corporations. Over the same period, the number of non-farm sole proprietorships has grown substantially, from 9 million in 1980 to over 29.3 million in 2021.

Ownership, Income, Deductions, and Credits Reported on Montana Pass-Through Returns

Pass-through entities include:

- Partnerships
- S corporations
- Limited Liability Companies (LLCs)
- Real Estate Investment Trusts (REITs)
- Regulated Investment Trusts (RITs), better known as mutual funds

Partnerships are an old, familiar business entity, but S corporations are less well known. The S corporation rules were enacted in 1958; they permit a corporation and its shareholders to elect to be taxed at one level.

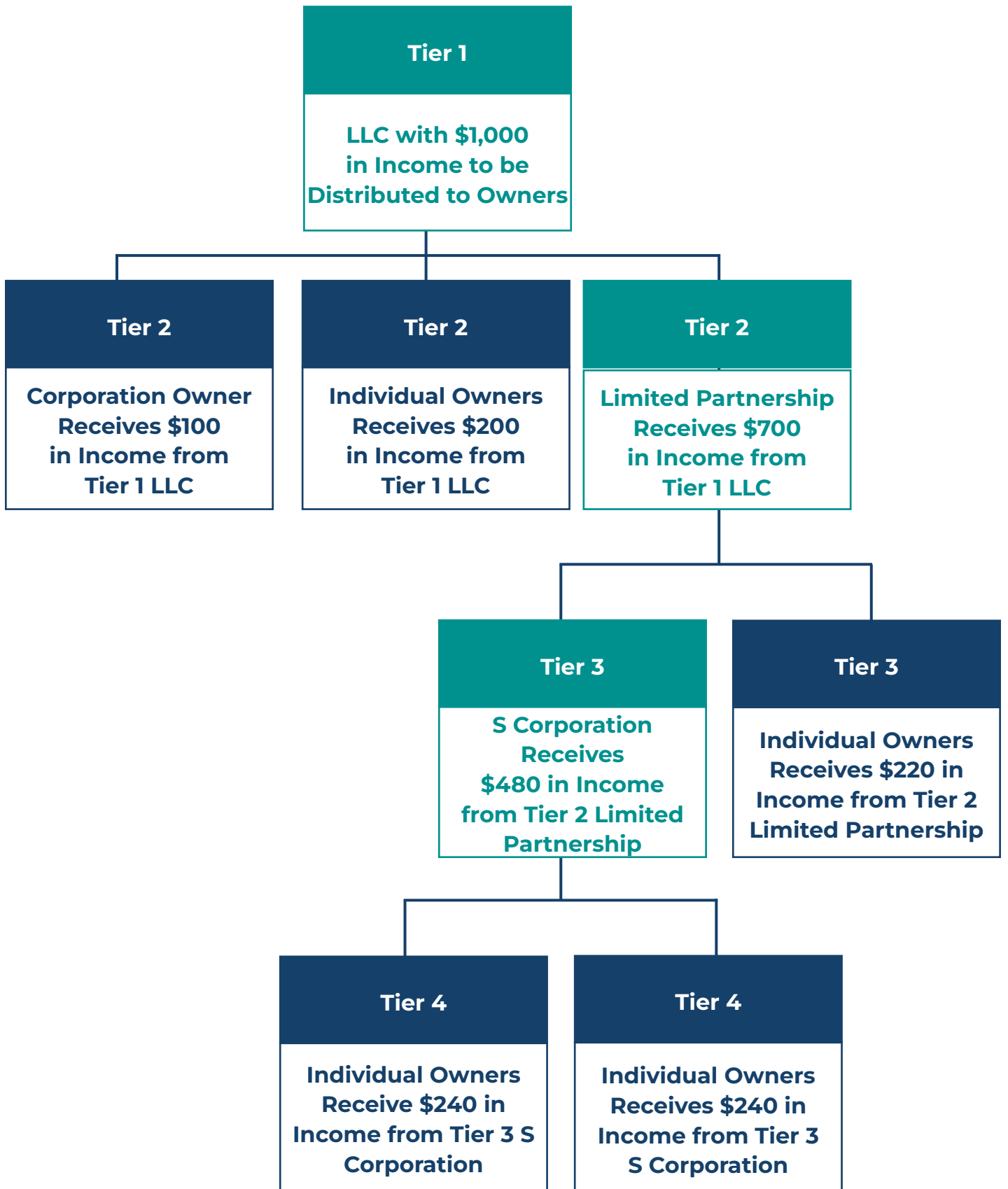
The most common type of pass-through entity today is the Limited Liability Company, or LLC. LLCs were created at the state level because state law generally governs business structure. The first LLC statute was enacted in Wyoming in 1977; all states and the District of Columbia now have LLC statutes. However, for federal tax purposes, federal law governs the tax treatment (states generally follow the federal treatment). For taxation purposes, LLCs are generally treated as partnerships, although LLCs with two or more members can elect to be treated as a C corporation or S corporation.

Any single member LLC can elect to be treated as a sole proprietorship if the single member is an individual. If the single member is a corporation, the LLC is treated as a division of the corporation by the IRS. The taxpayer's state filing status must be consistent with its federal filing status: if a business filed as an S corporation at the federal level, it must also file as an S corporation at the state level.

A pass-through entity's income is not taxed. Instead, its income and expenses are reported on the tax returns of the owners. The owners can be corporations, individuals, other pass-through entities, or a mix of all of them. When pass-through entities are owned by other pass-through entities, a tiered business structure is created.

Tiered business structures add complexity to tax administration because the taxpayer may be quite removed from the entity doing business in the state. Because pass-through entities can have a corporation, an individual, a trust, and/or another pass-through entity as a partner, owner, or shareholder, these entities represent a challenge for tax administration. Figure 3.6 below shows how complex ownership, or partnership, relationships can become.

Figure 3.6 Sample Tiered Structure of a Pass-through Entity



Pass-through entities classified as S corporations or partnerships with Montana source income are required to file an information return each year. A pass-through entity must determine what type of owners it has. If the owner is another pass-through entity, a nonresident individual, a nonresident trust, or a foreign C corporation, the pass-through entity must withhold on their distributive share of income. When they file their returns, these owners can claim this withholding as a payment. The withholding is not required if the owner elects to pay composite tax, which also waives the owner's filing requirement in Montana.

The withholding is not required either if the owner obtains a waiver. To obtain a waiver, the owner must qualify and make a separate request. Only non-resident individuals, estates and trusts, and domestic second tier pass-through entities qualify for a waiver. A domestic second-tier pass-through entity is an entity entirely owned directly and indirectly by resident or domestic owners. The waiver requires the owner to file a timely Montana return, pay taxes, and be subject to the personal jurisdiction of the state with respect to the income from a pass-through entity.

If the agreement is subsequently not met, the pass-through entity must, in all subsequent tax years, withhold the appropriate amount and remit the tax payment directly to the state. The pass-through information returns must show the total amounts of various types of income, deductions, and credits allocated to the owners.

Pass-through entities operating in more than one state must apportion part of their income to Montana using the same apportionment formula as a C corporation. Pass-through returns must show the Montana source income that was allocated to each owner and indicate whether each owner is considered an individual or another business entity.

Owners of pass-through entities taxed as partnerships may be either individuals or business entities. Shares of S corporations can only be owned by individuals, electing small business trusts, or employee stock ownership plans. However, some types of pass-through entities that are owned by other business entities can elect to be treated as S corporations for tax purposes. The table below breaks out the number of owners reported on the 75,982 Montana Tax Year 2022 pass-through returns by resident and nonresident.

Table 3.22 Shares of Pass-Through Owners by Residency Status

Type of Owner	Number	%
Resident Individuals	99,406	16%
Nonresident Individuals	352,529	56%
Montana Business Entities	6,485	1%
Non-Montana Business Entities	166,640	27%
Total	625,060	100%

Overall, individuals comprised 72 percent of the owners associated with Montana’s pass-throughs, a very slight increase from the 71 percent in 2020.

Table 3.23 on the next page shows the number of owners, by resident and non-resident, reported on the 75,982 Montana Tax Year 2022 pass-through returns split out into S Corporations and Partnerships.

Table 3.23 Montana Pass-Through Owners by Residency Status and Pass-through Type

Type of Owner	S Corporations				Partnerships			
	Montana		Multi-State		Montana		Multi-State	
	Owners	%	Owners	%	Owners	%	Owners	%
Resident Individuals	42,755	90%	2,317	7%	51,127	59%	3,207	1%
Nonresident Individuals	3,833	8%	28,890	81%	21,898	25%	297,908	65%
Montana Business Entities	424	1%	72	0%	5,187	6%	802	0%
Non-Montana Business Entities	275	1%	4,190	12%	8,807	10%	153,368	34%
Total	47,287	100%	35,469	100%	87,019	100%	455,285	100%

Table 3.24 shows the number of returns, types of income, Montana adjustments to income, and deductions that were reported on Tax Year 2022 pass-through returns.

Table 3.24 Montana-Source Income Passed Through to Owners – Tax Year 2022

	S Corporations		Partnerships	
	Montana	Multi-State	Montana	Multi-State
Returns	28,651	9,099	26,272	11,552
Income				
Salaries and Other Fixed Payments to Owners	\$183,909	\$117,527	\$165,408,220	\$76,434,571
Ordinary Business Income	\$2,947,989,134	\$1,556,355,378	\$558,025,902	\$1,668,067,524
Rental Income				
Real Estate	\$42,461,361	\$25,639,630	\$75,866,075	-\$21,071,320
Other	\$7,715,348	\$46,507,809	\$23,983,792	-\$24,052,141
Interest	\$26,269,688	\$19,337,882	\$47,682,430	\$60,092,603
Dividends	\$13,447,063	\$14,525,608	\$27,259,584	\$16,392,282
Royalties	\$14,294,630	\$14,269,115	\$42,667,908	\$161,988,854
Capital Gains	\$313,062,490	\$58,520,557	\$269,066,593	\$191,056,701
Gains Taxed as Ordinary Income	\$312,552,720	\$216,811,353	\$666,175,641	\$350,324,051
Other Income	\$22,538,805	\$35,932,265	\$24,218,264	\$258,632,836
Total Gross Income	\$3,700,515,148	\$1,988,017,124	\$1,900,354,409	\$2,737,865,961
Montana Additions to Federal Income	\$521,740	\$13,230,710	\$5,138,830	\$28,631,227
Montana Subtractions from Federal Income	\$27,338,319	\$2,346,365	\$6,899,758	\$10,901,679
Deductions				
§179 Expense Deduction	\$91,927,116	\$25,503,128	\$30,871,578	\$3,917,099
Other Expense Deductions	\$56,595,500	\$56,970,373	\$215,451,858	\$599,889,575
Total Deductions	\$148,522,616	\$82,473,501	\$246,323,436	\$603,806,674
Total Net Montana Source Income	\$3,525,175,953	\$1,916,427,968	\$1,652,270,045	\$2,151,788,835

When there is tiered ownership, meaning one pass-through entity is a full or part owner of another, both entities will include the income the first-tier entity allocates to the second-tier entity in their returns. Because of this, the combined Montana source income of pass-through entities in the state is less than the combined amounts reported on the returns. Table 3.25 below shows the Montana source income reported on pass-through returns and the source income after second-tier entity income is removed for Tax Years 2018 through 2022.

Table 3.25 Montana Source Income Before and After Second-Tier Income is Removed

Tax Year	Montana Source Income	Tier 2 Income	Net Montana Source Income
2018	\$4,024,862,213	\$1,058,422,949	\$2,966,439,264
2019	\$5,827,955,574	\$2,228,335,690	\$3,599,619,884
2020	\$5,669,967,534	\$1,250,898,708	\$4,419,068,826
2021	\$9,159,383,788	\$2,349,098,529	\$6,810,285,259
2022	\$9,287,207,149	\$2,705,481,365	\$6,581,725,784

Optional Pass-Through Entity Tax (PTET) and Credit

The 2023 Montana Legislature enacted the pass-through entity tax (PTET) through the passage of SB 554. The PTET is an optional tax that a pass-through entity can elect to pay at the entity level on behalf of both resident and non-resident owners. Any pass-through entity may elect to pay this PTET on the distributive share of Montana source income allocated to residents and non-residents. For nonresident owners, the PTET overrides the current withholding system and composite tax requirements. The optional PTET incorporates characteristic of both the withholding tax and composite tax. It can be claimed as a refundable credit on the owner's return or be in lieu of the nonresident owner's return.

Paying the PTET at the entity level allows the owners to not have to pay it at the individual level and therefore it does not count against the \$10,000 limitation on individual's deduction of state and local taxes (SALT) at the federal level. This results in a decrease in federal tax liability for many pass-through entity owners. This SALT deduction workaround has been implemented by many other states and has been allowed by the IRS through Notice 2020-75. Payments for the PTET are made as quarterly estimated payments and then the pass-through owners are issued a refundable credit for their share of the PTET that they may claim on their individual return. This makes the PTET theoretically revenue neutral, because the payment amounts from the entities are canceled out by the credits issued to the individual owners, but the timing of the payments versus refunds creates a positive revenue impact in the short term.

The PTET went into effect for Tax Year 2023 so it does not show up on the tax return data included in this report, through TY 2022. The revenue increase from these PTET payments is a part of the fiscal year 2024 collection data and the impact of the PTET credits and refunds will begin becoming more apparent in Fiscal Year 2025.

Pass-Through Entity Tax Credits

When a pass-through entity does something that is eligible for a tax credit, the credit is usually allocated to the owners. Owners can then claim their share of the credit on their tax returns. These tax credits are passed through and claimed on individual and corporate income tax returns and the credit amounts are shown in each of those respective subsections in this chapter. Data on the specific credits claimed by pass-throughs to be passed through to owners is no longer available on pass-through entity returns due to a change in the form for Tax Year 2022.

Pass-through Distributions by Industry

When preparing an informational tax return, pass-through entities are expected to provide information on the type of industry work the pass-through is engaged in. Table 3.26 provides a list of the Montana source income that was distributed by Montana's S corporations in Tax Year 2022, broken down by industry sector type. As this table shows, there is a significant amount of variation in the amount of income S corporations provided to their respective owners at the industry level. S corporations in the Professional and Business Services sector generated the largest amount of combined Montana source income for their owners, distributing approximately \$1.3 billion in Tax Year 2022.

The Trade, Transportation, & Utilities sector and the Construction sector also provided a significant amount of income to their owners, passing through \$1.1 billion and \$946 million in income, respectively.

Table 3.26 Montana-Source Income Passed Through to Owners - S Corporations - Tax Year 2022 (Thousands of Dollars)

S Corporations											
	Natural Resources & Mining	Construction	Manufacturing	Trade, Transportation & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality	Other Services	Unknown/Public Admin
Returns	3,286	7,340	1,446	5,040	443	5,229	7,383	2,535	2,834	2,024	190
Income Items											
Salaries and Other Fixed Payments to Owners	\$0	\$0	\$0	\$69	\$0	\$209	\$1	\$0	\$0	\$23	\$0
Ordinary Business Income	\$258,181	\$890,183	\$235,500	\$960,765	\$65,649	\$408,347	\$997,915	\$357,149	\$215,786	\$110,717	\$4,151
Rental Income											
Real Estate	\$13,227	\$627	\$532	\$7,471	\$46	\$39,912	\$1,870	\$316	\$3,852	\$274	-\$26
Other	\$9,812	\$983	\$30,117	\$14,854	\$32	-\$2,499	\$708	\$116	\$11	\$89	\$0
Interest	\$5,497	\$5,983	\$2,776	\$11,736	\$281	\$6,549	\$5,737	\$2,557	\$3,588	\$771	\$131
Dividends	\$2,742	\$2,769	\$9,241	\$4,858	\$321	\$3,625	\$2,346	\$412	\$589	\$1,070	\$0
Royalties	\$21,615	\$738	\$287	\$565	\$461	\$3,321	\$458	\$445	\$624	\$39	\$10
Capital Gains	\$27,904	\$13,958	\$6,294	\$62,731	\$22,680	\$38,320	\$139,224	\$15,816	\$34,897	\$2,566	\$7,194
Gains Taxed as Ordinary Income	\$152,213	\$31,132	\$29,137	\$34,028	\$1,012	\$61,540	\$163,195	\$24,206	\$19,420	\$13,463	\$18
Other Income	\$2,194	-\$332	\$16,759	\$15,949	\$20,280	-\$150	\$1,178	\$14	\$1,739	\$839	\$0
Total Gross Income	\$493,386	\$946,042	\$330,644	\$1,113,025	\$110,762	\$559,174	\$1,312,632	\$401,031	\$280,508	\$129,849	\$11,478
Montana Additions to Federal Income											
Total	\$338	\$2,615	\$1,327	\$2,774	\$231	\$1,737	\$3,123	\$891	\$654	\$19	\$43
Montana Subtractions from Federal Income											
Total	\$6,324	\$842	\$1,380	\$2,308	\$41	\$546	\$12,659	\$731	\$4,674	\$64	\$114
Deductions											
\$179 Expense Deduction	\$22,069	\$39,792	\$2,700	\$21,357	\$183	\$7,237	\$9,639	\$3,642	\$6,280	\$4,225	\$307
Other Expense Deductions	\$48,514	\$12,167	\$2,769	\$17,196	\$238	\$7,890	\$15,275	\$4,217	\$3,379	\$1,796	\$126
Total Deductions	\$70,582	\$51,959	\$5,469	\$38,553	\$421	\$15,126	\$24,914	\$7,859	\$9,659	\$6,021	\$433
Total Net Montana Source Income	\$416,817	\$895,857	\$325,122	\$1,074,938	\$110,531	\$545,239	\$1,278,181	\$393,332	\$266,829	\$123,783	\$10,974

Contact the department at (406) 444-6900 for a large-print copy of this table.

As Table 3.27 shows, the amount of pass-through income also varies significantly for Montana's pass-through partnerships. In Tax Year 2022, Financial Activity partnerships generated more than \$2.1 billion in income within Montana; this is more than four times the income generated by any other partnership sector. Unlike S corporations, one partnership pass-through sector reported negative pass-through income for their owners. The Manufacturing sector partnerships as a whole reported a loss of almost \$261 million for Tax Year 2022.

Table 3.27 Montana-Source Income Passed Through to Owners - Partnerships - Tax Year 2022 (Thousands of Dollars)

	Partnerships										
	Natural Resources & Mining	Construction	Manufacturing	Trade, Transportation & Utilities	Information	Financial Activities	Professional & Business Services	Education & Health Services	Leisure & Hospitality	Other Services	Unknown/Public Admin
Returns	4,235	1,713	727	2,188	371	21,883	3,160	656	1,805	824	262
Income Items											
Salaries and Other Fixed Payments to Owners	\$16,889	\$26,865	\$12,275	\$18,382	\$4,052	\$50,592	\$49,070	\$46,297	\$10,210	\$6,802	\$409
Ordinary Business Income	\$211,782	\$148,593	-\$250,430	\$393,927	\$335,455	\$525,497	\$670,733	\$179,017	-\$15,060	\$26,244	\$335
Rental Income											
Real Estate	\$19,618	-\$555	\$870	-\$4,284	-\$85	\$36,491	\$1,045	\$1,233	-\$302	\$682	\$81
Other	\$5,226	-\$877	\$248	-\$2,120	\$3,772	-\$223	-\$6,539	\$13	\$710	-\$245	-\$33
Interest	\$3,971	\$2,063	\$1,397	\$6,380	\$4,839	\$64,495	\$17,697	\$3,089	\$2,733	\$1,098	\$12
Dividends	\$1,546	\$66	\$327	\$3,275	\$59	\$26,485	\$9,091	\$462	\$513	\$1,796	\$32
Royalties	\$148,874	\$695	\$5,022	\$97	\$250	\$41,481	\$5,204	\$813	\$117	\$2,011	\$93
Capital Gains	\$36,779	\$9,277	-\$32,073	\$5,762	\$1,326	\$380,917	\$34,634	\$1,941	\$15,970	\$1,871	\$3,720
Gains Taxed as Ordinary Income	\$98,794	\$21,259	\$1,458	\$53,281	-\$976	\$729,169	\$38,675	\$285	\$54,224	\$14,204	\$6,128
Other Income	-\$906	\$1,570	\$256	\$11,722	-\$126	\$262,219	\$3,703	\$85	\$4,230	\$5	\$93
Total Gross Income	\$542,573	\$208,955	-\$260,650	\$486,422	\$348,567	\$2,117,124	\$823,312	\$233,236	\$73,344	\$54,468	\$10,869
Montana Additions to Federal Income											
Total	\$1,206	\$8,991	\$1,955	\$3,923	\$2,832	\$8,201	\$4,420	\$97	\$851	\$1,279	\$15
Montana Subtractions from Federal Income											
Total	\$2,527	\$1,661	\$884	\$177	\$77	\$3,831	\$5,704	\$664	\$2,259	\$23	-\$5
Deductions											
\$179 Expense Deduction	\$18,481	\$3,554	\$1,915	\$2,581	\$44	\$4,660	\$1,123	\$1,095	\$1,011	\$269	\$55
Other Expense Deductions	\$255,392	\$4,044	\$10,498	\$169,558	\$16,785	\$215,065	\$105,346	\$12,993	\$20,844	\$4,004	\$812
Total Deductions	\$273,872	\$7,599	\$12,414	\$172,140	\$16,829	\$219,725	\$106,470	\$14,088	\$21,855	\$4,272	\$866
Total Net Montana Source Income	\$267,380	\$208,686	-\$271,992	\$318,028	\$334,493	\$1,901,768	\$715,559	\$218,581	\$50,081	\$51,452	\$10,023

Contact the department at (406) 444-6900 for a large-print copy of this table.

Table 3.28 Pass-through Entities by Size - Number of Owners - Tax Year 2022

Number of Reported Owners	S Corporations				Partnerships			
	Montana		Multi-State		Montana		Multi-State	
	Number	%	Number	%	Number	%	Number	%
1	16,819	58.6%	3,916	42.9%	71	0.3%	25	0.2%
2 to 3	10,457	36.4%	3,234	35.4%	20,988	79.7%	4,955	42.8%
4 to 8	1,266	4.4%	1,323	14.5%	4,396	16.7%	2,751	23.8%
9 to 20	124	0.4%	413	4.5%	619	2.4%	1,363	11.8%
Over 20	24	0.1%	250	2.7%	263	1.0%	2,479	21.4%
Total	28,690	100.0%	9,136	100.0%	26,337	100.0%	11,573	100.0%

Pass-through entities can vary greatly in size. Approximately 55 percent of S corporation pass-throughs reported a single owner, while 68 percent of partnership pass-through entities with Montana source income had two or three owners. Overall, pass-throughs that operate in multiple states tend to have more owners than pass-throughs that only operate in Montana. Among S corporations, about 5 percent of pass-throughs only operating in Montana in Tax Year 2022 had more than three reported owners, while almost 22 percent of multi-state S corporations had at least four owners. During this same time, about 33 percent of Montana's multi-state partnership pass-throughs had more than eight owners, while only 3.4 percent of Montana-only partnerships reported having at least nine owners.

Table 3.29 Pass-through Entities by Size - Montana Source Income - Tax Year 2022

Montana - Source Income	S Corporations				Partnerships			
	Montana		Multi-State		Montana		Multi-State	
	Number	%	Number	%	Number	%	Number	%
\$0 or Negative	8,282	28.8%	3,691	40.3%	11,909	45.1%	5,739	49.4%
\$1 to \$10,000	3,046	10.6%	2,645	28.8%	3,753	14.2%	2,877	24.8%
\$10,001 to \$100,000	10,660	37.0%	1,780	19.4%	6,891	26.1%	1,757	15.1%
\$100,001 to \$1,000,000	6,262	21.8%	860	9.4%	3,338	12.6%	966	8.3%
\$1,000,001 to \$5,000,000	467	1.6%	147	1.6%	448	1.7%	188	1.6%
Over \$5,000,000	69	0.2%	47	0.5%	80	0.3%	80	0.7%
Total	28,786	100.0%	9,170	100.0%	26,419	100.0%	11,607	100.0%

As Table 3.29 shows, almost 12,000 S corporations and 18,000 partnerships reported zero, or negative, Montana source income on their returns. And while S corporations and partnerships tend to be used as business structures for smaller businesses, there are some partnerships and S corporations that have a substantial Montana source income of more than \$5 million. One hundred sixteen S corporations and 160 partnerships reported more than \$5 million in Montana source income.

Table 3.30 shows Montana source income reported by pass-through entities for the same groups provided in the previous table. Most of the income generated by pass-through entities came from entities with over \$5 million in Montana source income. For S corporation pass-throughs, entities with over \$5 million in Montana source income generated approximately \$1.6 billion in Tax Year 2022, 35 percent of all Montana source income generated by Montana’s S corporation pass-throughs. Partnership pass-throughs with over \$5 million in Montana source income generated \$3.6 billion in Montana Tax Year 2022 source income.

Table 3.30 Montana Source Income for Pass-through Entities by size

Montana - Source Income	S Corporations				Partnerships			
	Montana		Multi-State		Montana		Multi-State	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%
\$0 or Negative	-\$599	-17.5%	-\$111	-9.0%	-\$2,356	-159.3%	-\$859	-45.2%
\$1 to \$10,000	\$13	0.4%	\$7	0.6%	\$15	1.0%	\$7	0.4%
\$10,001 to \$100,000	\$470	13.8%	\$66	5.4%	\$271	18.3%	\$68	3.6%
\$100,001 to \$1,000,000	\$1,687	49.4%	\$273	22.2%	\$964	65.2%	\$302	15.9%
\$1,000,001 to \$5,000,000	\$904	26.4%	\$301	24.4%	\$913	61.7%	\$414	21.8%
Over \$5,000,000	\$942	27.6%	\$696	56.5%	\$1,672	113.0%	\$1,969	103.6%
Total	\$3,418	100.0%	\$1,232	100.0%	\$1,479	100.0%	\$1,901	100.0%

Estates and Trusts

Taxation of Estates and Trusts

Estates and trusts are legal arrangements where one party holds assets on behalf of or for the benefit of one or more other parties. The details of these legal arrangements can vary widely depending on the purpose of the estate or trust, and because of the variations in the laws of the states in which they were created.

A trust generally is managed by one or more trustees. The estate of a decedent is managed by an executor. The manager of a bankruptcy estate is called a trustee or a debtor in possession, depending on whether the estate is created under Chapter 7 or Chapter 11 of the federal bankruptcy code. Managers of trusts and estates are referred to as fiduciaries because of their fiduciary duty to act in the interest of another party, rather than in their own interest.

When an estate or trust earns income, it may distribute part of or all income to one or more beneficiaries; it may keep all or part of the income. Beneficiaries are taxed on income distributed to them, while the estate or trust is taxed on income it retains.

A trust may also distribute part of the principal to one or more beneficiaries. All estates and many trusts are created with the intention of ultimately distributing all their assets. Distributions from the principal of an estate or trust are not taxable.

Montana taxes the income of a trust or estate as if the trust or estate were an individual, with an exception allowing a trust or estate to take a deduction for income distributed to beneficiaries. Some trusts are created to provide funds for charity and estates, so trusts are also allowed a deduction for charitable contributions.

Estates and trusts may file on a tax year that is different from the calendar year. In this section, information is reported based on the calendar year when the estate or trust's tax year started. Tax years numbered 2022 may have ended any time between December 31, 2022, and December 30, 2023. Returns are due by the 15th day of the fourth month after the end of the tax year, but the estate or trust may receive a six-month filing extension. Thus, 2022 is the most recent tax year for which all returns had been filed and processed as of this report's publication.

Types of Estates and Trusts

The fiduciary must indicate on the Montana return which type of 11 types of estate or trust it is. The following table shows the number of returns in each category for Tax Years 2021 and 2022.

Table 3.31 Number of Estate and Trust Returns

	2021	2022
Simple Trust	2,150	2,197
Complex Trust	5,139	5,351
Decedent's Estate	1,095	1,124
Grantor Trust	997	1,013
Electing Small Business Trust	23	14
Qualified Disability Trust	122	123
Bankruptcy Estate (Chapter 7)	*	*
Bankruptcy Estate (Chapter 11)	*	*
Qualified Funeral Trust	5,090	5,009
Pooled Income Fund	*	*
Other	357	239
Total	14,983	15,078

* Not disclosed due to confidentiality concerns

A simple trust is a trust where:

- all income is to be distributed to the beneficiaries
- no income is to be used for charitable purposes
- none of the principal is to be distributed

A complex trust is a trust that does not qualify as a simple trust and does not fall into one of the other categories. A decedent's estate is charged with distributing assets in accordance with the decedent's will or state law and preserving assets until they are distributed.

A grantor trust is a trust where the person who created the trust retains control of or an ownership interest in the trust's assets. For both federal and Montana taxes, a grantor trust is treated as a disregarded entity: its income is treated as belonging to the grantor and its income and deduction line items should be reported on the grantor's tax return.

An electing small business trust is a trust that holds shares in an S corporation and for which the trustee has made an election to be taxed under a different section of federal law than generally applies to trusts. Montana taxes for electing small business trusts are the same as other trusts.

A qualified disability trust is a trust whose beneficiaries are one or more disabled persons under the age of 65.

A bankruptcy estate holds the assets of a bankrupt individual or business and is charged either with liquidating those assets to repay debts (Chapter 7) or with reorganizing the business (Chapter 11). A qualified funeral trust is a type of grantor trust set up to pay the beneficiary's funeral expenses. A pooled income fund is an arrangement where individuals or businesses donate assets to a charity with the provision that the donor is to receive all or part of the earnings from the assets for a fixed period or for life.

Income of Estates and Trusts

Montana law considers a trust to be a resident trust if the trust has sufficient connection to Montana. This includes having the trust having its primary place of administration in Montana, property in Montana, and beneficiaries located in Montana. A trust is classified as a part-year resident trust if sufficient connection with the state has ceased during a year. A trust or estate that is created during a year has a short tax year but is still considered to be resident or non-resident.

All resident trust's income is taxable by Montana, but a trust with income sourced in another state may claim a credit against Montana tax for tax paid to the other state. Montana source income of a nonresident trust is taxable by Montana. As with a non-resident individual, a non-resident trust calculates tax on all its income and then multiplies this calculated tax by the share of its income that has a Montana source.

The following table shows the different types of income reported by trusts and estates. It separately shows income of resident estates and trusts, non-resident estates and trusts, part-year resident estates and trusts. For nonresident and part-year resident estates and trusts, the table shows the average nonresident / part-year resident ratio used in calculating their tax. This is the ratio of total Montana source income to total income from all sources.

Table 3.32 Income Reported on Estate and Trust Returns (\$ millions)

Type of Income	2022		2023	
	Resident	Nonresident and Part-Year	Resident	Nonresident and Part-Year
Interest	\$13.135	\$250.854	\$13.996	\$360.395
Dividends	\$68.788	\$478.787	\$92.931	\$501.603
Sole Proprietor Business Income	\$1.714	\$347.979	\$3.611	\$559.829
Pass-Through Business, Rents, Royalties	\$58.818	\$462.276	\$90.964	\$766.543
Gain or Loss on Asset Sales				
Taxed as Capital Gains	\$196.427	\$4,422.890	\$155.877	\$2,863.237
Taxed as Ordinary Income	-\$5.941	\$77.528	-\$1.103	\$189.454
Other	\$29.688	\$240.657	\$24.715	\$462.050
Total Income	\$362.628	\$6,280.972	\$380.990	\$5,703.111
Average Resident Ratio for Nonresident and Part-Year Resident Estates and Trusts		1.50%		2.06%

Deductions for Charitable Contributions and Distributions to Beneficiaries

Income earned by a trust or estate generally is put to one of four uses. It may be:

- used to pay costs of the trust
- donated to charity
- distributed to a beneficiary, or
- retained and added to the principal of the trust.

In calculating taxable income, an estate or trust is allowed an itemized deduction for charitable contributions in the same way an individual is. Unlike an individual, an estate or trust is allowed a deduction for income distributed to a beneficiary. An estate or trust may also distribute part of the principal, but this is not deductible for the trust or taxable for the beneficiary. The following table shows deductions for charitable contributions and for distributions to beneficiaries.

Table 3.33 Deductions for Charitable Contributions and Distributions to Beneficiaries

	2021		2022	
	Entities with Deduction	\$ million	Entities with Deduction	\$ million
Charitable Contributions				
Resident Estates and Trusts	211	\$7.592	237	\$10.570
Nonresident and Part-Year	595	\$303.334	597	\$300.669
Distributions from Income				
Resident Estates and Trusts	3,207	\$175.774	3,192	\$200.400
Nonresident and Part-Year	1,079	\$679.671	1,116	\$760.274

Tax Paid by Estates and Trusts

Trusts and estates directly paid about \$9.292 million in Tax Year 2021 and \$9.058 million in Tax Year 2022. The following table shows tax paid by type of trust or estate. Categories with few returns are combined to protect taxpayer confidentiality.

Table 3.34 Tax After Capital Gains Credit and Apportionment (\$ millions)

Entity Type	2021	2022
Bankruptcy Estates	\$0.002	\$0.002
Decedent Estates		
Resident	\$0.289	\$0.261
Nonresident and Part-Year	\$0.055	\$0.036
Electing Small Business Trusts		
Resident	\$0.000	\$0.000
Nonresident and Part-Year	\$0.000	\$0.000
Grantor Trusts	\$0.000	\$0.000
Simple Trusts		
Resident	\$0.909	\$1.108
Nonresident and Part-Year	\$0.301	\$0.088
Disability, Funeral, Pooled Income, and Other	\$0.105	\$0.055
Complex Trust Not in Another Category		
Resident	\$4.729	\$4.222
Nonresident and Part-Year	\$2.903	\$3.286
All Estates and Trusts	\$9.292	\$9.058

Corporate Income Tax Overview

Montana’s corporate income tax is a tax levied on C corporations for the “privilege of carrying on business in this state for the tax year in which the income was earned.” (15-31-101(3), MCA). A corporation includes:

- an association, joint-stock company, common-law trust, or business trust that does business in an organized capacity
- all other corporations, whether created, organized, or existing under and pursuant to the laws, agreements, or declarations of trust of any state, country or the United States; and
- any limited liability company, limited liability partnership, partnership or other entity that is treated as an association for federal income tax purposes and that is not a disregarded entity (15-31-101(1), MCA).

Every bank organized under the laws of the state of Montana, of any other state, or of the United States, and any savings and loan association organized under the laws of this state or of the United States, is also subject to the Montana corporate income tax (15-31-101(4), MCA).

Table 3.35 and Figure 3.7 below show total corporate income tax collections for Fiscal Years 2014 through 2024. As a rule, corporate income tax collection trends in Montana mirror the general national economy. Fiscal Years 2023 and 2024 corporate tax revenues were \$309.9 million and \$312.3 million, respectively. Corporate income taxes are deposited in the state general fund.

Table 3.35 Corporate Income Tax Collections

Fiscal Year	Total Revenue
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
2023	\$309,897,622
2024	\$312,282,363

Figure 3.7

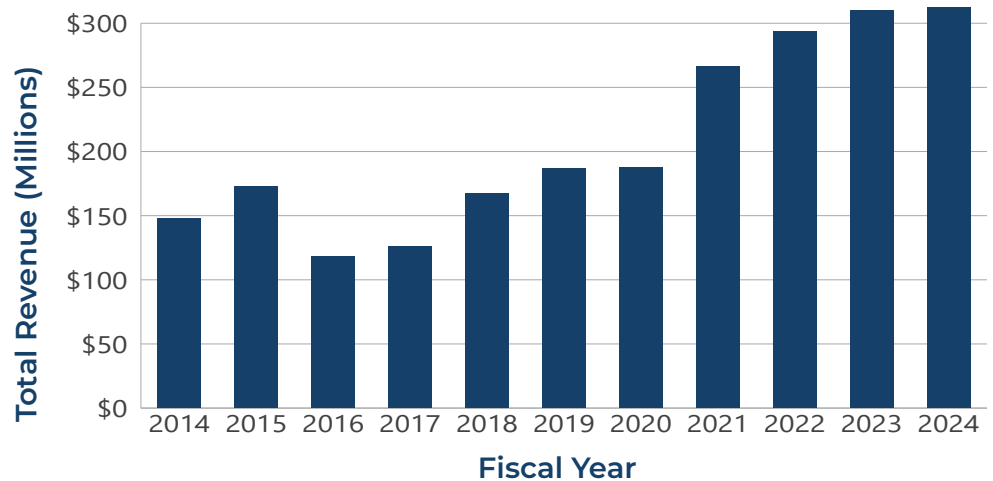


Table 3.36 below provides a breakdown of the last seven years of revenues deposited in the general fund by how they are collected. The table also shows refunds paid.

As the table demonstrates, estimated quarterly payments are by far the largest source of corporate income tax collections, followed by payments with returns.

Table 3.36 Corporate Income Tax Collections and Refunds - General Fund

Fiscal Year	Payments With Returns	Estimated Payments	Audits, Penalties, and Interest	Refunds	Total Collections
2018	\$42,743,886	\$129,097,865	\$26,779,392	-\$24,228,007	\$174,393,137
2019	\$50,422,525	\$137,292,282	\$15,050,080	-\$16,752,844	\$186,012,044
2020	\$50,251,684	\$145,585,206	\$10,871,377	-\$20,028,455	\$186,679,812
2021	\$78,705,971	\$202,062,821	\$11,861,827	-\$26,793,431	\$265,837,187
2022	\$67,156,276	\$224,188,974	\$22,166,050	-\$20,402,997	\$293,108,303
2023	\$67,983,439	\$250,579,986	\$19,972,693	-\$29,707,168	\$308,828,950
2024	\$95,411,937	\$236,431,673	\$14,738,291	-\$36,067,191	\$310,514,710
Average	\$64,667,960	\$189,319,829	\$17,348,530	-\$24,854,299	\$246,482,020

Average estimated payments over the past seven years were \$189.3 million. Average annual revenue for payments with returns over the same period was \$64.7 million. The seven-year average of revenue from audits, penalties, and interest was \$17.3 million. Total refunds averaged about \$24.9 million per year.

Over the past seven years, total corporate tax collections averaged about \$246.5 million annually, though there were wide variations in annual collections during that time period, with significantly higher collections the last two fiscal years.

Who pays Corporate Income Taxes?

Only C corporations pay corporate income taxes. Corporations that elect to file as a Subchapter S corporation for federal tax purposes are also required to file as a Subchapter S corporation for Montana income tax purposes. Despite the filing requirement, Subchapter S corporations do not pay Montana corporate income taxes. Instead, the owners or shareholders of the S corporation are subject to income tax on income flowed through the S corporation to the owner or shareholder. The owner or shareholder then reports any taxable income on their individual income tax form.

S corporations are discussed in more detail in the section on pass-through entities.

Organizations exempt from the tax include corporations or associations organized and operated exclusively for religious, charitable, scientific, or educational purposes, and whose income does not benefit any stockholder or individual.

Under federal law, unrelated business taxable income of exempt organizations that create more than \$100 of federal tax liability is taxable as corporate income, in the same manner as other taxable corporate income.

Other entities exempt from corporate income tax include:

- labor, agricultural or horticultural organizations
- civic organizations operated exclusively for the promotion of social welfare
- clubs or corporations organized and operated exclusively for pleasure, recreation or other nonprofit purposes and who do not have any income that benefits any private stockholder or member; and,
- similar nonprofit organizations

To be exempt from state corporation taxes, the corporation must prove it is compliant with all statutory conditions. Research and development (R&D) firms organized to engage in business for the first time in Montana do not have to pay the corporate income tax for the first five years of operation. To receive this exemption, the firm must apply to the Department of Revenue for approval.

Table 3.37 Number of C Corporation and S Corporation returns filed for Tax Years 2021 and 2022

	TY 2021	TY 2022
Regular C Corporations	21,982	20,554
S Corporations	72,476	75,982
Total Corporations	94,458	96,536
C Corporations Paying Minimum Tax*	14,920	12,979
C Corporations Paying More Than Minimum Tax	7,062	7,575
Total C Corporations	21,982	20,554

*Includes corporations filing a tax return, but claiming zero or negative taxable income.

Distribution of Corporate Income Taxes

Table 3.38 shows the Montana tax liability distribution of the 20,554 corporate returns with a Montana tax liability filed in calendar years 2023 and 2024, reporting on Tax Year 2022. Note that the revenues from the return data will not match the fiscal year revenues in earlier tables because fiscal year revenue is based upon payments.

Table 3.38 Tax Year 2022 Distribution of Montana Tax Liability

Regular Corporation Returns	Number	Tax Liability	Percent of Total Liability	Cumulative Percent of
Top 100 returns	100	\$189,972,720	60%	60%
Second 100 returns	100	\$33,579,518	11%	70%
Third 100 returns	100	\$19,478,811	6%	77%
Fourth 100 returns	100	\$13,449,079	4%	81%
Fifth 100 returns	100	\$9,693,845	3%	84%
All other returns	20,054	\$51,412,815	16%	100%
Total	20,554	\$317,586,788	100%	n/a

*Includes refunds as negative revenue.

The top 100 returns make up about 60 percent of total tax liability of all corporate taxpayers. The top 500 returns accounted for 84 percent of total Montana tax liability for the group. The other 20,054 returns represented only 16 percent of the total Montana tax liability.

The distribution of corporate income taxes can also be examined by economic sector. Starting with the 2009 tax returns, corporate taxpayers were asked to identify their primary industry as reported on their federal tax forms. Table 3.39 shows the distribution of corporate income taxes for the largest sectors.

The largest sector of Tax Year 2022 tax liability was the management of companies and enterprises. This category includes banks and other holding companies and corporate or regional headquarters; it accounted for about 30 percent of all the corporate income tax liability.

Manufacturing was the second largest sector, with 20 percent of all corporate income taxes in Tax Year 2022. This category includes:

- food manufacturing, including grain, oilseed, fruit, and dairy processing;
- bakeries;
- beverages;
- sawmills, millwork, and paper manufacturing;
- petroleum and chemical manufacturing;
- cement and concrete; and
- other activities.

Corporations primarily involved in finance and insurance paid 6.9 percent of corporate income taxes; retail trade paid 5.5 percent; wholesale trade paid 5.2 percent; and information paid 4.5 percent. All other sectors (including mining, quarrying, oil and gas extraction, transportation and warehousing, and construction) made up almost 6 percent. Over 4,000 corporations making up almost 13 percent of total tax liability did not report a NAICS code on their return.

Table 3.39 Distribution of Corporate Income Taxes by NAICS Sector

NAICS Sector	Number of Returns	Tax Liability	Percent of Tax Liability
Management of Companies and Enterprises	1,424	\$93,721,503	29.51%
Manufacturing	1,198	\$63,778,688	20.08%
Finance and Insurance	2,379	\$21,982,460	6.92%
Retail Trade	382	\$17,521,460	5.52%
Wholesale Trade	913	\$16,605,212	5.23%
Information	475	\$14,288,583	4.50%
Transportation and Warehousing	333	\$9,163,787	2.89%
Professional, Scientific, and Technical Services	2,417	\$8,376,273	2.64%
Agriculture, Forestry, Fishing and Hunting	2,359	\$6,810,865	2.14%
Real Estate and Rental and Leasing	1,454	\$6,376,868	2.01%
other(< 2% per sector)	7,220	\$18,016,806	5.67%
missing NAICS code	4,092	\$40,944,283	12.89%
Total	20,554	\$317,586,788	100.00%

In Table 3.39 above it is important to remember that only businesses organized as C corporations pay corporate income taxes. Businesses in certain industries, such as agriculture or legal services, may be more likely to be structured as a pass-through entity, rather than as a C corporation.

Taxable Income and the Tax Rate

The starting point for calculating Montana corporate income tax is the corporation's federal taxable income. To determine net income taxable by Montana, certain adjustments to federal taxable income must be made. For example, municipal bond interest is taxable and must be added to income. Montana also allows certain reductions to income, such as a portion of the cost of energy conservation investments made in a building used for the corporation's business.

After the additions and reductions to federal taxable income required by Montana law, income is then apportioned to Montana to determine the Montana taxable income.

If the corporation conducts taxable business only in Montana, all net taxable income from that business is Montana taxable income. Tax is then levied at a rate of 6.75 percent for net income earned in Montana

Multi-state C corporations and Pass-Through Entities with net taxable income generated by doing business both inside and outside the state are required to apportion income to Montana based on an apportionment formula. From July 1, 2021, to December 31, 2024, the apportionment formula has been double-weighted sales, where the receipts factor is weighted double relative to the property and payroll factors. Table 3.40 shows an example of how the double weighted sales apportionment factor is calculated.

Table 3.40 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 (Avg.)				0.069

The payroll factor is the ratio of the payroll attributable to the production of business income during the tax period in Montana to total payroll.

Similarly, the property factor is based on the ratio of Montana property to all property, and the receipts factor is based on the ratio of Montana receipts to all receipts.

Once these three factors are calculated, the apportionment factor is calculated using the following formula:

$$\text{Apportionment factor} = (2 * \text{receipts factor} + \text{payroll factor} + \text{property factor}) / 4$$

The apportionment factor is applied against adjusted federal taxable income to produce the net income apportioned to Montana, or Montana taxable income.

The tax is normally levied at a rate of 6.75 percent on net income apportioned to Montana. Exceptions are explained on the next page.

The following is an example of how a multi-state corporation doing business in Montana would calculate its Montana source income using the double-weighted sales apportionment formula, assuming the following facts:

- The corporation has \$1 million in payroll in Montana, out of a total payroll of \$10 million.
- It has \$2 million in property in Montana, out of total property owned by the corporation of \$125 million.
- The corporation has receipts in Montana of \$8 million, out of total receipts for the firm of \$100 million during the tax year.

These factors result in an apportionment factor of 0.069 (see the calculations in the previous table).

If this corporation had a total taxable income of \$10 million, its Montana taxable income is \$690,000 (\$10 million x 0.069 = \$690,000) and its state income tax is \$46,575 before credits (\$690,000 x 6.75 percent).

Beginning January 1, 2025, the apportionment formula is moving to single sales factor, where the apportionment factor will just be the receipts factor, and payroll and property factors will no longer be relevant.

Beginning with Tax Year 2025, using single sales apportionment, this same corporation would have an apportionment factor of 0.08 (just the receipts factor). Therefore, the corporation's Montana taxable income would be \$800,000 and its state income tax would be \$54,000.

Relying on an apportionment formula simplifies the calculation of taxable income by state for the multi-state taxpayer and for the state tax administrator, but there can still be issues. A simple example is that of a multi-state taxpayer who over-apportions or shifts one or more of the factors—property, payroll or sales—to a state

that does not tax corporate income. Apportioning too much in sales or property or payroll to a non-income tax state reduces other states' apportionment factors and so reduces the income taxable in those states.

Montana operates as a worldwide, combined unitary state. A business is unitary when the operations of that business within the state depend on or contribute to the operations of that business outside the state. However, in Montana, corporations can elect to have primarily their United States income included in the apportionment process. Corporations taking this election, called a "water's edge" election, pay the tax at a rate of 7 percent instead of 6.75 percent. Some limits exist on exclusions claimed under the water's edge election (see 15-31-322 and 15-31-324, MCA).

Multinational unitary corporations wishing to file under the water's edge method are required to file a written election within the first 90 days of the tax period for which the election is to become effective. The Department of Revenue must approve the election before the corporation uses it and the election is then binding for three consecutive taxable periods.

Corporations whose only activity in Montana comprises making sales may choose to pay an alternative tax equal to $\frac{1}{2}$ of 1 percent of gross sales if they do not own or rent real estate or tangible personal property in Montana, and if their annual gross income from sales in Montana does not exceed \$100,000.

There is a minimum tax of \$50 for any corporation doing business in the state. If the corporation has no property, sales, or payroll in the state during the tax period, it is exempt from the minimum tax. In Tax Year 2022, 63 percent of corporations paid the minimum tax or less.

All states with a corporate income tax allow corporations a carryforward of net operating losses (NOL). These losses can be deducted against net taxable income in future years. Some states, including Montana, allow carryback of net operating losses.

Montana net operating losses of a corporation may be carried back for a period of three years and used to reduce prior years' taxable income. The losses may also be carried forward (for up to 10 years) to reduce taxable income in future years. Loss carrybacks may not exceed \$500,000 per tax period.

In Montana, if a corporation has net operating losses, it can file an amended return and claim a refund of previously paid taxes for any or all the prior three years, with the \$500,000 carryback limitation per tax period beginning in Tax Year 2018.

For example, a hypothetical Montana corporation had a net taxable income of \$50,000 each year in years 1, 2, and 3. In year 4, it had losses of \$160,000. In year 5, the corporation has become profitable again, with a taxable income of \$60,000. Based upon these assumptions, the corporation would have paid \$3,375 in corporate income taxes ($\$50,000 \times 0.0675$) in years 1, 2, and 3. In year 4, it had net losses of \$160,000, so it only paid the \$50 minimum corporate income tax. In year 4, the corporation could file amended returns for years 1, 2, and 3.

On the amended returns, the taxpayer could claim \$150,000 of year 4 losses against income earned in those prior years, and obtain refunds of taxes paid, or \$10,125 ($3 \times \$3,375$). The remaining \$10,000 of losses would be used as a deduction against year 5 income of \$60,000, thus reducing taxable income from \$60,000 to \$50,000, and reducing the corporation's tax liability by \$675.

Table 3.41 on the next page provides a comparison of Montana's treatment of net operating loss deductions with other states' treatment. Eighteen states follow the federal carryforward and carryback rules, which allow carryforward of 80 percent of losses indefinitely, but no carrybacks. Of the states that do not have federal conformity, 22 do not allow carryback of net operating losses, but allow limited carryforward of losses, from five years up to 20 years. Only five states allow net operating loss carrybacks. Idaho, Mississippi, and Missouri allow two years of carrybacks, while Montana and New York allow three years of carrybacks.

Table 3.41 Allowed Carryback and Carryforward Periods for Net Operating Loss for States not Conforming to Federal Provisions

	5 years forward	8 years forward	10 years forward	12 years forward	15 years forward	20 years forward
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
2 years back						Idaho* Mississippi Missouri
3 years back			Montana*			New York

*Carryback caps for Montana and Idaho. Carryforward caps for New Hampshire and Pennsylvania Source: State Tax Foundation (as of July 1, 2023)

Credits

As with individual income tax, corporations with expenditures that qualify under state law can claim tax credits. Tax credits are applied against the corporation’s tax liability, reducing the amount the corporation owes.

For example, a corporation with Montana taxable income of \$3,000 has a tax liability of \$202.50 (\$3,000 x 6.75 percent). However, if the corporation has expenditures that qualify under state law for a credit of \$150, its tax liability is reduced from \$202.50 to \$52.50.

Table 3.42 below lists the tax credits claimed by corporations for Tax Years 2021 and 2022. A number of tax credits were repealed for both individual and corporate taxpayers beginning with Tax Year 2022 as indicated in the table. Taxpayers are still able to carryforward and claim some of those repealed credits that were earned and not claimed in prior years. The credit amounts in this table are credits claimed for the given tax year not necessarily earned in that tax year.

Table 3.42 Montana Corporation Tax Credits

	Tax Year 2021		Tax Year 2022	
	Number of Credits	Total Credit Amounts	Number of Credits	Total Credit Amounts
Active Tax Credits				
Apprenticeship Tax Credit	*	\$47,350	13	\$66,868
Charitable Endowment Credit	*	19,176	*	\$47,526
Contractor's Gross Receipts Credit	59	\$656,167	55	\$1,340,768
Infrastructure Users Fee Credit	*	\$244,790	*	\$263,474
Historic Property Preservation Credit	*	\$50	*	\$88,638
Innovative Educational Program Credit	0	\$0	*	\$50,000
MEDIA credit	*	\$7,899,298	*	\$6,202,042
Recycling Credit	*	\$125,000	*	\$88,538
Student Scholarship Organization Credit	0	\$0	*	\$4,925
Trades Education and Training Tax Credit	0	\$0	0	\$0
Repealed Tax Credits as of TY 2022				
Alternative Energy Production Credit	*	\$50	*	\$75,229
College Contribution Credit*	16	\$5,227	0	\$0
Dependent Care Assistance Credit*	*	\$17,325	0	\$0
Geothermal Heating System Credit*	*	\$302	*	\$258
Alternative Fuel Motor Vehicle Conversion Credit*	*	\$1,100	0	\$0
Mineral Exploration Credit*	*	\$25	0	\$0
Qualified Research Credit	0	\$0	*	\$284,123
Total Credits	106	\$8,968,510	97	\$8,512,389

Some of the above credits were claimed on returns not yet audited by the department. The amount of credit claimed may change after these returns are audited. Additionally, some of the above numbers represent a carryback of credits claimed on amended returns received during the fiscal year. Credits claimed on less than 10 returns are indicated by an asterisk (*). Redacted numbers are not disclosed due to confidentiality concerns.

Filing Requirements and Estimated Payments

Unlike individual income taxpayers who must file their federal and state returns based upon a calendar year, corporate taxpayers must file tax returns based upon their fiscal year. Corporate income taxpayers must use the same tax period for their state return as they reported for their federal tax return.

As shown in table 3.43 in this section, three-fourths of corporate taxpayers (77 percent) have a fiscal year or tax year that is based upon the calendar year. Tax returns for taxpayers using a calendar year as their fiscal year are due May 15.

The second most used fiscal year or tax year is the 12 months ending at the end of June. About 4 percent of corporate taxpayers filing in Montana used a fiscal year ending on June 30th. Tax returns for taxpayers using another period as their fiscal year are due the 15th day of the fifth month after the close of the taxable year. In other words, if a taxpayer's fiscal year ends at the end of June, the tax return is then due November 15.

Automatic extensions are allowed for up to six months following the prescribed filing date.

For example, a taxpayer with a fiscal year or tax year that is also a calendar year can use the automatic extension, moving the due date of their return from May 15 to November 15. The taxpayer whose fiscal year is calendar year 2022 would have a Tax Year 2022 return due date of May 15, 2023, but the taxpayer would now have until November 15 to file under the automatic extension.

A taxpayer whose fiscal year or tax year ends June 30 can obtain an automatic six-month extension that moves the due date for its return from November 15 to May 15 of the following year. For the Tax Year 2022 return for a taxpayer whose fiscal year runs from July 1, 2022, to June 30, 2023, is due November 15, 2023. The taxpayer would then have until May 15, 2024, to file under automatic extension.

Companies with a tax liability of \$5,000 or more must make quarterly estimated payments. For a corporation operating with a calendar year as its fiscal year or tax year, the due dates for quarterly payments are April 15, June 15, September 15, and December 15. For a corporation using another

12-month period as its fiscal/tax year, the due dates for quarterly installments are the 15th day of the fourth month, the 15th day of the sixth month, the 15th day of the ninth month, and the 15th day of the 12th month.

Table 3.43 Corporate Income Tax - Tax Year 2022

Tax Year Period Ending	Number of Taxpayers	Percent
12/31/2022	15,774	77%
1/31/2023	436	2%
2/28/2023	207	1%
3/31/2023	774	4%
4/30/2023	185	1%
5/31/2023	180	1%
6/30/2023	850	4%
7/31/2023	162	1%
8/31/2023	178	1%
9/30/2023	691	3%
10/31/2023	711	3%
11/30/2023	406	2%
Total	20,554	100%

Penalties and Interest

Corporations that do not pay taxes when due may be charged a late payment penalty of 1.2 percent per month on the unpaid tax, up to a maximum penalty of 12 percent of the tax due.

Beginning July 1, 2019, the interest on unpaid tax accrues at a rate of 3 percentage points above the prime rate. For January 1, 2025, through December 31, 2025, the rate is 11 percent per year.

Comparison of Corporate Tax Rate with Other States

Forty-four states and the District of Columbia have a tax on corporate income. Table 3.44 in this section uses data from the Federation of Tax Administrators (as of January 2024) to show the maximum rates for states having a corporate tax. The rates vary from 2.5 percent to 9.8 percent. Many states have a graduated income tax, which is indicated by an asterisk next to the state's name.

This comparison table shows only the maximum rate for each state. The effective or average tax rate in different states can vary substantially, depending upon what the lower rates are and what income they apply to. State tax deductions, exemptions and credits, and other aspects of state taxation policy can substantially reduce the effective tax rate.

Nevada, Ohio, Texas, and Washington do not have corporate income taxes, but impose gross receipts taxes.

South Dakota and Wyoming do not have corporate income taxes or gross receipts taxes.

South Dakota has an excise tax on financial institutions, which starts at 6 percent on a net income of \$400 million or less. The percentage tax declines in steps on net income over that amount.

Wyoming does not have a corporate income tax but does have a corporate franchise tax or license tax of 0.02 percent which applies to the sum of capital, property, and assets located in Wyoming.

Montana's tax rate is 6.75 percent. Idaho's tax rate is 6.5 percent. North Dakota's top corporate income tax rate is 4.31 percent.

Table 3.44 Maximum Corporate Tax Rate by State

Rank	State	Maximum Tax Rate
1	Minnesota	9.80%
2	Illinois	9.50%
3	Alaska*	9.40%
4	New Jersey*	9.00%
5	Maine *	8.93%
6	California	8.84%
7	Delaware	8.70%
8	Vermont *	8.50%
9	Pennsylvania	8.49%
10	District of Columbia	8.25%
10	Maryland	8.25%
12	Massachusetts	8.00%
13	Wisconsin	7.90%
14	New Hampshire	7.60%
14	Oregon*	7.60%
16	Connecticut	7.50%
16	Louisiana *	7.50%
18	New York*	7.25%
19	Iowa*	7.10%
20	Rhode Island	7.00%
21	Montana	6.75%
22	Alabama	6.50%
22	Kansas*	6.50%
22	Tennessee	6.50%
22	West Virginia	6.50%
26	Hawaii *	6.40%
27	Michigan	6.00%
27	Virginia	6.00%
29	New Mexico*	5.90%
30	Nebraska *	5.84%
31	Idaho	5.80%
32	Georgia	5.75%
33	Florida	5.50%
34	Kentucky *	5.00%
34	Mississippi *	5.00%
34	South Carolina	5.00%
37	Arizona	4.90%
37	Indiana	4.90%
39	Arkansas *	4.80%
40	Utah	4.65%
41	Colorado	4.40%
42	North Dakota*	4.31%
43	Missouri	4.00%
43	Oklahoma	4.00%
45	North Carolina	2.50%

*Graduated income tax. As of Jan. 1, 2024, Tax Foundation

Select History of Montana's Corporate Income Tax

- 1917** Montana’s corporate license tax was established. The tax rate was set at 1 percent with no minimum tax amount.
- 1933** The corporate income tax rate was raised to 2 percent and established a minimum tax of \$5
- 1937** The rate was raised to 3 percent, while the minimum tax remained \$5.
- 1957** The rate was raised to 5 percent and the minimum tax increased to \$10.
- 1960 - 1971** The tax rate was changed several times between 1960 and 1971, while the minimum tax was increased from \$10 to \$50 during this time period.
- 1987** The state added the water’s edge election, which includes a tax rate of 7 percent for corporations that elect to file as water’s edge companies.
- 2013** The name of the corporate license tax was changed to corporate income tax. This change applied to tax years beginning after December 31, 2013.
- 2021** The apportionment formula was changed from an equal-weighted three-factor formula to a double-weighted sales three-factor formula.
- 2023** The apportionment formula is set to move to single sales for Tax Year 2025, where income is apportioned based solely on a corporation’s receipts factor. Tax Haven list repealed for corporations filing Water's Edge

Table 3.45 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%	-	-

Natural Resources

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Overview

This section covers the natural resource taxes levied in Montana. Historically, Montana has relied on its natural resources as a primary source of tax revenue. Generally, natural resource taxes are categorized as severance or license taxes, or some form of ad valorem (property) taxes.

Tax rates, filing requirements, disposition of the tax, production tax incentives, recent revenue collections, and recent legislative changes are included for each tax.

Table 4.1 State Natural Resource Tax Collections - FY 2021-2024

State Natural Resource Tax Revenue	FY 2021	FY 2022	FY 2023	FY 2024
Bentonite Production Tax	\$103,183	\$173,986	\$126,374	\$481,940
Cement and Gypsum Tax	\$154,070	\$145,300	\$140,991	\$133,628
Coal Gross Proceeds*	\$12,738,884	\$9,281,559	\$12,664,366	\$22,405,041
Coal Severance Tax	\$40,747,479	\$61,549,181	\$83,312,835	\$72,676,525
Electrical Energy Producer's License Tax	\$3,298,244	\$3,929,711	\$4,003,929	\$4,089,882
Metal Mines Gross Proceeds*	\$2,260,404	\$2,634,938	\$3,201,206	\$4,222,714
Metalliferous Mines License Tax	\$16,783,517	\$16,885,939	\$10,028,321	\$9,090,082
Miscellaneous Mines Net Proceeds*	\$479,220	\$396,806	\$442,369	\$414,235
Oil and Natural Gas Production	\$43,826,280	\$78,153,444	\$78,739,651	\$71,386,333
Oil and Natural Gas Production (Privilege and License Tax)	\$2,299,829	\$4,085,298	\$4,579,967	\$4,440,997
Resource Indemnity and Ground Water Assessment Tax	\$1,870,702	\$2,470,720	\$4,443,778	\$5,052,738
U.S. Mineral Royalties	\$12,081,725	\$19,464,224	\$37,507,600	\$15,654,857
Wholesale Energy Transaction Tax	\$2,981,105	\$3,352,254	\$3,455,287	\$3,545,160
Total State Collections	\$136,643,536	\$199,171,106	\$239,191,388	\$210,048,971

Table 4.2 Local Natural Resource Tax Collections - FY 2021-2024

Local Natural Resource Tax Revenue	FY 2021	FY 2022	FY 2023	FY 2024
Bentonite Production Tax	\$364,715	\$615,068	\$446,749	\$1,703,728
Coal Gross Proceeds*	\$11,141,266	\$13,197,039	\$11,658,348	\$8,504,477
Coal Severance Tax	\$2,508,868	\$3,789,652	\$5,129,665	\$4,474,775
Metal Mines Gross Proceeds*	\$10,786,936	\$12,606,228	\$14,376,573	\$17,163,569
Metalliferous Mines License Tax	\$9,037,278	\$9,092,429	\$5,399,865	\$4,894,659
Miscellaneous Mines Net Proceeds*	\$1,243,897	\$997,983	\$1,152,087	\$968,756
Oil and Natural Gas Production	\$40,765,364	\$72,763,421	\$72,934,170	\$65,277,706
Oil and Natural Gas Resource Account	\$459,404	\$816,920	\$915,793	\$888,178
U.S. Mineral Royalties	\$4,027,242	\$6,488,075	\$12,502,533	\$5,218,286
Total Local Collections	\$80,334,971	\$120,366,815	\$124,515,785	\$109,094,133

Table 4.3 Total Natural Resource Tax Revenue

Subtotals by Tax	FY 2021	FY 2022	FY 2023	FY 2024
Bentonite Production Tax	\$467,898	\$789,054	\$573,123	\$2,185,667
Cement and Gypsum Tax	\$154,070	\$145,300	\$140,991	\$133,628
Coal Gross Proceeds*	\$20,265,434	\$23,292,893	\$20,842,904	\$15,109,671
Coal Severance Tax	\$43,256,347	\$65,338,834	\$88,442,499	\$77,151,301
Electrical Energy Producer's License Tax	\$3,298,244	\$3,929,711	\$4,003,929	\$4,089,882
Metal Mines Gross Proceeds*	\$13,047,340	\$15,241,166	\$17,577,780	\$21,386,283
Metalliferous Mines License Tax	\$25,820,795	\$25,978,368	\$15,428,186	\$13,984,741
Miscellaneous Mines Net Proceeds*	\$479,220	\$396,806	\$1,594,457	\$1,382,990
Oil and Natural Gas Production	\$87,350,877	\$155,819,083	\$157,169,581	\$141,993,213
Resource Indemnity and Ground Water Assessment Tax	\$1,870,702	\$2,470,720	\$4,443,778	\$5,052,738
U.S. Mineral Royalties	\$16,108,967	\$25,952,298	\$50,010,134	\$20,873,143
Wholesale Energy Transaction Tax	\$2,981,105	\$3,352,254	\$3,455,287	\$3,545,160
Total State and Local Collections	\$215,100,999	\$322,706,487	\$363,682,649	\$306,888,417

*Amounts may not match the property summary data in the Property Tax section.

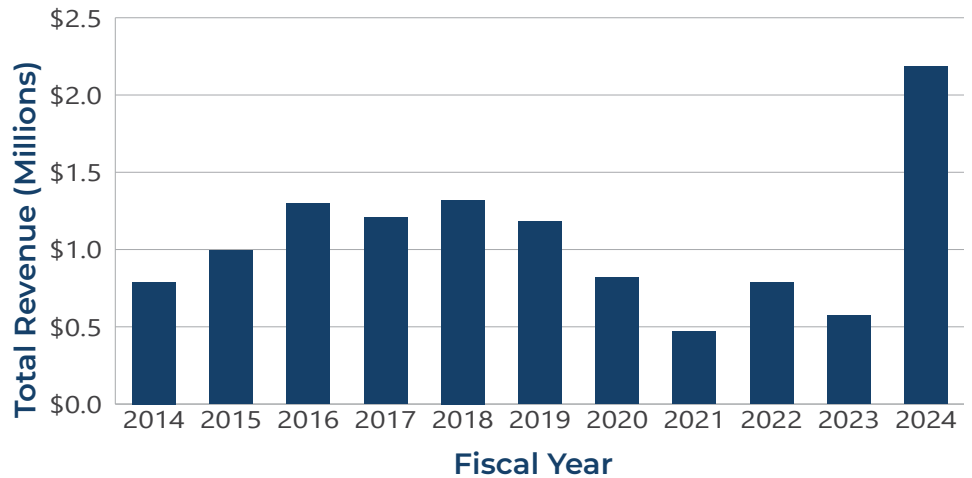
Bentonite Production Tax

Statute: Title 15, Chapter 39, MCA

Table 4.4 Bentonite Production

Fiscal Year	Total Revenue
2014	\$789,982
2015	\$995,762
2016	\$1,297,421
2017	\$1,209,173
2018	\$1,320,881
2019	\$1,183,894
2020	\$819,262
2021	\$467,898
2022	\$789,054
2023	\$573,123
2024	\$2,185,667

Figure 4.4



Tax Rate

Since Tax Year 2005, bentonite has been taxed at the rates prescribed in 15-39-101, MCA. For tax years starting after December 31, 2009, the rates are adjusted annually for inflation.

Table 4.5 Bentonite Tax

Production Level	2023 Tax (\$/Ton)	2024 Tax (\$/Ton)
0-20,000 Tons	\$0.00	\$0.00
20,001-100,000 Tons	\$2.01	\$2.11
100,001-250,000 Tons	\$1.93	\$2.03
250,001-500,000 Tons	\$1.80	\$1.89
500,001-1,000,000 Tons	\$1.61	\$1.69
Over 1 Million Tons	\$1.29	\$1.35
Royalty Revenue	15%	15%

Filing and Payment of Tax

Producers must report production and pay taxes for semiannual periods ending June 30 and December 31. The report and tax are due within 45 days of the end of each semiannual period.

Distribution

The tax revenue is distributed among state and local entities according to a statutory formula (15-39-110, MCA). For county level distribution data, see the Shared Revenue chapter of this report.

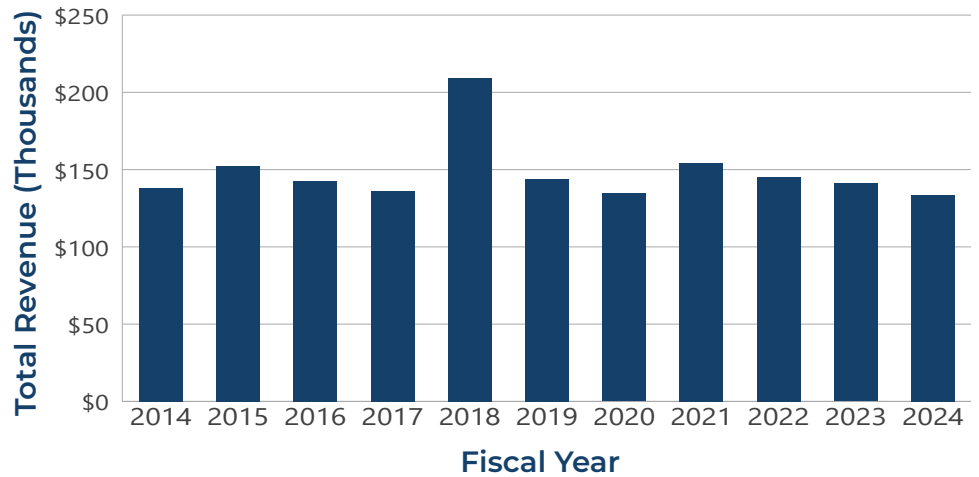
Cement and Gypsum Tax

Statute: Title 15, Chapter 59, MCA

Table 4.5 Cement and Gypsum

Fiscal Year	Total Revenue
2014	\$138,174
2015	\$152,463
2016	\$142,452
2017	\$136,339
2018	\$209,451
2019	\$144,057
2020	\$134,493
2021	\$154,070
2022	\$145,300
2023	\$140,991
2024	\$133,628

Figure 4.5



Tax Rate

Producers and importers of cement and cement products or gypsum and gypsum products must pay a license tax of \$0.22 or \$0.05 per ton, respectively. Before July 1, 1997, individuals retailing cement and gypsum products in Montana were also required to pay the tax for every ton that had not been paid under any other law. The tax on retailers was repealed during the 1997 Legislative Session.

Filing and Payment of Tax

Producers, manufacturers, and importers shall file quarterly statements showing the number of tons of cement or gypsum produced, manufactured, or imported into the state. These statements, along with the tax due, must be submitted within 30 days following the end of each calendar quarter.

Distribution

All proceeds from cement and gypsum taxes are deposited in the state general fund.

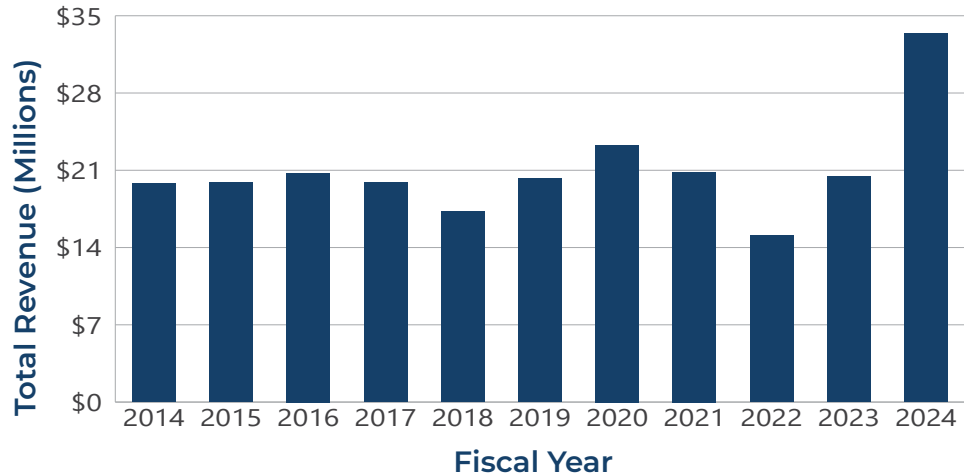
Coal Gross Proceeds

Statute: Chapter 15, Section 23, Part 7, MCA

Table 4.6 Coal Gross Proceeds

Fiscal Year	Total Revenue
2014	\$19,826,095
2015	\$19,857,482
2016	\$20,756,877
2017	\$19,856,903
2018	\$17,286,920
2019	\$20,265,434
2020	\$23,292,893
2021	\$20,842,904
2022	\$15,109,671
2023	\$20,469,628
2024	\$33,376,581

Figure 4.6



Tax Rate

State and local governments do not levy or assess any mills against the reported gross proceeds of coal. Instead, a flat tax of 5 percent is levied against the value of the reported gross proceeds for most coal mines.

Underground mines currently in operation pay a lower tax rate of 2.5 percent of value on production through 2030. Any new underground mine receives this lower rate for the lifetime of the mine.

Additionally, counties may opt to abate up to 50 percent of the local share liability for new or expanding coal mines; the state tax liability would continue to be 5 percent. No Montana county currently offers this abatement.

Filing and Payment of Tax

On or before March 31 of every year, each person or firm engaged in mining coal must file a statement of gross yield for every mine operated in the preceding year. The producer must pay 50 percent of the taxes due on or before November 30. The remaining 50 percent is due on or before May 31 of the following year.

Coal Gross Proceeds Tax Distribution

The revenue is proportionally distributed to the appropriate taxing jurisdictions in which production occurred, based on the total number of mills levied in Fiscal Year 1990. For county level distribution data, see the Shared Revenue section of this report.

Table 4.7 Coal Gross Proceeds Tax Distribution

Fiscal Year	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Production Year	PY 2017	PY 2018	PY 2019	PY 2020	PY 2021	PY 2022
Tons Produced	32,088,144	34,411,339	31,623,362	24,400,883	27,158,850	25,894,932
Gross Value	\$609,331,465	\$716,236,591	\$649,228,342	\$473,607,825	\$655,732,828	\$1,196,383,003
Taxable Proceeds	\$475,688,495	\$568,413,454	\$515,492,392	\$370,492,864	\$514,570,558	\$1,001,579,887
Coal Gross Proceeds Tax	\$20,265,434	\$23,292,893	\$20,842,904	\$15,109,671	\$20,469,628	\$33,376,581
Local Share	\$11,141,266	\$13,197,039	\$11,658,348	\$8,504,477	\$11,623,664	\$20,942,169
University Share	\$1,073,432	\$1,187,748	\$1,080,536	\$777,082	\$1,040,702	\$1,462,872
State Share	\$8,050,737	\$8,908,107	\$8,104,020	\$5,828,112	\$7,805,262	\$10,971,540

Coal Gross Proceeds History

The following is a select legislative history of the Coal Gross Proceeds Tax.

- 1975** Each coal mine is required to report gross yield and value of production to the department. The department provides this information to the counties, which then levy the property tax. Underground mines are now taxed at 33⅓ percent of their full and true value and strip mines are now taxed at 45 percent of their full and true value.
- 1983** The department is now responsible for assigning the value of the coal for severance tax; that computed value is then used for the purposes of property tax.
- 1989** The property tax previously implemented on the gross proceeds of coal is replaced by a flat 5 percent tax against the value of the reported gross proceeds.
- Property tax must now be distributed in the relative proportions required by the levies for state and county purposes.
- 1993** The department is now responsible for computing gross proceeds and then transmitting this information to the treasurer for levying the gross proceeds tax.
- 2011** New underground mines (that began operation after December 31, 2011) are now taxed at the 2.5 percent tax rate for mines, and will be taxed at this rate for the first 10 years of production.
- Authorized counties may choose to abate up to 50 percent of coal gross proceeds tax for new or expanding underground coal mines being taxed at the regular 5 percent rate.
- 2019** The existing tax rate of 2.5 percent for underground mines is extended an additional 10 years, sunseting December 31, 2030. Any coal mine may now potentially receive the local county abatement that was previously only available to underground coal mines.

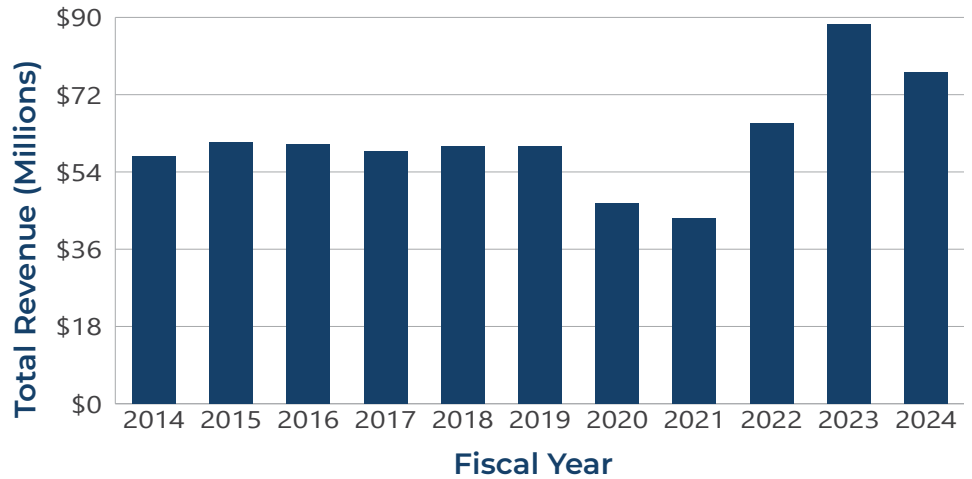
Coal Severance Tax

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

Table 4.8 Coal Severance

Fiscal Year	Total Revenue
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
2023	\$88,442,499
2024	\$77,151,301

Figure 4.8



Tax Rate

Surface mined coal tax rates:

- 15 percent of value if rated as having 7,000 British Thermal Units (BTU) or more per pound.
- 10 percent of value if rated as having less than 7,000 BTU per pound

Coal mined underground tax rates:

- 4 percent if rated as having 7,000 BTU per pound or over
- 3 percent if rated as having less than 7,000 BTU per pound

Coal mined using auger technology tax rates:

- 5 percent of value if rated at 7,000 BTU per pound or over
- 3.75 percent of value if rated as under 7,000 BTU per pound

Filing and Payment of Tax

Coal mine operators must file quarterly statements containing information sufficient to calculate the tax due. These statements, along with the tax due, must be submitted within 30 days following the end of each calendar quarter.

Distribution

The distribution of revenue generated from the Coal Severance Tax has multiple stages. Initially, 50 percent of the total tax revenue is deposited into the Coal Trust Fund, as described in Article IX, Section 5, of the Montana Constitution. This revenue must remain untouched unless appropriated by a three-fourths majority of both chambers of the Legislature.

There are currently six sub-trusts that make up the Coal Trust Fund. These sub-trusts are:

- the Coal Tax Bond Fund
- the Treasure State Endowment Fund
- the Treasure State Endowment Regional Water Fund
- the Big Sky Economic Development Fund
- the School Facilities Fund
- the Permanent Fund.

All severance tax revenue allocated to the Coal Trust Fund is initially deposited in the Coal Tax Bond Fund. However, only a small portion of the trust fund revenue is retained in the bond fund because it must only maintain a balance sufficient to meet interest payments of outstanding Coal Severance Tax Bonds. These bonds are used to provide low-interest loans for renewable resource projects.

Any fund balance exceeding the interest obligations is then deposited to the School Facilities Fund (75 percent) and the Big Sky Economic Development Trust Fund (25 percent). These funds use the interest income as follows:

- The School Facilities Fund, to be used for school facility projects authorized by the legislature
- The Big Sky Economic Development Trust Fund, to be statutorily appropriated to the Department of Commerce for grants and loans to local governments for economic development purposes.

The Treasure State Endowment Fund, Treasure State Endowment Regional Water Fund, and Permanent Fund do not currently receive deposits from coal severance tax. These funds continue to hold their principal and generate interest income that is used as follows:

- The Treasure State Endowment Trust Fund interest is appropriated each legislative session and used to fund grants for local infrastructure projects.
- The Treasure State Endowment Regional Water Fund interest is used for regional water development. This fund will terminate in 2031 and its account holdings will be transferred to the Permanent Fund.
- The Permanent Fund interest is deposited into the general fund. The Permanent Fund is the original and default trust account.

Table 4.9 below shows the balance of each of these trust funds at end of Fiscal Year 2024.

Coal Trust Fund Balances

Table 4.9 Estimated Coal Trust Fund Ending Balance FY 2024

Trust	Estimated Ending Balance
Treasure State Endowment Trust	\$289,393,855
Treasure State Regional Water Trust	\$101,098,194
Big Sky Economic Development Trust	\$159,238,173
Coal Permanent Trust	\$568,661,547
School Facilities Trust	\$227,916,933
Total	\$1,346,308,703

Even though the interest from the Permanent Trust Fund is deposited in the general fund, there are statutory appropriations directing how some of this interest revenue is spent. These statutory appropriations will expire at the end of Fiscal Year 2027.

Table 4.10 General Fund Coal Interest Earnings Statutory Appropriations FY 2024

Department of Agriculture	Endowment
Cooperative Development Center	\$65,000
Growth Through Agriculture	\$900,000
Food and Agricultural Development Program	\$600,000

Department of Commerce	Endowment
Small Business Development Center	\$325,000
Small Business Innovative Research	\$50,000
Certified Development Corporations	\$625,000
MT Manufacturing Center at MSU	\$500,000
Export Trade Enhancement	\$300,000

The 50 percent of revenue that is not constitutionally allocated to the trust fund is deposited according to 15-35-108, MCA. The following table shows how this revenue was distributed for the last four fiscal years in proportion to the total severance tax revenue

Table 4.11 breaks down the dollar amount distribution of the coal severance tax over the last five fiscal years.

Table 4.11 Distribution of Coal Severance Tax

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Coal Trust Fund (50%)	\$23,377,249	\$21,628,173	\$32,669,417	\$44,221,250	\$38,575,650
Long Range Building (12%)	\$5,610,540	\$5,190,762	\$7,840,660	\$10,613,100	\$9,258,156
Library Services (0.93%)	\$420,772	\$402,181	\$607,651	\$822,515	\$717,507
Conservation Districts (3.71%)	\$1,762,699	\$1,605,016	\$2,424,071	\$3,281,217	\$2,862,313
Growth Through Agriculture (0.82%)	\$369,324	\$354,599	\$535,778	\$725,229	\$632,641
Park Acquisition Trust (1.27%)	\$593,782	\$549,356	\$829,803	\$1,123,220	\$979,822
Renewable Res. Debt Service (0.95%)	\$444,168	\$410,935	\$620,719	\$840,204	\$732,937
Cultural and Aesthetic Proj. (0.63%)	\$294,553	\$272,515	\$411,635	\$557,188	\$486,053
Coal Board (5.8%)	\$2,711,761	\$2,508,868	\$3,789,652	\$5,129,665	\$4,474,775
Coal & Uranium Program (\$250K)	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
General Fund (Remainder)	\$10,919,650	\$10,083,941	\$15,359,447	\$20,878,913	\$18,181,446
Total	\$46,754,498	\$43,256,347	\$65,338,834	\$88,442,499	\$77,151,301

Prior to 2017, a shared account received 5.46 percent of coal severance tax revenue to provide for library services, conservation districts, and programs created under the Montana Growth Through Agriculture Act. House Bill 648, enacted in 2017, directed that this shared account be split into its three interests, explicitly allocating a percentage of the coal severance tax to each account. This split was designed to change over time, though the sum of the three allocations will remain at 5.46 percent. Additionally, House Bill 188, enacted in 2023, changed the percent distribution of the coal natural resource account from 2.9% back to 5.8%, which is what it was prior to 2023.

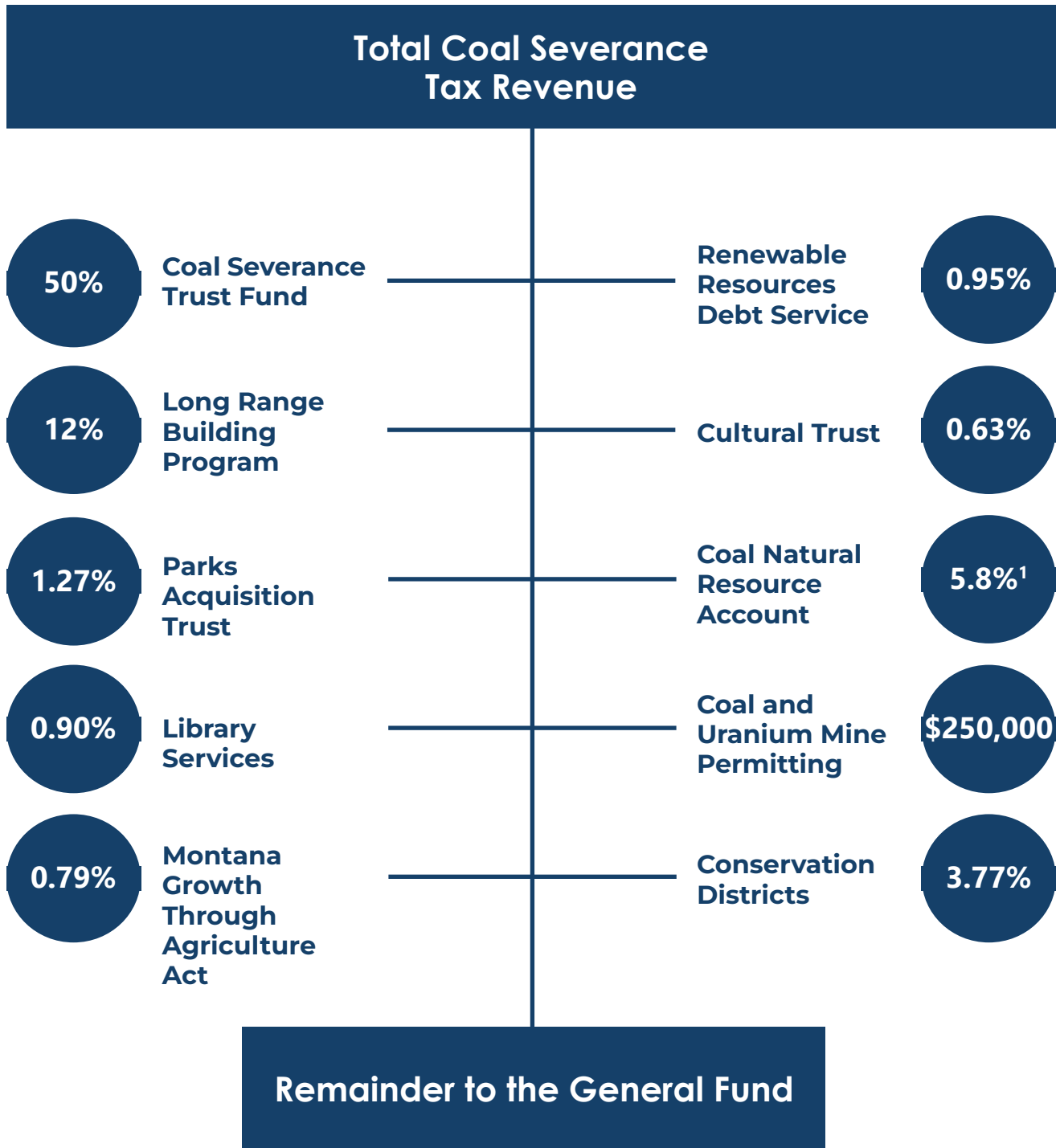
Coal Tax Comparison by State

The production, price, and reserves data were obtained from U.S. Energy Information Administration. Data used to calculate effective tax rates was provided by the respective states.

Table 4.12 Regional Coal Tax Comparison 2022

Factors	Montana	Wyoming	North Dakota	Colorado	Utah	New Mexico	Units
Effective Tax Rates	10.33%	9.00%	1.91%	1.45%	1.56%	2.57%	% Gross Revenue
Average Sales Price per Ton	43.29	14.84	20.61	65.00	47.85	44.07	USD
Production in 2022	28,233	244,73	26,731	12,793	10,723	10,55	Million Short Tons
Currently Recoverable Reserves	401	4161	599	281	150	36	Million Short Tons
Estimated Recoverable Reserves	74,283	34,246	6,445	9,407	697	6,701	Million Short Tons

Figure 4.9 Coal Severance Tax Revenue Distribution



These percentages are accurate as of Fiscal Year 2024

Figure 4. 10 Coal Severance Trust Fund Interest Income (Terminates June 30, 2027)

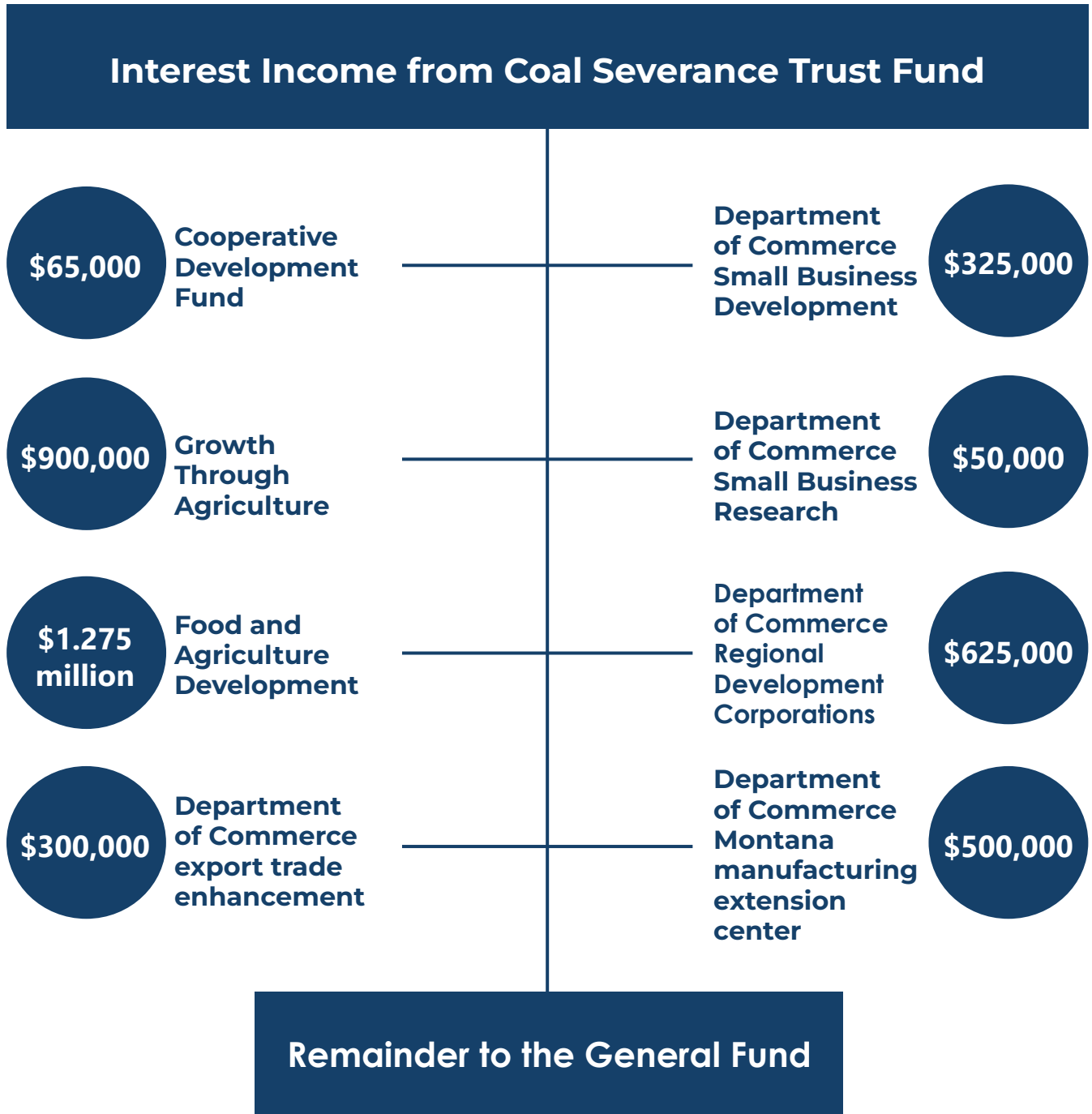
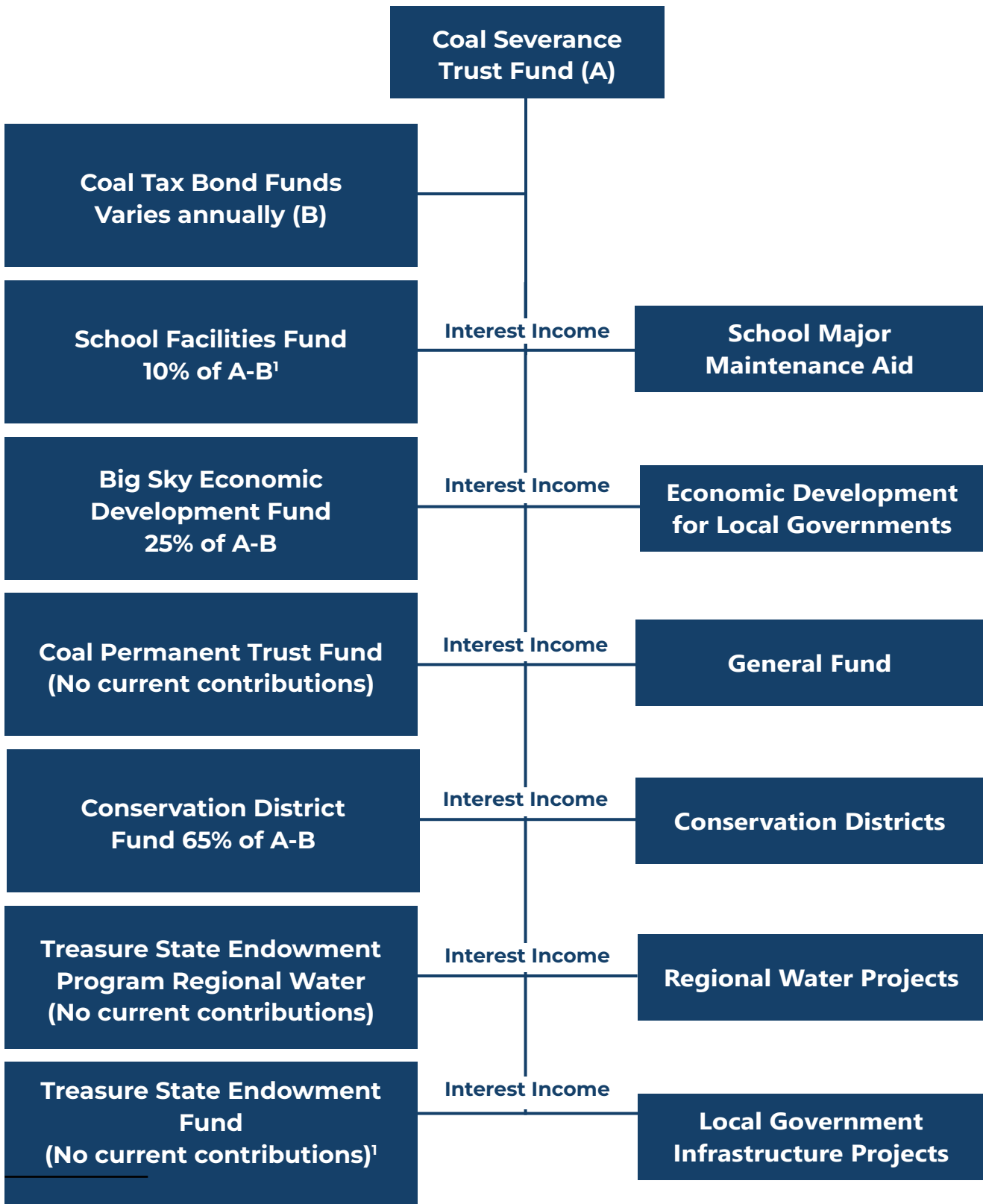


Figure 4.11 Coal Severance Trust Fund Distribution



¹ HB 321, which passed into law during the 2023 Legislative Session, lowered the School Facilities Fund from 75% to 10%. The 65% difference would go to the newly created conservation district fund.

The following is a select legislative history of the Coal Severance Tax rate and its implementation.

1921 The Coal Mines License Tax of 5 cents per ton is imposed on coal mined in Montana.

1939 The first 50,000 tons of a mine's annual production is exempted from the Coal Mines License Tax.

1971 The credit for on-site reclamation work is limited to a maximum of 1 cent per ton. The amount of coal exempt from taxation is reduced to 5,000 tons annually.

The license tax rates are revised based on BTU content per pound of coal:

- 4¢/ton for 6,000 BTU or less
- 6¢/ton for 6,001 to 7,500 BTU
- 8¢/ton for 7,501-9,000 BTU
- 10¢/ton for 9,001+ BTU.

1973 The credit for on-site reclamation work is discontinued. License tax rates based on the BTU of coal are increased:

- 12¢/ton for 7,000 BTU and lower
- 22¢/ton for 7,001 to 8,000 BTU
- 34¢/ton for 8,001 to 9,000 BTU
- 40¢/ton for 9,001 BTU and higher.

1975 A graduated severance tax on coal is imposed, applicable to any producer who produces 5,000 or more tons per calendar quarter:

- For surface coal: rates range from 12¢/ton or 20 percent of value to 40¢/ton or 30 percent of value.
- For underground coal: rates range from 5¢/ton or 3 percent of value to 12¢/ton or 4 percent of value.

Coal is removed from the application of the law on the net proceeds of mines and is now subject to gross proceeds under the property tax system.

Voters of Montana approved a constitutional amendment requiring a permanent trust fund for a portion of the newly imposed Coal Severance Tax proceeds (one fourth of the revenue until 1980, then one half).

1983 The Coal Severance Tax exemption is increased to 50,000 tons a year but requires any person/company who produced more than 50,000 tons a year to pay severance tax on all production over 20,000 tons.

1989 The Coal Severance Tax rate is reduced, beginning in Fiscal Year 1992, to 10 percent of value for under 7,000 BTU/lb. and 15 percent of value for 7,000 BTU/lb. and higher.

A production tax credit is now allowed on severance tax of 40 percent of incremental production for Fiscal Years 1989 and 1990 and 25 percent of production for Fiscal Year 1991.

- 1993** Extended depth auger mining is defined and a reduced severance tax rate of 7.5 percent of value is imposed.
- 2009** The Coal Severance Tax rate is reduced for coal recovered from a strip mine by auger mining to 3.75 percent of value for 7,000 BTU/lb. and lower, and 5 percent of value for 7,000 BTU/lb. and higher.
- 2023** Coal Severance Trust Fund distribution is changed so that the School Facilities Fund receives 10 percent instead of 75 percent. The 65 percent difference will go to the newly created conservation district fund.

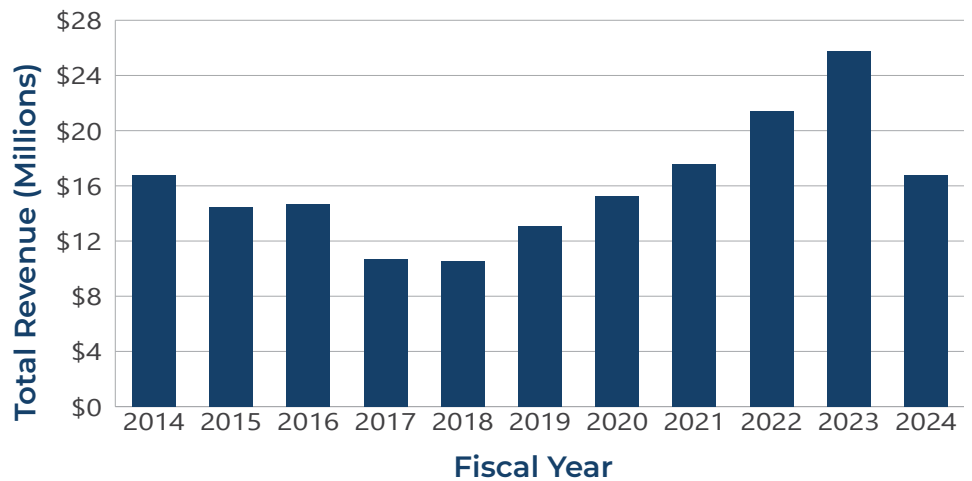
For more history on the Coal Severance Tax, see past biennial reports.

Electrical Energy Producers' License Tax

Table 4.13 Electrical Energy Producers' Licenses

Fiscal Year	Total Revenue
2014	\$4,279,845
2015	\$5,132,926
2016	\$4,536,484
2017	\$4,313,577
2018	\$4,301,551
2019	\$4,184,978
2020	\$3,910,294
2021	\$3,298,244
2022	\$3,929,711
2023	\$4,003,929
2024	\$4,089,882

Figure 4.13



Tax Rate

The tax was first enacted in 1933 and is \$.0002 per kilowatt hour (\$0.20 per MWh) of electrical energy generated, manufactured, or produced in the state for barter, sale, or exchange, other than for plant use.

Filing and Payment

Businesses that produce electrical energy pay the license tax. The license tax is due within 30 days after the end of each quarter.

Distribution

Revenues are deposited in the state general fund (15-51-103, MCA).

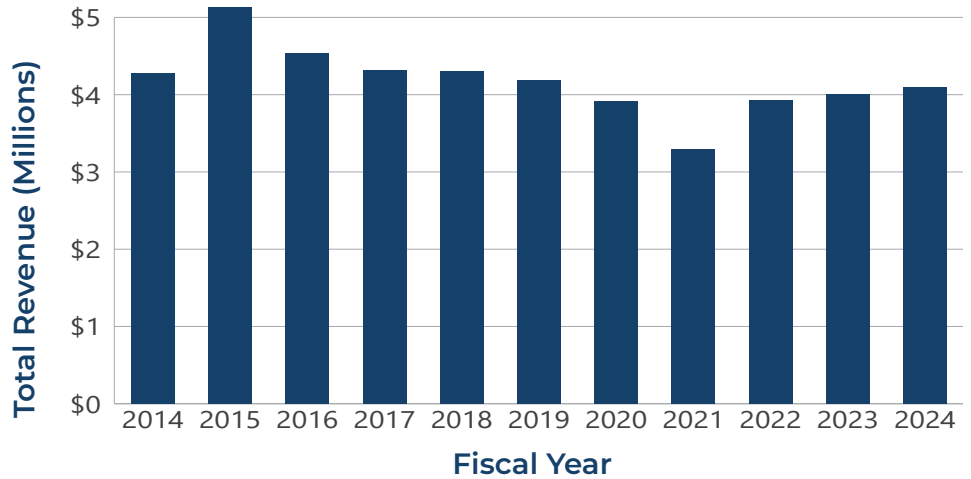
Metal Mines Gross Proceeds Tax

Statute: Title 15, Chapter 23, Part 8, MCA

Table 4.14 Metal Mines Gross Proceeds

Fiscal Year	Total Revenue
2014	\$16,813,903
2015	\$14,451,824
2016	\$14,686,751
2017	\$10,704,462
2018	\$10,540,788
2019	\$13,047,340
2020	\$15,241,166
2021	\$17,577,780
2022	\$21,386,283
2023	\$25,744,260
2024	\$16,796,220

Figure 4.14



Tax Rate

The value of severed gold, silver, copper, lead, or other metals from any mine located in Montana is considered Class 2 property and is assessed local and state mills. The taxable value of metal mines is equal to 3 percent of merchantable value.

Merchantable value is the annual gross proceeds from the sale of metals, less certain deductions. Allowed deductions include:

- the costs of transporting mineral product from mine to processor
- basic treatment and refinery charges
- quantity deduction
- price deduction
- interest
- penalty metal, impurity, and moisture deductions as specified by contract.

For example, Best Metal Company has \$11 million in gross proceeds from gold and silver. It has a total of \$1 million in allowable deductions: \$250,000 in treatment and refining and \$750,000 in transportation costs from the mine to the processor. Its merchantable value, or gross proceeds minus allowable deductions, is \$10 million. With 3 percent taxable as defined by law, it has a taxable value of \$300,000. The state and the county in which the mine is located can now assess 500 mills on the taxable value, resulting in \$150,000 tax due.

Filing and Payment of Tax

Metal mines tax reports must be filed by March 31 of each year, showing the total gross proceeds of metal mined during the preceding calendar year. By July 1, the department calculates the merchantable value by subtracting allowable deductions, and then records the new merchantable value in the property tax records. The mine producer pays half of the property tax levied and assessed by November 30 and the other half by May 31 of the following year.

Distribution

The taxable value of metal mines gross proceeds is allocated to the local jurisdictions where the metal mine's mouth is located.

Table 4.15 Metal Mines Assessed and Taxable Value of Production

Production Year	Fiscal Year	Assessed Value	Taxable Value for Local Mills	Taxable Value for State Mills
2012	2014	\$1,043,487,747	\$31,304,631	\$31,304,632
2013	2015	\$851,842,256	\$25,555,274	\$25,555,268
2014	2016	\$883,888,082	\$26,516,643	\$26,516,642
2015	2017	\$648,475,233	\$19,454,258	\$19,454,257
2016	2018	\$596,330,812	\$17,889,922	\$17,889,924
2017	2019	\$742,469,971	\$22,274,100	\$22,274,100
2018	2020	\$865,966,541	\$25,978,994	\$25,978,994
2019	2021	\$1,056,860,410	\$31,705,812	\$31,705,812
2020	2022	\$1,393,634,973	\$41,809,050	\$41,809,050
2021	2023	\$1,582,322,789	\$47,469,685	\$47,469,685
2022	2024	\$1,133,348,198	\$34,000,446	\$34,000,446

Table 4.16 Gross Proceeds Property Taxes Assessed

Fiscal Year	State Share	Local Share	Total Property Tax
2014	\$13,635,896	\$3,178,007	\$16,813,903
2015	\$11,858,376	\$2,593,448	\$14,451,824
2016	\$11,996,094	\$2,690,657	\$14,686,751
2017	\$8,731,816	\$1,972,646	\$10,704,462
2018	\$8,725,640	\$1,815,147	\$10,540,788
2019	\$10,786,936	\$2,260,404	\$13,047,340
2020	\$12,606,228	\$2,634,938	\$15,241,166
2021	\$14,376,573	\$3,201,206	\$17,577,780
2022	\$17,163,569	\$4,222,714	\$21,386,283
2023	\$20,932,045	\$4,812,215	\$25,744,260
2024	\$13,347,014	\$3,449,207	\$16,796,220

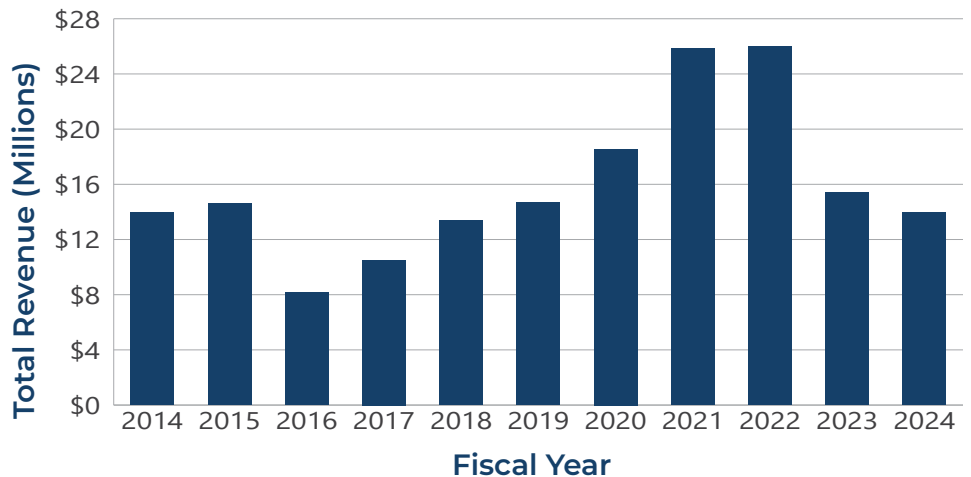
Metalliferous Mines License Tax

Statute: Title 15, Chapter 37, Part 1, MCA

Table 4.17 Metalliferous Mines License Tax

Fiscal Year	Total Revenue
2014	\$13,943,131
2015	\$14,597,270
2016	\$8,164,499
2017	\$10,515,966
2018	\$13,385,537
2019	\$14,694,886
2020	\$18,562,366
2021	\$25,820,795
2022	\$25,978,368
2023	\$15,428,186
2024	\$13,984,741

Figure 4.17



Tax Rate

Mining operations in which metal or gems are extracted are subject to the metalliferous mines license tax; this tax is based on the gross value of the product. The first \$250,000 of gross value is exempt from taxation. Concentrate shipped to a smelter or mill for reduction work is taxed at 1.81 percent of gross value. Gold, silver, or any platinum-group metal that will be shipped to a refinery that is dore, bullion, or matte is taxed at 1.6 percent of gross value. Shipping and refining costs are deducted from revenue to determine gross value.

Gross Value

Gross value, to which the tax rate is applied, is the amount of payment the mining company receives from the metal trader, smelter, roaster, or refinery. The amount is calculated by:

- first, multiplying the quantity of metal received (by the metal trader, smelter, roaster or refinery) by the quoted price for the metal
- next, subtracting the basic treatment and refinery charges
- lastly, subtracting the quantity deductions, price deductions, interest, penalty metal, and impurity and moisture deductions (as specified by contract between the mining company and the receiving metal trader, smelter, roaster or refinery)
- Deductions are also allowed for the cost of transportation from the mine or mill to the smelter, roaster, or refinery.

Filing and Payment of Tax

Reports and payment of metal mines tax are due twice a year, on or before March 31 and August 15.

Distribution

Metalliferous mines license tax revenue is distributed to various entities in accordance with 15-37-117, MCA. For county level distribution data, see the Shared Revenue chapter of this report.

Table 4.18 Distribution of Metalliferous Mines Tax

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Fund (47%) ¹	\$8,724,312	\$12,135,774	\$12,209,833	\$7,251,248	\$6,572,828
Hard Rock Mining (2.5%)	\$464,059	\$645,520	\$649,459	\$385,705	\$349,619
Hard Rock Debt Service (8.5%)	\$1,577,801	\$2,194,768	\$2,208,161	\$1,311,396	\$1,188,703
Natural Resources Operations (7%)	\$1,299,366	\$1,807,456	\$1,818,486	\$1,079,973	\$978,932
County Governments (35%) ¹	\$6,496,828	\$9,037,278	\$9,092,429	\$5,399,865	\$4,894,659

¹ Starting July 1, 2027, the county distribution will change from 35% to 25%, and the 10% difference will increase the general fund's share from 47% to 57%.

Metalliferous Mines License Tax History

The following is a select legislative history of the Metalliferous Mines License Tax.

- 1925** The metalliferous mines license tax is enacted at the following rates:
- \$1 + 0.25 percent of gross value between \$100,000 and \$250,000
 - \$1 + 0.5 percent of gross value between \$250,001 and \$400,000
 - \$1 + 0.75 percent of gross value between \$400,001 and \$500,000
 - \$1 + 1 percent of gross value over \$500,000.

1958 The tax rate is increased on gross value exceeding \$500,000 to \$1 + 1.25 percent.

- 1969** The tax rate is increased to:
- 0.15 percent on the first \$100,000 of gross value
 - 0.575 percent on \$100,001-\$250,000 of gross value
 - 0.86 percent on \$250,001-\$400,000 of gross value
 - 1.15 percent on \$400,001-\$500,000 of gross value
 - 1.438 percent on \$500,000+ of gross value.

- 1983** The tax rates are revised as follows:
- 0 percent on first \$250,000 of gross value
 - 0.5 percent on \$250,001-\$500,000 of gross value
 - 1 percent on \$500,001-\$1,000,000 of gross value
 - 1.5 percent on \$1,000,000+ of gross value.

- 1989** The tax rates for concentrate shipped to a smelter or mill for reduction work are revised as follows:
- 0 percent on first \$250,000 of gross value
 - 1.81 percent on gross value over \$250,000.

The tax rates for shipped gold, silver, or any platinum-group metal that is dore, bullion, or matte are revised as follows:

- 0 percent on first \$250,000 of gross value
- 1.6 percent on gross value over \$250,000.

- 2003** Other forms of processed concentrate are added (to include those that are processed in a treatment facility owned or operated by the taxpayer and are sold or shipped to a refinery for final processing) to the gold, silver, and platinum-group metal tax rates.

- 2009** No more than \$250,000 in gross value in a calendar year can be exempt from metalliferous mines license tax.

- 2015** The distribution of tax revenues to the general fund is reduced from 57 percent to 47 percent; the revenue was distributed to impacted counties beginning with Fiscal Year 2016.

Micaceous Mines License Tax

Tax Rate

Micaceous minerals are those that are generally classified as complex silicates, and include such minerals as vermiculite, perlite, kernite, and maconite. There have been no micaceous mines license tax collections since Fiscal Year 1990 because there has been no production.

There is a tax of \$0.05 per ton of concentrates mined, extracted, or produced.

Filing and Payment of Tax

Operators of micaceous mineral mines must file quarterly statements showing the number of tons of micaceous minerals mined. Quarterly returns, along with the accompanying tax payment, are due within 30 days following the end of each calendar quarter.

Distribution

All proceeds from micaceous mines license tax are deposited in the state general fund (15-37-207, MCA).

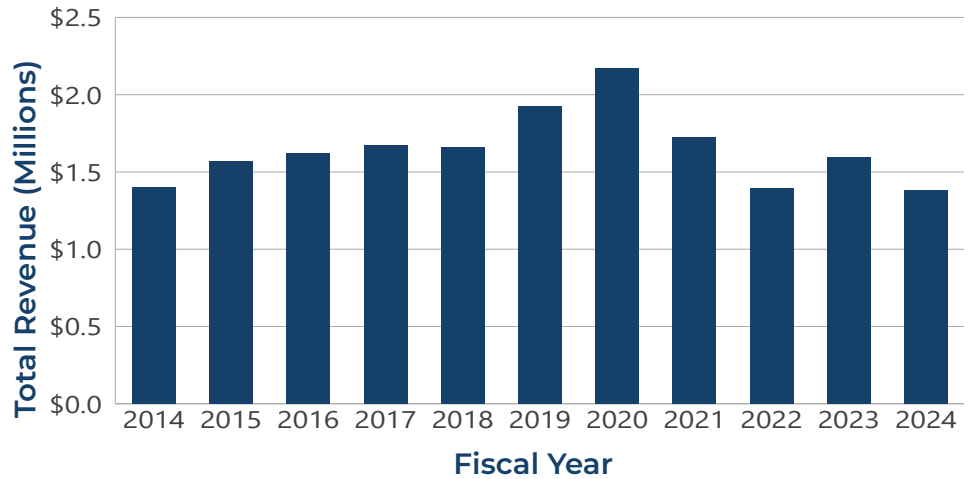
Miscellaneous Mines Net Proceeds Tax

Statute: Title 15, Chapter 23, Part 5, MCA

Table 4.19 Miscellaneous Mines Net Proceeds

Fiscal Year	Total Revenue
2014	\$1,397,619
2015	\$1,570,642
2016	\$1,624,098
2017	\$1,673,314
2018	\$1,663,481
2019	\$1,927,908
2020	\$2,170,218
2021	\$1,723,118
2022	\$1,394,789
2023	\$1,594,457
2024	\$1,382,990

Figure 4.19



Tax Rate

Severed products of mines, except bentonite, coal, and metal, are considered Class 1 property and are levied statewide and local mills. The market value of the severed products is the annual net proceeds of mines and mining claims.

However, for some mining products extracted, the net proceeds are a statutory price multiplied by tonnage and are not based on actual net proceeds. Table 4.20 shows the statutory prices of these products for recent production years.

Table 4.20 Miscellaneous Production Tax Rates

Mining Product	PY 2020/FY 2022	PY 2021/FY 2023	PY 2022/FY 2024	PY 2023/FY 2025
Talc	\$7.96	\$8.14	\$8.45	\$8.38
Vermiculite	\$47.05	\$48.05	\$49.92	\$49.50
Limestone	\$0.58	\$0.59	\$0.61	\$0.61
Industrial Garnets	\$31.80	\$32.48	\$33.75	\$33.46
Garnet Byproducts	30% of Gross Rev.	30% of Gross Rev.	30% of Gross Rev.	30% of Gross Rev.

Note: PY is production year; FY is fiscal year.

Filing and Payment of Tax

Miscellaneous mines tax reports are due by March 31 of each year. The report includes total gross proceeds of minerals mined during the preceding calendar year and information on costs associated with the mining operation; this information allows the department to calculate the net proceeds from the mining operation.

On an annual basis, by July 1, the department calculates the net value by subtracting allowable deductions and then recording the value in property tax records. The mine producer pays the first half of the property tax levied and assessed by November 30 and the second half by May 31 of the following year.

Distribution

The taxable value of miscellaneous mines net proceeds is allocated to the local jurisdictions where the mine is located. The mills of these local jurisdictions and statewide mills are levied against the taxable value.

Table 4.21 Miscellaneous Mines Net Proceeds Taxes Assessed

Production Year	Tax Year	Fiscal Year	Net Proceeds	State Share	Local Share	Total Tax
2012	2013	2014	\$3,271,953	\$1,067,152	\$330,467	\$1,397,619
2013	2014	2015	\$3,790,730	\$1,187,778	\$382,864	\$1,570,642
2014	2015	2016	\$3,737,426	\$1,246,618	\$377,480	\$1,624,098
2015	2016	2017	\$3,969,848	\$1,261,220	\$412,094	\$1,673,314
2016	2017	2018	\$3,983,884	\$1,261,109	\$402,372	\$1,663,481
2017	2018	2019	\$4,794,622	\$1,443,651	\$484,257	\$1,927,908
2018	2019	2020	\$5,584,426	\$1,606,191	\$564,027	\$2,170,218
2019	2020	2021	\$4,744,757	\$1,243,897	\$479,220	\$479,220
2020	2021	2022	\$3,928,770	\$997,983	\$396,806	\$396,806
2021	2022	2023	\$4,379,892	\$1,152,087	\$442,369	\$1,594,457
2022	2023	2024	\$4,101,335	\$968,756	\$414,235	\$1,382,990

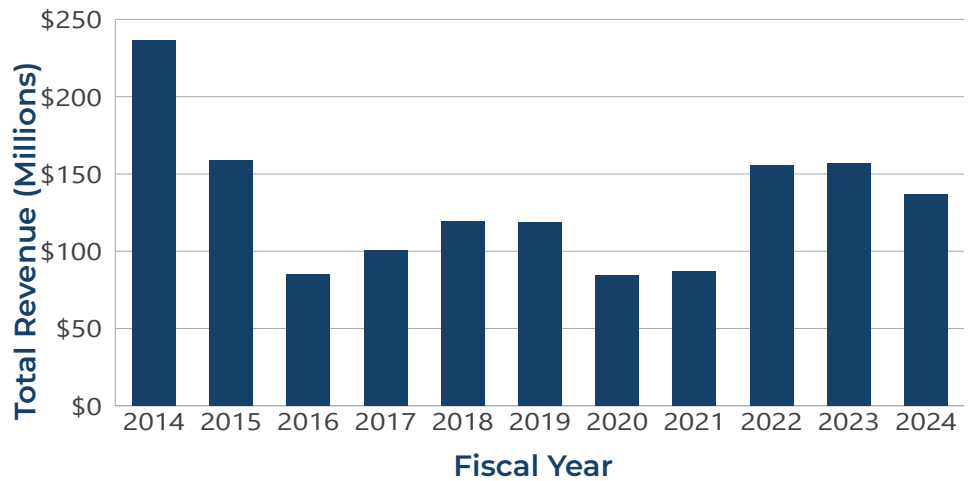
Oil and Natural Gas Tax

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

Table 4.22 Oil and Natural Gas

Fiscal Year	Total Revenue
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
2023	\$157,169,581
2024	\$136,625,952

Figure 4.22



Tax Rates

The regular production tax rates for the working interest of oil production is 9.3 percent for wells drilled on or after January 1, 1999, and 12.8 percent for wells drilled before that time.

However, there are several preferential tax rates to incentivize production. New wells receive a preferential tax rate of 0.8 percent. This tax holiday lasts for 12 months for vertical wells and 18 months for horizontal wells.

There are several other lower tax rates designed to incentivize reinvestment in currently existing wells:

- Incremental production (additional production above an established production curve for a given well) from secondary recovery projects is taxed at 8.8 percent if the quarterly average sales price received for oil is below \$54 per barrel.
- Incremental production from tertiary recovery projects is taxed at 6.1 percent regardless of the sales price received.
- Recompleted horizontal wells are taxed at 0.8 percent for 18 months regardless of the price of oil.
- Low-producing wells may be classified as stripper or super-stripper wells and qualify for preferential tax rates.

Stripper wells:

- Post-1999 wells producing between 3 and 15 barrels per day in the prior calendar year are classified as stripper wells.
- If the quarterly average sales price received for oil is below \$30 per barrel, post-1999 wells are taxed at 5.3 percent for the first 10 barrels a day and the standard 9.3 percent for any production beyond that.
- If the price of oil is equal to or above \$30 a barrel, there is no reduced rate for post-1999 stripper well production.
- Pre-1999 wells producing between 3 and 10 barrels per day are classified as stripper wells and are taxed at 9.3 percent regardless of oil price.

Super-stripper wells:

- If a well produces an average of three barrels a day or less in the prior calendar year, then it qualifies as a super-stripper well.
- Production from super-stripper wells are taxed at a rate of 5.3 percent for both post-1999 wells and pre-1999 wells.
- If the average price received for the oil is below \$54 per barrel, the rate is further reduced to 0.8 percent for wells of all ages.

Natural gas producers receive the same holiday for new wells that oil producers receive. Regular production is taxed at a rate of 9.3 percent if the well was drilled after January 1, 1999, or 15.1 percent if drilled before that date.

Natural gas wells averaging less than 60,000 cubic feet (60 MCF) per day in the prior year can qualify as stripper wells and qualify for a reduced tax rate of 11.3 percent if the well was drilled before 1999.

All taxable royalty owners of oil and natural gas production are taxed at a rate of 15.1 percent of the gross value of production. All government royalties and royalties received by an Indian tribe from on-reservation oil production pursuant to a lease entered under the Indian Mineral Leasing Act of 1938, are exempt from taxation.

Total gross value is computed as the product of the total number of barrels (bbl) or thousand cubic feet (MCF) produced each quarter and the average wellhead value per barrel or thousand cubic feet. Producers may deduct the costs of any production that is used in the operation of the well.

All tax rates include the privilege and license tax and the tax levied for the Oil and Gas Natural Resource Distribution Account. The sum of these two additional taxes is always equal to 0.3 percent of total gross oil and natural gas value (15-36-304(7), MCA).

Table 4.23 and 4.24 illustrate how the varying tax rates apply in different scenarios.

Table 4.23 Oil Production Tax Rate

Oil-Working Interest Tax Rates	Statutory Rate	Total Rate
Pre-1999 Wells (Regular Production)	12.5%	12.8%
Post-1999 Wells (Regular Production)	9.0%	9.3%
Incremental Production from Secondary Recovery ^{†~}	8.5%	8.8%
Incremental Production from Tertiary Recovery	5.8%	6.1%
Horizontally Recompleted Wells - First 18 Months ¹	0.5%	0.8%
Horizontally Completed Wells - First 18 Months	0.5%	0.8%
Post-1999 Stripper Wells - First 10 Barrels per Day - Oil under \$30 Per Barrel ^{2~}	5.0%	5.3%
Pre-1999 Stripper Wells ²	9.0%	9.3%
Super Stripper Wells - Oil under \$54 Per Barrel [~]	0.5%	0.8%
Post-1999 Super Stripper Wells - Oil \$54 per Barrel or Higher ^{2~}	5.0%	5.3%
Pre-1999 Super Stripper Wells - Oil \$54 per Barrel or Higher [~]	5.0%	5.3%
Vertically Completed Wells - First 12 Months	0.5%	0.8%

Table 4.24 Natural Gas Production Tax Rates

Natural Gas - Working Interest Tax Rates	Statutory Rate	Total Rate
Pre-1999 Wells (Regular Production)	14.8%	15.1%
Post-1999 (Regular Production)	9.0%	9.3%
Horizontally Completed Wells	9.0%	9.3%
Pre-1999 Wells Producing Less Than 60 MCF per Day	11.0%	11.3%
Vertically Completed Wells - First 12 Months	0.5%	0.8%
Horizontally Completed Wells - First 12 Months	0.5%	0.8%
Royalty Interest Tax Rates	14.8%	15.1%

Please note that the 2023 Legislative Session changed some rates on Table 4.23 for stripper wells and super stripper wells.

¹ HB 469 from the 2023 session changed this rate. Effective since January 1, 2024.

² HB 485 from the 2023 session changed these rates. Effective since January 1, 2024.

[†] These rates apply if the price is under \$54 per barrel.

[~] Oil price is the average price received by the individual producer.

Post-1999 stripper wells produce 3 to 15 barrels per day.

Pre-1999 stripper wells produce 3 to 10 barrels per day

Super-stripper wells produce less than 3 barrels per day.

The total rate includes 0.3% to fund the operations of the Board of Oil and Gas Conservation Division and the Oil and Natural Gas Resource Distribution Account.

Table 4.25 and 4.26 show summary information gathered from the tax returns of producers:

Table 4.25 Montana Oil Production Statistics 2018 - 2024

Oil	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Volume (barrels)	19,384,205	22,860,019	21,229,404	18,770,853	19,446,728	21,958,477	21,116,476
Total Gross Value	\$1,038,507,633	\$1,216,466,565	\$883,734,842	\$866,350,633	\$1,642,923,096	\$1,712,353,282.21	\$1,585,507,251
Taxable Royalty Value	\$137,571,557	\$171,226,963	\$124,128,949	\$119,383,352	\$151,814,010	\$246,118,461	\$223,764,524
Tax on Royalty Owners	\$20,773,306	\$25,855,273	\$18,743,472	\$18,026,887	\$35,413,936	\$37,163,888	\$33,788,444
Working Interest Value	\$870,192,043	\$1,009,738,455	\$732,237,451	\$722,397,652	\$1,362,160,794	\$1,420,470,092	\$1,320,304,400
Tax on the Working Interest	\$84,666,329	\$83,074,271	\$57,784,535	\$62,888,562	\$112,869,332	\$105,170,225	\$95,574,718
Total Tax Revenue*	\$105,439,635	\$108,929,543	\$76,704,388	\$80,915,449	\$148,283,268	\$142,334,113	\$129,364,502
Effective Tax Rate	10.15%	8.95%	8.68%	9.34%	9.03%	8.31%	8.16%

Table 4.26 Montana Gas Production Statistics 2018 - 2024

Natural Gas	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Volume (MCF)	38,071,657	38,209,549	36,379,123	34,214,074	34,814,573	37,461,575	33,914,573
Total Gross Value	\$81,188,867	\$79,039,876	\$39,975,829	\$75,039,187	\$170,106,408	\$153,925,786	\$86,059,400
Taxable Royalty Value	\$10,938,857	\$10,932,908	\$5,554,586	\$9,817,653	\$23,059,046	\$21,328,445	\$12,769,731
Tax on Royalty Owners	\$1,651,769	\$1,650,870	\$838,743	\$1,482,466	\$3,481,917	\$3,220,596	\$1,928,230
Working Interest Value	\$67,764,878	\$65,750,774	\$33,221,841	\$62,687,497	\$141,698,886	\$127,836,011	\$71,125,500
Tax on the Working Interest	\$6,405,936	\$5,878,147	\$3,028,337	\$5,946,433	\$13,108,983	\$10,672,381	\$5,333,220
Total Tax Revenue*	\$8,057,705	\$7,529,017	\$3,867,080	\$7,428,900	\$16,590,901	\$13,892,976	\$7,261,450
Effective Tax Rate	9.92%	9.53%	9.67%	9.90%	9.75%	9.03%	8.44%

*Total Tax revenue does not match data in the state accounting database due to accrual reversals and amended returns.

Fiscal years 2018-2022 numbers were updated along with the fiscal years 2023 and 2024 additions

Filing and Payment of Oil and Natural Gas Tax

Oil and natural gas producers are required to file quarterly statements containing information sufficient to calculate the tax due. Tax payments are due within 60 days following the close of each calendar quarter.

Distribution of Oil and Natural Gas Tax

The first distribution is to the Board of Oil and Gas Conservation (BOGC) to fund its operations, up to a maximum of 0.3 percent of taxable oil and gas tax revenue.

If the board does not use the full 0.3 percent, the remainder (up to 0.08 percent of the taxable revenue) goes to the Oil and Natural Gas Resource Distribution Account for distribution to cities and towns located in counties with impacts from oil and gas production.

So, if the BOGC uses less than 0.22 percent (0.3 percent minus 0.08 percent) of the total revenue, any remainder is held as reserves for the board or for the legislative, transfer-related impacts of oil and gas production (15-36-331(2), MCA).

The remaining tax revenue is distributed between the state and county governments. The specific allocation is dependent on which county the production occurred in and is set in statute. The percentage share between state and county is frozen at the relative millage rates when the legislature changed oil and gas taxes from an ad valorem property tax into a flat rate tax.

The state portion is distributed as follows:

- 2.16 percent to the Natural Resource Projects State Special Revenue Account
- 2.02 percent to the Natural Resource Operations State Special Revenue Account
- 2.95 percent to the Orphan Share Account
- 2.65 percent to the University System
- The remainder (90.22 percent) to the general fund.

The county share of the revenue is distributed between elementary retirement funds, high school retirement funds, countywide transportation funds, school districts, community colleges, and county governments. The specific allocation between these entities is dependent on the county of production and the schedule in 15-36-332, MCA. For county-level oil and gas tax distributions, see the Oil and Gas Tax section of the Shared Revenue chapter of this report.

The advent of hydraulic fracturing and the subsequent oil boom in eastern Montana created a large amount of tax revenue for some school districts where oil was drilled, but left others with significant expenditures from workers (and their children) who lived and went to school in adjacent areas. There were several legislative fixes to solve this disparity. A history is available in past biennial reports.

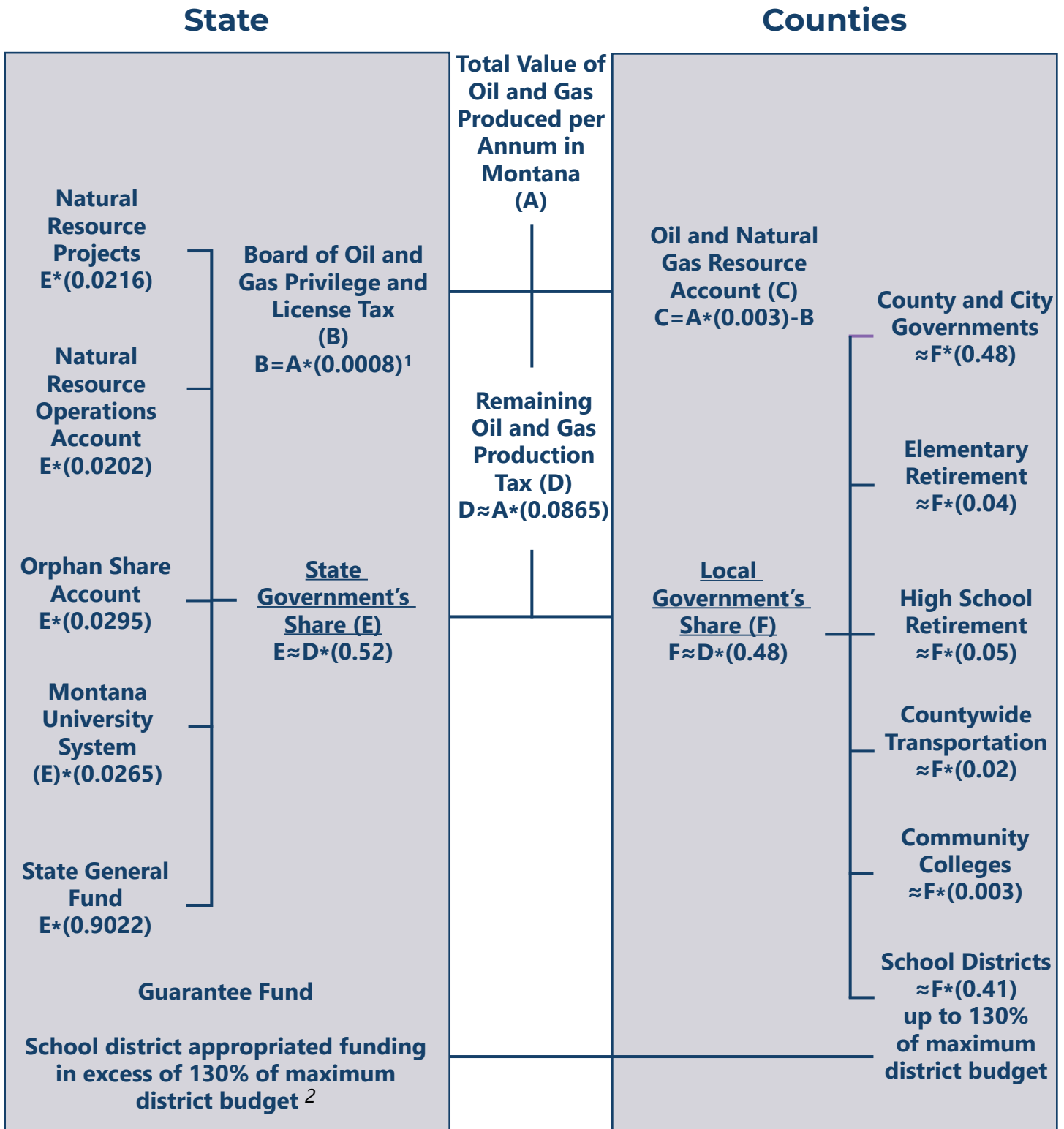
The current system for redistributing funds is to allow school districts to receive up to 130 percent of their maximum allowable budget in oil tax money, with any excess deposited into the State Guarantee Account, which generates interest for statewide school equalization.

Table 4.27 and Figure 4.20 illustrate the distribution of oil and gas revenue for Fiscal Years 2020 to 2024:

Table 4.27 Distribution of Oil and Gas Tax

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Revenue	\$80,571,468	\$88,344,349	\$164,874,169	\$156,227,089	\$141,993,213
BOGC	\$241,714	\$265,033	\$494,623	\$468,681	\$4,440,997
Oil & Gas Natural Resource Account	\$177,257	\$194,358	\$362,723	\$343,700	\$888,178
Remainder	\$80,152,496	\$87,884,958	\$164,016,823	\$155,414,708	\$136,664,038
County Revenue					
County Revenue	\$55,301,615	\$55,010,644	\$39,263,577	\$40,765,364	\$65,277,706
Counties and Schools	\$53,618,550	\$52,811,479	\$38,026,449	\$40,589,129	\$60,287,772
Guarantee Fund	\$1,683,066	\$2,199,165	\$1,237,128	\$176,235	\$4,989,934
State Revenue					
State Revenue	\$42,540,475	\$43,826,280	\$78,153,444	\$78,739,651	\$71,386,333
Natural Resources Projects (2.16%)	\$918,874	\$946,646	\$1,688,114	\$1,700,776	\$1,541,945
Natural Resources Operations (2.02%)	\$859,318	\$885,289	\$1,578,700	\$1,590,541	\$1,442,004
Orphan Share Fund (2.95%)	\$1,254,944	\$1,292,876	\$2,305,527	\$2,322,820	\$2,105,897
Montana University System (2.65%)	\$1,127,323	\$1,161,397	\$2,071,066	\$2,086,601	\$1,891,738
General Fund (remainder)	\$38,380,017	\$39,540,071	\$70,510,037	\$71,038,914	\$64,404,749

Figure 4.20 Oil Distribution Flow Chart



¹ This rate varies up to 0.08% based on necessary funding. The difference between this rate and 0.3% is sent to the Oil and Natural Gas Resource Account.

² There can be exceptions to this 130% of maximum district budget for school districts with unusual enrollment increases. All calculations with \approx are approximate; they represent averages across different counties which have different spending schedules, or in the case of (c), an average of taxes owed across different tax schedules. For accurate county-level tax shares by category, consult 15-36-331, MCA and 15-36-332, MCA.

Oil and Natural Gas State Tax Comparison

Individual states have different exemptions, deductions, and tax bases for their natural resources. These differences make it very difficult to compare tax structures between states, and differences in other taxes (such as sales and property tax) can skew the overall tax burden in each state. Table 4.28 provides a brief description of oil and gas taxes in other states.

Table 4.28 Oil and Natural Gas Tax Rates (Updated 2024)

State	Type of Tax	Description of Tax Rates
Alaska	North Slope Oil Tax	35% net profits tax rate less a per-taxable-barrel credit ranging from \$0 to \$8 per taxable barrel, with minimum tax floor of 4% gross value; production from new fields provide additional incentives for the first 3-7 years
	North Slope Gas Tax	13% of gross value with a tax ceiling of 17.7 cents per mcf for qualifying as used in the state
	Cook Inlet Oil Tax	35% net profits tax rate with a tax ceiling of \$1 per taxable barrel
	Cook Inlet Gas Tax	13% of gross value with a tax ceiling that varies by lease or property; 17.7 cents per mcf is the tax ceiling that applies to new field
	Oil Conservation Surcharge	\$0.04 or \$0.05 per barrel of oil produced from each lease or property in the state, depending on the balance in the fund
	Ad Valorem Tax	20 mills statewide on any oil or gas property
California	Oil and Gas Production Assessment	Oil barrels and 10,000 cubic feet of natural gas are taxed at the same rate, which changes every year. The rate was \$1.0107592 in Fiscal Year 2024
Colorado	Severance Tax	Based on gross income with four brackets, which range from 2% for under \$25,000 and 5% for \$300,000 and over Fraction of tax imposed is 1/4 of gross proceeds the first year, 1/2 the second year, and 3/4 the third year
	Oil and Gas Conservation Levy	Maximum value of \$0.0017 at wellhead (i.e., 1.1 mills)
Louisiana	Oil and Condensate Severance Tax	Eight rates based on the type of well that range from 3.125% for reclaimed oil and strippers, 6.25% incapable rate, and 12.5% full rate
	Natural Gas Severance Tax	Adjusted annually on July 1 and may never be less than 7 cents; applies to incapable gas, inactive gas, orphan gas, and horizontal rate gas
Montana	Natural Gas and Oil Production Tax	For oil, rate varies from 0.5% to 12.8% depending on well type, age, and oil price; for gas, varies from 0.5% to 15.1% depending on well type, age, mcf production level
	Privilege and License Tax	0.3% of market value per barrel of oil or 10,000 cubic feet of natural gas produced

State	Type of Tax	Description of Tax Rates
New Mexico	Oil and Gas Severance Tax	1.875- 3.75% of taxable depending on type of production and price of oil
	Oil and Gas Conservation Levy	0.19% or 0.24% varying on whether the previous quarter's oil barrel price is lower or higher than \$70
	Oil and Gas Emergency School Tax	For oil, 3.15% of taxable value and 1.58-2.36% for stripper wells For gas, 4% of taxable value; 2-3% for stripper wells. The lower rates for stripper wells are dependent on price of oil
	Oil and Gas Production Equipment Ad Valorem Tax	The assessed value of the equipment is a percentage of its value as established under the Ad Valorem Production Tax multiplied by the uniform assessment ratio
	Natural Gas Processor's Tax	0.0065 per mmbtu of natural gas, multiplied by an adjustment factor; this adjustment factor is equal to the annual taxable value per mcf of natural gas, divided by \$1.33
North Dakota	Gas Gross Production Tax	An annually adjusted flat rate per mcf of all nonexempt gas produced; was \$0.0705 per mcf in 2022
	Oil Gross Production Tax	5% of the gross value
	Oil Extraction Tax	5% of gross value at the point of extraction of oil. The rate is reduced to 2% based on qualified production and location
Ohio	Severance Tax	\$0.025 per mcf of gas; \$0.010 per barrel of oil
Oklahoma	Gross Production Severance Tax	7% of gross value for both oil and gas
	Additional Excise Tax on Petroleum	Ninety-five one thousandths of one percent (0.095 of 1%) of gross value of each barrel of petroleum oil produced in the state
	Oil and Gas Production Fee	\$0.0035 on every barrel of oil and \$0.0015 on every thousand cubic feet of natural gas produced
Texas	Oil and Gas Production Tax	7.5% of gas and liquid hydrocarbons market value; 4.6% of market value of oil
	Condensate Production Tax	4.6% of market value of condensate
	Reduced Oil Production Tax Rate	Incentive rates and exemptions for inactive wells, marginal wells, and high-cost gas wells
	Oil and Gas Field Clean-Up Regulatory Fee	\$0.06625 per barrel of crude oil and \$0.000667 per mcf of gas
	Ad Valorem Tax	7.5% levied on the fair market value of natural gas
Utah	Oil and Gas Severance Tax	3% or 5% of value of oil if below or above \$13 per barrel, respectively
		3% or 5% of value of gas if below or above \$1.50 per mcf; 4% of value for natural gas liquids
	Oil and Gas Conservation Fee	\$0.002 of the value of oil and gas produced and saved, sold, or transported from the field
Wyoming	Oil and Gas Severance Tax	6% on normal production; 4% on oil stripper wells
	Oil And Gas Conservation Tax	0.05%
	Ad Valorem Tax	6.8516% statewide mineral tax district average

MCF stands for 1,000 cubic feet

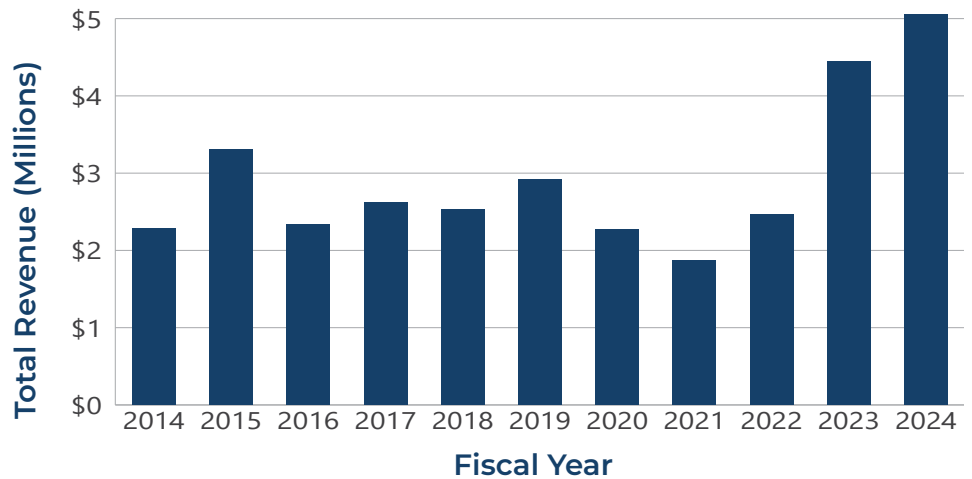
Resource Indemnity and Ground Water Assessment Tax

Statute: Title 15, Chapter 38, Part 1, MCA

Table 4.29 Resource Indemnity and Groundwater Assessment

Fiscal Year	Total Revenue
2014	\$2,278,971
2015	\$3,303,038
2016	\$2,335,153
2017	\$2,622,658
2018	\$2,531,336
2019	\$2,923,403
2020	\$2,269,192
2021	\$1,870,702
2022	\$2,470,720
2023	\$4,443,778
2024	\$5,052,738

Figure 4.29



Tax Rate

The Resource Indemnity and Ground Water Assessment Tax (RIGWAT) was created to indemnify the citizens of Montana for the loss of long-term value resulting from the depletion of natural resource bases and for environmental damage caused by mineral development.

Table 4.30 Tax Rate

Mineral	Tax Rate	Exemption
Other*	0.5%	First \$5,000
Talc	4.0%	First \$625
Coal	0.4%	First \$6,250
Vermiculite	2.0%	First \$1,250
Limestone	10.0%	First \$250
Garnets	1.0%	First \$2,500

*Excludes oil, gas, and mines taxed under 15-37-104, MCA.

Exemptions

- Metal production subject to the metal mines license tax is exempt from RIGWAT.
- The 2003 Montana Legislature changed the distribution of oil and gas tax revenue to include the Orphan Share Account, making oil and gas production subject to the oil and gas severance tax exempt from RIGWAT.
- Royalties received by an Indian tribe, by the U.S. government as trustee for individual Indians, by the U.S. government, by the state of Montana, or by a county or municipality are exempt from RIGWAT.

Filing and Payment of Tax

All extractors and producers of minerals must file an annual statement showing the gross yield of product for each mineral mined. Metal producers must file on or before March 31. All other producers must file on or before 60 days following the end of the calendar year. The tax is due at the time of the statement filing.

Distribution

RIGWAT tax collections are deposited to several special funds and accounts. The order and amount of proceeds deposited are as follows:

- An amount certified by the Department of Environmental Quality is deposited to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) debt service fund.
- \$366,000 to be deposited in the ground water assessment account
- \$150,000 to be deposited in the water storage state special revenue account each biennium in even fiscal years.
- The remaining revenue is then split:
 - 25 percent to the hazardous waste/CERCLA special revenue account
 - 25 percent to the environmental quality protection fund
 - 50 percent to the natural resources projects fund.

The following chart shows a select history of the Resource Indemnity and Ground Water Assessment Tax.

Table 4.31 Resource Indemnity and Ground Water Assessment Tax. (FY 2020 - 2024)

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Revenue	\$2,269,192	\$1,870,702	\$2,470,720	\$4,443,778	\$5,052,738
CERCLA Debt Service	\$145,025	\$145,265	\$145,211	\$145,088	\$0
Groundwater Assessment	\$366,000	\$366,000	\$366,000	\$366,000	\$366,000
Water Storage	\$150,000	\$0	\$150,000	\$0	\$150,000
Remainder	\$1,608,167	\$1,359,437	\$1,809,509	\$3,932,690	\$4,536,738
Hazardous Waste/ CERCLA (25%)	\$402,042	\$339,859	\$452,377	\$983,173	\$1,134,184
Environmental Quality Protection (25%)	\$402,042	\$339,859	\$452,377	\$983,173	\$1,134,184
Natural Resources Projects (50%)	\$804,083	\$679,719	\$904,754	\$1,966,345	\$2,268,369

Resource Indemnity and Ground Water Assessment Tax History

The following timeline shows a select legislative history of the Resource Indemnity and Ground Water Assessment Tax.

- 1973** The Resource Indemnity Trust Act was enacted, with a tax on mineral production of \$25 + 0.5 percent of the gross value exceeding \$5,000.
- 1977** The royalty owners' share may be deducted from the gross proceeds calculation for the Resource Indemnity Trust Tax.
- 1989** A special tax rate for talc production was implemented for \$25 + 4 percent of gross value.
- 1991** A special tax rate for coal production was implemented for \$25 + 0.4 percent of gross value.
A special tax rate for vermiculite production was implemented for \$25 + 2 percent of gross value.
- 1993** A special tax rate for quicklime production from limestone was implemented for \$25 + 10 percent of gross value.
- 1995** The tax on talc was changed to \$25 + 4 percent of gross value exceeding \$625.
The tax on coal was changed to \$25 + 0.4 percent of gross value exceeding \$6,250.
The tax on vermiculite was changed to \$25 + 2 percent of gross value exceeding \$1,250.
The tax on quicklime from limestone was changed to \$25 + 10 percent of gross value exceeding \$250.
A special tax rate for garnets was implemented for \$25 + 1 percent of gross value exceeding \$2,500.
- 2009** Counties, cities, towns, and people who paid the opencut mining fee are now exempted from RIGWAT.

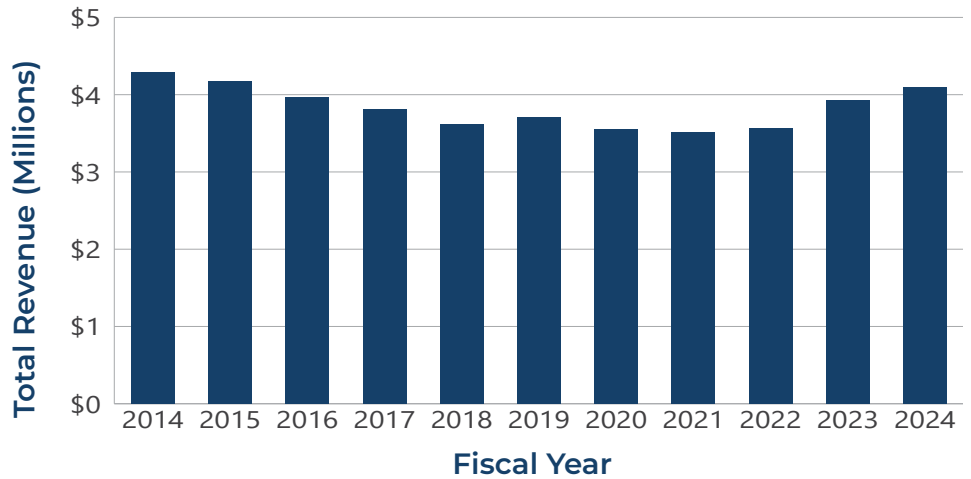
Resource Indemnity Fund Trust

Statute: Title 15, Chapter 38, Part 2, MCA

Table 4.32 Total Revenue Indemnity Fund Trust

Fiscal Year	Total Revenue
2014	\$4,296,135
2015	\$4,175,477
2016	\$3,973,132
2017	\$3,817,555
2018	\$3,617,536
2019	\$3,703,171
2020	\$3,557,436
2021	\$3,515,524
2022	\$3,562,628
2023	\$3,932,695
2024	\$4,096,429

Figure 4.32



Distribution of Interest Income

In Fiscal Year 2002, the Resource Indemnity Trust Fund reached \$100 million. Net earnings, excluding unrealized gains and losses, and all receipts may be appropriated and expended by the legislature, so long as the balance of the trust is never less than \$100 million. This is not a tax but has its own section due to the scope of its distribution process.

Interest from the resource indemnity trust is allocated in a two-stage process.

- First, several programs receive fixed allocations; the remaining funds are then divided between four programs on a percentage basis.
- Next, the distributions were then revised, starting Fiscal Year 2016, to increase the amount going to the Oil and Gas Damage Mitigation Account and to decrease the amount going to the Natural Resource Projects Account.

When there is insufficient interest income, money is allocated in relative proportions.

This is the case in all fiscal years, as displayed in Table 4.33, 4.34, and 4.35.

Table 4.33 Resource Indemnity Fund Interest Annual Distribution (FY2020-2024)

Annual Distributions	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Natural Resources Projects	\$2,176,299	\$2,812,419	\$2,220,602	\$3,146,156	\$2,529,536
Groundwater Assessment	\$204,028	\$263,664	\$208,181	\$294,952	\$237,144
Native Fish Species Enhancement	\$340,047	\$439,440	\$346,969	\$491,587	\$395,240

Table 4.34 Resource Indemnity Fund Interest Biennial Distribution (FY2020-2024)

Biennial Distributions	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Oil & Gas Damage Mitigation	\$378,000	\$0	\$318,467	\$0	\$400,935
Water Storage	\$340,047	\$0	\$346,969	\$0	\$395,240
Environmental Contingency RIT	\$119,016	\$0	\$121,439	\$0	\$138,334

Table 4.35 Resource Indemnity Fund Interest Distribution Remainder (FY2020-2024)

Remainder	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Natural Resources Operations (65%)	\$0	\$0	\$0	\$0	\$0
Hazardous Waste-CERCLA (26%)	\$0	\$0	\$0	\$0	\$0
Environmental Quality Protection (9%)	\$0	\$0	\$0	\$0	\$0

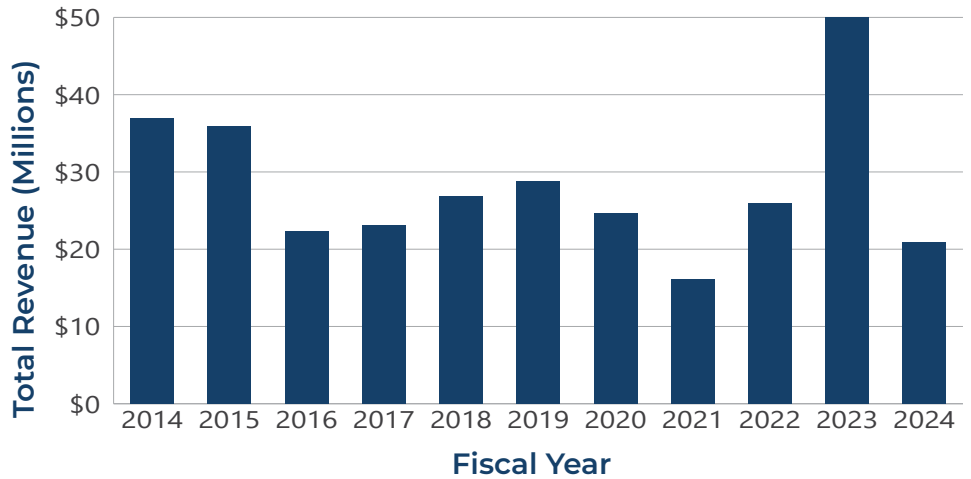
U.S. Mineral Royalties

Statute: 30 USC, Section 191 17-3-240, MCA

Table 4.36 U.S. Mineral Royalties

Fiscal Year	Total Revenue
2014	\$36,991,806
2015	\$35,947,238
2016	\$22,345,284
2017	\$23,096,354
2018	\$26,852,265
2019	\$28,760,237
2020	\$24,702,715
2021	\$16,108,967
2022	\$25,952,298
2023	\$50,010,134
2024	\$20,873,143

Figure 4.36



Tax Rate

The federal government generates royalties from leasing mineral rights on federal lands in the state. They share 49 percent of royalty revenue with the state, which decreased from 50 percent as of October 2007.

The Department of Revenue provides auditing and compliance services to the federal government for producers extracting minerals from federal lands within the state. The federal government reimburses the department for these services.

Distribution

The state general fund receives 75 percent of the U.S. Mineral Royalties revenue. The remaining 25 percent is allocated to counties with mining on federal land. The county share is distributed to county governments in proportion to the amount collected in each of the counties. For county level distribution amounts, see the U.S. Mineral Royalties section of the Shared Revenue chapter.

Table 4.37 Table Funds (FY2020-2024)

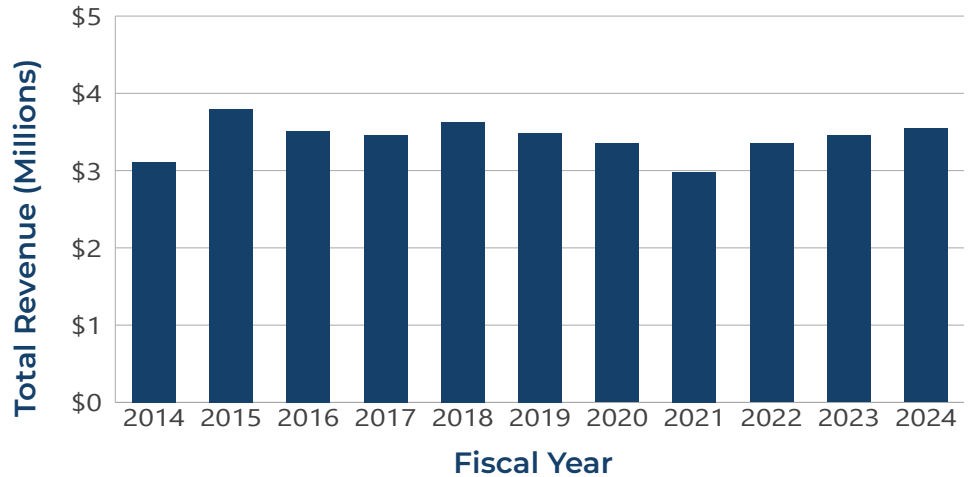
Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Fund (75%)	\$18,527,036	\$12,081,725	\$19,464,224	\$37,507,600	\$15,654,857
Impacted Counties (25%)	\$5,928,652	\$4,027,242	\$6,228,552	\$12,502,533	\$5,218,286

Wholesale Energy Transaction Tax

Table 4.38 Wholesale Energy Transaction

Fiscal Year	Total Revenue
2014	\$3,112,284
2015	\$3,795,377
2016	\$3,516,131
2017	\$3,463,834
2018	\$3,628,180
2019	\$3,490,244
2020	\$3,350,982
2021	\$2,981,105
2022	\$3,352,254
2023	\$3,455,287
2024	\$3,545,160

Figure 4.38



Tax Rate

The Wholesale Energy Transaction Tax is \$0.00015 per kilowatt hour (\$0.15 per MWh) on all electricity transmitted by a transmission service provider in the state. There is also a 5 percent exemption for electricity produced in the state to compensate for transmission line losses.

Filing and Payment

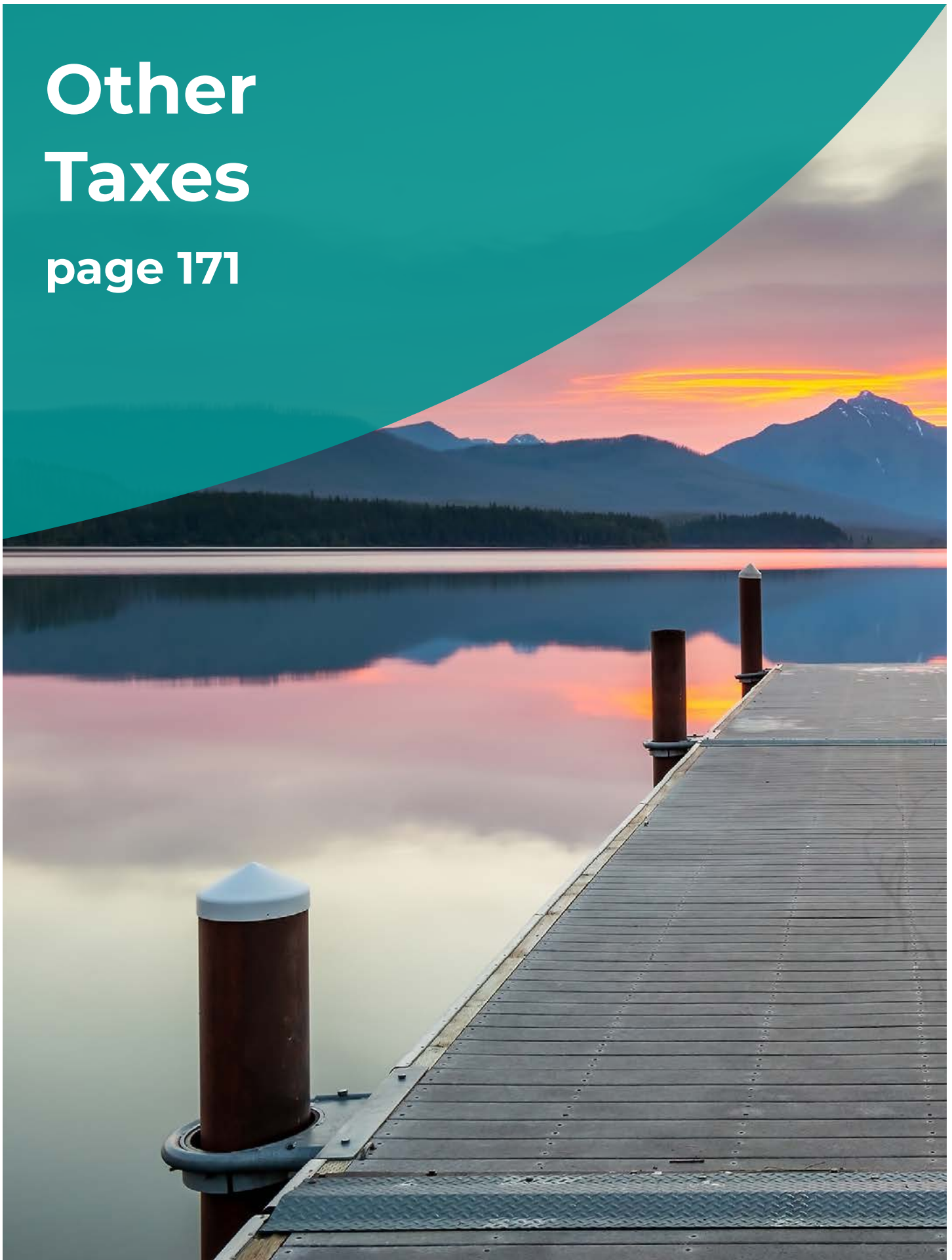
The tax went into effect on January 1, 2000, and is paid on a calendar quarter basis. Payment is due to the state within 30 days after the close of the quarter.

Distribution

Revenues are deposited into the state general fund (15-72-106, MCA).

Other Taxes

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Overview

Other Tax Collections - Fiscal Years (FY) 2021-2024

Table 5.1 Other Tax Collections Overview

Tax	FY 2021	FY 2022	FY 2023	FY 2024
911 Emergency Telephone System Fee	\$14,140,568	\$14,408,215	\$13,838,168	\$14,469,578
Cigarette License Fee	\$26,080	\$108,975	\$110,440	\$122,525
Cigarette Tax	\$65,291,417	\$65,508,116	\$49,078,065	\$49,224,138
Consumer Counsel Fee	\$1,093,101	\$1,170,580	\$1,061,084	\$1,131,725
Hospital Facility Utilization Fee	\$31,937,500	\$35,016,050	\$33,501,091	\$32,293,240
Inheritance and Estate Tax	\$24	\$0	\$0	\$0
Intermediate Care Facility Utilization Fee	\$311,860	\$313,407	\$527,716	\$492,630
Invasive Species Fee	\$2,565,289	\$1,531,836	\$1,537,288	\$1,552,559
Lodging Facility Use Tax	\$35,058,060	\$61,624,239	\$58,520,125	\$62,408,137
Lodging Sales Tax	\$34,498,312	\$60,427,465	\$55,568,932	\$58,370,068
Nursing Facility Utilization Fee	\$17,800,928	\$18,061,814	\$18,250,318	\$18,280,740
Public Contractor's Gross Receipts Fees and Taxes	\$3,897,240	\$2,840,073	\$6,733,045	\$9,124,961
Public Service Commission Fee	\$5,331,686	\$4,056,719	\$5,133,381	\$6,296,170
Rail Car Tax	\$5,186,537	\$4,019,546	\$4,012,330	\$3,644,552
Retail Telecommunication's Excise Tax	\$8,814,228	\$8,570,714	\$8,435,920	\$8,138,595
Sales Tax - Rental Vehicles	\$5,220,765	\$9,097,067	\$9,693,674	\$9,295,718
TDD Telecommunications Service Fee	\$1,502,526	\$1,541,544	\$1,577,788	\$1,623,531
Tobacco Products Tax	\$11,882,493	\$11,768,474	\$11,316,428	\$10,797,346
Unclaimed Property	\$17,058,760	\$17,362,872	\$18,237,133	\$23,749,750
Total Collections	\$261,617,373	\$317,427,708	\$297,132,926	\$311,015,962

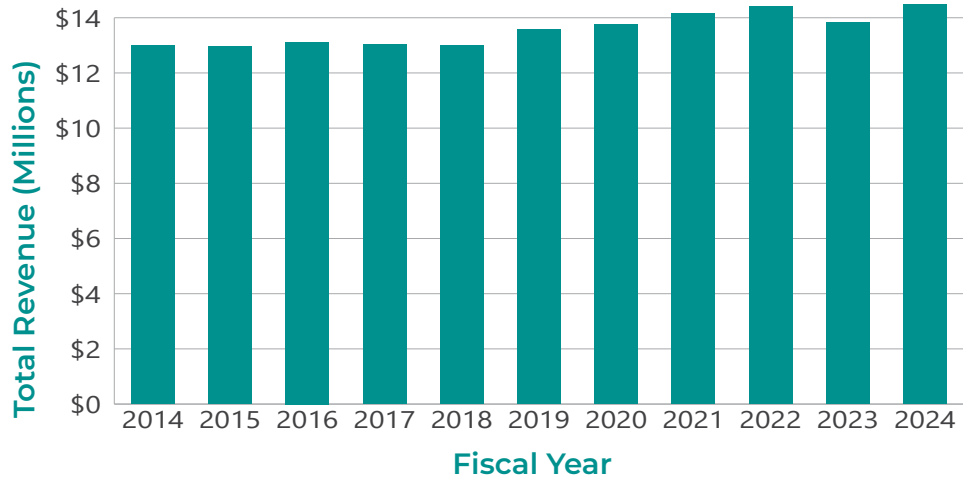
911 Emergency Telephone System

Statute: Title 10, Chapter 4

Table 5.2 Fee Collections

Fiscal Year	Total Revenue
2014	\$13,009,356
2015	\$12,947,304
2016	\$13,120,489
2017	\$13,020,367
2018	\$13,003,639
2019	\$13,558,898
2020	\$13,752,387
2021	\$14,140,568
2022	\$14,408,215
2023	\$13,838,168
2024	\$14,469,578

Figure 5.2



Fee Rate

Montana imposes monthly fees totaling \$1.00 per telephone access line to pay for 911 services. The 2017 Legislature changed the structure and use of these fees. Beginning in Fiscal Year 2019, the fee is now collected to fund two services: \$0.75 for distribution to local governments that host 911 answering services, and \$0.25 to fund a competitive grant program open to telecommunications providers and local governments.

The 2021 Legislature included prepaid wireless services sold through third parties, such as retail and grocery stores, in those required to pay the \$1.00 fee. Previously, the department could not collect the fee on prepaid wireless services because providers successfully argued in court that they cannot determine where prepaid cards will be used.

Filing and Payment

The subscriber paying for exchange access line services is liable for the fees, but providers collect the fees and remit them to the state on a quarterly basis. For prepaid services, the consumer pays the tax, and the seller collects and remits it. The provider collecting the fee must file a return by the last day of the month following the end of each calendar quarter.

Distribution

The 2017 Legislature changed the distribution of 911 fees. Starting in Fiscal Year 2019, the department deposits all the fees into a single account. The Department of Administration then allocates funds to the individual programs. The Department of Administration is appropriated a fixed amount from collections to cover its costs.

Distribution of 911 Fees

Table 5.3 911 Fee Distribution

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
911 Distribution	\$10,314,290	\$10,605,426	\$10,806,162	\$10,378,626	\$10,852,184
911 Grants	\$3,438,097	\$3,535,142	\$3,602,054	\$3,459,542	\$1,047,232

State Comparison

Local governments typically provide 911 services with the cooperation of telecommunications providers. Funding for 911 services comes from fees imposed by state governments, local governments, or both. The following fee table is based on information from the National Emergency Number Association and shows the fees for each state. Where a range of fees is shown, it generally indicates that there are varying local fees, sometimes combined with a statewide fee.

911 Emergency Telephone System Fees

Table 5.4 911 Fee State Comparison

State	Landline	Wireless	Prepaid Wireless	Voice over Internet Protocol
Alabama	\$2.23	\$2.23	\$2.23	\$2.23
Alaska	\$0.00 to \$2.00	\$0.00 to \$2.00	n/a	n/a
Arizona	\$0.20	\$0.20	0.80%	\$0.20
Arkansas	5% to 12%	\$1.30	10.00%	\$1.30
California	\$0.30	\$0.30	\$0.30	\$0.30
Colorado	\$0.79 to \$4.09	\$0.79 to \$4.09	\$1.88	\$0.79 to \$4.09
Connecticut	\$0.68	\$0.68	\$0.68	\$0.68
Delaware	\$0.60	\$0.60	\$0.60	\$0.60
District of Columbia	\$0.76	\$0.76	2.00%	\$0.76
Florida	\$0.40	\$0.40	\$0.40	\$0.40
Georgia	\$1.50	\$1.50	\$1.50	\$1.50
Hawaii	\$0.27	\$0.66	n/a	\$0.66
Idaho	\$1.00 to \$1.25	\$1.00 to \$1.25	2.50%	\$1.00 to \$1.25
Illinois	\$1.50	\$1.50	3.00%	\$1.50
Indiana	\$1.00	\$1.00	\$1.00	\$1.00
Iowa	\$1.00	\$1.00	\$0.51	\$1.00
Kansas	\$0.90	\$0.90	2.06%	\$0.90
Kentucky	\$0.00 to \$7.00	\$0.70	\$0.93	\$0.00 to \$7.00
Louisiana	Residential: \$0.62 to \$1.25 Business: \$1.30 to \$2.75	\$0.85 to \$1.25	4%	\$1.00
Maine	\$0.35	\$0.35	\$0.35	\$0.35
Maryland	\$0.50 to \$2.00	\$0.50 to \$2.00	\$0.60	\$0.50 to \$2.00
Massachusetts	\$1.50	\$1.50	\$1.50	\$1.50

Table 5.4 911 Fee State Comparison (continued)

State	Landline	Wireless	Prepaid Wireless	Voice over Internet Protocol
Michigan	\$0.25 to \$3.25	\$0.25 to \$3.25	5.00%	\$0.25 to \$3.25
Minnesota	\$0.80	\$0.80	\$0.80	\$0.80
Mississippi	Residential: \$1.05 Business: \$2.05	\$1.00	\$1.00	\$1.00
Missouri	Varies by jurisdiction	Varies by jurisdiction	3%	Varies by jurisdiction
Montana	\$1.00	\$1.00	\$1.00	\$1.00
Nebraska	\$0.50 to \$1.00	\$0.45	1.00%	\$0.50 to \$1.00
Nevada	Varies by jurisdiction	Varies by jurisdiction	n/a	n/a
New Hampshire	\$0.75	\$0.75	\$0.75	\$0.75
New Jersey	\$0.90	\$0.90	n/a	\$0.90
New Mexico	\$0.51	\$0.51	1.38%	\$0.51
New York	\$0.35 to \$1.00	\$1.50	\$1.20 to \$1.50	\$0.35
North Carolina	\$0.55	\$0.55	\$0.55	\$0.55
North Dakota	\$1.50 to \$2.00	\$1.50 to \$2.00	2.50%	\$1.50 to \$2.00
Ohio	\$0.00 to \$0.50	\$0.40	0.50%	\$0.40
Oklahoma	3% to 15%	\$0.75	\$0.75	\$0.75
Oregon	\$1.25	\$1.25	\$1.25	\$1.25
Pennsylvania	\$1.95	\$1.95	\$1.95	\$1.95
Rhode Island	\$0.50	\$0.50	2.50%	\$0.50
South Carolina	\$0.45 to \$1.00	\$0.62	\$0.62	\$0.45 to \$1.00
South Dakota	\$1.25	\$1.25	2.00%	\$1.25
Tennessee	\$1.50	\$1.50	\$1.50	\$1.50
Texas	\$0.50 plus local variations	\$0.50	2.00%	\$0.50 plus local variations
Utah	Complex - see statute	Complex - see statute	Complex - see statute	Complex - see statute
Vermont	2.40%	2.40%	2.40%	2.40%
Virginia	\$0.75	\$0.75	\$0.50	\$0.75
Washington	\$0.95	\$0.95	\$0.95	\$0.95
West Virginia	Varies by county	\$3.64	n/a	Varies by county
Wisconsin	\$0.75 to \$1.15	\$0.75	\$0.38	\$0.75
Wyoming	\$0.35 to \$0.75	\$0.35 to \$0.75	1.50%	\$0.35 to \$0.75

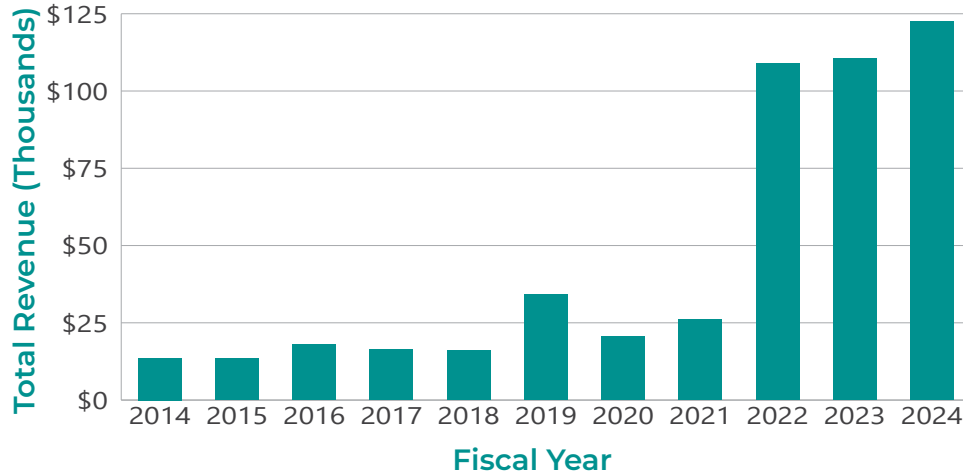
Cigarette License Fee

Statute: 16-11-122, MCA

Table 5.5 Cigarette License Fee Collections

Fiscal Year	Total Revenue
2014	\$13,610
2015	\$13,330
2016	\$18,095
2017	\$16,450
2018	\$16,115
2019	\$34,097
2020	\$20,445
2021	\$26,080
2022	\$108,975
2023	\$110,440
2024	\$122,525

Figure 5.5



Fee Rate

Sellers of tobacco, alternative nicotine, and vapor products in Montana must have a license from the state and renew the license annually. The \$50 licensing fees are assessed to:

- wholesalers, who buy products from manufacturers and attach tax stamps
- sub-jobbers, who buy tax-stamped products for resale
- vendors
- retailers

The sale of alternative nicotine and vapor products requires a separate license with an annual fee of \$20.

Table 5.6 Cigarette License Fee Schedule

Status	Annual Renewal Fee
Wholesalers	\$50
Sub-jobbers	\$50
Retailers	\$50
Vendors	\$50
Alternative Tobacco and Vapor Products	\$20

Filing and Payment

Licenses must be renewed annually by the license issue anniversary date. License fees are due at the time of renewal.

Distribution

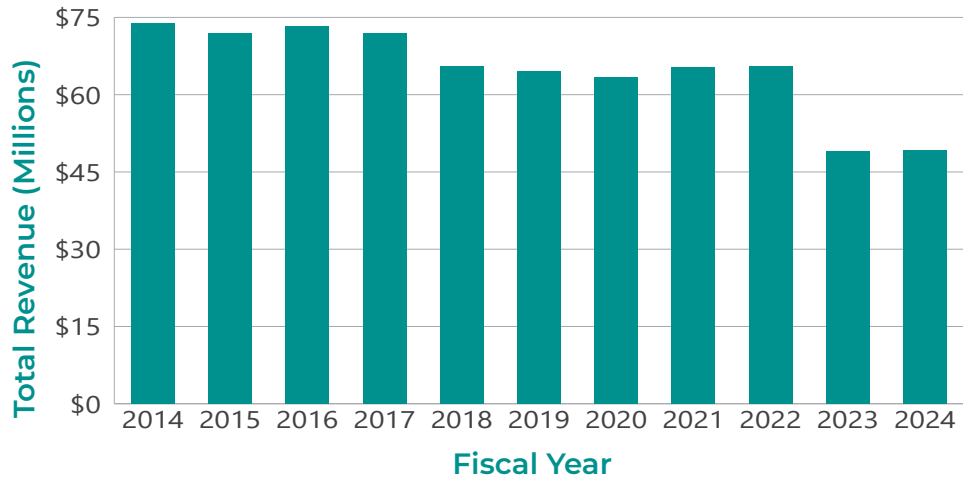
Revenues from the license fees are deposited in the state general fund (16-11-124, MCA). Cigarette enforcement activities are funded by an appropriation from the general fund, rather than directly by fees.

Cigarette Tax

Table 5.7 Cigarette Tax Collections

Fiscal Year	Total Revenue
2014	\$73,839,772
2015	\$71,843,320
2016	\$73,219,123
2017	\$71,872,218
2018	\$65,495,811
2019	\$64,496,884
2020	\$63,447,053
2021	\$65,291,417
2022	\$65,508,116
2023	\$49,078,065
2024	\$49,224,138

Figure 5.7



Tax Rate

Cigarettes and small cigars that resemble cigarettes are subject to a tax of \$1.70 per a pack of 20. If they are sold in a different size package, the tax is \$0.085 per cigarette.

The 2003 Legislature increased the rate from \$0.18 to \$0.70, effective May 1, 2003. In 2004, voters approved Initiative 149, which increased the rate to its current level.

Filing and Payment

The department pre-collects the tax by selling tax insignias to wholesalers, who must affix them to each package of cigarettes to indicate the tax has been paid. Only a licensed wholesaler may purchase the insignias. The department sells the insignias at face value minus an allowance for the costs of affixing the decals and collecting the tax on behalf of the department.

Distribution

Cigarette tax revenues are distributed to the following entities:

- Tribes, pursuant to revenue-sharing agreements
- Department of Public Health and Human Services, for maintenance and operation of state veterans' nursing homes
 - 8.3 percent of revenues or \$5 million, whichever is greater
- Long-Range Building Program Account
 - 2.6 percent of revenues
- State special revenue fund for Health and Medicaid initiatives
 - 44 percent of revenues
- State general fund (16-11-119, MCA)
 - Remaining revenues after above allocations

Distribution of Cigarette Tax

Table 5.8 Distribution of Cigarette Tax

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Revenue	\$63,447,053	\$65,291,417	\$65,508,116	\$49,078,065	\$49,224,138
Tobacco and Cig. Tribal Agreement	\$3,584,285	\$3,428,249	\$3,405,295	\$2,940,259	\$2,664,164
Remainder	\$59,862,768	\$61,863,168	\$62,102,821	\$46,137,806	\$46,559,974
State Veterans' Home (8.3%)	\$4,965,768	\$5,132,274	\$5,151,790	\$3,827,299	\$3,849,870
Long Range Building Program (2.6%)	\$1,555,542	\$1,607,700	\$1,613,814	\$1,198,913	\$1,205,983
DPHHS-Medicaid Initiatives (44%)	\$26,324,556	\$27,207,234	\$27,310,693	\$20,289,294	\$20,408,947
General Fund (remainder)	\$26,982,669	\$27,887,415	\$27,993,461	\$20,796,526	\$20,919,171

Taxation of Cigarettes on Indian Reservations

Under federal law, tribal governments reserve the right to tax cigarettes sales to tribal members on their reservation. To avoid problems with non-tribal members trying to avoid the tax by buying cigarettes on reservations, Montana has entered into revenue-sharing agreements with most of the tribal governments. These agreements provide for a refund of the tax on a fixed number of cigarettes sold to retailers on each reservation, and for each tribe to receive a share of revenue from the tax.

Retailers on the Flathead Reservation (Confederated Salish-Kootenai Tribe (CSKT)) receive a specific quota of tax-free cigarettes. Tax-free cigarettes can only be sold to CSKT members. After the quota is met, all other cigarettes shipped to the reservation are taxed as regular, non-reservation cigarettes.

State Comparison

Every state has a state cigarette tax. Five states allow local jurisdictions to impose an additional tax. The following table shows state, local, and combined cigarette taxes as of January 1, 2023.

There is a wide range of taxes, from \$0.21 in parts of Missouri to over \$7 in parts of Illinois. Twenty-four states and the District of Columbia have taxes that are higher than Montana's rate of \$1.70 per pack, 23 states have taxes that are lower than Montana's, and one (Utah) has the same tax rate as Montana.

Cigarette Excise Tax Rates

Table 5.9 Cigarette Excise Tax Rates

State	State Tax (\$ per Pack)	Local Tax (\$ per Pack)	Total Tax (\$ per Pack)
Alabama	\$0.675	\$0.01 to \$0.25	\$0.685 to \$0.925
Alaska	\$2.00		\$2.00
Arizona	\$2.00		\$2.00
Arkansas	\$1.15		\$1.15
California	\$2.87		\$2.87
Colorado	\$1.94		\$1.94
Connecticut	\$4.35		\$4.35
Delaware	\$2.10		\$2.10
Florida	\$1.339		\$1.34
Georgia	\$0.37		\$0.37
Hawaii	\$3.20		\$3.20
Idaho	\$0.57		\$0.57
Illinois	\$2.98	\$0.1 to \$4.18	\$3.08 to \$7.16
Indiana	\$0.995		\$1.00
Iowa	\$1.36		\$1.36
Kansas	\$1.29		\$1.29
Kentucky	\$1.10		\$1.10
Louisiana	\$1.08		\$1.08
Maine	\$2.00		\$2.00
Maryland	\$3.75		\$3.75
Massachusetts	\$3.51		\$3.51
Michigan	\$2.00		\$2.00
Minnesota	\$3.73		\$3.73
Mississippi	\$0.68		\$0.68
Missouri	\$0.17	\$0.04 to \$0.07	\$0.21 to \$0.24
Montana	\$1.70		\$1.70
Nebraska	\$0.64		\$0.64
Nevada	\$1.80		\$1.80
New Hampshire	\$1.78		\$1.78

Table 5.9 Cigarette Excise Tax Rates (continued)

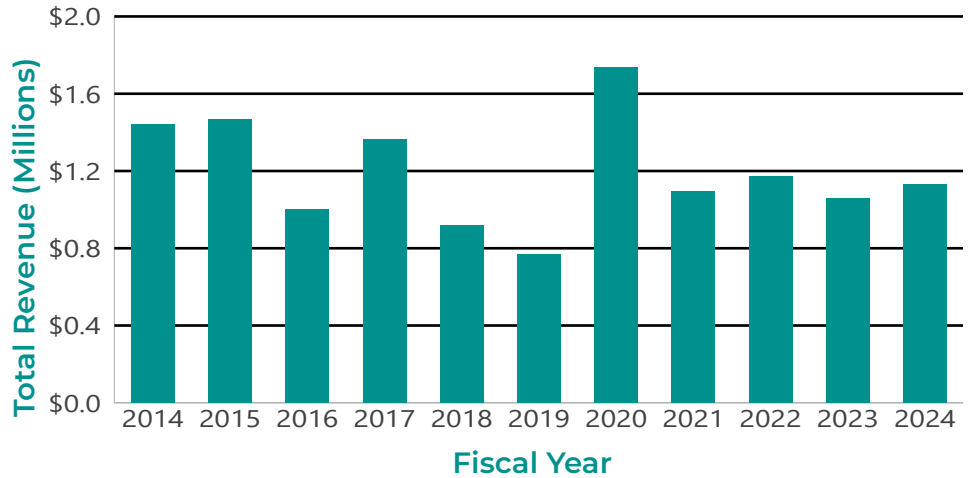
State	State Tax (\$ per Pack)	Local Tax (\$ per Pack)	Total Tax (\$ per Pack)
New Jersey	\$2.70		\$2.70
New Mexico	\$2.00		\$2.00
New York	\$4.35	\$0 to \$1.5	\$4.35 to \$5.85
North Carolina	\$0.45		\$0.45
North Dakota	\$0.44		\$0.44
Ohio	\$1.60		\$1.60
Oklahoma	\$2.03		\$2.03
Oregon	\$3.33		\$3.33
Pennsylvania	\$2.60		\$2.60
Rhode Island	\$4.25		\$4.25
South Carolina	\$0.57		\$0.57
South Dakota	\$1.53		\$1.53
Tennessee	\$0.67	\$0.01	\$0.68
Texas	\$1.41		\$1.41
Utah	\$1.70		\$1.70
Vermont	\$3.08		\$3.08
Virginia	\$0.60	\$0.02 to \$0.15	\$0.32 to \$0.45
Washington	\$3.025		\$3.03
West Virginia	\$1.20		\$1.20
Wisconsin	\$2.52		\$2.52
Wyoming	\$0.60		\$0.60
District of Columbia	\$5.02		\$5.02

Consumer Counsel Fee

Table 5.10 Consumer Counsel Fee Collections

Fiscal Year	Total Revenue
2014	\$1,444,344
2015	\$1,469,750
2016	\$1,002,553
2017	\$1,365,518
2018	\$919,347
2019	\$768,265
2020	\$1,736,461
2021	\$1,093,101
2022	\$1,170,580
2023	\$1,061,084
2024	\$1,131,725

Figure 5.10



Fee Rate

All companies regulated by the Public Service Commission (PSC) are assessed a fee to cover the operation of the Consumer Counsel, which represents consumers in proceedings before the PSC. The fee is a percentage of gross revenue from regulated activities. The rate is set annually for the following fiscal year.

Table 5.11 Consumer Counsel Fee Rates

Tax Year	Rate
10/1/2013 - 9/30/2014	0.110%
10/1/2014 - 9/30/2015	0.100%
10/1/2015 - 9/30/2016	0.060%
10/1/2016 - 9/30/2017	0.100%
10/1/2017 - 9/30/2018	0.046%
10/1/2018 - 9/30/2019	0.051%
10/1/2019 - 9/30/2020	0.127%
10/1/2020 - 9/30/2021	0.048%
10/1/2021 - 9/30/2022	0.069%
10/1/2022 - 9/30/2023	0.048%
10/1/2023 - 9/30/2024	0.060%

Filing and Payment

All companies regulated by the Public Service Commission are subject to the fee. The fee is due within 30 days after the end of each quarter.

Distribution

Revenues are deposited in a state special revenue account for the operation of the Office of Consumer Counsel (69-1-201; 223; 224, MCA).

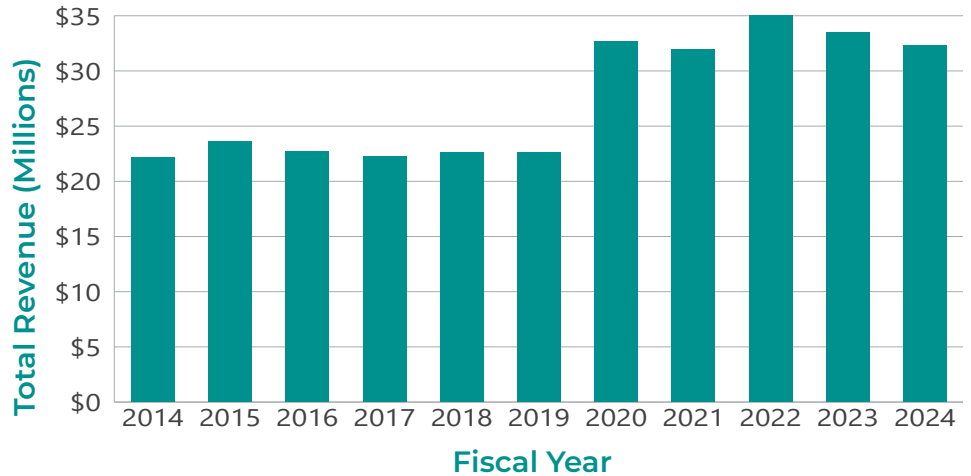
Hospital Facility Utilization Fee

Statute: Title 15, Chapter 66, MCA

Table 5.12 Hospital Facility Utilization Fee Collections

Fiscal Year	Total Revenue
2014	\$22,179,418
2015	\$23,626,972
2016	\$22,667,834
2017	\$22,282,214
2018	\$22,619,596
2019	\$22,578,403
2020	\$32,681,387
2021	\$31,937,500
2022	\$35,016,050
2023	\$33,501,091
2024	\$32,293,240

Figure 5.12



Fee Rate

Beginning in 2019, all hospitals licensed by the state, except for the Montana State Hospital, are required to pay a \$70 utilization fee for each inpatient bed day. A utilization fee of 0.90 percent of outpatient revenue was added in 2019.

Filing and Payment

The hospital must pay the fees for the preceding calendar year on all taxable inpatient bed days. The table below lists the fee per inpatient bed day since the fee was instituted.

Table 5.13 Hospital Facility Utilization Fee Schedule

Period Over Which Fee Applies	Fee Per Inpatient Bed Day
January 1, 2004 through June 30, 2005	\$19.43
July 1, 2005 through December 31, 2005	\$29.75
January 1, 2006 through June 30, 2007	\$27.70
July 1, 2007 through December 31, 2007	\$47.00
January 1, 2008 through December 31, 2008	\$43.00
January 1, 2009 through December 31, 2009	\$48.00
January 1, 2010 through December 31, 2018	\$50.00
Beginning January 1, 2019	\$70.00

Distribution

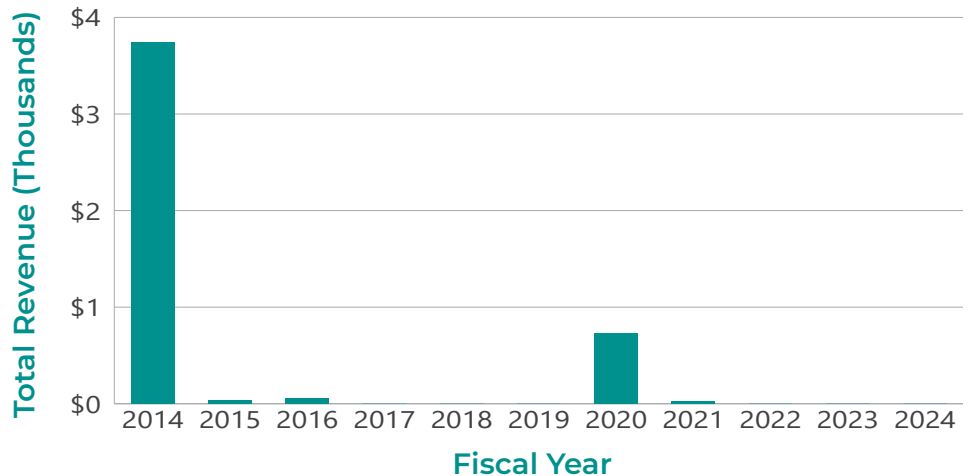
Fifty-four (54) percent of the outpatient utilization fee revenue is deposited in the Montana HELP Act special revenue account (53-6-1315, MCA). The remaining proceeds from the outpatient utilization fee; all proceeds from the inpatient utilization fee are deposited in a special revenue account for use by the Department of Public Health and Human Services to reimburse hospitals serving Medicaid patients (15-66-102, MCA).

Inheritance and Estate Tax

Table 5.14 Inheritance and Estate Tax Collections

Fiscal Year	Total Revenue
2014	\$3,741
2015	\$35
2016	\$62
2017	\$0
2018	\$0
2019	\$0
2020	\$735
2021	\$24
2022	\$0
2023	\$0
2024	\$0

Figure 5.12



Tax Rate

An estate tax is a tax on the value of the estate a person leaves when they die. The estate tax is paid by the estate of the deceased. An inheritance tax is a tax on the value of the bequest each heir receives.

Before 2001, Montana had an inheritance tax with rates that varied according to the heir’s relationship to the decedent. Montana’s inheritance tax was repealed in November 2000 by the passage of Legislative Referendum 116, resulting in the inheritance tax not applying to bequests made on or after January 1, 2001.

Montana also has an estate tax equal to the difference between the state inheritance tax and amount of credit that the federal estate tax law allows for state taxes. This way, the estate tax allows the state to receive a share of the federal tax on Montana estates, with that share determined by federal law.

With repeal of the inheritance tax, the estate tax became a standalone tax.

Federal legislation passed in 2001 and 2010 changed the federal estate tax law. It phased out the credit for state taxes between 2002 and 2004 and replaced it with a deduction beginning in 2005. With no federal credit, Montana has an estate tax with an effective rate of zero.

No Montana tax applies to the estates of people who died after January 1, 2005. All estate-related revenue received in FY 2006 through 2021 is from the estates of people who died before the end of 2004. The state continues to receive small amounts of this type of revenue because it can take years for final settlement of all issues pertaining to an estate.

Distribution

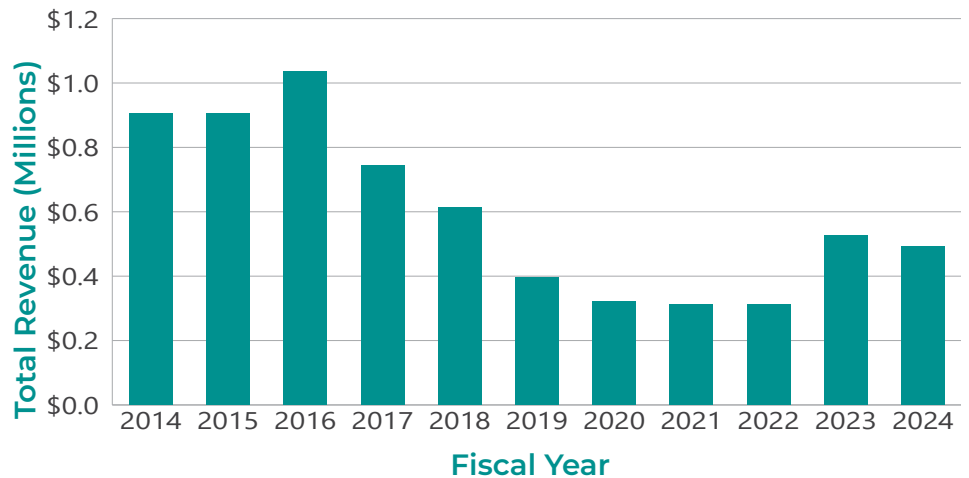
Revenues are deposited in the state general fund.

Intermediate Care Facility Utilization Fee

Table 5.15 Intermediate Care Facility Utilization Fee Collections

Fiscal Year	Total Revenue
2014	\$906,220
2015	\$906,155
2016	\$1,036,982
2017	\$743,617
2018	\$614,244
2019	\$397,440
2020	\$323,293
2021	\$311,860
2022	\$313,407
2023	\$527,716
2024	\$492,630

Figure 5.15



Fee Rate

The Intermediate Care Facility Utilization Fee is 6 percent of the revenue of intermediate care facilities for the developmentally disabled. The fee was first implemented by the 2003 Legislature at a rate of 5 percent. The 2005 Legislature changed the fee per bed-day to a quarterly payment of 6 percent of the intermediate care facility’s quarterly revenue divided by the resident bed days for the same period.

For facilities operated by the state, the fee is calculated on total quarterly expenditures.

Filing and Payment

Reports and payments are due within 30 days of the end of each quarter.

Distribution

Of the revenue generated by this fee, 30 percent is deposited into the state general fund and 70 percent into the prevention and stabilization account in the state special revenue fund for the Department of Public Health and Human Services to finance, administer, and provide health and human services (15-67-102, MCA).

Table 5.16 Distribution of Intermediate Care Facility Utilization Fee

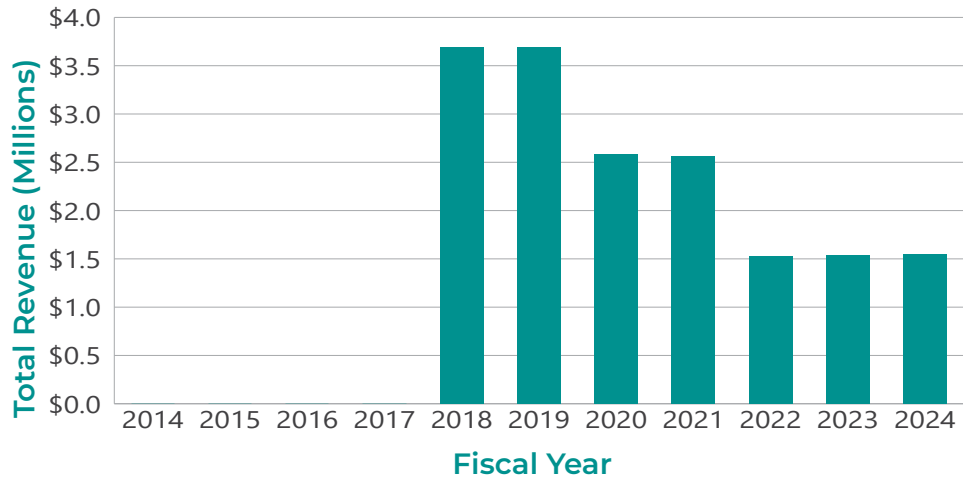
Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Fund (30%)	\$96,988	\$93,558	\$94,022	\$158,315	\$147,789
Prevention & Stabilization (70%)	\$226,305	\$218,302	\$219,385	\$369,401	\$344,841

Invasive Species Fee

Table 5.17 Invasive Species Fee Collections

Fiscal Year	Total Revenue
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$3,695,798
2019	\$3,688,075
2020	\$2,581,134
2021	\$2,565,289
2022	\$1,531,836
2023	\$1,537,288
2024	\$1,552,559

Figure 5.17



Fee Rate

The 2017 Legislature created temporary fees on hydroelectric power to fund programs to prevent the spread of invasive aquatic species. These fees applied from July 1, 2017, through June 30, 2019. The 2019 Legislature established a tiered fee structure and made the fees permanent. The 2021 Legislature replaced the tiered structure with a flat quarterly fee of \$397.88 per megawatt of nameplate capacity. Facilities with a nameplate capacity less than 1.5 megawatts are exempt.

Filing and Payment

Reports and payment are due within 30 days of the end of each quarter.

Distribution

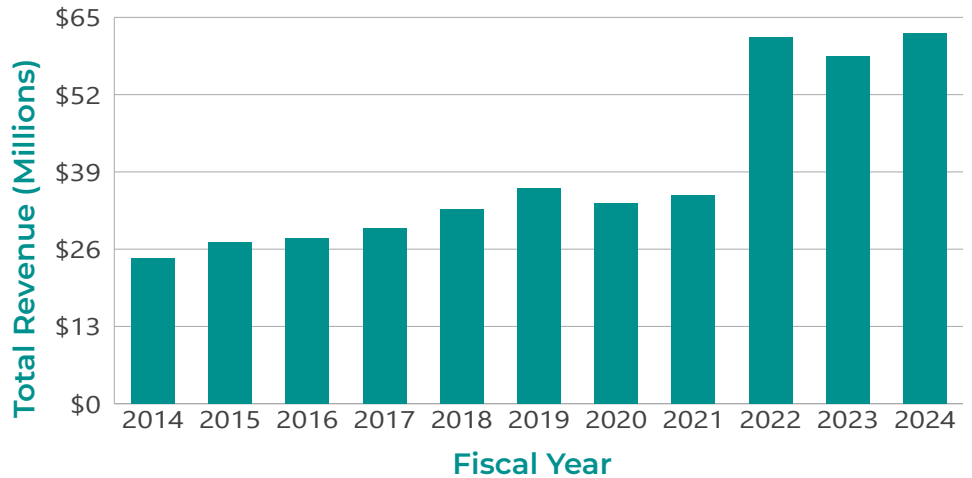
Revenues are deposited in the invasive species state special revenue account (80-7-1004, MCA).

Lodging Facility Use Tax

Table 5.18 Lodging Facility Use Tax Collections

Fiscal Year	Total Revenue
2014	\$24,487,190
2015	\$27,127,478
2016	\$27,910,664
2017	\$29,539,381
2018	\$32,805,856
2019	\$36,297,514
2020	\$33,679,511
2021	\$35,058,060
2022	\$61,624,239
2023	\$58,520,125
2024	\$62,408,137

Figure 5.18



Tax Rate

The 1987 Legislature enacted a tax on short-term lodging, with the proceeds used primarily to fund tourism promotion. The tax is imposed on users of short-term, overnight lodging facilities and is 4 percent of the lodging charge. This rate is in addition to, and applies to the same facilities as, the Lodging Sales Tax (15-65-131, MCA), which was enacted in 2003 at a rate of 3 percent and raised in 2020 to 4 percent, for an effective total of 8 percent for both taxes.

Filing and Payment

The owner or operator of a facility collects the tax from customers and must pay the tax quarterly to the department. The tax is due on or before the last day of the month immediately following the end of the quarter. To simplify compliance, the department has lodging operators file a single return, combining the lodging facility use tax and the lodging sales tax.

Distribution

The department’s costs of administering the Lodging Facility Use Tax are paid out of receipts from the tax. This process differs from most taxes, where the department’s costs are paid from the state general fund. For each fiscal year, the legislature appropriates an amount to the department to cover its costs, and this amount is deducted from tax collections.

The legislature originally chose not to tax business travel by state employees. However, rather than exempting state travel from the tax, the legislature required the department to reimburse state agencies for the tax they paid.

Agencies reported the amount they spent on lodging from each of their funding sources, and the department reimbursed each of the funds.

This system was cumbersome to administer and difficult to track, so in 2011, the legislature simplified the process (HB 111). Beginning in FY 2012, 30 percent of tax collected from state agencies is deposited in the general fund. Tax on state agency travel paid with federal funds is given to the Department of Administration to be returned to the federal government through its normal process for returning unspent federal funds. The rest of the tax paid by state agencies is included in the normal distribution.

The remaining revenue is allocated to the following accounts:

Table 5.19 Lodging Facility Use Tax Allocation

Percentage of allocation	Fund/department	Purpose
60.2%	Department of Commerce	Statewide tourism promotion
1.4%	Invasive species state special revenue account	
0.5%	State Tribal Economic Development Commission	Tourism promotion
0.1%	Shelter Grant Program	Provide lodging for victims of domestic violence or human trafficking
1.0%	Montana Historical Society	Roadside historical signs and historic sites
2.5%	Montana University System	Montana Travel Research Program
2.6%	Montana Historical Society	Costs of state museum and Robert Scriber sculpture collection
6.5%	Dept. of Fish, Wildlife, and Parks	Maintain facilities in state parks
22.5%	Regional nonprofit tourism corps/visitors bureau	Local tourism promotion
Lesser of 2.7% or \$1 million	Montana Heritage Preservation and Development	Preservation of historic properties

Each of the state's six tourism promotion regions receives revenue proportional to the tax collected in its region. If the share of this allocation due to taxes collected in a city or resort area is more than \$35,000, half of that amount goes to the local convention and visitors bureau.

The 2011 Legislature (HB 477) created the 2.6 percent allocation to the Historical Society, the 2017 Legislature (SB 309) created the 0.5 percent allocation to the State-Tribal Economic Development Commission, the 2019 Legislature (HB 411) created the 1.4 percent allocation to the invasive species account, and the 2023 Legislature (SB 522) created the 0.1 percent allocation to the shelter grant program. In all four cases, the legislature reduced the Department of Commerce's allocation by the same percentage.

Table 5.20 Distribution of Lodging Facility Use Tax

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Revenue	\$33,679,511	\$35,058,060	\$61,624,239	\$58,520,125	\$62,408,137
DOR Administration	\$130,716	\$130,712	\$130,801	\$130,801	\$132,153
Travel Reimbursements	\$112,665	\$54,395	\$245,579	\$130,686	\$340,165
MT Heritage Preservation Acct.	\$400,000	\$400,000	\$1,000,000	\$999,968	\$1,001,501
Remainder	\$33,036,130	\$34,472,952	\$60,247,859	\$57,258,670	\$60,934,318
Department of Commerce	\$20,810,585	\$21,717,961	\$36,932,065	\$35,129,959	\$16,122,905
Aquatic Invasive Species	\$0	\$0	\$857,465	\$815,621	\$867,101
MT Historical Soc. Sites & Signs	\$330,350	\$344,730	\$612,475	\$582,586	\$619,358
MT University System	\$825,874	\$861,825	\$1,531,187	\$1,456,466	\$1,548,395
MT Historical Soc. Interpret. Acct.	\$858,909	\$896,298	\$1,592,435	\$1,514,725	\$1,610,331
Fish, Wildlife, and Parks	\$2,147,258	\$2,240,736	\$3,981,087	\$3,786,812	\$4,025,828
Regional Tourism	\$7,432,853	\$7,756,415	\$13,780,685	\$13,108,194	\$13,935,559
Shelter Grant Program	\$0	\$0	\$0	\$0	\$61,936
State/Tribal Economic Development	\$0	\$172,366	\$306,238	\$291,293	\$309,679

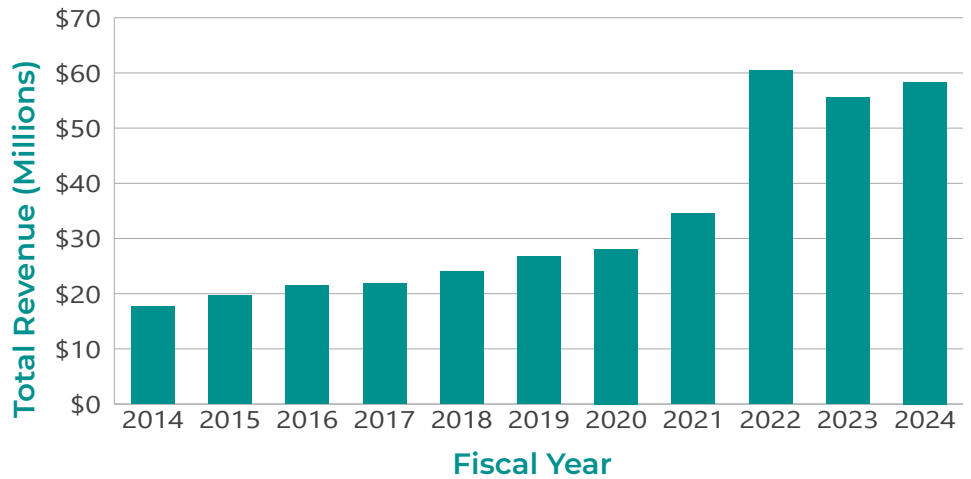
Lodging Sales Tax

Statute: Title 15, Chapter 68, MCA

Table 5.21 Lodging Sales Tax Collections

Fiscal Year	Total Revenue
2014	\$17,725,159
2015	\$19,696,526
2016	\$21,492,606
2017	\$21,780,133
2018	\$24,091,089
2019	\$26,703,268
2020	\$28,110,048
2021	\$34,498,312
2022	\$60,427,465
2023	\$55,568,932
2024	\$58,370,068

Figure 5.21



Tax Rate

The 2003 Legislature enacted a 3 percent selective sales and use tax on accommodations and campgrounds. The tax rate increased to 4 percent on January 1, 2020. This 4 percent tax is levied in addition to, and applies to the same facilities as, the Lodging Facilities Use Tax (15-68-102, MCA), for a combined total of 8 percent for both taxes.

Filing and Payment

The sales tax is imposed on the purchaser and collected and paid by the seller to the department. The tax is due by the last day of the month immediately following the end of the quarter. Sellers who file a return and pay the tax on time may keep 5 percent of the tax collected as compensation for collecting the tax. Prior to 2020, the vendor allowance was capped at \$1,000 per location. To simplify compliance, the department has the seller file a single return, combining the Lodging Facility Use Tax and the Lodging Sales Tax.

Distribution

Prior to 2020, all accommodations and campground sales and use tax revenue went to the state general fund. The 2019 Legislature passed SB 338, which established allocations to other funds and accounts. Beginning with Calendar Year 2020 and ending in 2024, the revenue from the accommodations and campground sales and use tax is allocated as follows (15-68-820, MCA):

Table 5.22 Lodging Sales Tax Allocation (until December 2024)

Percentage of Allocation	Fund/Department
75%	General Fund
5%	Montana Historic Preservation Grant Program
20%	Montana Heritage Center (construction)

Table 5.23 Lodging Sales Tax Allocation (beginning January 2025)

Percentage of Allocation	Fund/Department
75%	General Fund
6%	Montana Heritage Center (maintenance)
6%	Travel Reimbursement and Tourism Promotion
6%	Montana Historic Preservation Grant Program
7%	Long Range Building Program

Table 5.24 Lodging Sales Tax Distribution

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Fund	\$25,058,028	\$25,873,734	\$45,320,599	\$41,676,699	\$43,777,551
Montana Historic Preservation Grant Program	\$610,403	\$1,724,915	\$3,021,373	\$2,778,447	\$2,918,503
Montana Heritage Center	\$2,441,616	\$6,899,663	\$12,085,493	\$11,113,787	\$11,674,014

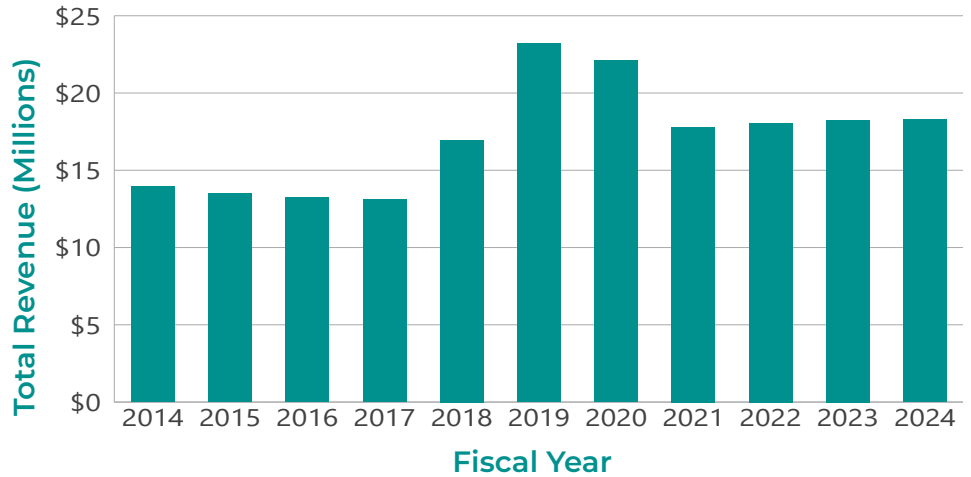
Nursing Facility Utilization Fee

Statute: Title 15, Chapter 60, MCA

Table 5.25 Nursing Facility Utilization Fee Collections

Fiscal Year	Total Revenue
2014	\$13,929,619
2015	\$13,485,243
2016	\$13,232,878
2017	\$13,109,763
2018	\$16,959,437
2019	\$23,200,576
2020	\$22,088,780
2021	\$17,800,928
2022	\$18,061,814
2023	\$18,250,318
2024	\$18,280,740

Figure 5.25



Tax Rate

All nursing homes licensed by the Department of Public Health and Human Services and the Montana Mental Health Nursing Care Center must pay a fee for each bed-day of services provided to a resident. For Fiscal Year 2007 through 2017, the fee was \$8.30. The 2017 Legislature (HB 618) increased the fee to \$11.30 for Fiscal Year 2018 and to \$15.30 beginning in Fiscal Year 2019.

Filing and Payment

The fee is due quarterly. Reports and payments are due on or before the last day of the month following the end of each quarter.

Distribution

Revenues are to be used to fund the state share of Medicaid payments to nursing homes.

For all facilities, other than the Montana Mental Health Nursing Care Center, \$2.80 is distributed to the general fund, and the remainder is distributed to the nursing facility utilization fee account (15-60-102, MCA).

Utilization fees paid by the Montana Mental Health Nursing Care Center are distributed 30 percent to the state general fund and 70 percent to the prevention and stabilization account administered by DPHHS to finance, administer, and provide health and human services (53-6-1101, MCA).

Table 5.26 Distribution of Nursing Facility Utilization Fees

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Non-Montana Mental Health Nursing Care Center Facilities					
General Fund	\$3,965,650	\$3,180,615	\$3,230,809	\$3,271,723	\$3,279,827
Nursing Facility Utilities Acct. Fee	\$17,704,568	\$14,199,793	\$14,423,887	\$14,606,545	\$14,642,724
Montana Mental Health Nursing Care Center Facilities					
General Fund (30%)	\$125,569	\$126,156	\$122,135	\$111,615	\$107,456
Prevention and Stabilization Fee (70%)	\$292,993	\$294,364	\$284,982	\$260,435	\$250,732

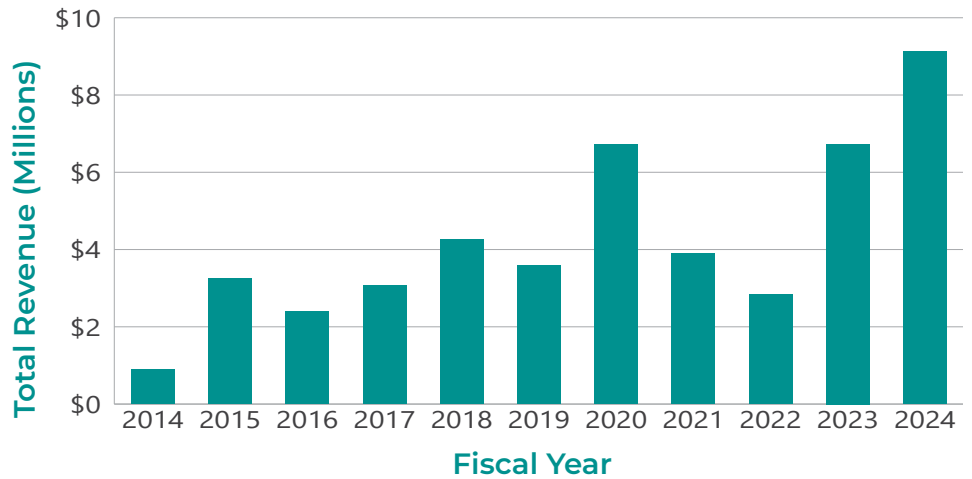
Public Contractor's Gross Receipts

Statute: Title 15, Chapter 50, MCA

Table 5.27 Public Contractor Gross Receipts Collections

Fiscal Year	Total Revenue
2014	\$887,078
2015	\$3,256,741
2016	\$2,397,493
2017	\$3,078,111
2018	\$4,266,687
2019	\$3,597,205
2020	\$6,728,555
2021	\$3,897,240
2022	\$2,840,073
2023	\$6,733,045
2024	\$9,124,961

Figure 5.27



Tax Rate

The Public Contractor's Gross Receipts Tax equals 1 percent of the gross receipts from state, local government, or federal construction contracts, other than construction of a federal research facility. The tax applies both to prime contractors and subcontractors. The 2023 Legislature (SB 253) exempted contracts of \$80,000 or less. Prior to 2023, contracts with a value of \$5,000 or less were exempt.

Filing and Payment

Entities awarding the contract are required to file a registration form with the department at the time they are awarded a contract. The agency awarding the contract is required to withhold the tax and submit it to the department within 30 days of any payment to the contractor. The prime contractor is required to withhold the tax from payments to subcontractors and file a report with the department within 30 days.

Refunds of the Tax

The purpose of the Public Contractor's Gross Receipts Tax is to provide an incentive for out-of-state contractors to pay other taxes they owe, not to raise revenue directly. Contractors who pay corporate or individual income tax, property taxes on their equipment, and motor vehicle fees on their business vehicles may use their contractor's gross receipts tax payments as credits against those taxes.

Contractors who have paid property taxes and vehicle fees may request a refund of their contractor's gross receipts tax payments up to the amount of these taxes and fees. Alternatively, a contractor may use their contractor's gross receipts tax payments as a credit against individual or corporate income tax. A contractor may also claim a refund for property taxes and vehicle fees and use any contractor's gross receipts tax payments over this amount as an income tax credit.

Refunds for property taxes and vehicle fees must be for the same year that the contractor's gross receipts tax was paid. Corporate and individual income tax credits can be carried forward for up to five years.

Distribution

Revenues are deposited in the state general fund (15-50-311, MCA).

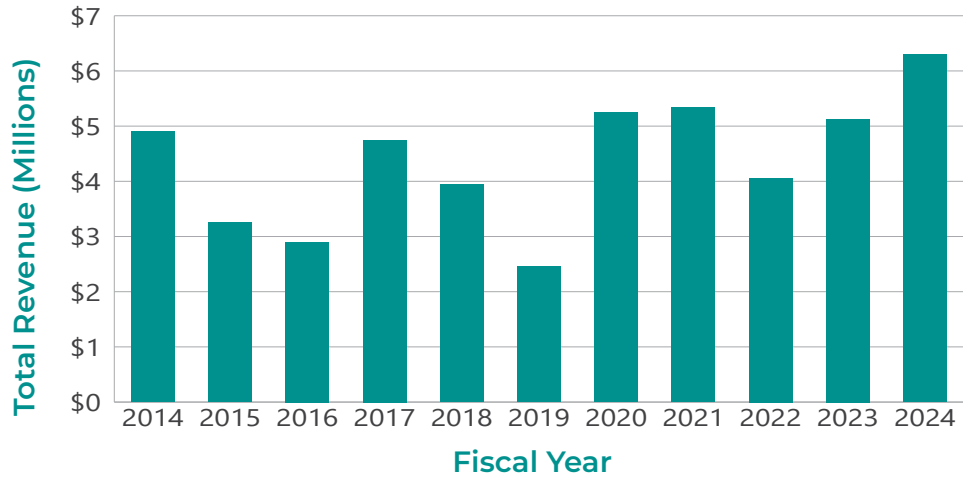
Public Service Commission Fee

Statute: Title 69, Chapter 1, Part 4, MCA

Table 5.28 Public Service Commission Fee Collections

Fiscal Year	Total Revenue
2014	\$4,910,861
2015	\$3,254,094
2016	\$2,897,229
2017	\$4,745,981
2018	\$3,936,916
2019	\$2,460,333
2020	\$5,239,599
2021	\$5,331,686
2022	\$4,056,719
2023	\$5,133,381
2024	\$6,296,170

Figure 5.28



Tax Rate

All companies providing services that are regulated by the Public Service Commission, other than motor carriers, are subject to a tax on gross operating revenue from final sales. Revenues from sales for resale to other regulated companies are not subject to the tax. The tax rate is set annually for the succeeding fiscal year to cover appropriations for the operation of the Department of Public Service Regulation.

Table 5.29 Public Service Commission Fee Rates

Effective Dates	Rate
10/1/2013 - 9/30/2014	0.420%
10/1/2014 - 9/30/2015	0.200%
10/1/2015 - 9/30/2016	0.230%
10/1/2016 - 9/30/2017	0.390%
10/1/2017 - 9/30/2018	0.240%
10/1/2018 - 9/30/2019	0.162%
10/1/2019 - 9/30/2020	0.439%
10/1/2020 - 9/30/2021	0.347%
10/1/2021 - 9/30/2022	0.220%
10/1/2022 - 9/30/2023	0.300%
10/1/2023 - 9/30/2024	0.370%

Filing Requirements

Taxpayers must file and pay the tax within 30 days of the end of each calendar quarter.

Distribution

Revenues are deposited in a state special revenue account for the administration of the Public Service Commission (69-1-402, MCA).

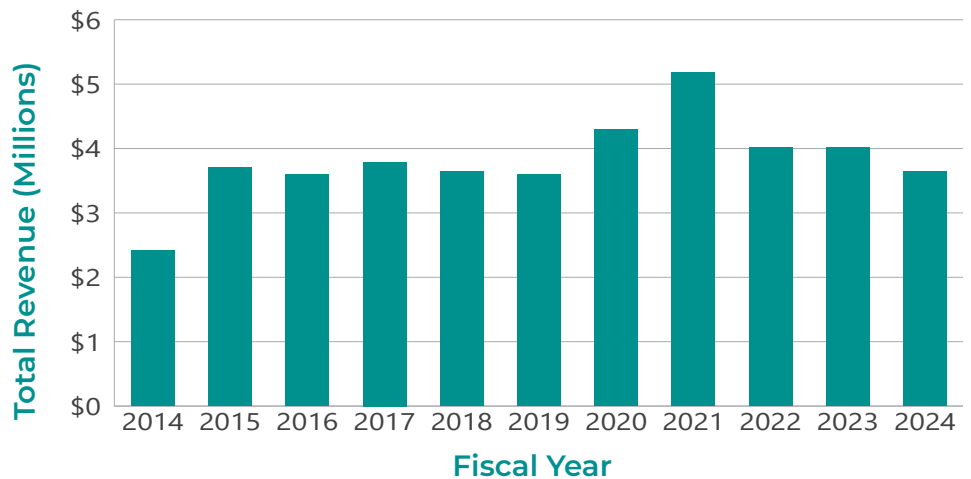
Rail Car Tax

Statute: Title 15, Chapter 23, Part 2, MCA

Table 5.30 Rail Car Tax Collections

Fiscal Year	Total Revenue
2014	\$2,418,072
2015	\$3,706,309
2016	\$3,594,460
2017	\$3,790,195
2018	\$3,648,993
2019	\$3,593,860
2020	\$4,293,652
2021	\$5,186,537
2022	\$4,019,546
2023	\$4,012,330
2024	\$3,644,552

Figure 5.30



Tax Rate

A railroad car company owns, operates, or furnishes rail cars but does not own or operate tracks. Since rail cars have no fixed location, property tax on rail car companies is collected by the state rather than at the local level.

The market value of rail car property is centrally assessed by the department. It is based on the value of the company's rolling stock and the fraction of its car-miles traveled in Montana. The taxable value is calculated using the rate for railroad property, which is calculated annually as the average rate applied to non-railroad commercial and industrial property. Tax is calculated by multiplying the taxable value by the average of mill levies applied to commercial and industrial property.

The legislature changed taxation of rail car companies from a gross receipts tax to an ad valorem (i.e. proportional to the value) tax in the 1992 Special Session. The 1997 Legislature temporarily lowered the mill levy applied to rail car companies to 95 percent of the average mill levy. This change expired at the end of Tax Year 2002.

Filing Requirements

Rail car companies are required to file a report by April 15 of each year, providing the number and cost of rail cars owned at the end of the previous year, and the number of car miles traveled inside and outside Montana.

The department computes the Rail Car Tax and sends the railroad car company a written notice with the amount of taxes due. This notice must include the taxable value of the property and the average levy used (15-23-214, MCA). One half of the tax is due by November 30 of each year. The other half of the tax is due by May 31 of each year.

Distribution

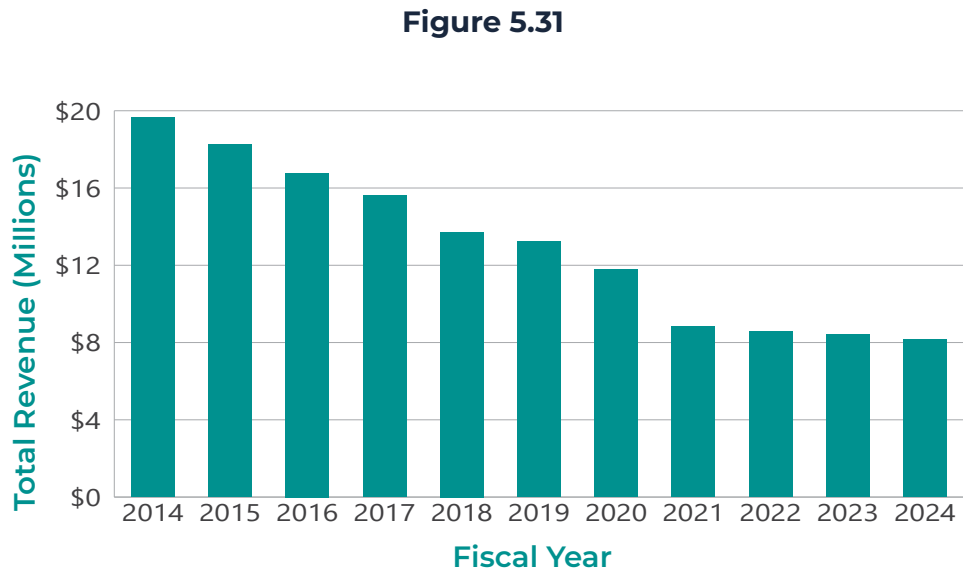
Revenues are deposited in the state general fund (15-23-215, MCA).

Retail Telecommunications Excise Tax

Statute: Title 15, Chapter 53, MCA

Table 5.31 Retail Telecommunications Excise Tax Collections

Fiscal Year	Total Revenue
2014	\$19,656,770
2015	\$18,256,517
2016	\$16,774,868
2017	\$15,602,798
2018	\$13,725,924
2019	\$13,223,885
2020	\$11,788,418
2021	\$8,814,228
2022	\$8,570,714
2023	\$8,435,920
2024	\$8,138,595



Tax Rate

The Retail Telecommunications Excise Tax is 3.75 percent on retail sales of telecommunications service when the transmission either originates or terminates in Montana.

The tax applies to both land line and traditional mobile service but does not apply to prepaid wireless service purchased through a third party, such as prepaid phone cards purchased at a grocery store or other retailer.

Prior to 2000, Montana levied a telephone company license tax of 1.8 percent on the gross revenue telephone companies earned from in-state telephone calls. The 1999 Legislature replaced it with the current tax as part of legislation that also reduced property taxes on telecommunication company property.

Filing Requirements

Each retail telecommunication service provider must file a quarterly return due 60 days after the end of the quarter.

Distribution

Revenues are deposited in the state general fund (15-53-156, MCA).

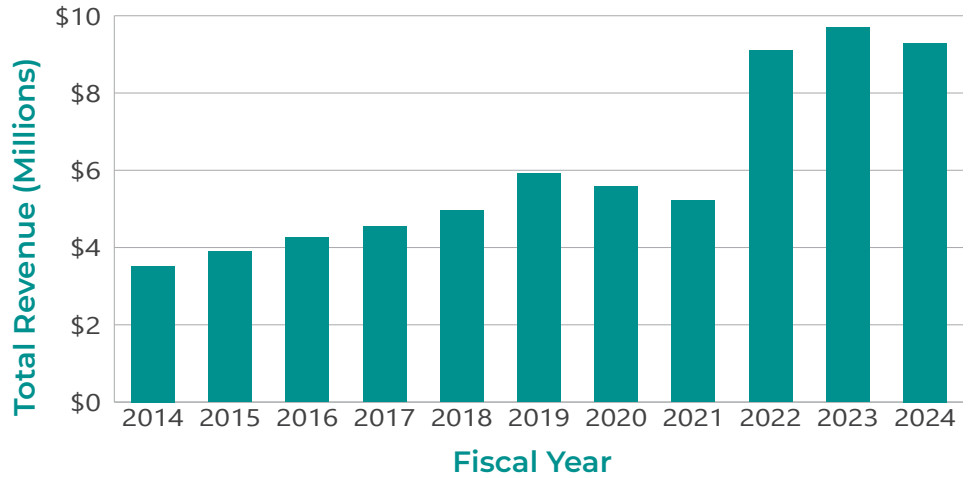
Sales Tax - Rental Vehicles

Statute: Title 15, Chapter 68, MCA

Table 5.32 Rental Vehicle Sale Tax Collections

Fiscal Year	Total Revenue
2014	\$3,521,324
2015	\$3,906,745
2016	\$4,269,438
2017	\$4,536,234
2018	\$4,958,598
2019	\$5,907,633
2020	\$5,572,444
2021	\$5,220,765
2022	\$9,097,067
2023	\$9,693,674
2024	\$9,295,718

Figure 5.32



Tax Rate

The 2003 Legislature enacted a 4 percent sales and use tax on the base rental charge for vehicles rented for 30 days or fewer (15-68-102, MCA). The base rental charge includes:

- charges based on time of use or mileage
- charges for personal accident insurance
- charges for additional or underage drivers
- charges for certain accessory equipment Rental vehicles subject to the tax include:
 - automobiles, vans and SUVs
 - trucks rated at one ton or less
 - motorcycles and quadracycles
 - off-highway vehicles
 - motorboats and sailboats
 - trucks, trailers and semis with GVW less than 22,000 pounds

Vehicles designed to carry more than 15 passengers, farm vehicles, machinery, or equipment, and vehicles rented to a driver are not subject to the tax.

Filing and Payment

The sales tax is imposed on the purchaser, and collected and paid by the seller to the department. The tax is due by the last of the month immediately following the end of each quarter. A rental vehicle business that files a return and pays the tax on time may keep 5 percent of the tax collected as compensation for collecting the tax. Prior to Tax Year 2020, the vendor allowance was capped at \$1,000 per location.

Distribution

Before 2016, all rental vehicle sales tax revenue was deposited into the state's general fund. Beginning with calendar year 2016, rental vehicle sales tax revenue is distributed as follows (15-68-820, MCA):

- 75 percent: state general fund
- 25 percent: senior citizen and persons with disabilities transportation

Table 5.33 Distribution of Rental Vehicles Sales Tax

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Fund (75%)	\$4,179,333	\$4,091,884	\$7,147,254	\$7,605,473	\$7,347,399
Senior citizen/disabilities transportation service (25%)	\$1,393,111	\$1,363,962	\$2,382,418	\$2,535,158	\$2,449,133

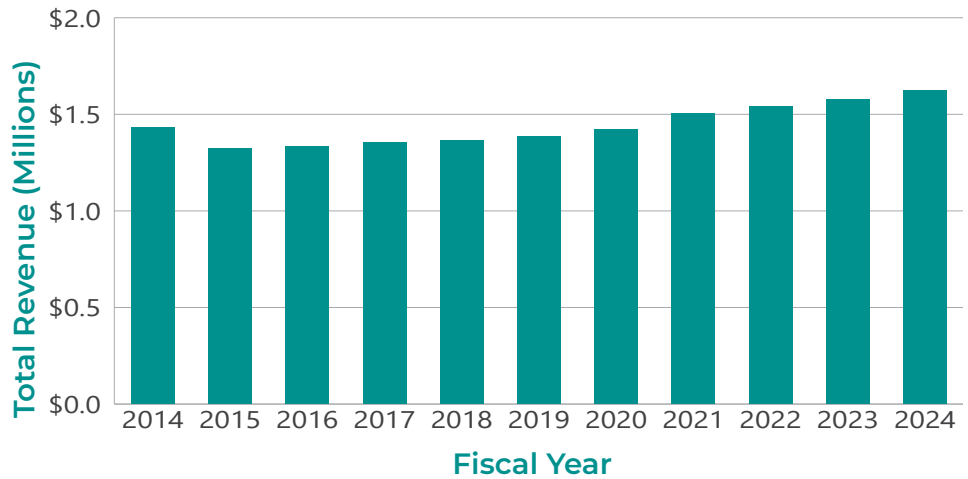
TDD Telecommunications Service Fee

Statute: Title 53, Chapter 19, Part 3, MCA

Table 5.34 TDD Telecommunications Service Tax Collections

Fiscal Year	Total Revenue
2014	\$1,430,128
2015	\$1,321,811
2016	\$1,334,146
2017	\$1,352,174
2018	\$1,365,782
2019	\$1,386,037
2020	\$1,421,675
2021	\$1,502,526
2022	\$1,541,544
2023	\$1,577,788
2024	\$1,623,531

Figure 5.34



Fee Rate

A monthly fee of \$0.10 is assessed on each access line in the state to fund telecommunications services for individuals who have disabilities preventing them from using regular telecommunications services. Service providers include the fee in customers' bills or in the price charged for prepaid service. A service provider may deduct and keep 0.75 percent of the total fees collected each month to cover its administrative expenses.

The 2007 Legislature clarified that all telecommunications providers, including those using newer technologies or formats such as Voice over Internet Protocol (VoIP) or prepaid wireless service, must collect the fee and remit the revenue to the state.

Filing and Payment

The fee is paid by the subscriber but is collected by and paid to the state by the service provider on a quarterly basis. Returns and payments are due on the last day of the month immediately following the end of each quarter.

Distribution

Revenues are deposited in a special revenue account to provide telecommunications devices for persons with disabilities (53-19-310, MCA).

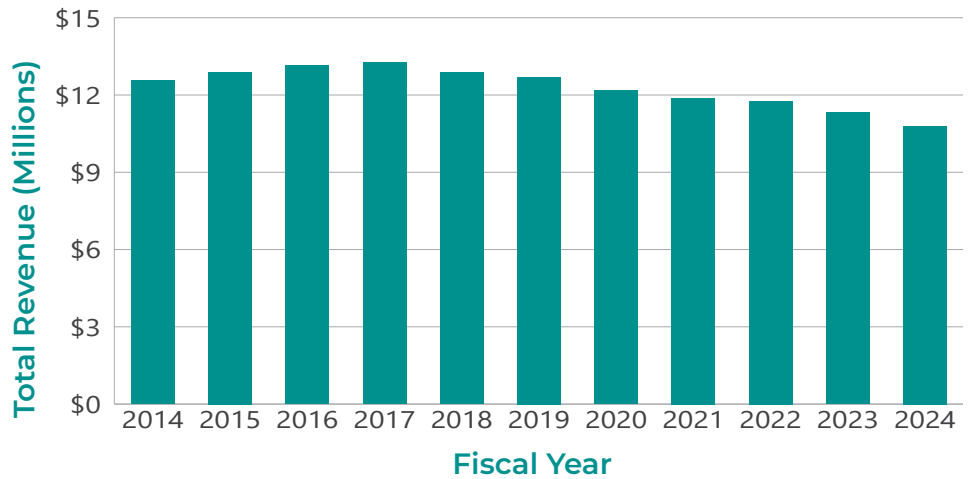
Tobacco Products Tax

Statute: Title 16, Chapter 11, MCA

Table 5.35 Tobacco Products Tax Collections

Fiscal Year	Total Revenue
2014	\$12,562,721
2015	\$12,894,293
2016	\$13,131,013
2017	\$13,268,717
2018	\$12,864,522
2019	\$12,702,208
2020	\$12,185,252
2021	\$11,882,493
2022	\$11,768,474
2023	\$11,316,428
2024	\$10,797,346

Figure 5.35



Tax Rate

Tobacco products, excluding cigarettes, moist snuff, and premium cigars, are subject to a tax of 50 percent of their wholesale price. Before May 1, 2003, the tax rate on these products was 12.5 percent. The 2003 Legislature increased the tax to 25 percent of the wholesale price. Initiative 149, effective January 1, 2005, increased the taxes on these products to 50 percent of the wholesale price, and the tax on moist snuff to \$0.85 per ounce, with the taxpayer allowed a 1.5 percent reduction for administrative expenses. The 2023 Legislature (SB 122) changed the tax rate on premium cigars to the lesser of 50 percent of the wholesale price or \$0.35 per cigar.

Cigarettes are subject to the Cigarette License Fee and the Cigarette Tax.

Table 5.36 Tobacco Products Tax Rates

Product	Tax Rate
Premium Cigars	Lesser of 50% of wholesale price or \$0.35
Moist Snuff	\$0.85 per ounce
All Other Tobacco*	50% of wholesale price
*Excludes Cigarettes	

Filing Requirements

The tax is collected monthly from the wholesaler. Wholesalers must submit returns to the department on or before the 15th day of the month.

Distribution

After tribal revenue-sharing agreements, 50 percent of the revenues are distributed to the state general fund and 50 percent to the Department of Public Health and Human Services for health and Medicaid initiatives (16-11-119, MCA).

Table 5.37 Distribution of Tobacco Products Tax

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Total Revenue	\$12,185,252	\$11,882,493	\$11,768,474	\$11,316,428	\$10,797,346
Tobacco And Cig. Tribal Agreement	\$676,775	\$659,835	\$638,788	\$601,050	\$568,666
Remainder	\$11,508,477	\$11,222,658	\$11,129,687	\$10,715,378	\$10,228,680
General Fund (50%)	\$5,754,238	\$5,611,329	\$5,564,843	\$5,357,689	\$5,114,340
DPHHS (50%)	\$5,754,238	\$5,611,329	\$5,564,843	\$5,357,689	\$5,114,340

State Comparison

All states place a tax on non-cigarette tobacco products. In most states, the tax is based on the wholesale price. Twelve states base the tax on another price, usually the manufacturer's price. Four states base their tax on the quantity of product, rather than its value, and 20 states, including Montana, have separate quantity-based taxes on at least one product, most often snuff.

Tax rates vary significantly across the United States, ranging from 6.6 percent of the wholesale price in Tennessee to 210 percent on snuff and chewing tobacco in Massachusetts. The average of state rates is 47.5 percent.

Table 5.38 Tobacco Products State Comparison

State	Snuff	Chewing/Smoking Tobacco	Cigars	E-Cigarettes
Alabama	1.0-12.0¢/oz.	Chewing: 1.5¢/oz.; Smoking: 4-6¢/oz.	4.0-40.5¢/10 cigars	
Alaska	75% wholesale price	75% wholesale price	75% wholesale price	
Arizona	22.25¢/oz.	5.45-22.25¢/oz.	22.05-218¢/10 cigars	
Arkansas	68% mfr. price	68% mfr. price	68% mfr. price	
California	52.92% wholesale price	52.92% wholesale price	52.92% wholesale price	52.92% wholesale price + 12.5% sales price
Colorado	40% mfr. price	40% mfr. price	40% mfr. price	
Connecticut	300¢/oz.	50% wholesale price	50% wholesale price, 50¢ cap;	LC Closed system: 40¢/mL Open: 10% w/s price
Delaware	92¢/oz.	30% wholesale price	30% wholesale price	5¢/mL
DC	79% wholesale price	79% wholesale price	79% wholesale price	79% wholesale price
Florida	85% wholesale price	85% wholesale price		
Georgia	10% wholesale price	10% wholesale price	2.5¢/10 cigars; 23% wholesale price	Closed system: 5¢/mL Open & disposables: 7% w/s price

Table 5.38 Tobacco Products State Comparison (continued)

State	Snuff	Chewing/Smoking Tobacco	Cigars	E-Cigarettes
Hawaii	70% wholesale price	70% wholesale price	50% wholesale price; LC	70% wholesale price
Idaho	40% wholesale price	40% wholesale price	40% wholesale price	
Illinois	30¢/oz.	36% wholesale price	36% wholesale price; LC	15% wholesale price
Indiana	40¢/oz.	24% wholesale price	24% wholesale price	Closed system: 15% wholesale price Open & disposables: 15% gross retail income
Iowa	119¢/oz.	50% wholesale price	50% w/s price, 50¢ cap;	
Kansas	10% wholesale price	10% wholesale price	10% wholesale price	\$0.05/mL
Kentucky	19¢/unit	15% wholesale price	15% wholesale price	Open: 15% w/s price; Closed: \$1.50/cartridge
Louisiana	20% mfr. price	Chewing: 20% mfr. price; Smoking: 33% mfr price	8%-20% mfr. price	15¢/mL
Maine	202¢/oz. (with min. tax)	Chewing: 202¢/oz.; Smoking: 43% w/s price	43% wholesale price	43% wholesale price
Maryland	60% wholesale price	Chewing: 60% wholesale price Smoking: 30% wholesale price	Non-premium: 70% wholesale price; Premium: 15% wholesale price	≤5mL: 60% retail price others: 20% retail price
Massachusetts	210% wholesale price	Chewing: 210% w/s price; Smoking: 40%	40% wholesale price	75% wholesale price
Michigan	32% wholesale price	32% wholesale price	32% wholesale price	
Minnesota	95% wholesale price	95% wholesale price	95% wholesale price	95% wholesale price
Mississippi	15% mfr. price	15% mfr. price	15% mfr. price	
Missouri	10% mfr. price	10% mfr. price	10% mfr. price	
Nebraska	44¢/oz.	20% wholesale price	20% wholesale price	≤5mL: 5¢/mL >5mL: 10% purchase price
Nevada	30% wholesale price	30% wholesale price	30% wholesale price	30% wholesale price
New Hampshire	65.03% wholesale price	65.03% wholesale price	65.03% wholesale price	Open: 8% w/s price; Closed: 30¢/mL
New Jersey	75¢/oz.	30% wholesale price	30% wholesale price	Liquid nicotine: 10¢/mL; Container e-liquid: 10% retail price
New Mexico	25% mfr. price	25% mfr. price	25% mfr. price; 50¢ cap;	Open: 12.5% mfr price; Closed: 50¢/cartridge
New York	200¢/oz. (with min. tax)	75% wholesale price	75% wholesale price	20% retail price
North Carolina	12.8% wholesale price	12.8% wholesale price	12.8% wholesale price	5¢/mL

Table 5.38 Tobacco Products State Comparison (continued)

State	Snuff	Chewing/Smoking Tobacco	Cigars	E-Cigarettes
North Dakota	60¢/oz.	Chewing: 16¢/oz; Smoking: 28% w/s price	28% wholesale price	
Ohio	17% wholesale price	17% wholesale price	LC: 37% w/s price; others: 17% w/s price	10¢/mL
Oklahoma	60% mfr. price	Chewing: 60% mfr. price; Smoking: 80% mfr price	3.6-120¢/10 cigars;	
Oregon	186¢/oz. (with min. tax)	65% wholesale price	65% wholesale price, \$1 cap; LC	65% wholesale price
Pennsylvania	55¢/oz	55¢/oz	same as cigarettes	40% wholesale price
Rhode Island	100¢/oz.	80% wholesale price	80% w/s price, 50¢ cap; LC	
South Carolina	5% mfr. price	5% mfr. Price	5% mfr. price	
South Dakota	35% wholesale price	35% wholesale price	35% wholesale price	
Tennessee	6.6% wholesale price	6.6% wholesale price	6.6% wholesale price	
Texas	122¢/oz. (with min. tax)	122¢/oz. (with min. tax)	1-15¢/10 cigars	
Utah	183¢/oz.	10 86% mfr. Price	86% mfr. price; LC	56% mfr. price
Vermont	257¢/oz. or 308¢/ pack if less than 1.2oz.	92% wholesale price	"92% w/s price for <\$2.17; \$2 per cigar for >\$2.17 to <\$10; \$4 per cigar for ≥ \$10; LC "	92% wholesale price
Virginia	36¢/oz.	Chewing: 42¢-140¢/unit; Other: 20% mfr price	20% mfr. price	11¢/mL
Washington	252.6¢ per 1.2oz. min.	95% taxable sales price	95% taxable sales price, 75¢ cap; LC	≤5mL container: 27¢/mL >5mL container: 9¢/mL
West Virginia	12% wholesale price	12% wholesale price	12% wholesale price	7.5¢/mL
Wisconsin	100% mfr. price	71% mfr. price	71% mfr. price, 50¢ cap	5¢/mL
Wyoming	60¢/oz. (with min. tax)	20% wholesale price	20% wholesale price	15% wholesale price

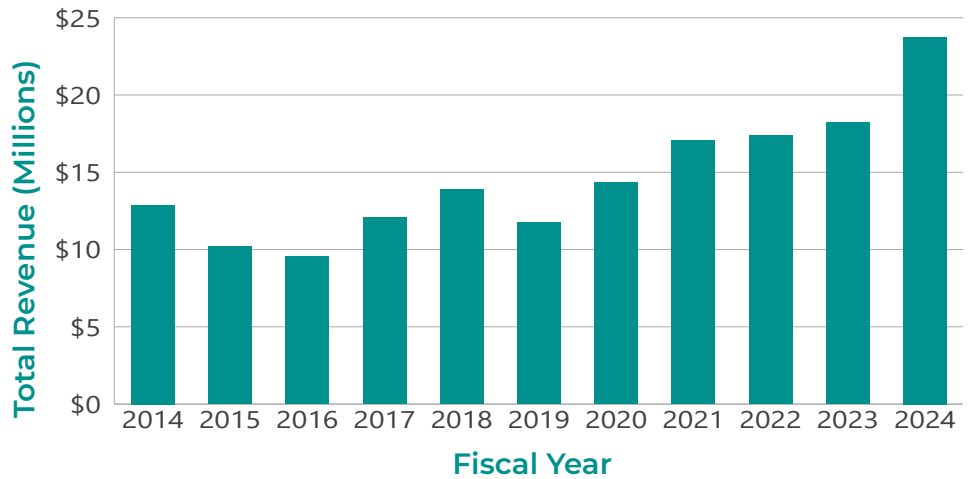
Unclaimed Property

Statute: Title 70, Chapter 9, Part 8, MCA

Table 5.39 Unclaimed Property Collections

Fiscal Year	Total Revenue
2014	\$12,882,668
2015	\$10,196,308
2016	\$9,554,713
2017	\$12,068,348
2018	\$13,868,626
2019	\$11,775,074
2020	\$14,316,177
2021	\$17,058,760
2022	\$17,362,872
2023	\$18,237,133
2024	\$23,749,750

Figure 5.39



Montana is considered a “custodial state,” which means the state holds any abandoned property on behalf of its rightful owners until the owner claims the property. Under Montana’s Uniform Unclaimed Property Act, any intangible and certain tangible property unclaimed by its owner must be turned over to the Department of Revenue. Intangible and tangible property covered by the act includes such items as:

- money
- uncashed checks
- uncashed payroll checks
- utility deposits
- interest dividends or income
- savings and checking accounts
- safe deposit box contents
- gift certificates
- stocks, bonds, and uncashed coupons

The department maintains records on all abandoned property reported in Montana.

Reports filed by holders of abandoned property (such as banks and insurance companies) may be examined by the public. If the tangible abandoned property is not claimed within three years after the receipt of the property, the State of Montana shall sell the property to the highest bidder at a public sale within the state. The proceeds from the sale will then be held on behalf of the owner in the state general fund.

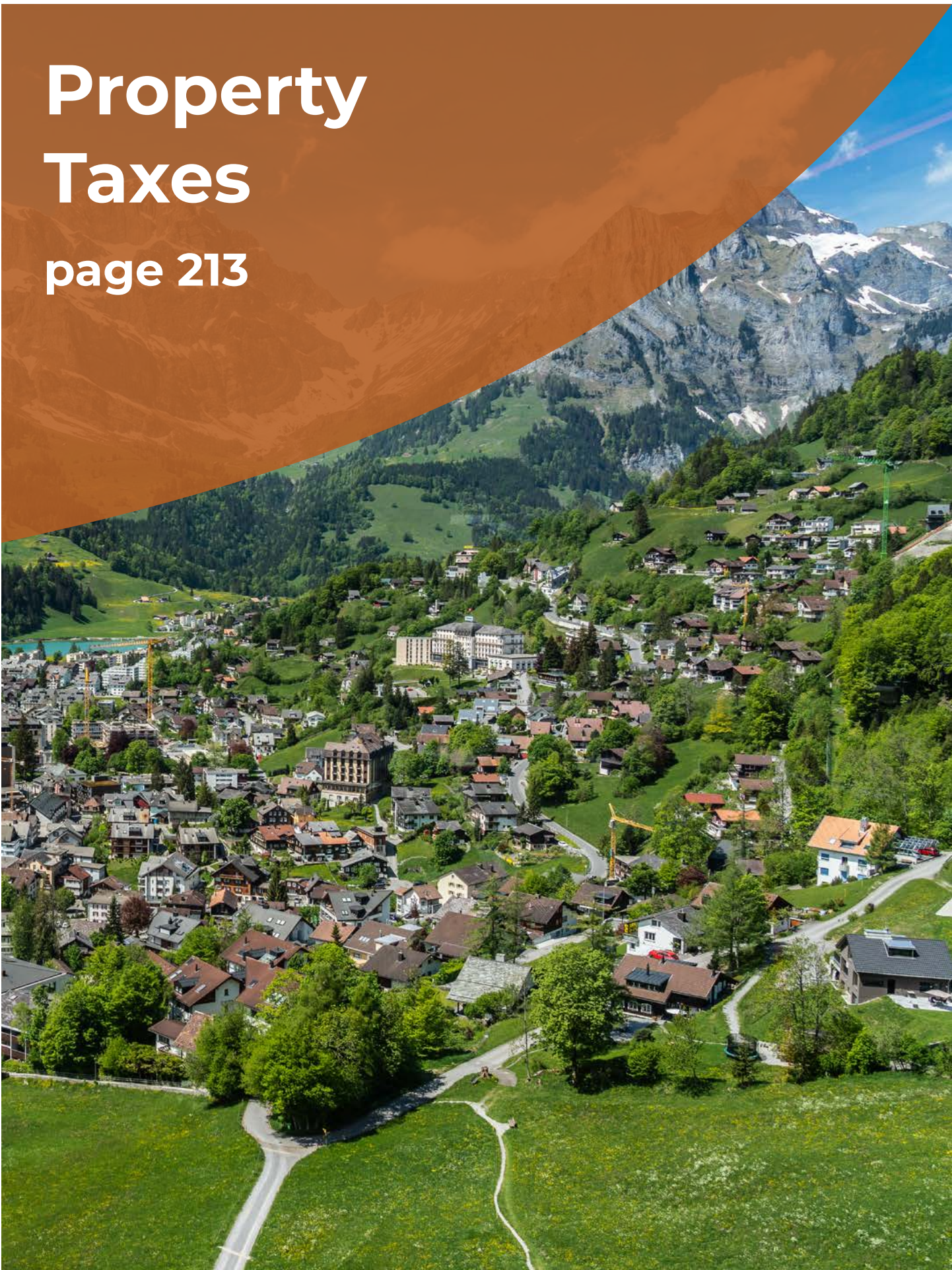
Since 1963, approximately \$238 million worth of unclaimed property has been turned over to the state. During this time period, the department has returned nearly \$90 million of the unclaimed property to its rightful owners.

Distribution

Revenues up to \$100,000 are allocated to the agency refund account, with the remainder deposited into the state general fund. The refund period for items valued at more than \$50 is unlimited (70-9-813, MCA).

Property Taxes

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Overview

The 1972 Montana State Constitution states that the value of all property in the state must be equalized for tax purposes. It is the role of the Department of Revenue to ensure uniform valuation of similar properties throughout the state.

Article 8, Sections 3 and 4 of the Montana Constitution, states:

- Section 3: Property tax administration. The state shall appraise, assess, and equalize the valuation of all property which is to be taxed in the manner provided by law.
- Section 4: Equal valuation. All taxing jurisdictions shall use the assessed valuation of property established by the state.

It is the combination of the department, the legislature, and local governments and schools that determines the amount of taxes paid by properties. The department determines the value of property throughout the state. The legislature sets the relative shares of the tax burden by designating classes of property, establishing the tax rates and exemptions, and setting the basis of valuation. Local governments and other taxing jurisdictions then set the rate of taxation through their budgeting decisions and maximum mill levy limitations. Local governments also establish local special fees and assessment charges separate from ad valorem property taxes.

It is this interaction of the assessed value, tax rates, exemptions, mill rates, and special fees and charges that determines the property taxes paid by individual taxpayers.

Property taxes are different from other taxes in the state. Property taxes are an ad valorem tax, meaning the tax is levied in proportion to the value of each property, relative to the total value within each taxing jurisdiction. Whereas income tax, for example, has a set tax rate that yields tax dollars at the end, property tax begins with the budget in mind and sets the mill rate to fund that budget, given the property within the area. Because of this, whenever the legislature reduces a tax rate or exempts a certain type of property from the tax base, the tax burden merely shifts onto other taxpayers, instead of being reduced overall.

Revenue collected from property taxes is statutorily limited. The legislature has placed limitations on the amount of property tax that can be collected. Local governments are subject to a maximum mill levy as set forth in 15-10-420, MCA. Property taxes levied by schools are limited by school budgeting laws contained in Title 20, MCA. The state's mills are also subject to 15-10-420, MCA, but may not exceed the mill levy limitations set out in law.

The first part of the property tax section explains these underlying concepts of Montana's property tax in more detail. The second part focuses on the distribution of the tax burden and total revenue collected.

Table 6.1 Property Tax Laws

Selected Sections of Property Law	Primary Section of Montana Code Annotated (MCA)	Selected Sections of Property Law	Primary Section of Montana Code Annotated (MCA)
General Provisions of Entitlement Share Payment	Title 15, Chapter 1	Department to Equalize Valuations	Title 15, Chapter 9
Administration of Revenue Laws	Title 15, Chapter 1, Part 2	Property Tax Levies	Title 15, Chapter 10
Investigations by the Department	Title 15, Chapter 1, Part 3	Certification of Taxable Values	15-10-202, MCA
Protested Payments	Title 15, Chapter 1, Part 4	County Clerk and Recorder to Report Mill Levy	15-10-305, MCA
State Tax Appeal Board	Title 15, Chapter 2	Department to Compute and Enter Taxes	15-10-305, MCA
Property Subject to Taxation and Tax Rates	Title 15, Chapter 6, Part 1	Taxing Authority Budget Limitation	15-10-420, MCA
Tax-Exempt Property	Title 15, Chapter 6, Part 2	Property Tax Appeals	Title 15, Chapter 15
Appraisal Methods	Title 15, Chapter 7, Part 1	Collection of Property Taxes by Treasurer	Title 15, Chapter 16
Appraisal Methods for Agriculture	Title 15, Chapter 7, Part 2	Tax Lien Sales	Title 15, Chapter 17
Realty Transfer Act and Non-Disclosure	Title 15, Chapter 7, Part 3	Properties that are Centrally Assessed	Title 15, Chapter 23
Assessment Procedure	Title 15, Chapter 8	Special Property Tax Applications	Title 15, Chapter 24

Property is Appraised at its Market Value by the Department of Revenue

In general, taxable property in the state is appraised by the Department of Revenue at 100 percent of its market value. This is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having reasonable knowledge of relevant facts.

For residential property, the sale prices of comparable properties are utilized to establish the value of all properties that must be appraised. For commercial property, the appraised market value is generally determined by capitalizing the income from the property into a market value. In some cases, when there is not enough market information, values will be determined by estimating the cost of the improvements on the property, minus depreciation, plus the value of the land for both residential and commercial properties.

Personal property and the value of gross proceeds and net proceeds of mines are reported annually by the taxpayer to the department.

Centrally assessed properties are primarily those that cross county lines, such as large utility companies and railroads. The department values the entire company and apportions the value among the counties and local jurisdictions based on the location of the company's property.

Forest and agricultural land are valued using the productivity value of the land rather than the market value. Forest productivity is determined in conjunction with the College of Forestry at the University of Montana in Missoula. Agricultural productivity is determined by using the soil quality data from the Natural Resources Conservation Service (NRCS), historical productivity measures, the commodity price, and the capitalization rate set by the legislature.

The department has local offices throughout the state. These local offices are responsible for the valuation of property, except for centrally assessed properties. The local offices work with county treasurers, local officials, and the public to provide property tax information.

If a taxpayer disagrees with the valuation of property, the taxpayer can challenge that value by filing a Request for Informal Review (Form AB-26) with the department or filing an appeal directly with their local County Tax Appeal Board (CTAB). If the taxpayer files a Form AB-26 and is not satisfied with the outcome of the informal review, they can appeal to the CTAB. A taxpayer can challenge the ruling of the CTAB by appealing it to the Montana Tax Appeal Board.

If the taxpayer is still not satisfied, they can bring it to district court and then to the Montana Supreme Court.

Property is Taxed at its Taxable Value as Determined by the Legislature

Montana property tax statutes define tax rates for various types of property. In most other states, what Montana statutes refer to as a "tax rate" is more commonly referred to as an assessment rate, defined as the ratio of taxable value to market value.

The taxable value is the portion of the property's value subject to mill levies. It is calculated by applying the tax rate and any relevant exemptions to the market value. Taxable value is a fraction of the property's market value. For example:

- Telecommunication property has a tax rate of 6 percent. If the telecommunication property's value is \$300,000, its taxable value is \$18,000.
- Residential Class 4 property has a tax rate of 1.35 percent. If the property is worth \$300,000, then its taxable value is \$4,050.

While each property within a class is valued in the same manner, not all classes of property are treated the same. Tax rates, exemptions, reappraisal timelines, and valuations methods differ among classes of property, as determined by the legislature.

Table 6.2 summarizes the different classes, and the following pages explain the different classes of property in more detail.

Classes of Property

Table 6.2 – Classes of Property

Class	Description	Valuation Standard	Valuation Cycle	TY 2024 Tax Rate
Class 1	Net Proceeds of Mines	Net Proceeds	Annual	100.00%
Class 2	Gross Proceeds of Metal Mines	Gross Proceeds	Annual	3.00%
Class 3	Agricultural Land	Productivity Value	2 Year	2.16%
Class 4	Residential (land and improvements)	Market Value	2 Year	1.35%
	Commercial and Industrial (land and improvements)	Market Value	2 year	1.89%
Class 5	Independent and Rural Electric and Telephone Cooperatives	Market Value	2 year	3.00%
	Pollution Control Equipment, New and Expanding Industry, Electrolytic Reduction Facilities, Research and Development Firms, and Gasohol Production Property	Market Value	Annual	3.00%
Class 7	Non-centrally Assessed Utilities	Market Value	Annual	8.00%
Class 8	Business Equipment	Market Value	Annual	1.50%*
Class 9	Pipelines and Nonelectric Generating Property of Electric Utilities	Market Value	2 year	12.00%
Class 10	Forest Land	Productivity Value	2 year	0.37%
Class 12	Airlines	Market Value	2 year	2.77%
	Railroads	Market Value	Annual	2.77%
Class 13	Telecommunication Utilities and Electric Generating Property of Electric Utilities	Market Value	2 year	6.00%
Class 14	Renewable Energy Production and Transmission Property	Market Value	2 year	3.00%
Class 15	Carbon Dioxide and Liquid Pipeline Property	Market Value	2 year	3.00%
Class 16	High Voltage DC Converter Property	Market Value	Annual	2.25%
Class 17	Qualified Data Centers	Market Value	Annual	0.90%
Class 18	Green Hydrogen Facilities	Market Value	Annual	3.00%

* Class 8 has a graduated tax rate. 0% of the first \$1,000,000; 1.5% for the next \$6 million; and 3% for all remaining class 8 property.

CLASS 1

Net proceeds of mines and mining claims, except for coal, bentonite, and metal mines. Market value is determined by a statutory rate indexed to inflation, multiplied by production values reported to the department each year by the taxpayer. The 2024 tax rate is 100 percent.

CLASS 2

Gross proceeds of metal mines. Annual gross values are reported to the department each year by the taxpayer. The 2024 tax rate is 3 percent.

CLASS 3

Agricultural land, non-productive patented mining claims, and non-qualified agricultural land. Class 3 property is reappraised in odd years.

Agricultural land is valued based on the productivity of the land. There are four primary sub-classes of agricultural land, each with different productivities:

- grazing land
- tillable irrigated land
- non-irrigated land used for grain or other crops
- non-irrigated land used for continuous hay production.

The 2024 tax rate for agricultural land is 2.16 percent.

Non-qualified agricultural land consists of parcels of land that are between 20 and 160 acres and are not used primarily for agricultural purposes. These parcels are appraised as if they were used for grazing and are taxed at seven times the Class 3 tax rate. The 2024 tax rate for non-qualified agricultural land is 15.12 percent.

CLASS 4

Residential, commercial, and industrial land and improvements. These properties are reappraised in odd years unless significant improvements are made to the property. Class 4 property is the largest class, as measured in both market value and the number of parcels.

The 2024 tax rate for residential property is 1.35 percent.

The 2024 tax rate for commercial and industrial property is 1.4 times the residential property tax rate, or 1.89 percent.

There are four programs to assist taxpayers with residential property taxes:

- The Property Tax Assistance Program
- The Montana Disabled Veterans Program
- The Elderly Homeowner/Renter Credit
- The Land Value Property Tax Assistance Program.

These programs are discussed in more detail in the Tax Expenditure section of the Biennial Report.

CLASS 5

Pollution control equipment, independent and rural electric and telephone cooperatives, machinery and equipment used in electrolytic reduction facilities, real and personal property of research and development firms, and real and personal property use in production of gasohol. The market value of electric cooperatives is reassessed in even years and the market value of telecommunication cooperatives is reassessed in odd years. Value is assessed by either the department's industrial appraisers or the centrally assessed appraisers, depending on the characteristics of the property. The 2024 tax rate is 3 percent.

CLASS 7

Non-centrally assessed utilities. The market value is determined annually by the department's industrial appraisers. The 2024 tax rate is 8 percent.

CLASS 8

Personal property used for business purposes. Class 8 property is reported to the department annually. The first \$1,000,000 in market value owned by a business or entity is tax-exempt; the next \$6 million is taxed at 1.5 percent; and any remaining value has a tax rate of 3 percent.

CLASS 9

Pipelines and the non-electric generating property of electric utilities. The market value of pipelines is reassessed in odd tax years and the market value of non-electric generating property is reassessed in even years. The total company value is determined by the centrally assessed appraisers and then apportioned to the local taxing jurisdictions. The 2024 tax rate is 12 percent.

CLASS 10

Forest land. Forest land is reassessed in odd years and is valued based on the productivity of each parcel of land. Productivity is determined formulaically from stumpage values, management costs, grazing income, and growth rates. The 2024 tax rate is 0.27 percent.

CLASS 12

All property owned by airlines and railroads. The market value of airline property is reassessed in even years and the market value of railroads is reassessed annually. The total company value is determined by the department's centrally assessed property appraisers and then apportioned to the local taxing jurisdictions. The tax rate varies depending on the effective tax rate of all commercial and industrial property in the state. The 2024 tax rate is 2.77 percent.

CLASS 13

All property of telecommunication utilities and the electric generating property of electric utilities. Electric generating property is reappraised in even years and telecommunications property is reappraised in odd years. The market value is determined by the department's centrally assessed property appraisers and then apportioned to the local taxing jurisdictions. The 2024 tax rate is 6 percent.

CLASS 14

Renewable energy production and transmission property. This includes commercial wind generation, biodiesel production, biomass gasification, coal gasification ethanol production, and geothermal energy property. The market value is reassessed in even years by either the department's industrial appraisers or the centrally assessed appraisers and then apportioned to the local taxing jurisdictions. The 2024 tax rate is 3 percent.

CLASS 15

Qualifying carbon dioxide and liquid pipeline property. This property includes pipelines used to transport carbon dioxide for sequestration or having 90 percent of capacity dedicated to transporting fuels produced by coal gasification, biodiesel, biogas, or ethanol facilities; carbon sequestration equipment; closed-loop enhanced oil recovery equipment; and pipelines connecting a Class 14 fuel production facility to an existing pipeline. The market value is reassessed in odd years by the department's centrally assessed property appraisers and then apportioned to the local taxing jurisdictions. The 2024 tax rate is 3 percent.

CLASS 16

High-voltage DC converter station property. The converter station must be located in a manner that the power can be directed to two different regional grids. The market value is determined annually by the department's centrally assessed property appraisers and then apportioned to the local taxing jurisdictions. The 2024 tax rate is 2.25 percent.

CLASS 17

Property of a facility designed or modified to house networked computers or equipment supporting computing, networking, or data storage. To be classified as Class 17, a property must be at least 300,000 square feet, have a market value of over \$50 million, and be constructed after June 30, 2017. An existing property may qualify if it expanded, the qualifying expansion is over 25,000 square feet, and it has a value of over \$50 million. This class of property must be assessed locally by the department's industrial appraisal unit. The tax rate is 0.9 percent.

CLASS 18

Green hydrogen facilities. This class includes all land, improvements, and equipment of a green hydrogen facility. New facilities receive a tax exemption of 50% for 15 years. Existing facilities receive a 50% exemption for 15 years if an additional \$25 million investment is made in the facility. This class of property must be assessed locally by the department's industrial appraisal unit. The 2022 tax rate is 3 percent.

Determining Taxes Paid

Property taxes paid by an individual property are equal to the taxable value of the property (assessed value multiplied by the tax rate) multiplied by the cumulative millage rate of the levy district the property exists in.

Property Tax	=	Taxable Value	x	Millage Rate
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A mill is equal to 1/1000th of a dollar. Another way to view a mill is 1/10th of a percent. A combined mill of 500 equals 50% of the taxable value of a property.

Millage Rate	=	Mills	÷	1,000
0.5	=	500	÷	1,000

Levy Districts

Local taxing jurisdictions may levy mills to fund the services they provide. Schools, cities, towns, miscellaneous districts, and the state all generate revenue from the property tax system by levying mills against property within their jurisdiction. Each taxing jurisdiction's mills are added together to determine the total mills that apply to a property. All properties that are a part of the same combination of taxing jurisdictions make up a levy district. Each property in the levy district will have the same mills applied to their taxable values. An example levy district is shown in Table 6.3 below.

Table 6.3 – Example Levy District

Elementary School	100.00
High School	125.25
Town	75.50
County	115.00
State School Equalization	95.00
University	6.00
Total Mills	516.75

The amount of annual taxes that a \$400,000 home would pay in this levy district is equal to the market value (\$400,000) multiplied by the tax rate on residential property (1.35%) multiplied by the millage rate (516.75/1000).

Market Value	x	Tax Rate	x	Millage Rate	=	Annual Taxes
\$400,000	x	1.35%	x	0.51675	=	\$2,790.45

Local Governments Mill Rates

Local governments base their mills on the budgets of individual taxing jurisdictions and their tax base. A taxing jurisdiction is a governmental entity authorized to impose tax on property. The tax base is the total amount of taxable value contained within the physical boundary of the taxing jurisdiction as of January 1 of the current tax year.

The taxing authority of local governments is limited to the number of mills required to generate the prior year's inflation-adjusted property tax amount, based on the current year's tax base, less the Department of Revenue's estimate of the taxing jurisdiction's newly taxable value. (15-10-420, MCA)

Newly taxable values are estimated by calculating the non-negative annual change in the sum of property by tax class for a taxing jurisdiction. Additionally, some adjustments are made to Class 4 values based on the appreciation of property in reappraisal years. Table 6.4 below details how newly taxable values were calculated in Rosebud County for Tax Year 2020, illustrating how a jurisdiction may have positive newly taxable values (which can increase the allowable taxes to be levied) even though total taxable values decrease (which may increase mills and taxes on existing property).

Table 6.4 – Tax Year 2020 Rosebud County Newly Taxable

Tax Class	TY 2019	TY 2020	Annual Change	Newly Taxable
3	\$3,519,969	\$3,517,306	-\$2,663	\$0
4 (Res.)	\$3,594,708	\$3,601,878	\$7,170	\$7,170
4 (Com.)	\$1,311,547	\$1,325,976	\$14,429	\$14,429
5	\$3,102,691	\$2,685,835	-\$416,856	\$0
8	\$2,841,197	\$2,966,475	\$125,278	\$125,278
9	\$6,026,879	\$6,601,030	\$574,151	\$574,151
10	\$17,960	\$17,960	\$0	\$0
12	\$2,194,736	\$2,552,799	\$358,063	\$358,063
13	\$65,497,510	\$55,358,126	-\$10,139,384	\$0
Rosebud Co. Total	\$88,107,196	\$78,627,385	-\$9,479,811	\$1,079,091

A taxing jurisdiction's newly taxable property includes property changes from the previous year, property annexed into the jurisdiction, increases in value due to subdivisions of real property, and the transfer of property from tax-exempt to taxable status.

The statute also adjusts for inflation. If a taxing entity assessed \$49,500 in taxes last year and the inflation adjustment is equal to 1.01 percent, then the adjustment to the taxing authority would be an increase of \$500. This year's inflation-adjusted levy authority would increase to \$50,000.

Last Year's Taxes Assessed	=	\$49,500
Half the Rate of Inflation	x	1.01%
Inflationary Adjustment	=	\$500
Adjusted Budget Authority	=	\$50,000

If the same taxing entity has a current tax base of \$10,200,000, but \$200,000 is newly taxable property, then the adjusted tax base used for setting mills would be \$10,000,000.

Taxing jurisdictions generally calculate this in terms of taxable value per mill. A tax base of \$10,200,000 would equate to \$10,200 taxable value per mill ($\$10,200,000 / \$1,000$); \$200,000 in newly taxable property is \$200 newly taxable property per mill ($\$200,000 / \$1,000$); and the adjusted tax base of

\$10,000,000 is \$10,000 taxable value per mill ($\$10,000,000 / \$1,000$).

Current Taxable Value per Mill	=	\$10,200
Newly Taxable Value per Mill	-	\$200
Adjusted Taxable Value per Mill	=	\$10,000

Therefore, when the adjusted levy authority of \$50,000 is divided into the adjusted taxable value per mill of \$10,000, the maximum millage authority afforded by the legislature to the taxing jurisdiction would be 5 mills.

Adjusted Budget Authority	=	\$50,000	=	Authorized Mill Levy	=	5.000
<hr/> Adjusted Tax Base		<hr/> \$10,000				

Once the level of property taxes is set, the taxing jurisdictions set their budgets at levels that may or may not provide the same level of services as the prior year. In our example, the jurisdiction could budget for up to \$51,000, an increase of \$1,500 based solely on inflation and newly taxable property. In some instances, when the cost of providing services increases faster than allowable property tax levels increase, the jurisdiction reduces services or can ask voters to approve an additional mill levy. In other instances, if the allowable property tax revenue increases faster than the cost of providing services, mills may be reduced.

State Mill Rates

The state levies 95 mills for the equalization of elementary and high school base funding and 6 mills for the university system. There are also 1.5 mills levied for vocational and technical education that apply to property in Silver Bow, Cascade, Yellowstone, Missoula, and Lewis and Clark counties only. Table 6.5 contains the Montana Code Annotated references for these mill levies.

Table 6.5 – State Mills

Legislative Millage Rates Assessed by the State	Primary Section of Montana Code Annotated (MCA)
Tax Levy for Elementary Equalization (33 Mills)	20-9-331, MCA
Tax Levy for High School Equalization (22 Mills)	20-9-333, MCA
Tax Levy for State Equalization (40 Mills)	20-9-360, MCA
Tax Levy for Vocational and Technical Education (1.5 Mills)	20-25-439, MCA
Tax Levy for University System (6 Mills)	15-10-108, MCA

Prior to 1989, the elementary school equalization mills were set at 17 mills and the high school equalization mills were set at 28 mills. In 1989, the Montana Supreme Court found Montana schools were not adequately funded. In response, the legislature increased these levies by 5 mills each and created a new state equalization levy of 40 mills, for the current total of 95 mills.

The state spends more money on school funding than it raises through the 95 mills. The balance of spending exceeding the 95 mills is funded from the general fund, which is predominantly income tax dollars.

School District Mill Rates

All property in the state is in an elementary school district and a high school district. Like local governments, the mill rates of school districts are limited statutorily. Instead of being subject to 15-10-420, MCA, school district budgets are constrained by Title 20, MCA. These constraints are driven primarily by the number of students in the district, referred to as Average Number Belonging (ANB). Local mills necessary to support this budget follow a complex formula that shares the burden between the state and the local school district. The state covers a set portion of the budget for each school district in the state.

The state also subsidizes taxable value in many districts through Guaranteed Tax Base Aid (GTB). GTB increases taxable values per mill in districts with less tax base per ANB. This state and local sharing of cost is applicable to 80% of the maximum allowable school district general budget. The remaining 20% is funded by local mills only, and is voter approved. There are also numerous different funds such as bus depreciation, adult education, and tuition, among others, that have separate mill rate formulas and limits.

There are also countywide school mills levied for bussing and teacher retirements. These mills are equalized at the county level so all properties in the same county pay the same rate toward these services, regardless of their choices of the local school district.

State school mills usually represent the largest share of taxes levied against any individual property. At a statewide level, the combination of elementary, high school, and countywide school mills represents 34.26% of total property taxes in Tax Year 2024. Adding in the state mills for school equalization increases that percentage to 54.75%.

Taxes Levied

The following sections of this report provide information regarding the value of property in Montana and the tax revenue collected.

Taxes Levied - A Statewide Look

In Tax Year 2024, the full market value of non-exempt property eligible for taxation in Montana is \$273.569 billion. Multiplying the applicable tax rates for each class of property by the taxable market value determines the taxable value. In Tax Year 2024, the total taxable value of property in Montana is \$4.719 billion. This is an average tax rate of 1.73 percent of market value.

Table 6.6 – TY 2024 Statewide TV

	Taxable Market Value	Taxable Value	Average Tax Rate
Total	\$273,183,215,347	\$4,719,109,307	1.73%

For Tax Year 2024, property taxes paid is estimated at \$2.354 billion. Therefore, the average mills levied was 498.86.

Table 6.7 – Statewide Taxes

	Taxable Value	Taxes	Average Millage Rate	Average Mills
Total	\$4,719,109,307	\$2,354,209,193	0.49887	498.87

Property Taxes Paid by Class

Tables 6.8 and 6.9 display the market value, taxable value, and total taxes paid for each tax class in Tax Year 2023 and 2024, respectively. Figures 6.8 and 6.9 show the percent of property tax paid for each class of property in Tax Year 2023 and Tax Year 2024, respectively.

Table 6.8 – Tax Year 2023 Taxes Paid by Class

Tax Class	Description	Market Value	Taxable Value	Taxes Paid by Tax Class	Percent of Total Taxes
1	Mine Net Proceeds	\$4,101,335	\$4,101,335	\$1,382,990	0.06%
2	Gross Proceeds Metal Mines	\$1,133,348,198	\$34,000,446	\$16,796,220	0.72%
3	Agricultural Land	\$6,719,380,504	\$153,138,556	\$79,915,943	3.41%
4.1	Residential Improvements	\$146,685,516,870	\$2,011,624,613	\$995,789,648	42.52%
4.2	Residential Land	\$57,241,029,219	\$754,869,265	\$353,622,460	15.10%
4.8	Commercial Improvements	\$22,511,885,817	\$421,715,275	\$240,393,654	10.26%
4.9	Commercial Land	\$10,938,494,914	\$206,052,791	\$113,560,344	4.85%
	Subtotal Class 4	\$237,376,926,820	\$3,394,261,944	\$1,703,366,106	72.73%
5	Pollution Control Equipment	\$2,037,597,560	\$57,243,610	\$30,009,144	1.28%
7	Non-Centrally Assessed Public Utilities	\$247,669	\$19,814	\$10,631	0.00%
8	Business Personal Property	\$8,466,826,566	\$201,297,829	\$112,300,048	4.79%
9	Non-Elect. Gen. Prop. Of Electrical Utilities	\$4,965,295,189	\$589,690,206	\$267,916,205	11.44%
10	Forest Land	\$1,642,404,732	\$4,763,283	\$2,052,323	0.09%
12	Railroad and Airline Property	\$2,997,643,632	\$91,727,926	\$49,323,857	2.11%
13	Telecommunication & Electric Property	\$2,143,467,501	\$128,005,099	\$65,285,541	2.79%
14	Commercial Wind Generation Facilities	\$1,362,542,726	\$23,634,527	\$12,221,758	0.52%
15	Carbon Dioxide and Liquid Pipeline	\$216,065,715	\$2,924,252	\$1,050,893	0.04%
17	Data Centers	\$87,197,455	\$784,777	\$496,097	0.02%
	Total	\$269,153,045,602	\$4,685,593,604	\$2,342,127,756	

Figure 6.8 – Tax Year 2023 Taxes paid by Class

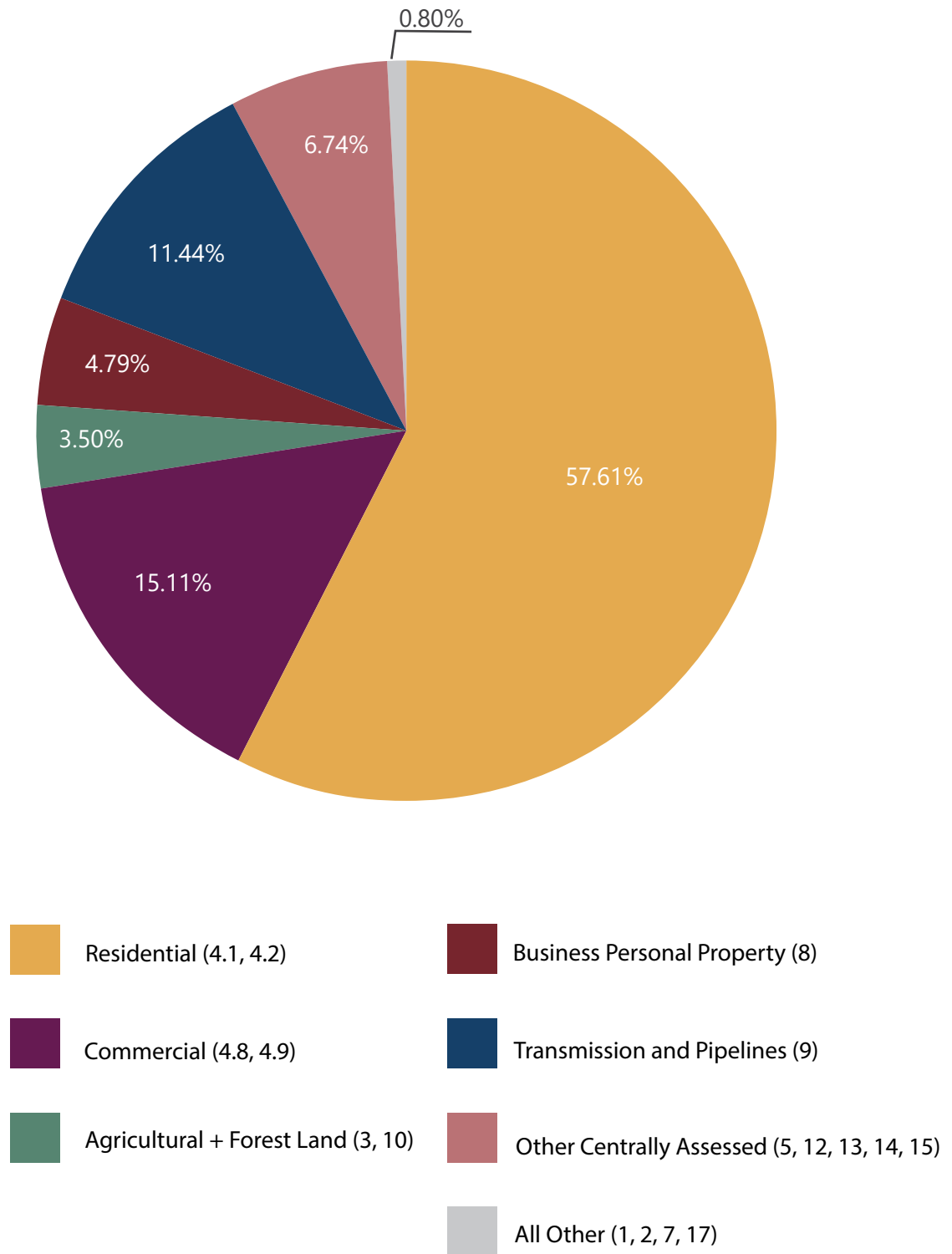
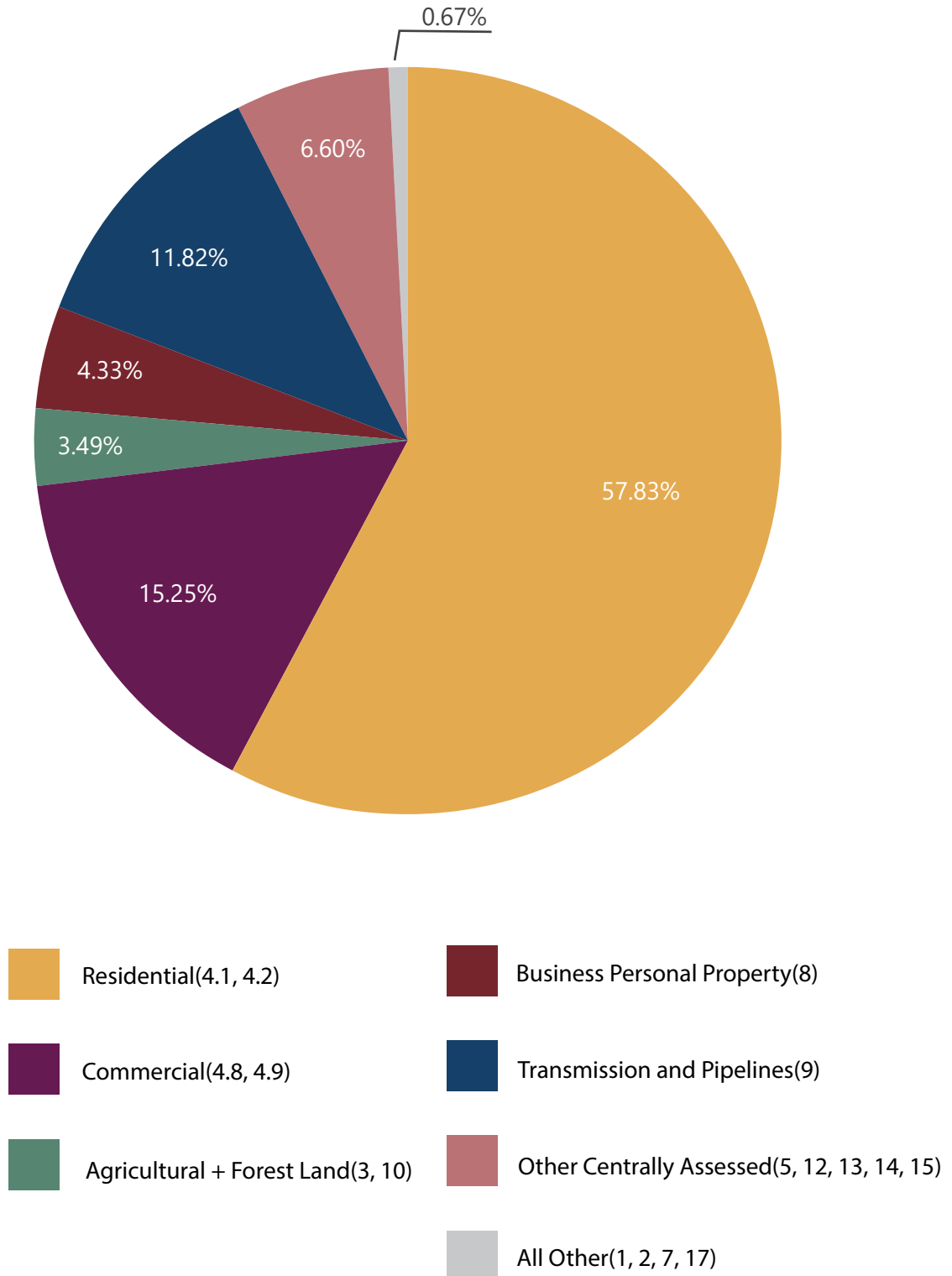


Table 6.9 Tax Year 2024 Taxes paid by Class

Tax Class	Description	Market Value	Taxable Value	Taxes Paid by Tax Class	Percent of Total Taxes
1	Mine Net Proceeds	\$5,620,761	\$5,620,761	\$2,020,851	0.09%
2	Gross Proceeds Metal Mines	\$886,129,512	\$26,583,885	\$13,503,980	0.57%
3	Agricultural Land	\$6,713,247,655	\$153,067,495	\$80,090,875	3.40%
4.1	Residential Improvements	\$150,592,215,813	\$2,041,367,276	\$1,006,841,309	42.77%
4.2	Residential Land	\$57,668,312,519	\$752,616,927	\$354,597,636	15.06%
4.8	Commercial Improvements	\$22,759,656,289	\$425,978,893	\$244,579,046	10.39%
4.9	Commercial Land	\$10,801,382,284	\$203,467,186	\$114,530,385	4.86%
	Subtotal Class 4	\$241,821,566,905	\$3,423,430,282	\$1,720,548,376	73.08%
5	Telecommunication & Electric Co-ops	\$2,046,538,698	\$57,705,323	\$30,296,859	1.29%
7	Non-Centrally Assessed Public Utilities	\$226,696	\$18,136	\$9,536	0.00%
8	Business Personal Property	\$7,959,235,604	\$195,487,405	\$101,983,792	4.33%
9	Transmission and Pipelines	\$5,128,365,627	\$611,188,371	\$278,363,962	11.82%
10	Forest Land	\$1,763,559,213	\$4,761,919	\$2,035,425	0.09%
12	Railroad and Airline Property	\$3,142,844,409	\$87,056,804	\$46,031,741	1.96%
13	Telecommunication & Electric Property	\$2,197,630,292	\$129,914,052	\$66,909,951	2.84%
14	Commercial Wind Generation Facilities	\$1,251,489,406	\$20,938,468	\$11,040,644	0.47%
15	Carbon Dioxide and Liquid Pipeline	\$204,422,355	\$2,775,362	\$1,030,286	0.04%
17	Data Centers	\$62,338,214	\$561,044	\$342,916	0.01%
	Total	\$273,183,215,347	\$4,719,109,307	\$2,354,209,193	

Figure 6.9 Tax Year 2024 Taxes Paid by Class



Property Taxes Paid by Taxing Jurisdiction Type

Table 6.10 shows statewide property tax collections for different types of taxing jurisdictions for Fiscal Years 2021 through 2025 (Tax Years 2020 through 2024).

Table 6.10 – Taxes Levied on the Montana Property Tax Bill

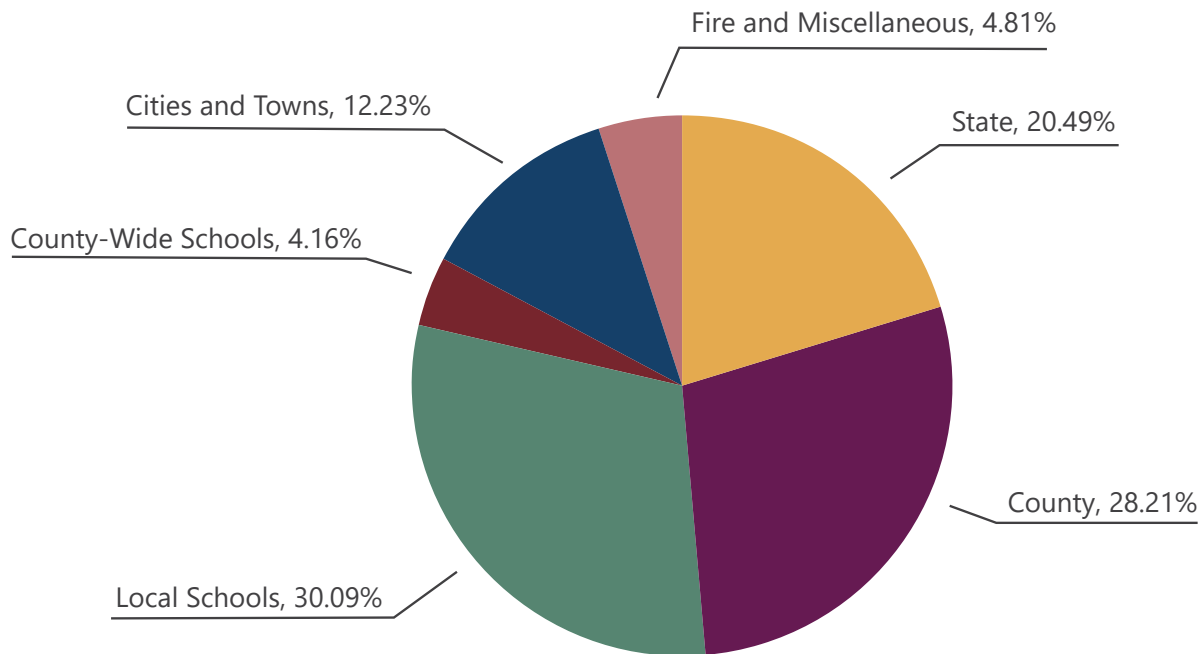
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Valuation					
Market Value of Taxable Property	169,216,191,395	188,310,423,351	193,829,026,673	269,153,045,602	273,183,215,347
Statewide Total Taxable Value	3,212,695,899	3,487,627,097	3,626,093,918	4,685,593,604	4,719,109,307
City/Town Taxable Value	1,078,981,836	1,177,071,095	1,204,961,654	1,584,925,128	1,595,354,401
Taxes Levied					
State					
University	19,409,144	21,081,079	21,935,686	28,321,176	28,526,874
Vo-Tech	1,596,422	1,695,066	1,743,891	2,158,753	2,169,096
State Equalization	307,342,850	333,815,223	347,346,517	448,454,942	451,713,296
Subtotal State	328,348,415	356,591,368	371,026,095	478,934,871	482,409,266
County					
General	146,565,727	154,070,620	161,341,012	162,887,215	166,259,780
Road	65,456,925	69,837,496	75,984,035	78,541,183	80,401,912
Bridge	15,502,323	15,538,481	17,639,251	17,682,229	18,577,235
Entitlement	5,968,947	6,253,267	6,225,722	6,503,748	6,713,945
County Fair	9,078,886	9,237,250	10,631,571	12,071,029	13,395,377
Library	16,773,847	17,510,308	18,276,377	20,466,448	20,320,888
Agricultural Extension	4,419,243	4,051,030	4,357,666	4,381,572	4,769,266
Planning	3,648,248	3,940,506	2,786,580	3,335,719	3,960,969
Health and Sanitation	55,817,111	58,844,017	61,400,760	67,943,686	75,635,930
Hospital	3,003,962	2,607,435	3,109,593	2,469,214	3,740,515
Airport	2,811,857	3,104,736	3,097,289	2,817,415	3,313,289
District Court	7,435,274	7,380,679	8,244,702	9,806,170	11,598,872
Weed Control	6,075,103	5,564,670	6,454,681	6,861,935	6,498,949
Senior Citizens	11,258,396	11,898,422	13,466,664	21,530,412	22,955,708
Public Safety	135,689,884	141,596,828	154,863,447	170,111,779	183,560,502
Other	33,881,771	38,335,692	39,818,000	43,902,138	42,420,911
Subtotal County	523,387,503	549,771,437	587,697,349	631,311,895	664,124,049
Local Schools					
Elementary	349,227,760	349,925,677	359,810,921	388,718,588	385,771,164
High School	194,089,228	195,500,146	199,655,289	211,860,565	209,073,603
K-12	100,811,931	103,900,420	103,289,881	108,847,456	100,099,080
Community Colleges	8,233,999	8,661,458	12,329,890	13,528,196	13,506,919
Subtotal Local Schools	652,362,918	657,987,701	675,085,981	722,954,804	708,450,766
County-Wide Schools	130,658,163	129,563,295	124,370,782	137,944,471	98,036,147
Cities and Towns	198,842,671	209,355,673	234,949,526	264,049,410	287,903,107
Fire and Miscellaneous	77,290,254	89,350,291	92,582,726	106,932,306	113,285,858
Total Property Tax Based on Mills	\$1,910,889,924	\$1,992,619,764	\$2,085,712,459	\$2,342,127,756	\$2,354,209,193
Special Improvement Districts and Fees	\$198,988,834	\$207,585,890	\$217,995,289	\$234,259,094	\$238,826,242
Total Property Taxes	\$2,109,878,758	\$2,194,938,696	\$2,303,707,749	\$2,576,386,850	\$2,588,468,287

Table 6.11 shows the distribution by summarized jurisdiction type for Fiscal Years 2024 and 2025. Figure 6.11 displays the Fiscal Year 2025 percentages contained in Table 6.11.

Table 6.11 – Taxes Levied by Jurisdiction Type

Taxing Jurisdiction	FY2024		FY2025	
	Tax Revenue	Percent of Total	Tax Revenue	Percent of Total
State	\$478,934,871	20.45%	\$482,409,266	20.49%
County	\$631,311,895	26.95%	\$664,124,049	28.21%
Local Schools	\$722,954,804	30.87%	\$708,450,766	30.09%
County-Wide Schools	\$137,944,471	5.89%	\$98,036,147	4.16%
Cities and Towns	\$264,049,410	11.27%	\$287,903,107	12.23%
Fire and Miscellaneous	\$106,932,306	4.57%	\$113,285,858	4.81%
	\$2,342,127,756	100.00%	\$2,354,209,193	100.00%

Figure 6.11 – Tax Year 2024 Taxes Levied by Jurisdiction Type



Tax Revenue by County

Tables 6.12 and 6.13 present property tax revenue by taxing jurisdiction for each county in Tax Years 2023 and 2024, respectively.

Table 6.12 - Property Tax Summary by County Tax Year 2023

	County	State Assessed Mills ¹ & Revenue		County Assessed Mills & Revenue		County Wide School Mills & Revenue		Local School Average Mills & Revenue		Misc. & Fire District Average Mills & Revenue		City Average Mills ² & Revenue		SID's and Fees	Total of All Taxes & Fees
		Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Revenue	Revenue
18	Beaverhead	101.00	3,549,077	135.95	4,777,007	46.44	1,631,727	168.42	5,918,097	12.54	440,560	168.41	1,435,231	1,310,237	19,061,935
22	Big Horn	101.00	2,539,047	468.49	11,666,095	24.97	621,713	192.79	4,800,689	7.60	189,204	171.68	943,551	1,856,796	22,617,095
24	Blaine	101.00	1,628,853	307.62	4,961,022	49.86	804,156	200.35	3,231,030	4.10	66,059	340.31	969,907	2,120,665	13,781,692
43	Broadwater	101.00	2,742,718	171.42	4,651,828	31.65	859,002	178.42	4,841,808	13.87	376,401	54.15	192,527	1,053,355	14,717,639
10	Carbon	101.00	7,031,447	121.58	8,043,769	29.97	1,982,717	140.99	9,328,150	18.75	1,240,490	101.80	1,399,219	1,311,225	30,337,018
42	Carter	101.00	7,423,141	104.33	7,667,713	4.28	314,453	31.04	2,281,664	0.00	0	282.77	150,134	77,572	17,914,678
2	Cascade	102.50	23,125,952	144.75	32,018,367	37.49	8,291,800	207.53	45,904,560	18.30	4,048,194	199.47	27,593,576	13,325,373	154,307,821
19	Chouteau	101.00	3,270,784	181.83	5,868,463	38.09	1,229,409	150.78	4,866,582	14.47	466,909	242.84	1,005,720	619,152	17,327,018
14	Custer	101.00	2,591,697	226.61	5,814,846	35.78	918,068	242.62	6,225,700	0.00	0	210.50	2,418,644	2,447,601	20,416,555
37	Daniels	101.00	697,231	236.71	1,634,101	33.67	232,420	223.06	1,539,844	75.96	524,345	258.63	327,584	665,346	5,620,870
16	Dawson	101.00	2,637,017	188.69	4,926,492	41.34	1,079,339	318.76	8,322,564	12.76	333,026	231.94	1,930,042	3,570,843	22,799,324
30	Deer Lodge	101.00	2,926,616	245.41	7,111,170	24.80	718,756	108.05	3,130,983	31.28	906,409	25.98	223,166	2,141,591	17,158,690
39	Fallon	101.00	6,249,223	70.36	4,353,715	0.00	0	54.58	3,377,222	4.37	270,664	215.75	645,855	795,679	15,692,358
8	Fergus	101.00	6,390,884	150.67	8,608,251	39.44	2,253,257	165.67	9,465,228	14.52	829,289	193.47	2,218,786	1,645,957	31,411,651
7	Flathead	101.00	51,199,711	97.39	49,366,610	29.57	14,986,280	158.83	80,507,242	20.06	10,167,514	80.43	14,197,407	28,727,369	249,152,133
6	Gallatin	101.00	74,660,847	81.38	60,154,612	25.81	19,075,417	137.39	101,559,977	26.73	19,762,374	146.55	48,558,928	4,793,753	328,565,908
50	Garfield	101.00	1,185,453	244.61	2,194,493	48.08	431,345	81.85	734,269	0.00	0	160.76	57,827	93,868	4,697,254
38	Glacier	101.00	3,304,810	256.20	8,383,043	54.85	1,794,708	219.87	7,194,450	7.43	243,204	284.31	950,265	869,358	22,739,839
53	Golden Valley	101.00	774,305	192.78	1,467,832	42.82	326,001	160.76	1,224,027	2.78	21,165	96.09	52,706	23,427	3,889,462
46	Granite	101.00	2,193,110	141.15	3,064,394	22.18	481,497	90.27	1,959,728	38.84	843,249	107.58	370,670	681,186	9,593,832
12	Hill	101.00	4,743,753	185.77	8,725,359	46.90	2,202,984	209.42	9,836,040	12.46	585,284	220.16	3,064,963	3,566,738	32,725,121
51	Jefferson	101.05	4,581,536	142.16	6,445,390	36.44	1,652,121	168.28	7,629,605	31.19	1,413,940	119.16	470,612	1,899,857	24,093,061
36	Judith Basin	101.00	2,626,076	126.33	3,028,179	24.73	592,836	142.38	3,412,857	9.57	229,391	121.04	109,790	89,842	10,088,971
15	Lake	101.00	11,131,596	135.05	14,884,005	39.52	4,355,583	128.68	14,182,787	30.98	3,414,305	140.35	2,701,924	8,510,900	59,181,099
5	Lewis & Clark	102.50	22,169,442	176.80	38,186,532	40.14	8,669,712	233.16	50,359,672	13.05	2,819,616	151.25	16,183,862	25,016,895	163,405,732
48	Liberty	101.00	1,056,449	209.24	2,188,633	22.15	231,737	137.84	1,441,823	11.03	115,321	149.06	198,329	220,098	5,452,391
56	Lincoln	101.00	6,051,736	111.38	6,673,564	23.89	1,431,163	126.20	7,561,046	18.03	1,080,230	119.64	997,461	3,522,427	27,317,627
25	Madison	101.00	34,387,158	60.76	20,685,178	4.22	1,435,630	21.35	7,268,773	23.78	8,096,897	101.67	846,157	2,980,192	75,699,985
41	McCone	101.00	849,696	297.86	2,505,856	44.50	374,368	182.16	1,532,469	0.29	2,461	391.01	384,626	79,983	5,729,460
47	Meagher	101.00	1,162,896	171.07	1,935,905	22.22	251,477	179.77	2,034,326	10.77	121,872	108.11	253,095	127,404	5,886,974
54	Mineral	101.00	1,411,776	198.11	2,769,201	23.55	329,208	226.53	3,166,367	24.81	346,792	185.69	402,363	189,752	8,615,458
4	Missoula	102.50	38,935,554	180.69	68,628,657	36.41	13,828,029	208.48	79,182,577	72.08	27,376,739	201.08	45,369,735	27,266,819	300,588,110
23	Musselshell	101.00	1,499,895	186.01	2,762,274	9.42	139,882	112.49	1,670,544	9.14	135,735	155.10	341,131	569,979	7,119,441

Table 6.12 - Property Tax Summary by County Tax Year 2023 (continued)

	County	State Assessed Mills ¹ & Revenue		County Assessed Mills & Revenue		County Wide School Mills & Revenue		Local School Average Mills & Revenue		Misc. & Fire District Average Mills & Revenue		City Average Mills ² & Revenue		SID's and Fees	Total of All Taxes & Fees
		Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Revenue	Revenue
49	Park	101.00	9,498,992	89.83	8,448,412	25.29	2,378,457	106.32	9,999,347	14.17	1,332,340	142.88	4,136,038	3,744,924	39,538,510
55	Petroleum	101.00	193,970	282.74	542,996	77.34	148,528	196.62	377,614	7.59	14,578	249.32	44,788	13,829	1,336,303
11	Phillips	101.00	1,602,885	225.40	3,577,017	42.05	667,281	225.85	3,584,132	5.73	91,001	242.34	720,218	2,037,596	12,280,128
26	Pondera	101.00	2,078,327	238.31	4,897,730	49.72	1,021,751	185.73	3,817,042	14.90	306,284	130.42	621,211	697,067	13,439,411
9	Powder River	101.00	1,102,726	217.21	2,371,500	0.00	0	112.36	1,226,729	2.16	23,576	147.92	79,582	405,217	5,209,330
28	Powell	101.00	2,431,405	177.10	4,263,487	36.81	886,208	156.20	3,760,133	0.00	0	107.16	439,675	1,826,907	13,607,813
45	Prairie	101.00	560,146	292.23	1,616,572	33.81	187,058	146.86	812,403	1.71	9,457	223.64	150,960	1,008,842	4,345,439
13	Ravalli	101.00	14,602,335	111.04	16,054,490	24.13	3,488,354	143.32	20,720,307	19.59	2,831,873	152.25	3,539,581	4,852,645	66,089,584
27	Richland	101.00	6,071,043	200.29	12,034,122	0.00	0	113.18	6,800,148	0.00	0	167.51	1,992,250	5,641,669	32,539,232
17	Roosevelt	101.00	3,295,604	271.54	8,860,309	30.17	984,339	154.42	5,038,624	18.95	618,262	278.76	1,194,652	928,186	20,919,976
29	Rosebud	101.00	6,438,335	102.44	6,000,090	33.26	1,947,834	71.80	4,205,601	46.35	2,714,816	173.79	5,100,120	1,529,397	27,936,193
35	Sanders	101.00	4,978,027	142.57	7,027,109	31.33	1,544,306	146.91	7,240,673	23.32	1,149,250	228.48	1,099,551	2,501,148	25,540,064
34	Sheridan	101.00	1,485,136	348.50	5,119,731	43.24	635,201	231.59	3,402,225	28.94	425,176	278.48	849,422	23,946	11,940,837
1	Silver Bow	102.50	10,886,056	254.84	27,064,938	34.78	3,693,878	167.14	17,750,338	52.08	5,531,397	54.89	49,591	12,323,891	77,300,090
32	Stillwater	101.00	7,188,793	169.65	11,629,482	26.94	1,846,947	117.40	8,047,649	18.63	1,276,907	165.92	2,138,610	1,314,706	33,443,094
40	Sweet Grass	101.00	3,396,285	171.16	5,689,115	24.40	811,082	88.85	2,953,162	12.04	400,264	110.12	679,957	43,529	13,973,393
31	Teton	101.00	2,626,613	140.59	3,611,348	46.09	1,183,861	188.98	4,854,213	0.23	5,946	121.15	610,324	3,758,955	16,651,260
21	Toole	100.90	2,315,827	291.79	6,692,724	44.29	1,015,953	173.05	3,969,207	8.82	202,266	213.91	1,097,792	755,613	16,049,381
33	Treasure	101.00	524,425	214.61	1,114,309	26.08	135,427	158.89	825,033	2.18	11,303	461.20	132,875	378,455	3,121,828
20	Valley	101.00	3,086,086	153.02	4,675,441	50.89	1,554,905	244.45	7,469,166	17.60	537,892	289.04	1,706,905	3,168,508	22,198,903
44	Wheatland	101.00	1,902,340	181.08	3,405,555	27.11	509,850	115.65	2,175,073	0.00	0	153.07	222,622	150,264	8,365,703
52	Wibaux	101.00	3,542,274	144.39	5,064,078	8.60	301,677	70.00	2,455,042	11.51	403,765	198.02	122,997	30,468	11,920,301
3	Yellowstone	102.50	52,397,757	129.57	65,398,782	38.59	19,474,780	209.58	105,778,245	5.11	2,578,315	204.94	60,353,898	44,952,094	350,933,871
	Statewide Total		478,934,871		631,311,895		137,944,471		722,954,804		106,932,306		264,049,410	234,259,094	2,576,386,850

1. State assessed mills include: 6 mills for the university system, 33 mills for elementary equalization and BASE program support, 22 mills for high school equalization and Base program support, 40 mills for state equalization aid to public schools, and 1.5 mills to support vocational-technical education.
2. Total taxes from mill levies of all cities/towns within a county divided by total taxable value in the cities/towns.

Table 6.13 - Property Tax Summary by County Tax Year 2024

	County	State Assessed Mills ¹ & Revenue		County Assessed Mills & Revenue		County Wide School Mills & Revenue		Local School Average Mills & Revenue		Misc. & Fire District Average Mills & Revenue		City Average Mills ² & Revenue		SID's and Fees	Total of All Taxes & Fees
		Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Revenue	Revenue
18	Beaverhead	101.00	3,700,002	144.51	5,294,103	17.28	633,171	159.93	5,858,885	14.53	532,277	175.84	1,507,327	1,531,401	19,057,165
22	Big Horn	101.00	2,530,739	515.83	12,843,772	36.70	913,781	199.86	4,976,474	7.71	191,853	183.68	1,040,114	1,908,171	24,404,904
24	Blaine	101.00	1,586,901	304.83	4,789,450	29.47	463,036	198.09	3,112,376	4.32	67,892	351.31	984,283	2,367,785	13,371,723
43	Broadwater	101.00	2,790,439	177.42	4,900,025	11.26	311,059	166.44	4,596,619	14.13	390,360	52.93	187,187	1,448,553	14,624,244
10	Carbon	101.00	7,101,133	136.72	9,196,942	22.06	1,483,640	134.71	9,061,886	19.17	1,289,799	102.63	1,460,998	1,131,399	30,725,797
42	Carter	101.00	7,502,034	90.04	6,688,053	5.84	433,576	22.26	1,653,258	0.00	0	307.53	166,887	73,529	16,517,337
2	Cascade	102.50	23,068,616	152.37	33,475,526	21.95	4,821,464	197.98	43,495,501	19.21	4,220,037	208.57	28,355,402	14,751,630	152,188,176
19	Chouteau	101.00	3,237,145	187.99	6,007,601	27.83	889,503	147.94	4,727,685	14.37	459,170	228.14	949,365	543,085	16,813,553
14	Custer	101.00	2,842,619	244.36	6,495,606	18.01	478,695	225.01	5,981,081	0.00	0	248.68	2,827,669	2,726,685	21,352,356
37	Daniels	101.00	662,661	305.09	2,001,721	17.86	117,177	214.53	1,407,526	74.55	489,116	285.17	356,557	684,877	5,719,636
16	Dawson	101.00	2,529,189	196.46	4,919,607	27.49	688,490	351.37	8,798,765	13.82	346,137	253.66	2,046,806	3,237,064	22,566,058
30	Deer Lodge	101.00	2,927,940	251.19	7,281,818	22.78	660,294	167.05	4,842,697	33.75	978,416	26.56	232,122	2,190,923	19,114,210
39	Fallon	101.00	6,050,971	125.40	7,512,510	0.00	0	56.10	3,360,990	5.84	349,693	225.37	667,200	781,668	18,723,031
8	Fergus	101.00	6,408,721	153.38	9,084,368	25.93	1,535,484	153.91	9,115,470	15.75	932,912	199.11	2,248,405	1,592,009	30,917,368
7	Flathead	101.00	51,948,057	100.87	51,880,958	22.51	11,579,275	159.26	81,908,268	22.80	11,727,226	114.58	20,567,243	26,971,896	256,582,923
6	Gallatin	101.00	75,244,830	87.24	64,991,127	23.23	17,309,299	135.64	101,052,325	28.12	20,950,954	153.15	50,959,900	10,904,592	341,413,025
50	Garfield	101.00	1,091,599	410.10	3,513,547	49.40	423,217	89.45	766,373	0.00	0	167.87	59,259	93,903	5,947,897
38	Glacier	101.00	3,344,558	270.60	8,960,881	27.74	918,716	198.04	6,558,084	7.84	259,675	286.86	931,381	908,949	21,882,244
53	Golden Valley	101.00	767,739	168.29	1,273,206	41.25	312,056	153.14	1,158,596	3.36	25,442	100.46	55,243	25,393	3,617,675
46	Granite	101.00	2,259,498	149.23	3,338,548	20.20	451,940	91.40	2,044,753	38.71	865,915	112.80	394,206	866,236	10,221,097
12	Hill	101.00	4,537,098	192.38	8,642,270	31.32	1,406,772	208.54	9,368,069	12.11	544,064	231.27	3,189,252	3,660,618	31,348,143
51	Jefferson	101.00	4,793,868	130.98	6,214,204	43.61	2,069,082	160.74	7,626,281	30.65	1,454,334	123.79	490,612	1,923,034	24,571,415
36	Judith Basin	101.00	2,713,468	128.87	3,198,971	21.60	536,220	150.91	3,746,063	12.22	303,220	128.30	112,503	90,188	10,700,633
15	Lake	101.00	11,043,527	151.60	16,575,947	24.45	2,673,889	134.86	14,745,754	31.69	3,464,753	150.99	2,877,425	8,413,009	59,794,305
5	Lewis & Clark	102.50	22,402,089	185.44	40,480,115	22.35	4,879,749	203.00	44,313,389	13.77	3,005,008	154.12	16,619,105	24,193,294	155,892,749
48	Liberty	101.00	1,001,172	242.17	2,400,537	23.11	229,083	140.68	1,394,460	9.95	98,664	154.32	204,695	243,501	5,572,112
56	Lincoln	101.00	5,971,908	119.37	7,057,764	18.30	1,082,271	122.31	7,231,611	18.46	1,091,638	127.61	1,062,918	3,569,060	27,067,170
25	Madison	101.00	35,441,654	62.32	21,869,929	5.04	1,768,645	19.30	6,771,474	24.23	8,503,511	101.60	870,915	3,654,581	78,880,709
41	McCone	101.00	814,692	316.96	2,556,655	33.13	267,258	186.56	1,504,815	0.32	2,543	420.23	401,146	132,273	5,679,382
47	Meagher	101.00	1,115,020	186.72	2,049,245	19.71	216,335	179.99	1,975,405	11.38	124,859	112.40	260,959	86,690	5,828,513
54	Mineral	101.00	1,515,490	208.04	3,121,556	13.28	199,334	196.23	2,944,359	24.88	373,382	187.36	420,625	206,612	8,781,359

Table 6.13 - Property Tax Summary by County Tax Year 2024 (continued)

	County	State Assessed Mills ¹ & Revenue		County Assessed Mills & Revenue		County Wide School Mills & Revenue		Local School Average Mills & Revenue		Misc. & Fire District Average Mills & Revenue		City Average Mills ² & Revenue		SID's and Fees	Total of All Taxes & Fees
		Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Revenue	Revenue
4	Missoula	102.50	39,252,104	186.54	71,433,320	24.42	9,350,914	210.14	80,470,196	74.17	28,403,075	239.90	55,052,509	25,784,169	309,746,287
23	Musselshell	101.00	1,496,327	189.96	2,814,296	1.80	26,690	96.86	1,434,985	9.09	134,625	165.91	376,824	920,611	7,204,359
49	Park	101.00	9,752,916	94.16	9,092,820	21.54	2,080,118	106.36	10,270,354	12.62	1,218,854	150.91	4,484,686	4,250,855	41,150,603
55	Petroleum	101.00	188,192	290.73	541,707	43.62	81,284	201.54	375,530	7.83	14,590	256.75	45,691	107,240	1,354,233
11	Phillips	101.00	1,583,433	237.57	3,724,479	25.40	398,218	216.84	3,399,501	6.10	95,668	261.07	764,964	2,079,957	12,046,221
26	Pondera	101.00	2,052,778	238.29	4,836,721	29.48	598,308	144.40	2,930,950	14.80	300,352	94.63	446,722	1,933,411	13,099,243
9	Powder River	101.00	1,042,499	244.19	2,520,437	0.00	0	107.16	1,106,109	2.23	23,028	152.80	85,011	404,357	5,181,442
28	Powell	101.00	2,530,811	177.94	4,458,712	14.51	363,538	156.54	3,922,632	0.00	0	110.02	456,491	1,743,643	13,475,827
45	Prairie	101.00	523,099	337.80	1,743,056	12.16	62,721	130.93	675,621	1.88	9,689	240.24	155,654	863,501	4,033,342
13	Ravalli	101.00	14,815,470	116.84	17,139,138	16.63	2,439,428	145.37	21,323,995	20.57	3,017,470	162.35	3,886,178	4,960,397	67,582,076
27	Richland	101.00	5,941,979	199.94	11,761,798	0.00	0	105.46	6,203,763	0.00	0	176.61	2,096,751	5,772,427	31,776,719
17	Roosevelt	101.00	3,233,002	281.10	8,994,604	25.42	813,428	145.88	4,667,763	20.11	643,483	306.59	1,276,423	924,261	20,552,963
29	Rosebud	101.00	6,895,921	110.46	6,679,731	19.59	1,184,733	76.39	4,619,670	49.00	2,963,388	182.81	5,340,901	1,425,032	29,109,376
35	Sanders	101.00	4,901,288	157.03	7,620,164	22.35	1,084,692	141.86	6,884,137	24.21	1,174,984	237.73	1,138,720	2,536,406	25,340,391
34	Sheridan	101.00	1,392,290	366.79	5,056,155	17.21	237,260	245.67	3,386,547	30.43	419,461	289.85	866,365	355,940	11,714,018
1	Silver Bow	102.50	10,990,011	249.63	26,764,742	20.34	2,180,357	161.59	17,325,503	54.86	5,881,882	57.76	52,046	12,720,785	75,915,326
32	Stillwater	101.00	7,129,153	143.98	9,624,305	27.20	1,818,151	114.65	7,664,078	23.28	1,556,444	173.20	2,085,762	5,499,337	35,377,230
40	Sweet Grass	101.00	3,126,814	180.53	5,543,131	22.93	704,013	81.00	2,487,023	17.69	543,227	121.67	699,000	45,432	13,148,641
31	Teton	101.00	2,591,786	148.77	3,786,578	29.33	746,504	180.83	4,602,709	0.23	5,828	125.77	628,524	22,551	12,384,481
21	Toole	101.00	2,271,899	317.98	7,160,171	30.10	677,780	175.68	3,955,886	9.20	207,143	225.18	1,144,991	745,921	16,163,791
33	Treasure	101.00	490,149	219.31	1,064,316	32.47	157,596	148.91	722,677	2.40	11,631	486.91	137,006	403,821	2,987,196
20	Valley	101.00	2,983,230	159.66	4,715,743	23.26	686,918	237.33	7,010,057	18.41	543,669	301.13	1,750,909	3,238,473	20,928,998
44	Wheatland	101.00	1,900,460	193.71	3,645,018	27.24	512,586	108.37	2,039,130	0.00	0	169.66	247,693	152,477	8,497,363
52	Wibaux	101.00	3,869,545	146.61	5,617,022	7.17	274,651	62.05	2,377,209	11.53	441,803	208.26	128,248	23,462	12,731,941
3	Yellowstone	102.50	52,508,731	136.22	69,169,320	23.25	11,803,749	201.86	102,495,449	5.18	2,632,713	207.88	62,047,328	40,999,165	341,656,455
Statewide Total			482,409,266		664,124,049		98,036,147		708,450,766		113,285,858		287,903,107	238,826,239	2,588,468,287

1. State assessed mills include: 6 mills for the university system, 33 mills for elementary equalization and BASE program support, 22 mills for high school equalization and Base program support, 40 mills for state equalization aid to public schools, and 1.5 mills to support vocational-technical education.

2. Total taxes from mill levies of all cities/towns within a county divided by total taxable value of the cities/towns.

Tax Base and Revenue for Cities and Towns in 2023 and 2024

Table 6.14 displays taxable value, mill rate, and estimated taxes levied for cities and towns. The cities listed are those that levy mills to fund city municipal governments. Property owners in these cities are subject to other mills used to fund county governments, schools, miscellaneous districts, and the state.

Table 6.14 – Taxes Levied by Cities and Town

County	City	TY 2023 (FY 2024)			TY 2024 (FY 2025)		
		Taxable Value	Mill Levy	Estimated Taxes	Taxable Value	Mill Levy	Estimated Taxes
Beaverhead	Dillon	8,026,216	171.48	1,376,325	8,090,442	178.73	1,446,010
Beaverhead	Lima	496,099	118.74	58,906	481,890	127.24	61,318
Big Horn	Hardin	5,346,100	172.94	924,577	5,520,745	183.57	1,013,429
Big Horn	Lodge Grass	149,987	126.51	18,974	142,014	187.90	26,685
Blaine	Chinook	2,034,385	221.65	450,922	2,009,460	220.71	443,498
Blaine	Harlem	815,678	636.26	518,986	792,285	682.56	540,785
Broadwater	Townsend	3,555,557	54.15	192,527	3,536,384	52.93	187,187
Carbon	Bearcreek	209,254	104.20	21,805	210,405	114.47	24,084
Carbon	Bridger	1,102,347	216.46	238,609	1,062,350	235.31	249,981
Carbon	Fromberg	479,716	145.33	69,715	479,662	149.05	71,495
Carbon	Joliet	797,945	135.83	108,381	779,519	143.80	112,092
Carbon	Red Lodge	11,155,684	86.12	960,709	11,703,447	85.73	1,003,346
Carter	Ekalaka	530,932	282.77	150,134	542,661	307.53	166,887
Cascade	Belt	772,352	156.43	120,815	758,749	160.28	121,610
Cascade	Cascade	1,251,238	125.68	157,252	1,230,568	126.30	155,416
Cascade	Great Falls	135,718,561	200.98	27,276,444	133,380,959	210.20	28,037,321
Cascade	Neihart	589,022	66.32	39,064	583,510	70.36	41,054
Chouteau	Big Sandy	807,148	115.08	92,889	806,835	111.18	89,703
Chouteau	Fort Benton	3,025,413	277.34	839,057	3,018,697	256.95	775,667
Chouteau	Geraldine	308,857	238.86	73,774	335,776	250.15	83,996
Custer	Ismay	65,594	59.89	3,928	59,179	69.27	4,099
Custer	Miles City	11,424,401	211.36	2,414,716	11,311,697	249.62	2,823,570
Daniels	Flaxville	86,422	163.30	14,113	82,097	163.40	13,415
Daniels	Scobey	1,180,211	265.61	313,471	1,168,217	293.73	343,143
Dawson	Glendive	8,103,772	233.78	1,894,464	7,852,870	255.94	2,009,903
Dawson	Richey	217,415	163.64	35,578	216,238	170.66	36,903
Deer Lodge	Anaconda	8,591,376	25.98	223,166	8,741,157	26.56	232,122
Fallon	Baker	2,820,679	223.13	629,381	2,788,508	233.25	650,432
Fallon	Plevna	172,898	95.29	16,475	171,964	97.51	16,768
Fergus	Denton	330,178	261.33	86,287	334,293	267.23	89,334
Fergus	Grass Range	138,560	114.38	15,848	136,741	118.20	16,163
Fergus	Lewistown	10,127,859	198.22	2,007,513	9,970,627	203.91	2,033,121
Fergus	Moore	488,536	170.31	83,202	474,824	175.28	83,229
Fergus	Winifred	383,531	67.62	25,936	376,038	70.62	26,558

Table 6.14 – Taxes Levied by Cities and Town (continued)

County	City	TY 2023 (FY 2024)			TY 2024 (FY 2025)		
		Taxable Value	Mill Levy	Estimated Taxes	Taxable Value	Mill Levy	Estimated Taxes
Flathead	Columbia Falls	14,871,604	66.83	993,797	15,136,660	100.26	1,517,642
Flathead	Kalispell	82,620,836	137.10	11,327,040	83,341,954	197.12	16,427,988
Flathead	Whitefish	79,034,081	23.74	1,876,571	81,026,559	32.35	2,621,613
Gallatin	Belgrade	38,185,611	177.22	6,767,217	39,724,709	183.73	7,298,624
Gallatin	Bozeman	266,194,494	151.29	40,272,631	266,100,135	158.17	42,088,754
Gallatin	Manhattan	8,328,389	86.08	716,915	8,233,286	88.71	730,354
Gallatin	Three Forks	5,433,436	85.89	466,678	5,578,838	89.82	501,105
Gallatin	West Yellowstone	13,202,235	25.41	335,488	13,098,301	26.04	341,062
Garfield	Jordan	359,712	160.76	57,827	352,995	167.87	59,259
Glacier	Cut Bank	3,342,347	284.31	950,265	3,246,834	286.86	931,381
Golden Valley	Lavina	304,903	93.78	28,593	309,959	97.27	30,150
Golden Valley	Ryegate	243,594	98.99	24,113	239,926	104.59	25,093
Granite	Drummond	670,694	132.86	89,105	714,673	136.33	97,433
Granite	Philipsburg	2,774,792	101.47	281,564	2,780,175	106.75	296,774
Hill	Havre	13,627,045	223.77	3,049,358	13,519,511	234.84	3,174,896
Hill	Hingham	294,426	53.00	15,605	270,862	53.00	14,356
Jefferson	Boulder	1,803,453	138.71	250,164	1,794,176	142.36	255,419
Jefferson	Whitehall	2,145,970	102.73	220,448	2,169,116	108.43	235,193
Judith Basin	Hobson	300,695	97.49	29,313	290,063	102.57	29,752
Judith Basin	Stanford	606,375	132.72	80,477	586,806	141.02	82,750
Lake	Polson	15,459,602	137.66	2,128,216	15,288,760	146.26	2,236,145
Lake	Ronan	2,852,944	173.35	494,571	2,849,411	196.32	559,391
Lake	St. Ignatius	938,775	84.30	79,137	919,455	89.06	81,889
Lewis & Clark	East Helena	4,569,219	185.92	849,519	4,968,108	192.91	958,393
Lewis & Clark	Helena	102,431,510	149.70	15,334,344	102,866,391	152.24	15,660,712
Liberty	Chester	1,330,550	149.06	198,329	1,326,393	154.32	204,695
Lincoln	Eureka	2,344,343	131.33	307,872	2,316,059	138.32	320,362
Lincoln	Libby	4,799,761	105.55	506,615	4,799,662	115.74	555,492
Lincoln	Troy	1,193,191	153.35	182,974	1,213,834	154.11	187,064
Madison	Ennis	4,940,825	117.79	581,991	5,204,214	117.11	609,481
Madison	Sheridan	1,598,283	77.65	124,099	1,598,163	80.89	129,280
Madison	Twin Bridges	889,863	97.33	86,613	868,285	102.12	88,668
Madison	Virginia City	893,460	59.83	53,453	901,636	48.23	43,487
McCone	Circle	983,676	391.01	384,626	954,590	420.23	401,146

Table 6.14 – Taxes Levied by Cities and Town (continued)

County	City	TY 2023 (FY 2024)			TY 2024 (FY 2025)		
		Taxable Value	Mill Levy	Estimated Taxes	Taxable Value	Mill Levy	Estimated Taxes
Meagher	White Sulphur Springs	2,340,988	108.11	253,095	2,321,610	112.40	260,959
Mineral	Alberton	697,221	157.07	109,510	696,029	162.38	113,020
Mineral	Superior	1,469,627	199.27	292,853	1,548,948	198.59	307,606
Missoula	Missoula	225,627,695	201.08	45,369,735	229,485,733	239.90	55,052,509
Musselshell	Melstone	158,206	370.52	58,618	162,151	386.52	62,675
Musselshell	Roundup	2,041,213	138.40	282,513	2,109,055	148.95	314,149
Park	Clyde Park	927,663	36.74	34,081	924,619	38.88	35,947
Park	Livingston	28,019,501	146.40	4,101,957	28,793,718	154.50	4,448,739
Petroleum	Winnett	179,641	249.32	44,788	177,960	256.75	45,691
Phillips	Dodson	135,816	260.00	35,312	131,374	260.00	34,157
Phillips	Malta	2,573,423	224.62	578,033	2,543,356	234.96	597,594
Phillips	Saco	262,654	406.90	106,873	255,331	521.73	133,213
Pondera	Conrad	3,820,440	138.58	529,446	3,786,467	93.17	352,793
Pondera	Valier	942,672	97.35	91,765	934,115	100.55	93,930
Powder River	Broadus	538,017	147.92	79,582	556,369	152.80	85,011
Powell	Deer Lodge	4,102,814	107.16	439,675	4,149,270	110.02	456,491
Prairie	Terry	675,004	223.64	150,960	647,924	240.24	155,654
Ravalli	Darby	1,542,608	89.62	138,243	1,564,041	99.93	156,296
Ravalli	Hamilton	15,898,432	189.27	3,009,045	16,635,877	199.73	3,322,667
Ravalli	Pinesdale	574,212	56.34	32,352	581,582	56.17	32,670
Ravalli	Stevensville	5,233,000	68.78	359,940	5,154,818	72.66	374,544
Richland	Fairview	1,064,569	194.07	206,599	1,068,270	201.20	214,939
Richland	Sidney	10,828,621	164.90	1,785,651	10,803,690	174.18	1,881,812
Roosevelt	Bainville	323,290	235.64	76,179	314,709	250.69	78,894
Roosevelt	Culbertson	1,385,977	178.50	247,404	1,310,845	231.26	303,151
Roosevelt	Froid	235,504	196.29	46,228	232,501	206.57	48,028
Roosevelt	Poplar	498,733	393.93	196,465	497,582	411.90	204,952
Roosevelt	Wolf Point	1,842,110	341.12	628,376	1,807,680	354.82	641,399
Rosebud	Colstrip	27,010,965	164.04	4,430,851	26,983,817	171.79	4,635,564
Rosebud	Forsyth	2,335,036	286.62	669,269	2,232,015	316.01	705,337
Sanders	Hot Springs	687,792	282.27	194,143	674,032	290.57	195,856
Sanders	Plains	1,842,008	227.75	419,520	1,839,412	236.02	434,130
Sanders	Thompson Falls	2,282,613	212.87	485,888	2,276,520	223.47	508,734
Sheridan	Medicine Lake	255,614	465.94	119,101	245,485	501.37	123,080
Sheridan	Outlook	99,371	165.75	16,471	96,798	175.67	17,005
Sheridan	Plentywood	2,204,888	234.64	517,348	2,158,704	246.01	531,054
Sheridan	Westby	490,356	400.73	196,502	488,065	400.00	195,226

Table 6.14 – Taxes Levied by Cities and Town (continued)

County	City	TY 2023 (FY 2024)			TY 2024 (FY 2025)		
		Taxable Value	Mill Levy	Estimated Taxes	Taxable Value	Mill Levy	Estimated Taxes
Silver Bow	Walkerville	903,431	54.89	49,591	901,103	57.76	52,046
Stillwater	Columbus	12,889,345	165.92	2,138,610	12,042,622	173.20	2,085,762
Sweet Grass	Big Timber	6,174,545	110.12	679,957	5,745,157	121.67	699,000
Teton	Choteau	2,916,332	79.39	231,534	2,889,422	83.29	240,656
Teton	Dutton	401,478	282.86	113,563	398,126	288.85	115,001
Teton	Fairfield	1,719,907	154.21	265,227	1,709,831	159.59	272,868
Toole	Kevin	130,748	388.29	50,768	123,270	420.42	51,826
Toole	Shelby	4,375,714	202.09	884,292	4,339,466	212.70	922,994
Toole	Sunburst	625,479	260.17	162,732	622,144	273.52	170,172
Treasure	Hysham	288,105	461.20	132,875	281,379	486.91	137,006
Valley	Fort Peck	581,771	72.19	41,998	588,084	76.71	45,112
Valley	Glasgow	4,872,803	324.95	1,583,425	4,786,647	334.48	1,601,021
Valley	Nashua	352,373	174.74	61,575	335,555	247.71	83,121
Valley	Opheim	98,447	202.22	19,908	104,117	207.98	21,655
Wheatland	Harlowton	1,265,962	150.67	190,745	1,265,249	165.71	209,663
Wheatland	Judith Gap	188,402	169.20	31,877	194,665	195.36	38,030
Wibaux	Wibaux	621,122	198.02	122,997	615,805	208.26	128,248
Yellowstone	Billings	282,053,209	206.65	58,286,164	286,080,463	207.36	59,320,658
Yellowstone	Broadview	274,482	239.57	65,758	272,634	239.57	65,315
Yellowstone	Laurel	12,168,562	164.52	2,001,977	12,126,883	219.46	2,661,355
		1,584,925,128		264,049,410	1,595,354,401		287,903,107

Property Taxes Paid by Type of Property

Table 6.15 summarizes property taxes paid by subclassification of property. The total value and value within cities is displayed, as well as total taxes paid and an imputed effective tax rate. The effective tax rate is equal to the total taxes paid divided by the market value. Alternatively, the effective tax rate is equal to the tax rate multiplied by the average mill rate of the property.

Table 6.15 Average Mills and Effective Tax Rates by Property Type

Property Type	2024 Tax Rate	Class	Valuation by Property Type				Totals and Summaries		
			2024 Total Assessed Value	2024 Total Taxable Value	Assessed Value within Towns/ Cities	Taxable Value within Towns/ Cities	Total Taxes Levied	Effective Rate	Average Mill Levy for Property Type
Mining Proceeds									
Net Proceeds of Miscellaneous Mines	100.00%	1	\$5,620,761	\$5,620,761	\$0	\$0	\$2,020,851	36.0%	359.53
Gross Proceeds of Metal Mines	3.00%	2	\$886,129,512	\$26,583,885	\$83,997,062	\$2,519,912	\$13,503,980	1.5%	507.98
Subtotal			\$891,750,273	\$32,204,646	\$83,997,062	\$2,519,912	\$15,524,831	1.7%	482.07
Subtotal Percent of Column Statewide Total			0.3%	0.7%	0.1%	0.2%	0.7%		
Agricultural Land									
Tillable Irrigated	2.16%	3	\$1,134,408,310	\$24,503,198	\$1,766,489	\$38,153	\$12,275,291	1.1%	500.97
Tillable Non-Irrigated	2.16%	3	\$3,263,577,893	\$70,493,552	\$852,767	\$18,424	\$39,180,381	1.2%	555.80
Grazing Land	2.16%	3	\$1,846,775,751	\$39,893,434	\$620,579	\$13,680	\$20,048,944	1.1%	502.56
Wild Hay	2.16%	3	\$344,738,055	\$7,446,446	\$231,328	\$4,998	\$3,565,834	1.0%	478.86
Timber Land	0.29%	10	\$1,763,559,213	\$4,761,919	\$523,652	\$1,418	\$2,035,425	0.1%	427.44
Subtotal			\$8,353,059,222	\$147,098,549	\$3,994,815	\$76,673	\$77,105,874	0.9%	524.18
Subtotal Percent of Column Statewide Total			3.1%	3.1%	0.0%	0.0%	3.3%		
Residential Land									
Farmstead 1 Acre	1.35%	4.2	\$57,997,268	\$1,247,528	\$322,558	\$6,955	\$612,700	1.1%	491.13
Non-Qualified Ag Land	15.12%	3	\$62,452,217	\$9,442,747	\$665,010	\$100,614	\$4,387,985	7.0%	464.69
Non-Qual. Ag or Forest Land Homesite	1.35%	4.2	\$2,431,843,193	\$32,830,015	\$24,086,489	\$325,173	\$13,445,218	0.6%	409.54
City/town Lots Residential	1.35%	4.2	\$18,436,842,059	\$248,897,938	\$17,536,399,182	\$236,742,162	\$151,768,297	0.8%	609.76
Suburban Tracts Residential	1.35%	4.2	\$34,237,652,478	\$460,582,259	\$545,069,900	\$6,826,203	\$183,866,037	0.5%	399.20
Tracts and Lots - Low Income	varies	4.2	\$2,561,974,789	\$10,306,715	\$944,155,197	\$3,977,165	\$5,518,084	0.2%	535.39
Subtotal			\$57,788,762,004	\$763,307,202	\$19,050,698,336	\$247,978,272	\$359,598,322	0.6%	471.11

Table 6.15 Average Mills and Effective Tax Rates by Property Type (continued)

Property Type	2024 Tax Rate	Class	Valuation by Property Type				Totals and Summaries		
			2024 Total Assessed Value	2024 Total Taxable Value	Assessed Value within Towns/ Cities	Taxable Value within Towns/ Cities	Total Taxes Levied	Effective Rate	Average Mill Levy for Property Type
Subtotal Percent of Column Statewide Total			21.2%	16.2%	18.8%	15.5%	15.3%		
Residential Improvements									
Impr. on Ag and Timber Land	1.35%	4.1	\$10,079,523,971	\$139,446,431	\$37,663,103	\$508,458	\$64,267,633	0.6%	460.88
Impr. on Suburban Tracts Residential	1.35%	4.1	\$77,004,466,842	\$1,098,893,464	\$804,994,885	\$10,865,862	\$442,493,238	0.6%	402.67
Impr. on City/Town Lots Residential	1.35%	4.1	\$56,395,658,949	\$763,371,897	\$53,084,837,824	\$718,665,022	\$478,000,510	0.8%	626.17
Impr. on Tracts and Lots - Low Income	varies	4.1	\$5,689,194,449	\$21,830,211	\$2,597,216,443	\$10,449,731	\$12,386,071	0.2%	567.38
Remodeled Historic Improvements	varies	4.1	\$9,018,919	\$7,816	\$8,041,332	\$7,816	\$19,945	0.2%	2551.86
Mobile Homes	1.35%	4.1	\$1,281,903,539	\$17,306,105	\$347,489,642	\$4,691,237	\$9,387,631	0.7%	542.45
Mobile Homes - Low Income	varies	4.1	\$139,679,846	\$525,666	\$48,076,901	\$185,896	\$303,599	0.2%	577.55
Subtotal			\$150,599,446,515	\$2,041,381,590	\$56,928,320,130	\$745,374,022	\$1,006,858,628	0.7%	493.22
Subtotal Percent of Column Statewide Total			55.1%	43.3%	56.1%	46.7%	42.8%		
Commercial Land									
Suburban Tracts Commercial	1.89%	4.9	\$3,359,061,018	\$63,486,140	\$346,719,037	\$6,552,984	\$29,247,393	0.9%	460.69
City/town Lots Commercial	1.89%	4.9	\$7,059,951,737	\$133,432,921	\$6,772,084,859	\$127,992,270	\$81,786,477	1.2%	612.94
Industrial Sites	varies	varies	\$310,880,048	\$5,892,652	\$87,717,415	\$1,668,644	\$3,233,510	1.0%	548.74
Qualified Golf Courses	0.95%	4.9	\$72,196,966	\$685,871	\$12,811,249	\$121,711	\$287,658	0.4%	419.41
Locally Assessed Co-op Land	3.00%	5	\$45,796	\$1,374	\$7,630	\$229	\$689	1.5%	501.41
Eligible Mining Claims	2.16%	3	\$1,213,913	\$26,276	\$21,123	\$458	\$12,392	1.0%	471.62
Subtotal			\$10,803,349,478	\$203,525,234	\$7,219,361,313	\$136,336,296	\$114,568,120	1.1%	562.92
Subtotal Percent of Column Statewide Total			4.0%	4.3%	7.1%	8.5%	4.9%		
Commercial Improvements									
Impr. on Suburban Tracts Commercial	1.89%	4.8	\$7,089,913,783	\$133,999,355	\$741,584,781	\$14,015,940	\$62,943,038	0.9%	469.73
Impr. on City/Town Lots Commercial	1.89%	4.8	\$13,166,586,978	\$248,835,878	\$12,370,242,480	\$233,793,851	\$157,737,082	1.2%	633.90
Impr. on Right of Way - Commercial	1.89%	4.8	\$45,791,521	\$865,467	\$37,957,335	\$717,400	\$552,153	1.2%	637.98

Table 6.15 Average Mills and Effective Tax Rates by Property Type (continued)

Property Type	2024 Tax Rate	Class	Valuation by Property Type				Totals and Summaries		
			2024 Total Assessed Value	2024 Total Taxable Value	Assessed Value within Towns/ Cities	Taxable Value within Towns/ Cities	Total Taxes Levied	Effective Rate	Average Mill Levy for Property Type
Locally Assessed Co-op Improvements	3.00%	5	\$407,127	\$12,214	\$3,770	\$113	\$5,290	1.3%	433.13
Impr. on Qualified Golf Courses	0.95%	4.8	\$306,580,849	\$2,912,522	\$44,588,823	\$423,595	\$1,139,022	0.4%	391.08
Impr. on Industrial Sites	1.89%	4.8	\$2,106,260,408	\$39,141,001	\$651,762,267	\$11,723,046	\$21,995,498	1.0%	561.96
Remodeled Commercial Improvements	varies	4.8	\$39,376,296	\$224,670	\$39,183,924	\$224,670	\$202,282	0.5%	900.35
Impr. for Pollution Control	3.00%	5	\$14,937,843	\$448,137	\$233,070	\$6,992	\$242,719	1.6%	541.62
Data Centers Improvements	0.90%	17	\$8,288,730	\$74,599	\$0	\$0	\$45,596	0.6%	611.21
Subtotal			\$22,778,143,535	\$426,513,843	\$13,885,556,450	\$260,905,607	\$244,862,681	1.1%	574.10
Subtotal Percent of Column Statewide Total			8.3%	9.0%	13.7%	16.4%	10.4%		
Personal Property									
Furniture and Fixtures	varies	8	\$962,859,989	\$21,138,296	\$584,072,909	\$12,029,264	\$11,200,419	1.2%	529.86
Machin. other than Farm, Min., Manuf.	varies	8	\$1,838,087,600	\$34,690,465	\$448,941,842	\$7,273,178	\$19,780,334	1.1%	570.20
Repair Tools	varies	8	\$3,375,967	\$69,163	\$1,766,904	\$36,722	\$37,431	1.1%	541.20
Manufacturing Machinery	varies	8	\$3,782,170,549	\$104,073,263	\$855,794,045	\$22,381,779	\$54,323,045	1.4%	521.97
Supplies and Materials	varies	8	\$544,747,279	\$15,550,167	\$80,423,786	\$2,100,395	\$7,758,245	1.4%	498.92
Rural Telephone Property	8.00%	7	\$226,696	\$18,136	\$33,599	\$2,688	\$9,536	4.2%	525.79
Air and H2O Pollution Control	3.00%	5	\$88,832,522	\$2,664,976	\$3,098,893	\$92,967	\$1,320,801	1.5%	495.61
Cable TV Systems	varies	8	\$190,344	\$3,684	\$135,053	\$2,722	\$2,179	1.1%	591.45
CB's and Mobile Phones	varies	8	\$3,598,363	\$104,294	\$142,968	\$3,950	\$53,295	1.5%	511.01
Rental Equipment	varies	8	\$13,415,390	\$223,845	\$3,536,495	\$55,790	\$115,032	0.9%	513.89
Oil & Gas Field Equipment	varies	8	\$342,711,545	\$9,117,408	\$1,076,222	\$16,369	\$3,776,209	1.1%	414.18
Oil & Gas Flow Lines	varies	8	\$154,663,178	\$4,263,796	\$329,017	\$4,988	\$1,701,627	1.1%	399.09
Ag Implements	varies	8	\$185,541,288	\$3,674,840	\$6,677,549	\$164,382	\$2,166,392	1.2%	589.52
Local Assessed Utility Intra-Co Lines	varies	8	\$0	\$0	\$0	\$0	\$0	-	-
Centrally Assessed Personal Property	varies	8	\$80,176,932	\$2,315,305	\$0	\$0	\$928,412	1.2%	400.99
Failure to Report Penalty	varies	8	\$13,863,137	\$210,587	\$5,623,317	\$86,786	\$115,518	0.8%	548.55
Data Center Personal Property	0.90%	17	\$53,813,209	\$484,319	\$0	\$0	\$296,021	0.6%	611.21
Subtotal			\$8,068,273,988	\$198,602,544	\$1,991,652,600	\$44,251,981	\$103,584,496	1.3%	521.57

Table 6.15 Average Mills and Effective Tax Rates by Property Type (continued)

Property Type	2024 Tax Rate	Class	Valuation by Property Type				Totals and Summaries		
			2024 Total Assessed Value	2024 Total Taxable Value	Assessed Value within Towns/ Cities	Taxable Value within Towns/ Cities	Total Taxes Levied	Effective Rate	Average Mill Levy for Property Type
Subtotal Percent of Column Statewide Total			3.0%	4.2%	2.0%	2.8%	7.0%		
Utilities Real									
Rural Co-op companies Real Property	3.00%	5	\$136,604,132	\$4,098,126	\$36,417,144	\$1,092,512	\$2,328,333	1.7%	568.15
Independent Tele Companies Real Property	3.00%	5	\$2,527,038	\$75,814	\$477,688	\$14,331	\$39,260	1.6%	517.85
Electric Companies Real Property	12.00%	9	\$42,955,590	\$5,154,669	\$3,198,851	\$383,861	\$2,194,508	5.1%	425.73
Gas & Electric Companies Real Property	12.00%	9	\$137,548,350	\$16,505,795	\$41,104,281	\$4,932,516	\$9,053,248	6.6%	548.49
Pipelines Real Property	12.00%	9	\$314,322,265	\$33,503,213	\$3,474,454	\$416,933	\$13,589,184	4.3%	405.61
Telecom Companies Real Property	6.00%	13	\$295,983,872	\$17,759,048	\$145,062,718	\$8,703,776	\$10,304,976	3.5%	580.27
Railroads Real Property	2.77%	12	\$168,586,719	\$4,669,863	\$71,306,253	\$1,975,193	\$2,600,843	1.5%	556.94
Airlines Real Property	2.77%	12	\$1,913,113	\$52,994	\$1,706,450	\$47,269	\$35,681	1.9%	673.30
Electric Generation Real Property	6.00%	13	\$881,435,674	\$52,886,141	\$376,266,741	\$22,576,006	\$24,636,498	2.8%	465.84
Renewable Energy Real Property	3.00%	14	\$4,122,067	\$111,290	\$0	\$0	\$36,953	0.9%	332.05
CO2 Pipeline Real	3.00%	15	\$16,069,628	\$209,776	\$0	\$0	\$96,385	0.6%	459.46
Subtotal			\$2,002,068,448	\$135,026,729	\$679,014,580	\$40,142,397	\$64,915,869	3.2%	480.76
Subtotal Percent of Column Statewide Total			0.7%	2.9%	0.7%	2.5%	2.8%		
Utilities Personal									
Rural Co-op Companies Pers Prop	3.00%	5	\$551,928,128	\$16,557,866	\$138,120,831	\$4,143,618	\$9,272,374	1.7%	560.00
Independent Tele Companies Pers Prop	3.00%	5	\$9,688,020	\$290,646	\$1,331,032	\$39,931	\$153,802	1.6%	529.17
Electric Companies Pers Prop	12.00%	9	\$24,089,780	\$2,890,774	\$18,802,457	\$2,256,296	\$1,633,119	6.8%	564.94
Gas & Electric Companies Pers Prop	12.00%	9	\$1,426,380,913	\$171,165,706	\$596,638,647	\$71,596,636	\$96,651,874	6.8%	564.67
Pipelines Pers Prop	12.00%	9	\$639,899,684	\$72,891,908	\$19,881,698	\$2,385,801	\$27,028,156	4.2%	370.80
Telecom Companies Pers Prop	6.00%	13	\$362,785,291	\$21,767,097	\$210,713,495	\$12,642,804	\$12,928,246	3.6%	593.94
Railroads Pers Prop	2.77%	12	\$103,871,837	\$2,877,258	\$7,716,205	\$213,741	\$1,450,865	1.4%	504.25
Airlines Pers Prop	2.77%	12	\$31,676,310	\$877,428	\$20,069,665	\$555,928	\$531,041	1.7%	605.22
Electric Generation Personal Prop	6.00%	13	\$424,760,510	\$25,485,632	\$18,631,501	\$1,117,891	\$12,391,937	2.9%	486.23

Table 6.15 Average Mills and Effective Tax Rates by Property Type (continued)

Property Type	2024 Tax Rate	Class	Valuation by Property Type				Totals and Summaries		
			2024 Total Assessed Value	2024 Total Taxable Value	Assessed Value within Towns/ Cities	Taxable Value within Towns/ Cities	Total Taxes Levied	Effective Rate	Average Mill Levy for Property Type
Centrally Assessed Pollution Control	3.00%	5	\$101,348,051	\$763,426	\$53,203,854	\$425,224	\$374,025	0.4%	489.93
Renewable Energy Personal Prop	3.00%	14	\$1,146,338,621	\$19,311,746	\$1,103,058	\$33,092	\$10,267,823	0.9%	531.69
CO2 Pipeline Pers Prop	3.00%	15	\$107,657,594	\$1,614,863	\$0	\$0	\$619,663	0.6%	383.72
Subtotal			\$4,930,424,739	\$336,494,350	\$1,086,212,443	\$95,410,962	\$173,302,925	3.5%	515.02
Subtotal Percent of Column Statewide Total			1.8%	7.1%	1.1%	6.0%	7.4%		
Utilities Mileage									
Rural Co-op Companies Mileage	3.00%	5	\$1,132,575,278	\$31,600,668	\$95,259,530	\$1,649,177	\$15,932,916	1.4%	504.20
Independent Tele Companies Mileage	3.00%	5	\$41,478,806	\$1,244,368	\$516,494	\$15,496	\$652,302	1.6%	524.20
Electric Companies Mileage	12.00%	9	\$155,920,022	\$18,710,398	\$25,001,138	\$3,000,141	\$9,600,431	6.2%	513.11
Gas & Electric Companies Mileage	12.00%	9	\$574,937,536	\$68,992,486	\$32,349,042	\$3,881,876	\$34,270,534	6.0%	496.73
Pipelines Mileage	12.00%	9	\$1,846,943,241	\$221,633,194	\$6,653,936	\$798,470	\$84,462,262	4.6%	381.09
Telecom Companies Mileage	6.00%	13	\$232,193,735	\$11,987,862	\$97,535,896	\$4,528,601	\$6,624,940	2.9%	552.64
Railroads Mileage	2.77%	12	\$2,604,528,253	\$72,145,432	\$196,191,642	\$5,434,512	\$37,710,526	1.4%	522.70
Airlines Flight Property Mileage	2.77%	12	\$232,268,177	\$6,433,829	\$110,070,516	\$3,048,954	\$3,702,784	1.6%	575.52
Renewable Mileage	3.00%	14	\$101,028,718	\$1,515,432	\$70,115	\$1,052	\$735,867	0.7%	485.58
Class 15 Pipeline Mileage	3.00%	15	\$46,063,379	\$690,951	\$0	\$0	\$194,883	0.4%	282.05
Subtotal			\$6,967,937,145	\$434,954,620	\$563,648,309	\$22,358,279	\$193,887,447	2.8%	445.76
Subtotal Percent of Column Statewide Total			2.6%	9.2%	0.6%	1.4%	8.2%		
Statewide Summary									
Statewide Total			\$273,183,215,347	\$4,719,109,307	\$101,492,456,038	\$1,595,354,401	\$2,354,209,193	0.9%	498.87

For a large-print copy of this table, please contact the department at (406) 444-6900.

Tax Years 2023 and 2024 county level breakdowns of market value, taxable value, and estimated taxes by class, as well as the top 10 taxpayers in the county, are available online in the Biennial Report Appendix at <https://mtrevenue.gov/dor-publications/biennial-reports/>.

Tax Increment Financing

Tax Increment Financing

Tax Increment Financing (TIF), authorized by 7-15-4282, MCA, is an opportunity for qualifying districts to use property tax revenue to fund new development. It works by separating the taxable value of a levy district into base and increment values so that revenue from the base value continues to go to the regular taxing jurisdiction, but taxes on the increment, or increased values, go to the TIF district to pay for development activities within the district.

As of July 1, 2013, qualifying districts include Targeted Economic Development Districts (TEDD) and Urban Renewal Districts (URD). Qualifying districts prior to this date included industrial districts, technology districts, and aerospace transportation and technology districts. The 2013 Legislature eliminated the option to create any of those three districts and replaced them with the broader TED district. However, districts that were already in existence may remain in existence.

Tax Increment Financing may be used to pay for a variety of development activities within the TIF district including land acquisition, demolition and removal of structures, relocation of occupants, infrastructure costs, construction of publicly owned buildings and improvements, administration of urban renewal activities, and payment of bonds that were issued to fund appropriate costs (7-15-4288, MCA).

Upon expiration of the TIF, the increment is released back to the local governments and the state. The released increment is treated as newly taxable property for 15-10-420, MCA, purposes in the relevant taxing jurisdictions. Schools treat the released increment as an increase in their tax base and adjust their mill levies accordingly.

TIF districts expire on the latter of the 15th year following the TIF’s adoption or the full payment of all bonds for which tax increment revenue has been pledged. TIFs may extend their expiration date by securing bonds that pledge the increment after their 15th year as repayment. No term extensions are allowed for bonds secured after the 15th anniversary of tax increment provisions. For example, if a TIF was authorized January 1, 2000, it has until January 1, 2015 (its 15th anniversary), to pass bonds secured by future increment to extend the expiration date. Additional bonds may be passed after the 15th anniversary, but these would not extend the life of a TIF.

	Years From TIF Authorization														
Years	1	3	5	7	9	11	13	15	17	19	21	23	25	27	29
Initial Term	15 Years Following Adoption														
Term Extended by Bond Issuance								Bond Issuance Before 15th Year Anniversary							

TIF districts created prior to April 6th, 2017, collect the incremental tax revenue from all local and state mills except the statewide 6-mill levy that funds the university system and the 1.5-mill levy that funds community colleges. All URDs created after April 6th, 2017, and TEDDs created between April 6th, 2017, and July 1, 2022 are not permitted to include newly voted mills as part of the incremental tax collection. In addition, TEDDs created after July 1, 2022, are only allowed to collect incremental tax revenue on half of the state school equalization mills.

An Example: Tax Increment

Base taxable value is the total taxable value in the TIF district in the year prior to the TIF's existence. Incremental taxable value is the taxable value that exceeds the base taxable value for the district in any year. Let's imagine a hypothetical TIF where the base year and current year taxable value are equal to \$1 million, and the consolidated mill levy is 500. In this case, there would be no incremental value and therefore no TIF revenue.

TIF Taxable Value	Base Year
Current Year Taxable Value	\$1,000,000
Base Taxable Value	- \$1,000,000
Increment Taxable Value	\$0
Millage Rate	x 0.500
TIF Revenue	\$0

In the second year of the TIF's existence, the TIF's taxable value grows to \$1,100,000, so the incremental value in that year is \$100,000. The total mills in the TIF remain at 500, so the taxes generated from the increment (TIF revenue) are \$50,000.

TIF Taxable Value	Base Year	Year 2
Current Year Taxable Value	\$1,000,000	\$1,100,000
Base Taxable Value	- \$1,000,000	- \$1,000,000
Increment Taxable Value	\$0	\$100,000
Millage Rate	x 0.500	x 0.500
TIF Revenue	\$0	\$50,000

In the TIF's third year, the taxable value shrinks to \$800,000, due to property devaluation and demolition. The incremental value is now negative (\$200,000). A negative increment is equivalent to no increment; the TIF will not generate any revenue this year.

TIF Taxable Value	Base Year	Year 2	Year 3
Current Year Taxable Value	\$1,000,000	\$1,100,000	\$800,000
Base Taxable Value	- \$1,000,000	- \$1,000,000	- \$1,000,000
Increment Taxable Value	\$0	\$100,000	-\$200,000
Millage Rate	x 0.500	x 0.500	x 0.500
TIF Revenue	\$0	\$50,000	\$0

In the fourth year, the taxable value of the TIF grows from \$800,000 to \$1,200,000 due to redevelopment. The increment increases to \$200,000. If the total mills remain at 500, the TIF's revenue would be \$100,000 for the year.

TIF Taxable Value	Base Year	Year 2	Year 3	Year 4
Current Year Taxable Value	\$1,000,000	\$1,100,000	\$800,000	\$1,200,000
Base Taxable Value	- \$1,000,000	- \$1,000,000	- \$1,000,000	- \$1,000,000
Increment Taxable Value	\$0	\$100,000	-\$200,000	\$200,000
Millage Rate	x 0.500	x 0.500	x 0.500	x 0.500
TIF Revenue	\$0	\$50,000	\$0	\$100,000

Tables 6.16 and 6.17 show TIF districts in existence in Tax Year 2023 and Tax Year 2024, respectively.

Table 6.16 – TY 23 TIFs

County	District	Year Created	Year of Expected Expiration	2023 Total Taxable Value	Taxable Value of Base	Incremental Taxable Value	State Taxes	County Taxes	Countywide and Local Schools Taxes	Cities & Towns Taxes	Misc. Taxes	Total Revenue
Industrial Tax Increment Financing Districts												
Big Horn	Hardin Industrial	2004	2031	1,693,033	465,144	1,227,889	116,272	483,409	297,919	211,555	13,905	1,123,060
Cascade	Airport TID	2008	2023	403,776	107,149	296,627	28,180	39,822	74,405	60,103	0	202,510
Cascade	East Industrial Park	2013	2028	615,631	2,322	613,309	58,121	82,199	151,754	123,455	12,385	427,914
Cascade	Int'l Malting TID	2005	2040	1,270,871	347,618	923,253	92,211	128,922	237,735	193,536	0	652,404
Flathead	Kalispell H	2005	2026	21,699	126	21,573	2,049	1,872	3,977	2,950	0	10,849
Hill	Hill Co Industrial	2013	2028	2,781	912	1,869	178	369	514	0	53	1,114
Jefferson	North Jefferson Co Industrial	2009	2024	236,562	18,590	217,972	20,707	31,471	41,298	0	8,365	101,842
Jefferson	Sunlight Industrial	2009	2024	1,559,106	737,334	821,772	78,068	117,817	144,212	0	17,825	357,923
Missoula	Bonner Mill Industrial	2012	2027	955,584	121,676	833,908	79,221	165,809	205,180	0	160,753	610,964
Park	West End Industrial	2004	2025	456,994	128	456,866	43,402	39,481	72,268	69,662	230	225,044
Ravalli	N Stevensville Industrial	2010	2025	144,526	109,850	34,676	3,294	3,410	6,551	2,444	0	15,699
Toole	Shelby Industrial	2013	2055	382,339	89,401	292,938	27,829	68,044	78,730	58,825	4,393	237,821
Technology Tax Increment Financing Districts												
Flathead	Kalispell G	2005	2026	176,031	390	175,641	16,686	16,119	34,417	24,768	0	91,990
Gallatin	S Bozeman Tech District	2012	2027	98,650	417	98,233	9,332	7,170	16,397	14,806	143	47,848
Missoula	Technology District	2005	2026	367,082	0	367,082	34,873	70,951	76,007	0	49,629	231,460
Targeted Economic Development Tax Increment Financing Districts												
Broadwater	Wheatland TEDD	2019	2034	349,759	164,172	185,587	17,631	33,842	40,563	0	708	92,744
Fergus	Lewistown TEDD	2017	2032	406,659	200,687	205,972	19,567	26,436	75,225	41,243	0	162,472

Table 6.16 – TY 23 TIFs (continued)

County	District	Year Created	Year of Expected Expiration	2023 Total Taxable Value	Taxable Value of Base	Incremental Taxable Value	State Taxes	County Taxes	Countywide and Local Schools Taxes	Cities & Towns Taxes	Misc. Taxes	Total Revenue
Flathead	Columbia Falls Industrial Park TEDD	2015	2030	4,440,452	1,986,191	2,454,261	234,734	215,492	598,556	164,946	68,425	1,282,153
Flathead	Columbia Rising TEDD	2018	2033	596,791	249,028	347,763	33,037	34,902	94,486	34,801	10,016	207,242
Flathead	Glacier Rail Park TEDD	2016	2031	338,146	7,057	331,089	31,453	28,927	84,145	45,445	0	189,970
Lincoln	Kootenai Business Park	2016	2035	120,375	157,299	0	0	0	0	0	0	0
Missoula	Bonner W Log Yard TEDD	2014	2029	173,618	1,148	172,470	16,385	33,294	41,255	0	28,310	119,243
Missoula	The WYE	2020	2035	2,492,856	1,421,826	1,071,030	100,546	207,004	221,257	0	158,415	687,221
Ravalli	Hamilton Airport	2015	2030	290,888	128,339	162,549	15,442	18,483	29,628	0	3,449	67,003
Ravalli	Ravalli County TEDD	2013	2028	90,025	49,132	40,893	3,885	3,953	7,542	2,806	0	18,186
Silver Bow	South Butte TEDD	2017	2031	2,292,889	1,337,610	955,279	90,752	245,658	206,579	0	58,977	601,966
Yellowstone	Lockwood TEDD	2016	2031	1,329,033	848,362	480,671	46,086	77,896	160,424	0	6,968	291,375
Urban Renewal Tax Increment Financing Districts												
Carbon	Red Lodge North Community Entrance	2022	2037	631,885	398,868	233,017	22,137	21,772	41,841	20,272	1,165	107,186
Cascade	GF DT Urban Renewal	2012	2040	5,850,723	3,643,698	2,207,025	208,741	294,302	538,797	440,508	44,321	1,526,669
Cascade	GF West Bank	2007	2040	1,818,850	292,536	1,526,314	138,138	195,527	356,325	292,120	29,349	1,011,459
Chouteau	1TID	1998	2028	353,597	160,843	192,754	17,536	24,373	41,303	51,175	1,944	136,331
Chouteau	2TID	2012	2027	239,438	17,494	221,944	29,399	29,208	50,165	62,199	2,808	173,777
Custer	Miles City Downtown	2015	2030	2,004,848	1,556,649	448,199	42,586	93,704	144,886	94,761	0	375,937
Deer Lodge	Ana - Downtown	2014	2029	1,539,806	856,125	683,681	64,862	167,967	90,437	17,780	49,475	390,521
Fallon	Baker Urban Renewal	2017	2032	741,733	699,066	42,667	4,054	2,124	2,416	9,523	0	18,118

Table 6.16 – TY 23 TIFs (continued)

County	District	Year Created	Year of Expected Expiration	2023 Total Taxable Value	Taxable Value of Base	Incremental Taxable Value	State Taxes	County Taxes	Countywide and Local Schools Taxes	Cities & Towns Taxes	Misc. Taxes	Total Revenue
Fergus	Lewistown Urban	2014	2029	2,263,797	1,482,192	781,605	74,371	99,811	282,866	155,157	0	612,205
Flathead	Columbia Falls URD	2015	2029	118,893	62,035	56,858	5,402	4,934	13,737	3,665	1,581	29,319
Flathead	Downtown Kalispell	2019	2034	2,866,943	1,665,094	1,201,849	114,058	104,834	304,941	164,743	21,650	710,225
Flathead	Kalispell C - amended 2011	2011	2037	13,117,286	7,932,918	5,184,368	488,342	449,001	1,306,077	705,482	12,275	2,961,177
Gallatin	Belgrade Urban Renewal	2017	2032	3,995,893	2,201,304	1,794,589	169,953	131,627	380,139	317,039	89,071	1,087,829
Gallatin	Bozeman Downtown	1995	2032	15,118,342	1,328,695	13,789,647	1,302,777	1,001,480	2,290,729	2,068,468	20,037	6,683,491
Gallatin	Bozeman Midtown URD	2006	2044	8,905,551	3,507,723	5,397,828	512,128	393,716	900,588	813,211	7,878	2,627,521
Gallatin	North Park URD	2017	2032	329,639	244,332	85,307	8,104	6,227	14,239	12,857	125	41,552
Gallatin	NE Urban Renewal	2006	2042	1,805,712	423,054	1,382,658	131,369	100,933	230,823	208,421	2,019	673,566
Gallatin	Pole Yard Urban Renewal District	2020	2035	2,266,003	1,137,056	1,128,947	107,250	82,613	189,105	170,776	1,654	551,399
Jefferson	Whitehall Urban Renewal	2013	2028	1,364,279	736,527	627,752	59,366	79,667	109,701	64,201	12,557	325,492
Lake	Polson	2002	2025	2,350,541	1,433,450	917,091	86,963	105,232	164,343	126,183	21,536	504,258
Lewis And Clark	Capital Hill	2020	2035	2,899,282	1,988,913	910,369	86,499	148,722	267,548	136,075	2,354	641,198
Lewis And Clark	Helena Urban Renewal District	2018	2033	7,720,793	6,100,262	1,620,531	163,610	277,212	499,141	253,762	4,384	1,198,108
Lewis And Clark	Railroad District Urban Renewal	2016	2030	3,363,065	2,334,837	1,028,228	97,438	167,696	301,550	153,399	2,677	722,759
Lincoln	Riverside	2001	2031	810,982	347,928	463,054	43,917	51,551	50,446	60,598	8,176	214,688

Table 6.16 – TY 23 TIFs (continued)

County	District	Year Created	Year of Expected Expiration	2023 Total Taxable Value	Taxable Value of Base	Incremental Taxable Value	State Taxes	County Taxes	Countywide and Local Schools Taxes	Cities & Towns Taxes	Misc. Taxes	Total Revenue
Missoula	Front St URD	2007	2046	4,447,370	1,413,035	3,034,335	280,801	507,668	775,182	594,418	160,210	2,318,279
Missoula	Hellgate URD	2014	2029	1,628,437	1,025,448	602,989	57,079	103,819	158,107	121,509	32,624	473,138
Missoula	N. Reserve Scott St. URD	2014	2045	4,440,884	1,587,363	2,853,521	266,985	489,529	655,188	572,622	152,966	2,137,291
Missoula	River Front URD	2008	2043	729,301	157,858	571,443	54,287	98,127	149,848	114,897	30,971	448,131
Missoula	URD II	1991	2031	8,138,873	1,859,823	6,279,050	594,350	1,077,394	1,610,895	1,261,267	339,371	4,883,277
Missoula	URD III	2007	2040	17,025,424	8,172,844	8,852,580	826,607	1,498,695	2,285,580	1,754,446	472,015	6,837,343
Musselshell	Downtown Roundup Urban Renwal	2018	2033	821,567	912,989	0	0	0	0	0	0	0
Park	Livingston Urban Renewal	2003	2034	3,639,922	1,604,273	2,035,649	193,362	169,497	307,689	297,848	979	969,375
Ravalli	North Hamilton Urban Renewal	2018	2033	4,354,783	3,294,745	1,060,038	100,119	102,665	192,628	200,261	5,728	601,400
Silver Bow	BSB Harrison Ave S	2019	2034	5,394,699	3,840,166	1,554,533	147,610	398,245	335,366	0	95,732	976,953
Silver Bow	Butte Uptown URD	2014	2039	6,916,372	3,587,625	3,328,747	315,533	849,249	715,893	0	204,336	2,085,010
Yellowstone	2008 Expanded N 27th St	2008	2044	8,267,664	4,112,238	4,155,426	390,548	458,159	1,048,909	849,744	17,409	2,764,769
Yellowstone	East Billings	2006	2039	3,593,451	1,939,797	1,653,654	156,954	184,777	423,309	341,703	7,020	1,113,764
Yellowstone	Laurel	2007	2045	3,180,064	1,169,223	2,010,841	188,218	221,456	442,304	326,983	9,728	1,188,688
Yellowstone	South Billings Blvd	2008	2040	14,229,966	7,124,210	7,105,756	672,878	789,662	1,694,428	1,464,125	30,006	4,651,100
Total				190,592,814	90,905,144	99,816,016	9,444,272	13,165,924	22,368,499	15,353,542	2,499,083	62,831,320

The taxes generated for TIFs are estimates based on the ratio of incremental taxable value to total taxable value. For TIFs created after April 2017, this is likely an overestimate since newly voted mills are not subject to increment capture. The department does not have data on which mills are newly voted.

For a large-print copy of this table, please contact the department at (406) 444-6900.

Table 6.17 – TY 24 TIFs

County	District	Year Created	Year of Expected Expiration	2024 Total Taxable Value	Taxable Value of Base	Incremental Taxable Value	State Taxes	County Taxes	Countywide and Local Schools Taxes	Cities & Towns Taxes	Misc. Taxes	Total Revenue
Industrial Tax Increment Financing Districts												
Big Horn	Hardin Industrial	2004	2031	1,956,757	465,144	1,491,613	141,703	637,654	378,753	270,310	17,077	1,445,498
Cascade	Airport TID	2008	2037	392,610	107,149	285,461	27,119	40,165	63,287	59,741	0	190,311
Cascade	East Industrial Park	2013	2028	597,511	2,322	595,189	56,543	83,912	131,341	124,791	12,568	409,154
Cascade	Int'l Malting TID	2005	2040	1,334,750	347,618	987,132	93,778	139,309	217,318	207,160	0	657,565
Flathead	Kalispell H	2005	2026	21,969	126	21,843	2,075	1,973	3,853	4,318	0	12,219
Hill	Hill Co Industrial	2013	2028	2,740	912	1,828	174	373	472	0	53	1,071
Jefferson	North Jefferson Co Industrial	2009	2024	257,777	18,590	239,187	23,284	32,566	47,734	0	9,441	113,025
Jefferson	Sunlight Industrial	2009	2037	3,080,666	737,334	2,343,332	222,617	310,093	374,346	0	48,508	955,564
Missoula	Bonner Mill Industrial	2012	2032	1,038,193	121,676	916,517	87,069	181,797	209,660	0	179,794	658,321
Park	West End Industrial	2004	2025	435,165	128	435,037	41,329	37,747	65,178	66,675	216	211,145
Ravalli	N Stevensville Industrial	2010	2025	135,579	109,850	25,729	2,451	2,635	4,605	1,875	0	11,566
Toole	Shelby Industrial	2013	2055	397,836	89,401	308,435	29,301	77,532	81,431	65,672	4,881	258,817
Technology Tax Increment Financing Districts												
Flathead	Kalispell G	2005	2026	179,738	390	179,348	17,038	16,093	31,876	33,635	0	98,642
Gallatin	S Bozeman Tech District	2012	2027	98,650	417	98,233	9,299	7,710	16,427	15,488	196	49,120
Missoula	Technology District	2005	2026	367,735	0	367,735	34,935	73,436	72,220	0	52,498	233,089
Targeted Economic Development Tax Increment Financing Districts												
Broadwater	Wheatland TEDD	2019	2034	331,919	164,172	167,747	15,346	29,004	28,971	0	602	73,923
Fergus	Lewistown TEDD	2014	2029	406,129	200,687	205,442	19,517	26,552	68,279	41,862	0	156,210
Flathead	Columbia Falls Industrial Park TEDD	2015	2030	4,475,404	1,986,191	2,489,213	237,300	224,614	615,023	249,661	73,986	1,400,584

Table 6.17 – TY 24 TIFs continued

County	District	Year Created	Year of Expected Expiration	2024 Total Taxable Value	Taxable Value of Base	Incremental Taxable Value	State Taxes	County Taxes	Countywide and Local Schools Taxes	Cities & Towns Taxes	Misc. Taxes	Total Revenue
Flathead	Columbia Rising TEDD	2018	2033	596,359	249,028	347,331	32,996	30,848	85,039	29,736	10,051	188,671
Flathead	Glacier Rail Park TEDD	2016	2031	338,874	7,057	331,817	31,523	29,965	80,813	65,512	0	207,812
Lincoln	Kootenai Business Park	2016	2031	166,643	157,299	9,344	888	1,116	1,444	50	10	3,508
Missoula	Bonner W Log Yard TEDD	2014	2029	234,552	1,148	233,404	22,173	46,602	52,795	0	38,514	160,084
Missoula	The WYE	2020	2035	2,540,949	1,421,826	1,119,123	107,283	225,205	222,625	0	175,555	730,669
Missoula	The WYE 2	2023	2038	5,397,677	5,261,147	136,530	6,534	27,445	29,100	0	14,572	77,652
Ravalli	Hamilton Airport	2013	2028	348,825	128,339	220,486	20,946	26,398	39,397	0	4,882	91,624
Ravalli	Ravalli County TEDD	2015	2030	90,025	49,132	40,893	3,885	4,176	7,297	2,972	0	18,329
Silver Bow	Montana Connections	2023	2038	9,180,691	8,927,094	253,597	12,042	63,387	30,948	0	2,416	108,793
Silver Bow	South Butte TEDD	2017	2031	2,140,540	1,360,597	779,943	69,516	182,845	142,745	0	47,343	442,450
Yellowstone	Lockwood TEDD	2016	2031	1,319,951	848,362	471,589	44,801	75,730	138,708	0	6,765	266,004
Urban Renewal Tax Increment Financing Districts												
Carbon	Red Lodge North Community Entrance	2022	2037	731,004	398,868	332,136	31,553	35,643	53,267	28,476	1,661	150,600
Cascade	GF DT Urban Renewal	2012	2040	5,618,028	3,643,698	1,974,330	188,997	278,904	432,988	414,702	42,024	1,357,614
Cascade	GF West Bank	2007	2040	1,807,585	292,536	1,515,049	143,930	214,271	331,853	318,584	32,288	1,040,926
Chouteau	1TID	1998	2028	333,002	160,843	172,159	16,389	23,685	36,093	44,315	1,835	122,316
Chouteau	2TID	2012	2042	243,892	17,494	226,398	28,880	31,006	47,571	58,444	2,402	168,302
Custer	Miles City Downtown	2015	2030	1,982,549	1,556,649	425,900	40,461	95,653	124,895	106,008	0	367,016
Deer Lodge	Ana - Downtown	2014	2029	1,586,525	856,125	730,400	69,388	183,454	139,775	19,393	55,114	467,124
Fallon	Baker Urban Renewal	2017	2032	623,842	699,066	0	0	0	0	0	0	0

Table 6.17 – TY 24 TIFs (continued)

County	District	Year Created	Year of Expected Expiration	2024 Total Taxable Value	Taxable Value of Base	Incremental Taxable Value	State Taxes	County Taxes	Countywide and Local Schools Taxes	Cities & Towns Taxes	Misc. Taxes	Total Revenue
Fergus	Lewistown Urban	2014	2029	2,236,696	1,482,192	754,504	69,342	94,048	241,524	148,314	0	553,228
Flathead	Columbia Falls URD	2015	2029	121,305	62,035	59,270	5,631	5,353	14,652	5,997	1,764	33,397
Flathead	Downtown Kalispell	2019	2034	2,827,085	1,665,094	1,161,991	110,389	104,897	283,092	228,779	20,868	748,024
Flathead	Kalispell C - amended 2011	2011	2037	12,952,141	7,932,918	5,019,223	475,559	451,858	1,219,661	984,925	11,611	3,143,614
Gallatin	Belgrade Urban Renewal	2017	2032	3,940,346	2,201,304	1,739,042	165,208	136,725	337,550	319,357	88,553	1,047,393
Gallatin	Bozeman Downtown	1995	2032	14,708,876	1,328,695	13,380,181	1,263,971	1,047,914	2,232,819	2,105,090	26,599	6,676,393
Gallatin	Bozeman Midtown URD	2006	2044	8,372,933	3,507,723	4,865,210	460,238	381,549	813,012	766,483	9,684	2,430,965
Gallatin	North Park URD	2017	2032	378,764	244,332	134,432	12,771	10,589	22,560	21,271	269	67,461
Gallatin	NE Urban Renewal	2006	2042	1,889,858	423,054	1,466,804	139,042	115,286	245,621	231,583	2,927	734,459
Gallatin	Pole Yard Urban Renewal District	2020	2035	2,323,716	1,137,056	1,186,660	112,733	93,472	199,145	187,764	2,373	595,488
Jefferson	Whitehall Urban Renewal	2013	2028	1,408,916	736,527	672,389	63,846	77,706	107,146	72,867	12,858	334,424
Lake	Polson	2002	2025	2,289,468	1,433,450	856,018	81,089	114,345	150,326	124,819	20,195	490,775
Lewis And Clark	Capital Hill	2020	2035	2,711,377	1,988,913	722,464	68,634	123,711	192,752	110,004	1,972	497,073
Lewis And Clark	Helena Urban Renewal District	2018	2033	8,064,375	6,100,262	1,964,113	188,923	336,599	522,787	299,120	5,351	1,352,780
Lewis And Clark	Railroad District Urban Renewal	2016	2030	3,496,053	2,334,837	1,161,216	110,304	198,900	309,543	176,822	3,200	798,770
Lincoln	Riverside	2001	2035	807,097	347,928	459,169	44,442	55,827	46,692	64,742	8,340	220,043
Missoula	Front St URD	2007	2046	4,280,504	1,413,035	2,867,469	271,804	508,347	732,990	691,735	157,814	2,362,689
Missoula	Hellgate URD	2014	2029	1,571,285	1,025,448	545,837	51,855	96,859	139,941	131,198	30,089	449,942
Missoula	N. Reserve Scott St. URD	2014	2049	4,511,150	1,587,363	2,923,787	279,454	520,937	649,926	700,412	161,990	2,312,719

Table 6.17 – TY 24 TIFs (continued)

County	District	Year Created	Year of Expected Expiration	2024 Total Taxable Value	Taxable Value of Base	Incremental Taxable Value	State Taxes	County Taxes	Countywide and Local Schools Taxes	Cities & Towns Taxes	Misc. Taxes	Total Revenue
Missoula	River Front URD	2008	2043	715,735	157,858	557,877	52,999	99,158	142,895	135,105	30,777	460,933
Missoula	URD II	1991	2031	7,957,452	1,859,823	6,097,629	579,439	1,083,838	1,527,359	1,475,474	336,452	5,002,561
Missoula	URD III	2000	2040	16,107,480	8,172,844	7,934,636	753,801	1,409,263	2,033,275	1,914,962	437,584	6,548,885
Musselshell	Downtown Roundup Urban Renwal	2018	2033	1,043,630	911,901	131,729	12,471	19,555	11,987	19,556	0	63,568
Park	Livingston Urban Renewal	2003	2034	3,693,431	1,604,273	2,089,158	200,206	184,191	315,347	325,645	1,054	1,026,443
Ravalli	North Hamilton Urban Renewal	2018	2035	5,083,968	3,294,745	1,789,223	169,981	182,502	319,771	357,172	9,974	1,039,399
Silver Bow	BSB Harrison Ave S	2019	2034	5,552,563	3,840,166	1,712,397	162,675	427,745	333,391	0	110,902	1,034,713
Silver Bow	Butte Uptown URD	2014	2039	8,240,738	4,854,698	3,386,040	321,433	845,482	660,208	0	218,876	2,046,000
Yellowstone	2008 Expanded N 27th St	2008	2044	7,963,520	4,112,238	3,851,282	364,398	448,033	913,603	795,364	16,939	2,538,337
Yellowstone	East Billings	2006	2039	3,420,077	1,939,797	1,480,280	139,984	171,981	351,324	305,522	6,503	975,314
Yellowstone	Laurel	2007	2045	3,174,759	1,169,223	2,005,536	190,526	233,914	405,841	437,507	10,475	1,278,264
Yellowstone	South Billings Blvd	2008	2047	14,291,754	7,124,210	7,167,544	681,260	837,388	1,574,865	1,486,939	31,660	4,612,113
Total				206,929,693	106,382,357	100,622,560	9,537,470	13,917,469	21,459,739	16,853,905	2,612,904	64,381,487

The taxes generated for TIFs are estimates based on the ratio of incremental taxable value to total taxable value. For TIFs created after April 2017, this is likely an overestimate since newly voted mills are not subject to increment capture. The department does not have data on which mills are newly voted.

For a large-print copy of this table, please contact the department at (406) 444-6900.

Alcoholic Beverage Control Division

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Overview

This section presents an overview of the fees on licenses and the taxes and collections made on alcoholic beverages. The Alcoholic Beverage Control Division publishes an annual Enterprise Fund Report of Operations detailing tax information, recent legislative changes, operations of the division, and up-to-date lists of breweries, wineries, and distilleries in the state. Additionally, important information specific to the laws surrounding licensure requirements and limitations can be found in department-produced booklets and fact sheets, available on department's website at <https://mtrevenue.gov/dor-publications/liquor-publications/>.

The Department of Revenue's Alcoholic Beverage Control Division administers Montana's Alcoholic Beverage Code (Title 16, Chapters 1 through 4 and 6, MCA). This division licenses and regulates all alcoholic beverage operations in the state. The Alcoholic Beverage Control Division also serves as the only wholesaler of distilled spirits in the state.

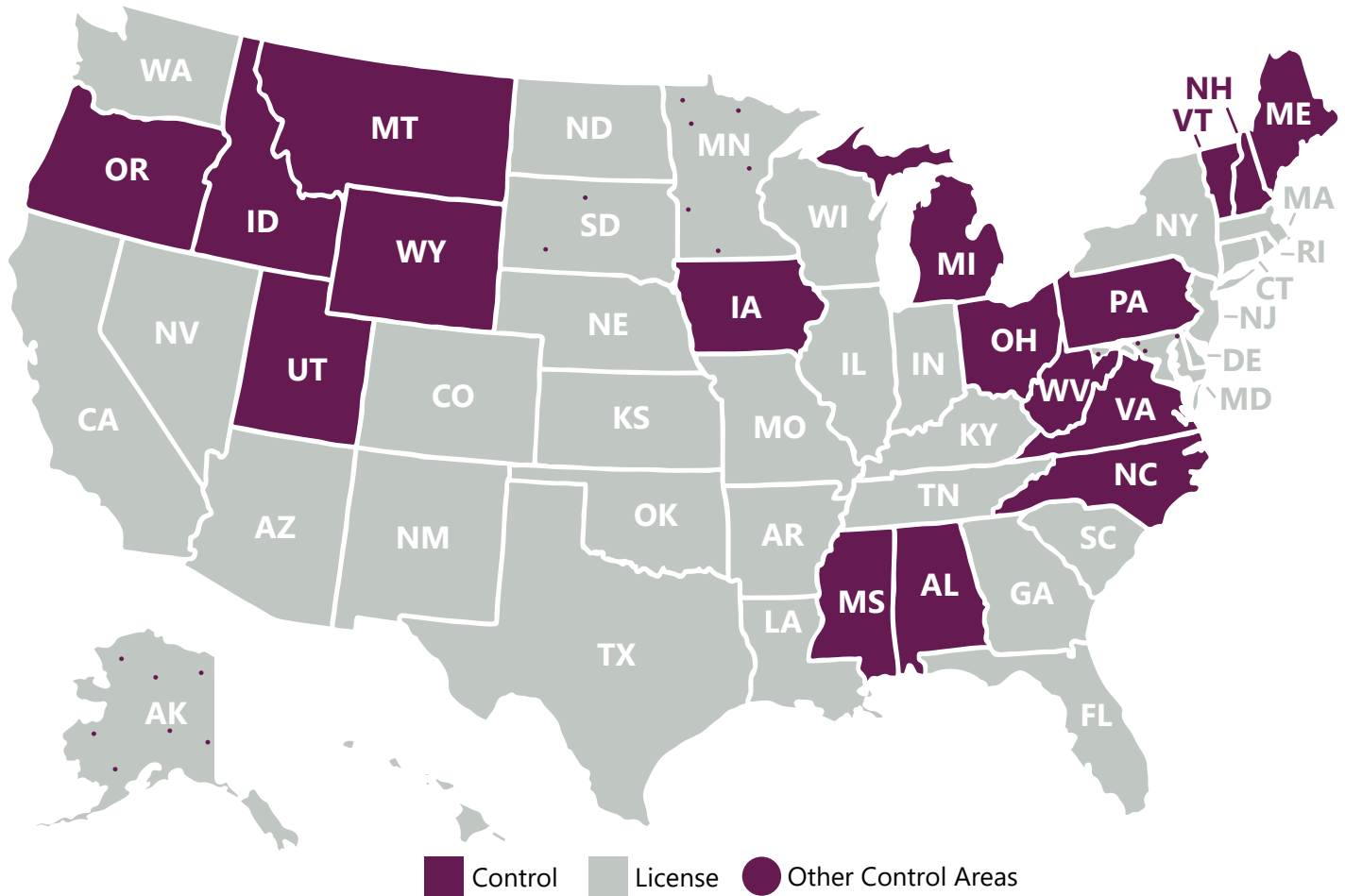
At the end of Prohibition in 1933, each state chose how to regulate the sale of alcoholic beverages. Two general administrative systems arose from these choices: license states and control states. A license state regulates private businesses that are licensed to sell alcoholic beverages. In a control state, a state agency acts as the sole wholesaler and, in some states, as the sole retailer for some or all alcoholic beverages. Control states also license and regulate the parts of the supply chain that are operated privately. Montana is a control state.

Control states serve as wholesalers to try to constrain the consumption of alcoholic beverages rather than encourage or promote it. The details vary from state to state. In some control states, the state acts as the wholesaler for beer and wine. In other control states, the state also operates retail stores.

For Montana, the state is the only wholesaler for distilled spirits and fortified wine, but private companies are the wholesalers for beer and table wine.

There are 16 other control states: Alabama, Idaho, Iowa, Maine, Michigan, Mississippi, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, West Virginia, and Wyoming. Several counties in Alaska, Maryland, Minnesota, and South Dakota also operate as control jurisdictions.

Figure 7.1 Map of Control States



State Comparison

Table 7.1 compares taxes on wine and beer in all fifty states and the District of Columbia. The first two columns show per-gallon taxes on wine. Many states apply a higher tax rate to wines containing added alcohol or that have alcohol content over a threshold, so table wine and fortified wine are shown separately. The third column shows per-gallon taxes on beer.

Most states apply state and local sales taxes to wine and beer, and some have special sales taxes on alcoholic beverages. The fourth and fifth columns show the average sales tax rates applied to wine and beer.

In some states, there are local taxes that only apply in certain parts of the state. Some states have additional taxes that apply in specific circumstances, such as an additional sales tax for on-premises consumption or wholesale. The sixth column of the state comparison table indicates states where one or more additional taxes may apply. In general, because Montana does not levy a sales tax, we tend to have relatively lower tax rates on beer and wine compared to other states. These states are identified with an asterisk (*).

In the control states, state revenue from sales of distilled spirits comes from a combination of taxes and markups included in the wholesale price charged by the state. These control states are also the sole wholesalers for table wine in three states and for fortified wine in eight states. For these reasons, it has not been possible to make a comparison between states. These states are identified with a double asterisk (**).

Table 7.1 State and Local Taxes on Beer and Wine

State	Per-gallon taxes			Sales Tax Rate		Other Possible Additions
	table wine	fortified wine	beer	wine	beer	
Alabama	\$1.96	\$9.16	\$1.05	9%	9%	
Alaska	\$2.50	\$2.50	\$1.07	2%	2%	
Arizona	\$0.84	\$4.00	\$0.16	8%	8%	
Arkansas	\$0.75	\$0.75	\$0.23	12%	12%	*
California	\$0.20	\$0.20	\$0.20	9%	9%	*
Colorado	\$0.28	\$0.28	\$0.08	8%	8%	
Connecticut	\$0.79	\$1.98	\$0.24	6%	6%	
Delaware	\$1.63	\$1.63	\$0.26	0%	0%	
Florida	\$2.25	\$3.00	\$0.48	7%	7%	*
Georgia	\$2.34	\$3.37	\$0.85	7%	7%	
Hawaii	\$1.38	\$1.38	\$0.93	4%	4%	*
Idaho	\$0.45	\$0.45	\$0.15	6%	6%	*
Illinois	\$1.39	\$8.55	\$0.23	9%	9%	*
Indiana	\$0.47	\$2.68	\$0.12	7%	7%	
Iowa	\$1.75	\$1.75	\$0.19	7%	7%	
Kansas	\$0.30	\$0.75	\$0.18	8%	8%	*
Kentucky	\$0.50	\$0.50	\$0.08	6%	6%	*

Table 7.1 State and Local Taxes on Beer and Wine (continued)

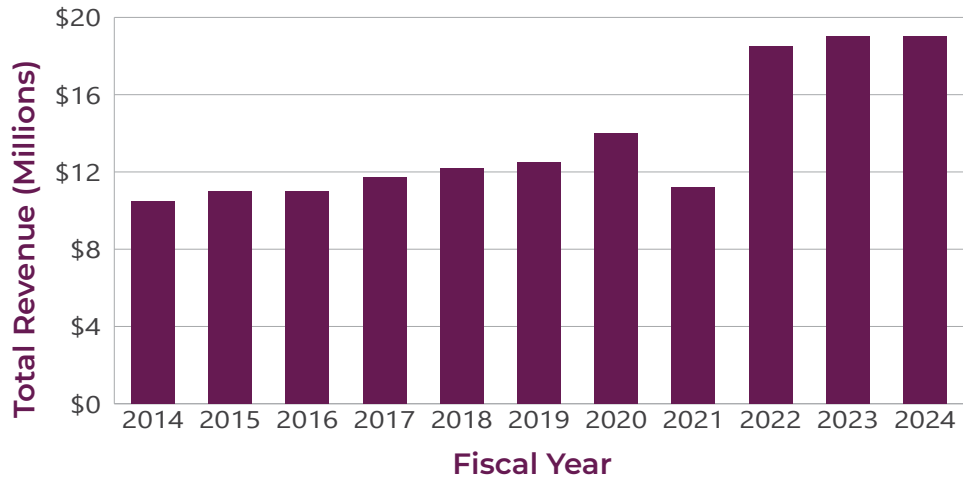
State	Per-gallon taxes			Sales Tax Rate		Other Possible Additions
	table wine	fortified wine	beer	wine	beer	
Louisiana	\$0.76	\$1.32	\$0.45	10%	10%	*
Maine	\$0.60	**	\$0.35	6%	6%	*
Maryland	\$0.40	\$0.40	\$0.09	9%	9%	
Massachusetts	\$0.55	\$0.55	\$0.11	6%	6%	*
Michigan	\$0.51	\$0.76	\$0.20	6%	6%	
Minnesota	\$0.30	\$0.95	\$0.15	9%	9%	*
Mississippi	\$0.35	\$0.35	\$0.43	7%	7%	*
Missouri	\$0.42	\$0.42	\$0.06	8%	8%	
Montana	\$1.02	**	\$0.14	0%	0%	*
Nebraska	\$0.95	\$1.35	\$0.31	7%	7%	
Nevada	\$0.70	\$1.30	\$0.16	8%	8%	*
New Hampshire	\$0.30	\$0.30	\$0.30	0%	0%	
New Jersey	\$0.88	\$0.88	\$0.12	7%	7%	
New Mexico	\$1.70	\$5.68	\$0.41	8%	8%	
New York	\$0.30	\$0.30	\$0.26	9%	9%	*
North Carolina	\$1.00	\$1.11	\$0.62	7%	7%	
North Dakota	\$0.50	\$0.60	\$0.16	7%	7%	*
Ohio	\$0.30	\$0.98	\$0.18	7%	7%	*
Oklahoma	\$0.72	\$0.72	\$0.40	9%	9%	*
Oregon	\$0.67	\$0.77	\$0.08	0%	0%	
Pennsylvania	**	**	\$0.08	6%	6%	
Rhode Island	\$1.40	\$1.40	\$0.11	7%	7%	*
South Carolina	\$1.08	\$1.08	\$0.77	7%	7%	
South Dakota	\$0.93	\$1.45	\$0.27	6%	6%	*
Tennessee	\$1.21	\$1.21	\$1.29	10%	10%	*
Texas	\$0.20	\$0.41	\$0.19	8%	8%	*
Utah	**	**	\$0.42	7%	7%	
Vermont	\$0.55	**	\$0.27	6%	6%	*
Virginia	\$1.51	**	\$0.26	6%	6%	
Washington	\$0.87	\$1.75	\$0.26	9%	9%	
West Virginia	\$1.00	\$1.00	\$0.18	7%	7%	
Wisconsin	\$0.25	\$0.45	\$0.06	5%	5%	
Wyoming	**	**	\$0.02	5%	5%	
Dist. of Columbia	\$0.30	\$0.40	\$0.09	15%	15%	

Sales of Distilled Spirits

Table 7.2 Liquor Profits

Fiscal Year	Total Revenue
2014	\$10,500,000
2015	\$11,000,000
2016	\$11,000,000
2017	\$11,750,000
2018	\$12,200,000
2019	\$12,500,000
2020	\$14,000,000
2021	\$11,189,041
2022	\$18,500,000
2023	\$19,000,000
2024	\$19,000,000

Figure 7.2



Both out-of-state distilleries and Montana distilleries are required to ship all distilled spirits to be sold in Montana to the state liquor warehouse. From the liquor warehouse, liquor is distributed to the 95 privately operated agency liquor stores. The agency liquor stores may then sell to the public for off-premise consumption and to Montana’s all-beverage license holders.

Montana microdistilleries, defined as producing 200,000 proof gallons per year or less, may provide samples, make limited sales at the distillery, and deliver their products directly to agency liquor stores.

The Department of Revenue sets a posted price for each product. By law, this is the price that agency liquor stores charge for sales of less than a case to all-beverage licensees. Full-case sales are made at a discount of 8 percent off the posted price. Agency liquor stores must charge at least the posted price for sales to the public, but may charge more.

Agency liquor stores buy liquor from the state warehouse at a discount off the posted price. This discount serves as the agency stores’ commission on sales and is the only compensation that they receive from the state. The commission rate is set in law (16-2-101(4), MCA) and is based on the previous year’s purchases. Smaller stores have a higher commission rate, up to 16 percent, while the largest stores have a commission rate of 12.15 percent.

The posted price is calculated as follows:

$$\text{Posted Price} = \text{base price} + \text{markup} + \text{liquor license tax} + \text{liquor excise tax} + \text{freight rate.}$$

The base price is the price at which the department purchases liquor. Markups are set in law to cover the department's costs and provide profit for the general fund. Current markups are 40.5 percent for liquor, 51 percent for fortified wine, and 20 percent for sacramental wine (16-1-404, MCA). A lower markup of 20 percent was established for liquor products acquired from a distillery that manufacturers, distills, rectifies, bottles, or processes 25,000 proof gallons or less of liquor annually, including out of state distilleries. The department contracts with a shipping company to deliver spirits to the 95 agency stores. As of August 1, 2024, the freight rate is \$2.36 per case.

Proceeds from sales by the state liquor warehouse are deposited in the department's Liquor Enterprise Fund. The costs of operating the warehouse and buying products are paid out of this fund. The department maintains a balance in this fund for working capital at the end of each fiscal year and transfers the remaining liquor profits to the general fund. Transfer amounts of liquor profits to the general fund have generally increased over time. For fiscal year 2024, \$12 million of the \$19 million in profit was set aside for an expansion of the liquor warehouse rather than transferred to the general fund.

Overview of Alcoholic Beverage Licenses

All individuals and businesses engaged in manufacturing, importing, distributing, or retailing alcoholic beverages in Montana must be licensed. In general, there are four categories of licensees: manufacturers, wholesalers and distributors, on-premises retailers, and off-premises retailers.

License holders are subject to an annual renewal fee. The fee, set by law, is described in table 7.3. Annual Renewal Fees and any initial license fees are deposited in the Liquor Enterprise Fund. Administrative and compliance expenses (associated with enforcing the alcoholic beverage laws by the Department of Revenue and Department of Justice) are paid from this fund.

Table 7.3 Annual License Fees (16-4-501, MCA)

Category	Annual Fee
On-Premises	
All-Beverage	\$400-800
Beer and Wine	\$400
Restaurant Beer and Wine	\$400
Off-Premise	
Agency Stores	No Fee
Beer and Wine	\$400
Sacramental Wine	\$50
Manufacturers	
Brewer or Beer Importer	\$200-500 + \$400 per storage depot
Winery	\$200 + \$400 per subwarehouse
Distillery	\$600
Wholesalers	
Beer and Wine	\$400
Subwarehouse	\$400

The remaining fund balance at the end of the fiscal year is deposited in the state general fund (16- 2-108, MCA). Total collections increased substantially in Fiscal Year 2019 and the following years.

The increase was due to changes to the alcoholic beverage license award process. The changes were enacted during the 2017 Legislature special session, with those changes made permanent during the 2019 Legislature. New licenses are now awarded by a competitive bid process, rather than the previously used lottery system.

Table 7.4 Non-tax liquor collections

Fiscal Year	Total Revenue
2014	\$1,808,126
2015	\$2,241,942
2016	\$2,225,631
2017	\$1,877,800
2018	\$2,561,178
2019	\$2,749,589
2020	\$5,701,496
2021	\$4,251,967
2022	\$5,703,585
2023	\$8,280,222
2024	\$7,357,555

Figure 7.4

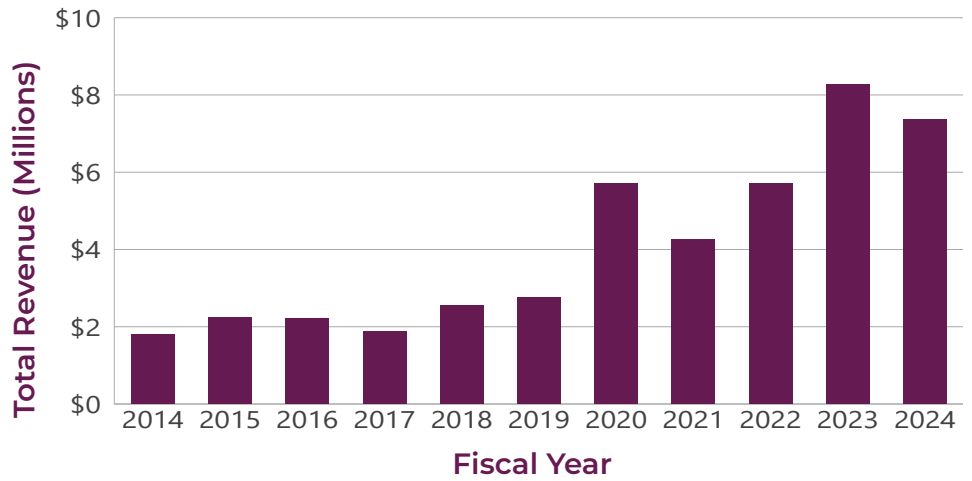
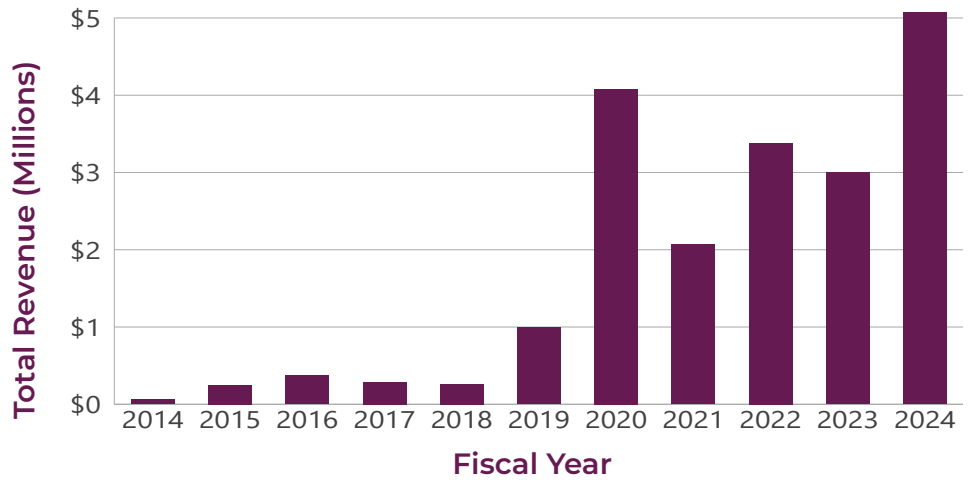


Table 7.5 Non-tax liquor general fund transfers

Fiscal Year	Total Revenue
2014	\$60,209
2015	\$253,438
2016	\$373,175
2017	\$284,865
2018	\$259,988
2019	\$992,341
2020	\$4,079,825
2021	\$2,066,763
2022	\$3,379,100
2023	\$3,000,000
2024	\$5,072,794

Figure 7.5



Alcoholic Beverage Taxes

Excise taxes are levied on all sales of liquor in Montana. Each type of alcoholic beverage has separate tax rates and distributions. Like some license types, production level determines the tax rate on beer and distilled spirits.

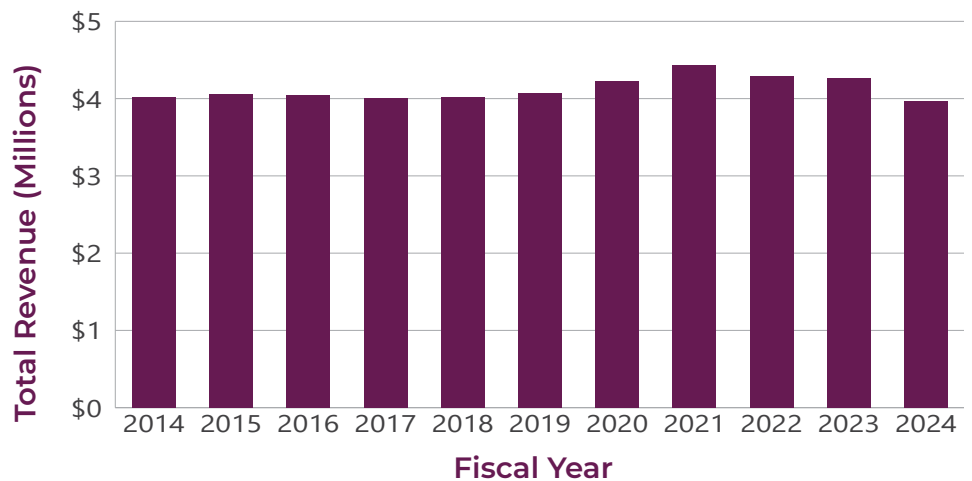
Beer Tax

Statute: 16-1-406, MCA

Table 7.6 Beer Tax Collections

Fiscal Year	Total Revenue
2014	\$4,021,345
2015	\$4,058,579
2016	\$4,048,840
2017	\$4,008,804
2018	\$4,015,134
2019	\$4,065,308
2020	\$4,229,574
2021	\$4,431,990
2022	\$4,293,422
2023	\$4,268,642
2024	\$3,968,334

Figure 7.6



Tax Rate

The state levies a tax on each 31-gallon barrel of beer sold. The tax rate depends on the size of the brewer and ranges from \$1.30 per barrel to \$4.30 per barrel.

Table 7.7 Beer Tax Rates

Barrels Produced per Year	Tax per Barrel
1 to 5,000	\$1.30
5,001 to 10,000	\$2.30
Over 10,000	\$4.30

Filing Requirements

The beer tax is collected quarterly from distributors and breweries. Taxpayers must submit returns on or before the 15th day of the quarter for sales in the previous quarter.

Distribution of Beer Tax

The Department of Public Health and Human Services receives 23.26 percent of the revenue collected from the beer tax for treatment, rehabilitation, and prevention of alcoholism and chemical dependency. Tribes with a revenue sharing agreement with the state receive a portion of the beer tax revenue. Currently, the state has revenue sharing agreements with the Blackfeet, Fort Peck, Fort Belknap, Chippewa Cree, and Confederated Salish and Kootenai tribes. The remainder of the revenue is deposited in the general fund.

Table 7.8 Beer Tax Distributions

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
DPHHS (23.26%)	\$983,799	\$1,030,881	\$998,650	\$992,886	\$923,035
Tribal	\$78,470	\$86,071	\$92,413	\$88,171	\$74,039
General Fund (remainder)	\$3,167,305	\$3,315,038	\$3,202,359	\$3,187,584	\$2,971,261

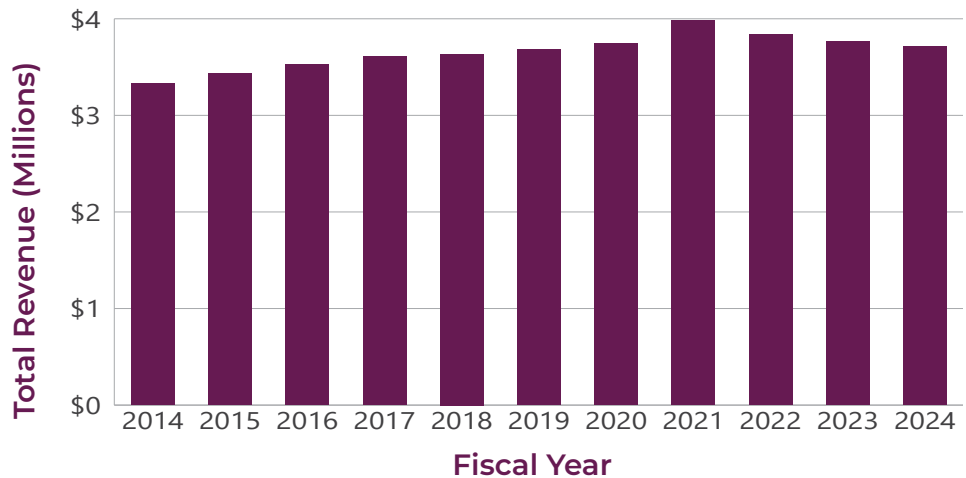
Table Wine and Hard Cider Tax

Statute: 16-1-411, MCA

Table 7.9 Wine and Hard Cider Tax Collections

Fiscal Year	Total Revenue
2014	\$3,327,025
2015	\$3,429,781
2016	\$3,527,293
2017	\$3,609,728
2018	\$3,634,503
2019	\$3,681,132
2020	\$3,743,377
2021	\$3,981,118
2022	\$3,833,859
2023	\$3,763,061
2024	\$3,714,736

Figure 7.9



Tax Rate

A tax of \$0.27 per liter is levied on table wine and a tax of \$0.037 per liter is levied on hard cider sold.

Table 7.10 Table Wine and Hard Cider Tax Rates

Product	Tax Per Liter
Table Wine	\$0.27
Hard Cider	\$0.037

Filing Requirements

Wineries that sell 1,000 liters or fewer per year within the state file and pay tax annually, due October 15. The wine and hard cider tax is collected quarterly for wineries selling more than 1,000 liters per year and distributors. Taxpayers must submit returns to the department on or before the 15th day of each quarter for sales in the previous quarter.

Distribution of Table Wine and Hard Cider Taxes

Tribes with a revenue sharing agreement with the state receive a portion of the wine tax revenue. Currently, the state has revenue sharing agreements with the Blackfeet, Fort Peck, Fort Belknap, Chippewa Cree, and Confederated Salish and Kootenai tribes.

The state general fund receives 69 percent of the revenue collected and the remaining 31 percent of revenue is allocated to the Department of Public Health and Human Services for treatment, rehabilitation, and prevention of alcoholism and chemical dependency.

Prior to SB 20 of the 2023 Legislature, there was a penny tax per liter of table wine sold to agency liquor stores. This tax elimination went into effect October 1, 2023, which was part way through Fiscal Year 2024.

Table 7.11 Table Wine and Hard Cider Tax Distributions

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Table Wine and Hard Cider	\$3,740,830	\$3,978,068	\$3,831,037	\$3,763,061	\$3,714,736
Tribal Revenue	\$61,941	\$68,616	\$73,176	\$69,189	\$59,528
General Fund (69% Less Tribal Amounts)	\$2,519,231	\$2,676,251	\$2,570,240	\$2,525,504	\$2,503,467
DPHHS (31%)	\$1,159,657	\$1,233,201	\$1,187,622	\$1,165,731	\$1,151,491
Agency Liquor Stores	\$2,547	\$3,049	\$2,822	\$2,637	\$250
General Fund (100%)	\$2,547	\$3,049	\$2,822	\$2,637	\$250

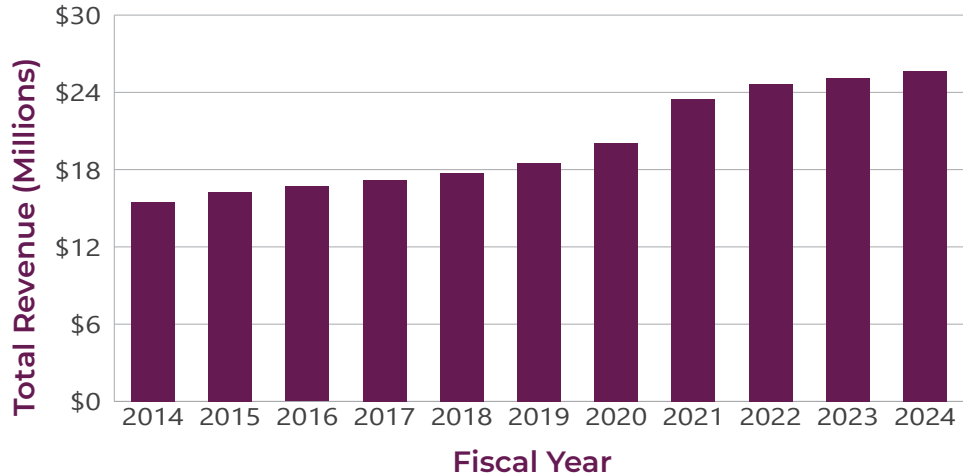
Liquor Excise Tax

Statute: 16-1-401, MCA

Table 7.12 Liquor Excise Tax Collections

Fiscal Year	Total Revenue
2014	\$15,460,398
2015	\$16,256,144
2016	\$16,690,740
2017	\$17,186,597
2018	\$17,725,391
2019	\$18,511,544
2020	\$20,046,569
2021	\$23,469,375
2022	\$24,662,621
2023	\$25,108,020
2024	\$25,666,884

Figure 7.12



Tax Rate

The department collects an excise tax on the retail sales price of all liquor sold by the state liquor warehouse. The tax rate ranges from 3 to 16 percent of the retail sales price and is based on the number of proof gallons produced by the manufacturer nationwide.

Table 7.13 Liquor Excise Tax Rates

Annual Production Level	Tax Rate
Less than 20,000 Proof Gallons	3.0%
20,000 - 50,000 Proof Gallons	8.0%
50,001 - 200,000 Proof Gallons	13.8%
Over 200,000 Proof Gallons	16.0%

Filing Requirements

Agency liquor stores must pay the tax within 60 days of shipment.

Distribution of Liquor Excise Tax

The revenue collected from the tax is deposited in the state general fund. Tribes with a revenue sharing agreement with the state receive a portion of the liquor excise tax revenue. Currently, the state has revenue sharing agreements with the Blackfeet, Fort Peck, Fort Belknap, Chippewa Cree, and Confederated Salish and Kootenai tribes.

Table 7.14 Liquor Excise Tax Distributions

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Fund	\$19,463,212	\$22,761,703	\$23,845,213	\$24,295,085	\$24,839,303
Tribal	\$583,358	\$707,672	\$817,408	\$812,935	\$827,581

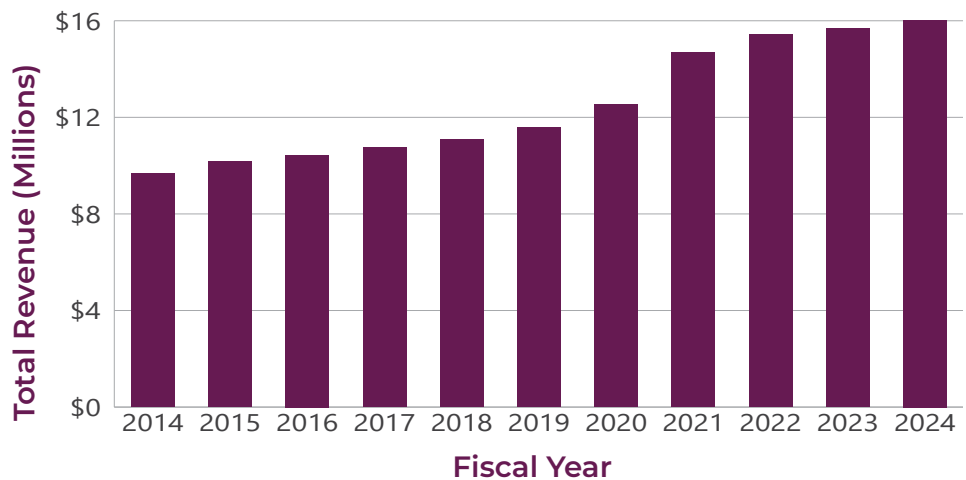
Liquor License Tax

Statute: 16-1-404, MCA

Table 7.15 Liquor License Tax Collections

Fiscal Year	Total Revenue
2014	\$9,662,452
2015	\$10,163,874
2016	\$10,439,266
2017	\$10,744,966
2018	\$11,080,745
2019	\$11,576,077
2020	\$12,528,662
2021	\$14,670,759
2022	\$15,421,962
2023	\$15,681,844
2024	\$16,031,890

Figure 7.15



Tax Rate

The department collects a license tax on the retail selling price of all liquor sold by the state liquor warehouse. The tax rate ranges from 2 to 10 percent of the retail price depending on the number of proof gallons produced by the manufacturer nationwide.

Table 7.16 Liquor License Tax Rates

Annual Production Level	Tax Rate
Less than 50,000 Proof Gallons	2.0%
50,001 - 200,000 Proof Gallons	8.6%
Over 200,000 Proof Gallons	10.0%

Filing Requirements

Agency liquor stores must pay the tax within 60 days of shipment.

Distribution of Liquor License Tax

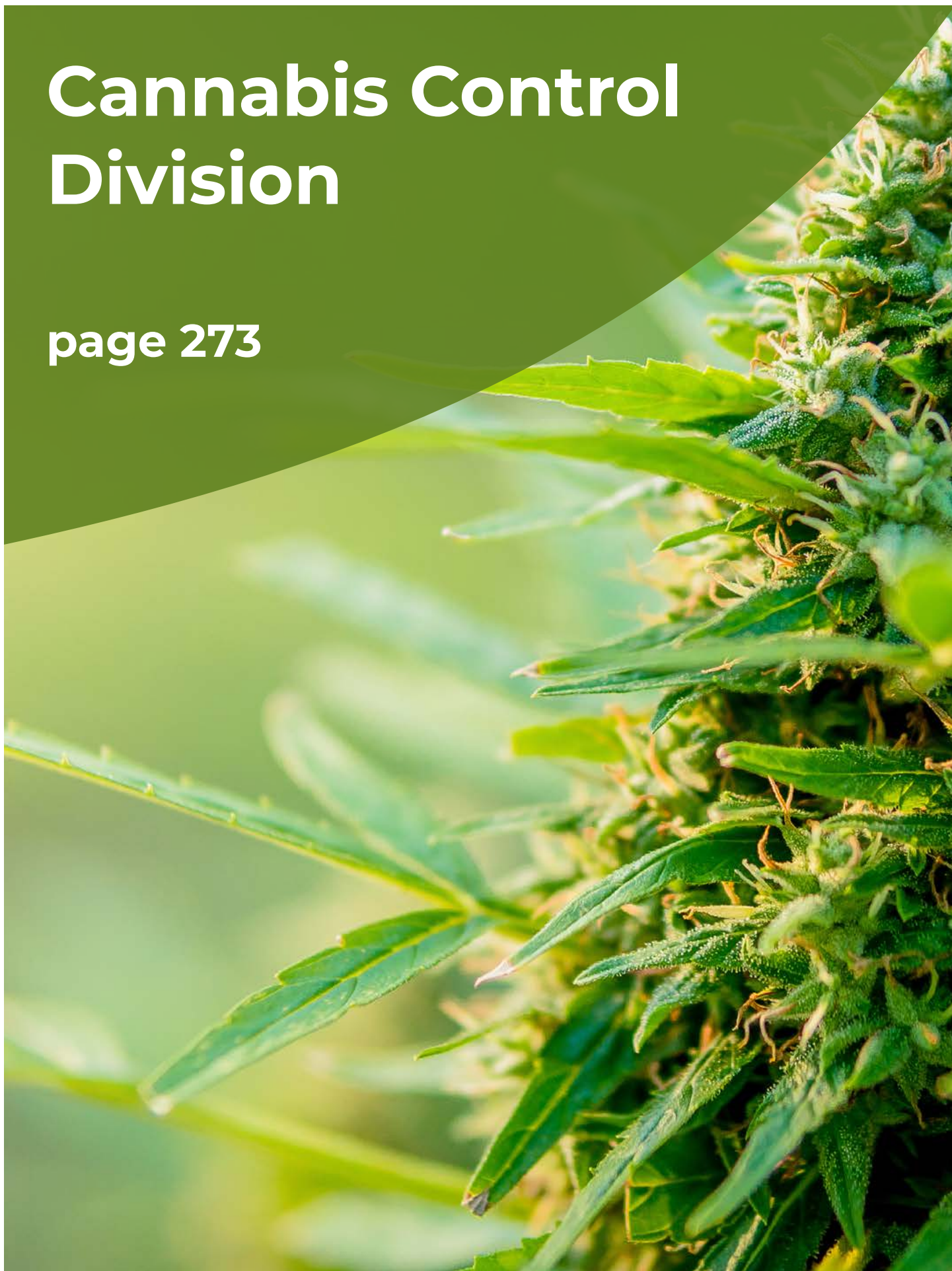
The revenue collected from the tax are deposited 34.5 percent to the state general fund and 65.5 percent to the Department of Public Health and Human Services for treatment, rehabilitation, and prevention of alcoholism and chemical dependency. (16-1-404, MCA)

Table 7.17 Liquor License Tax Distribution

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Fund (34.5%)	\$4,322,389	\$5,061,412	\$5,320,577	\$5,410,236	\$5,531,002
DPHHS (65.5%)	\$8,206,274	\$9,609,347	\$10,101,385	\$10,271,608	\$10,500,888

Cannabis Control Division

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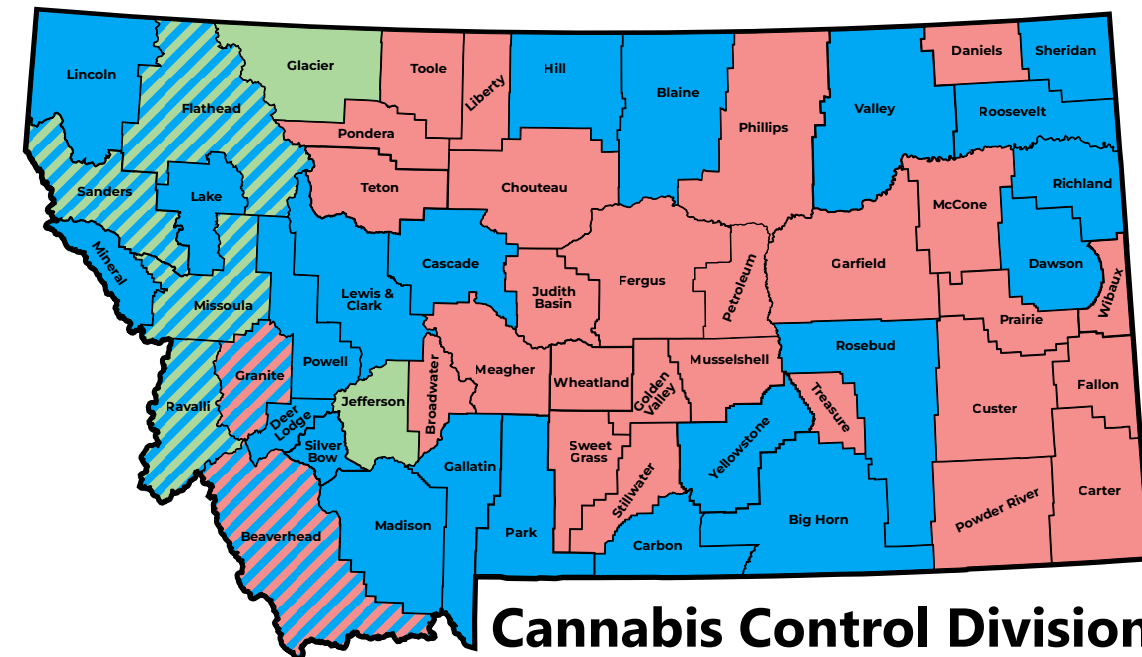
Cannabis Control Division Overview

The Department of Revenue’s Cannabis Control Division administers the licensing and taxation of medical and adult-use cannabis in Montana.

The passage of Ballot Initiative-190 in November 2020 legalized adult-use cannabis in Montana. The 2021 Legislature then passed HB 701, which laid out the administrative framework for the department. The department subsequently created the Cannabis Control Division and assumed the administration of the medical cannabis program from the Department of Public Health and Human Services on July 1, 2021. Legal sales of adult-use cannabis began January 1, 2022. There is currently a moratorium on the issuance of new business licenses, meaning that only previous medical businesses, licensed as of April 27, 2021, may be licensed to participate in the adult-use market until July 1, 2025.

HB 701 included an opt-in/opt-out provision where counties that voted in favor of I-190 are automatically opted-in to allowing dispensaries to sell adult-use and medical cannabis in those counties. Counties that voted against I-190 are opted-out and do not allow dispensaries to sell to adult-use consumers within their counties. All counties still have the opportunity to opt-in/opt-out through a vote of the electorate. Counties and municipalities are also able to enact a local-option cannabis tax of up to 3% through a vote of the electorate.

Figure 8.1 Cannabis Legality by County



- No Adult-Use Sales
- Adult-Use Sales
- Local Option Tax
- Local Option Tax - No Adult-Use Sales
- Local Option Tax on Adult-Use Only

This map shows the current legal status of adult use-cannabis for each county in Montana as of October 2024 and whether the county has elected a local-option cannabis tax.

State Comparison

Washington and Colorado were the first states to legalize adult-use cannabis in 2012, with sales beginning in 2014. As of August 2024, twenty four states and the District of Columbia have now fully legalized adult-use cannabis. An additional thirteen states permit the sale of medical cannabis, while seven only allow CBD oil. Cannabis remains fully illegal in six states but has been decriminalized in two of those (Nebraska and North Carolina). The following table 8.1 shows the tax rates for the states with legalized adult-use cannabis.

Table 8.1 Tax Rates for Other States with Legalized Adult-use Cannabis

State	Tax Rates
Alaska	\$50 per oz flowers, \$15 per oz stems and leaves, \$25 per oz immature flowers/buds
Arizona	16% excise tax
California	15% excise tax on wholesale and per oz cultivation tax (\$9.65 flowers, \$2.87 leaves, \$1.35 fresh plant), state sales tax of 7.25% applies
Colorado	15% excise tax on retail and wholesale, local option tax of up to 8%
Connecticut	Tax per milligram of THC: \$0.00625 in flowers, \$0.0275 in edibles, \$0.009 in other products. 6.35% retail sales tax and 3% municipal sales tax
Delaware	15% retail excise tax. Sales have not yet begun
District of Columbia	Possession of up to 2 oz. legal but no retail sales
Illinois	7% wholesale tax; Retail tax of 10% on flowers; 20% on cannabis infused products; 25% on products > 35% THC; Local option tax up to 3%
Maine	10% sales tax plus excise tax of \$335/lb flower; \$94/lb trim; \$1.5 per immature plant/seedling; \$0.3 per seed
Maryland	9% retail sales tax
Massachusetts	10.75% excise tax plus state sales tax of 6.25% and local option tax of up to 3%, medical exempt
Michigan	10% excise tax plus state sales tax of 6%. 3% on grower's gross receipts for medical
Minnesota	10% retail excise tax, 6.875% state sales tax, local sales tax
Missouri	16% retail sales tax
Montana	20% sales tax, 4% on medical, local option tax of up to 3%
Nevada	15% excise tax on wholesale and 10% on retail plus state sales tax of 6.85%
New Jersey	State sales tax of 6.625% applies on top of an excise tax of \$1.52 per ounce of cannabis. Local option sales tax of up to 2%
New Mexico	12% excise tax, increasing to 18% in 2025 plus state and local sales tax of at least 5%
New York	Tax per milligram of THC: \$0.005 in flower, \$0.008 in concentrates, \$0.03 in edibles. 13% total excise tax
Ohio	10% retail sales tax

Table 8.1 Tax Rates for Other States with Legalized Adult-use Cannabis continued

State	Tax Rates
Oregon	17% sales tax, local option sales tax up to 3%
Rhode Island	10% excise tax plus 3% local excise tax and 7% state sales tax
Vermont	14% excise tax plus state sales tax of 6%
Virginia	21% sales tax, local option sales tax of 3%
Washington	37% sales tax plus state and local general sales tax of at least 6.5%. Medical is exempt from sales taxes

<https://disa.com/marijuana-legality-by-state>

Legislative History

- 2017** **SB 333** Created a 4 percent tax on medical cannabis, later decreased to 2 percent on July 1, 2018. Implemented a license fee for dispensaries, required providers to obtain a nursery license, and required implementation of the seed-to-sale tracking system.
- 2019** **SB 265** Untethered providers from cardholders and established canopy tiers and licensing fees. Extended the 4 percent tax rate for 2 years, through October 1, 2021, when it was scheduled to decrease to 2 percent.
- 2021** **HB 701** Laid out licensing and tax requirements for the administration and regulation of adult-use cannabis by the Department of Revenue following the passage of I-190. Administration of the medical cannabis program was moved from DPHHS to the department and combined with adult-use cannabis licensing. Set the adult-use tax rate at 20 percent and allowed for a local option tax of up to 3 percent on adult-use and/ or medical cannabis sales. Eliminated the scheduled reduction in the medical cannabis tax and kept it at 4 percent going forward.
- 2023** **HB 128** Clarified many components of the administration of adult-use and medical marijuana and transferred the administration of marijuana testing labs from DPHHS to DOR.
- HB 229** Revised the regulations for marijuana testing labs, allowing for a probationary license for testing labs, and a variance in the measurement of a single-serve edible marijuana product. The bill also restricted the transportation of samples to a testing lab, not allowing a commercial testing lab to use a third-party transporter.
- HB 362** Appropriated \$300,000 each year of the 2025 biennium from the marijuana state special revenue account to the board of crime control for a crisis intervention team training program.
- HB 903** Revised the combined-use marijuana license laws to allow cultivators to step up multiple tiers at a time and added preschools to the premises with a distance requirement for licensed premises.
- HB 948** Prohibited the manufacturing and sales of synthetic marijuana products and created a synthetic marijuana products advisory council to be established by the Department of Revenue.

Medical Cannabis Tax Rate and Revenue

Statute: 15-64-102, MCA

Table 8.2 Medical Cannabis Collections

Fiscal Year	Total Revenue
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$1,836,085
2019	\$1,626,805
2020	\$3,871,936
2021	\$6,319,828
2022	\$5,595,671
2023	\$3,061,340
2024	\$2,067,613

Figure 8.2

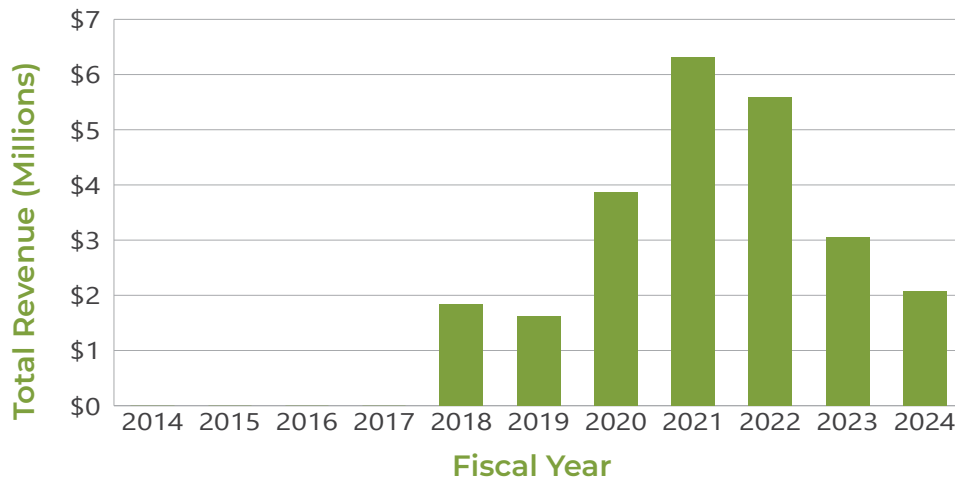


Table 8.2 and Figure 8.2 above show the medical cannabis tax collections for the last seven fiscal years since the tax took effect in Fiscal Year 2018. Following the legalization of Adult-use cannabis and the start of sales in January 2022, the number of medical cannabis cardholders and amount of sales has decreased each year.

The 2017 Legislature enacted a tax on medical cannabis sales as part of their revision of the regulation of medical cannabis. From July 1, 2017, through June 30, 2018, the tax was 4 percent of gross sales. From July 1, 2018, through September 30, 2020, the tax dropped to 2 percent of gross sales. The tax rate increased back to 4 percent on October 1, 2019, and was kept at 4 percent by the 2021 Legislature.

Adult-Use Cannabis Tax Rate and Revenue

Statute: 16-12-102, MCA

Table 8.3 Adult-use Cannabis Collections

Fiscal Year	Total Revenue
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$18,816,673
2023	\$47,613,282
2024	\$49,722,303

Figure 8.3



Table 8.3 and Figure 8.3 above shows the adult-use cannabis tax collections for 2022 – 2024. Note that 2022 only includes six months of legal sales, as sales began January 1, 2022. Following the passage of Initiative-190 and HB 701, adult-use cannabis is taxed at a rate of 20 percent of the retail price.

Filing and Payment

The tax is collected by the dispensaries from the consumers at the time of the sale. The dispensaries are required to file sales reports and remit the tax collections to the department within 15 days of the end of the quarter. These reports can then be compared with the Metrc seed-to-sale data by the department for auditing purposes

Licensing Fee Revenue

Statute: 16-12-201 to 226, MCA

Table 8.4 Cannabis License Fees Collections

Fiscal Year	Total Revenue
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$3,482,011
2023	\$6,348,382
2024	\$6,757,303

Figure 8.4



Table 8.4 and Figure 8.4 above show revenue collections from cannabis industry licensees. This license fee revenue is deposited into the cannabis state special revenue account with the tax revenue from above; all distributions are made from this account.

The Cannabis Control Division is responsible for the licensing of all participants in the cannabis industry in Montana. There are different license types for each stage within the industry, spanning cultivation, manufacturing, and dispensary. Table 8.5 below lists the license types required for participation in the cannabis industry with the corresponding license fees.

Table 8.5 Cannabis License Types and Fees

License Type	# Licensees	# Locations	Fee (initial & renewal)
Cultivator	228	343	Tier based - see cultivator tiers
Dispensary	214	465	\$5,000 per licensed premises
Manufacturer	159	180	Tier based - see manufacturer tiers
Testing Lab	3	3	\$5,000 per licensed premises
Testing Lab Storage Facility	2	2	\$1,000 per licensed storage facility
Transporter	9	n/a	\$10,000 (2-year)
Transporter Storage Facility	1	1	
Combined-use Marijuana	0	0	\$7,500
Cannabis Medical Registry ID	14,930	n/a	\$20; \$10 for a replacement card
Cannabis Worker Permit	5,834	n/a	\$50; \$10 for a replacement permit; \$30 background check fee for lab workers

Table 8.6 Cultivator License Tiers and Fees

Cultivator Tiers	Canopy Size (max square feet and facilities)	Licensees	# Facilities	Fee (Initial & Renewal)
Micro tier	250 square feet at one indoor cultivation facility	9	9	\$1,000
Tier 1	1,000 square feet at one indoor cultivation facility	60	60	\$2,500
Tier 2	2,500 square feet at up to two indoor cultivation facilities	45	56	\$5,000
Tier 3	5,000 square feet at up to three indoor cultivation facilities	38	49	\$7,500
Tier 4	7,500 square feet at up to four indoor cultivation facilities	13	24	\$10,000
Tier 5	10,000 square feet at up to five indoor cultivation facilities	26	46	\$13,000
Tier 6	13,000 square feet at up to five indoor cultivation facilities	18	43	\$15,000
Tier 7	15,000 square feet at up to five indoor cultivation facilities	5	15	\$17,500
Tier 8	17,500 square feet at up to five indoor cultivation facilities	1	4	\$20,000
Tier 9	20,000 square feet at up to six indoor cultivation facilities	2	8	\$23,000
Tier 10	30,000 square feet at up to seven indoor cultivation facilities	6	12	\$27,000
Tier 11	40,000 square feet at up to eight indoor cultivation facilities	2	6	\$32,000
Tier 12	50,000 square feet at up to nine indoor cultivation facilities	3	11	\$37,000

Table 8.7 Manufacturer License Tiers and Fees

Manufacturer Tiers	Tier Parameters	Count	Fee (Initial & Renewal)
Tier 1	Produces less than ten pounds of concentrate per month	133	\$5,000
Tier 2	Produces between 10 and 15 pounds of concentrate per month	13	\$10,000
Tier 3	Produces 15 or more pounds of concentrate per month	34	\$20,000

*Licensing data as of August 2024

Penalties and Fees

Licensees who are out of compliance with the department may be subject to civil penalties. The department collected approximately \$375,000 in civil penalties in FY 2024 but anticipates the amount of penalties to decrease moving forward.

Tax Revenue Distribution

Statute: 16-12-111, MCA

The process of distributing cannabis tax and license fee revenue begins with the revenue collected from adult-use and medical cannabis taxes and license fees. This revenue is deposited in the state’s cannabis special revenue account.

The cannabis special revenue account is first used to cover the administrative costs of the department. At the end of the fiscal year, the remaining account balance is distributed as follows:

- \$6 million to the marijuana Healing and Ending Addiction through Recovery and Treatment (HEART) fund account. established in MCA, 17-6-606
- 20% to FWP for wildlife habitat. as provided in MCA, 87-1-209
- 4% each to the state park account, trails and recreational facilities account, and the nongame wildlife account
- 3%, up to \$200,000, to veterans and surviving spouses state special revenue account
- \$300,000 each year of the 2025 biennium to the board of crime control for crisis intervention team training program; this distribution is intended to be part of the ongoing budget
- The remaining funds are placed in the general fund.

Table 8.8 Distribution of Cannabis Taxes and Fees

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
HEART fund	\$0	\$0	\$6,000,000	\$6,000,000	\$6,000,000
Wildlife Habitat	\$0	\$0	\$4,437,772	\$8,756,701	\$9,545,259
State Parks	\$0	\$0	\$887,554	\$1,751,340	\$1,909,052
Trails and Recreation	\$0	\$0	\$887,554	\$1,751,340	\$1,909,052
Nongame Wildlife	\$0	\$0	\$887,554	\$1,751,340	\$1,909,052
Veteran's Affairs	\$0	\$0	\$200,000	\$200,000	\$200,000
DOJ Grant Funding and Board of Crime Control	\$0	\$0	\$450,000	\$150,000	\$450,000
General Fund	\$0	\$0	\$14,238,426	\$29,422,782	\$31,803,882

Local-Option Cannabis Taxes

Statute: 16-12-309 - 317, MCA

Individual municipalities can require a 3 percent local option cannabis tax be collected in addition to the state tax for adult-use cannabis, medical cannabis, or both.

Table 8.9 Counties That Currently Have a Local Option Tax

County	Tax on Medical and/or Adult Use	Effective Date
Beaverhead	Medical only*	3/1/2023
Big Horn	Both	10/29/2022
Cascade	Both	2/6/2023
Blaine	Both	9/1/2022
Carbon	Both	9/5/2022
Dawson	Both	4/2/2022
Deer Lodge	Both	9/5/2022
Flathead	Adult-use only	3/1/2023
Gallatin	Both	3/1/2023
Granite	Medical only*	2/20/2023
Hill	Both	2/6/2023
Lake	Both	9/5/2022
Lewis & Clark	Both	10/1/2022
Lincoln	Both	2/5/2024
Madison	Both	2/7/2023
Mineral	Both	1/1/2023
Missoula	Adult-use only	1/31/2022
Park	Both	2/11/2022
Powell	Both	10/1/2022
Ravalli	Adult-use only	10/1/2022
Richland	Both	1/1/2023
Roosevelt	Both	1/31/2023
Rosebud	Both	9/1/2022
Sanders	Adult-use only	2/8/2023
Sheridan	Both	1/31/2023
Silver Bow	Both	10/6/2022
Valley	Both	2/21/2023
Yellowstone	Both	1/31/2022

* Adult-use sales prohibited in those counties

Table 8.10 below includes the local-option cannabis tax distributions to each county, as well as the county share and municipalities share of that distribution. The Department of Revenue retains 5% of the collections for administrative purpose and distributes 50% back to the counties and 45% to the municipalities in each county based on population.

Table 8.10 Local Option Collections and Distributions by County

County	FY 2023			FY 2024		
	Total from DOR	County Share	Municipalities	Total from DOR	County Share	Municipalities
Beaverhead	\$1,436	\$756	\$680	\$13,877	\$7,304	\$6,573
Big Horn	\$47,548	\$25,025	\$22,523	\$116,617	\$61,377	\$55,240
Blaine	\$0	\$0	\$0	\$11,566	\$6,087	\$5,479
Carbon	\$65,238	\$34,336	\$30,902	\$140,665	\$74,034	\$66,631
Cascade	\$59,611	\$31,374	\$28,237	\$509,574	\$268,197	\$241,377
Dawson	\$167,397	\$88,104	\$79,293	\$176,048	\$92,657	\$83,391
Deer Lodge	\$16,501	\$8,685	\$7,816	\$33,328	\$17,541	\$15,787
Flathead	\$52,565	\$27,666	\$24,899	\$660,697	\$347,735	\$312,962
Gallatin	\$87,821	\$46,222	\$41,599	\$1,161,916	\$611,535	\$550,381
Granite	\$0	\$0	\$0	\$606	\$319	\$287
Hill	\$33,244	\$17,497	\$15,747	\$168,737	\$88,809	\$79,928
Lake	\$70,091	\$36,890	\$33,201	\$150,811	\$79,374	\$71,437
Lewis & Clark	\$288,148	\$151,657	\$136,491	\$592,978	\$312,094	\$280,884
Lincoln	\$0	\$0	\$0	\$14,581	\$7,674	\$6,907
Madison	\$3,012	\$1,585	\$1,427	\$49,766	\$26,193	\$23,573
Mineral	\$1,727	\$909	\$818	\$17,997	\$9,472	\$8,525
Missoula	\$816,285	\$429,624	\$386,661	\$846,398	\$445,473	\$400,925
Park	\$165,228	\$86,962	\$78,266	\$170,527	\$89,751	\$80,776
Powell	\$0	\$0	\$0	\$1,109	\$584	\$525
Ravali	\$73,522	\$38,696	\$34,826	\$195,799	\$103,052	\$92,747
Richland	\$67,686	\$35,624	\$32,062	\$283,350	\$149,132	\$134,218
Roosevelt	\$7,769	\$4,089	\$3,680	\$81,942	\$43,127	\$38,815
Rosebud	\$47,398	\$24,946	\$22,452	\$87,803	\$46,212	\$41,591
Sanders	\$1,457	\$767	\$690	\$41,888	\$22,046	\$19,842
Sheridan	\$4,318	\$2,273	\$2,045	\$23,078	\$12,146	\$10,932
Silver Bow	\$172,552	\$90,817	\$81,735	\$364,814	\$192,007	\$172,807
Valley	\$5,687	\$2,993	\$2,694	\$52,256	\$27,503	\$24,753
Yellowstone	\$1,421,672	\$748,248	\$673,424	\$1,445,470	\$760,774	\$684,696

Tax Expenditures

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Introduction

The purpose of this tax expenditure report is to provide the public and the Legislature with information on special provisions and the cost of these special provisions in terms of reduced tax revenue.

What are Tax Expenditures and Why Measure Them?

When a state agency has a program to accomplish a goal, such as paving state highways, operating prisons, or funding local school districts, the program will have a direct cost to taxpayers, i.e. the taxes they must pay to finance the program. The program's budget spells out how much the program will cost and how the money will be spent.

When the state tax code contains provisions that give incentives for taxpayers to behave in certain ways, such as saving more or donating to charities, this also has a cost to taxpayers. Without the special provisions, general taxes could be lower or more revenue could be available to provide public services. This cost to the state budget, and ultimately to other taxpayers, is called a tax expenditure.

When the legislature creates tax expenditures, conventional accounting gives a distorted picture of the state budget. For example: the legislature is considering two programs to provide \$10 million in assistance to private landowners who remove beetle-killed trees.

One program would provide grants to landowners based on their costs and the benefits to public safety.

The other program would make exactly the same payments to exactly the same people for cutting down and removing exactly the same trees, but, at the end of the program, the checks would be written by the Department of Revenue instead of the Department of Natural Resources and Conservation, and the money would be called a tax credit instead of a grant.

The two programs would also have the same effect on the bottom line of the state budget. They would both reduce the ending fund balance by \$10 million. In the first case, conventional accounting correctly shows how this has happened. The state spent an additional \$10 million with no change in revenue.

In the second case, conventional accounting is misleading. The \$10 million spent disposing of beetle killed trees is shown as a reduction of revenue, rather than as the expenditure it really is.

This distorted accounting allows legislators to propose new spending programs while portraying them as tax cuts. Accounting for tax expenditures gives legislators and the public a better picture of both the size and scope of state government and the trade-offs between state programs.

How are Tax Expenditures Measured?

There are two components to measuring tax expenditures:

- identifying special provisions of the tax code
- estimating the revenue lost because of each special provision

Since the introduction of the tax expenditure concept by the U.S. Department of the Treasury in 1967, there has been considerable controversy about what should be considered a tax expenditure and about what baseline should be used in estimating a special provision's revenue impact.

In part, the controversy has been about technical points of economic theory. It has also been an ideological argument between proponents of different visions of an ideal tax system. This controversy has obscured the goal of tax expenditure reporting, which is to serve as a starting point for evaluating whether special features of the tax law should be continued, modified, or replaced.

For each tax considered, this report first identifies the general structure of the tax – the general rules defining the tax base and the normal rate structure. The report then identifies exceptions from these general rules. The exceptions may take the form of special, limited exemptions from the tax base, special rates with limited applicability, or tax credits. For each special provision, it explores how the special provision affects qualifying taxpayers, the state budget, and other taxpayers.

This report presents the amount of each tax expenditure based on information from actual tax returns, such as the amount of credits claimed or the reduction in tax liability due to reported exclusions or deductions. It does not attempt to estimate the changes in behavior a tax incentive has induced or the additional revenue that would result from repealing it.

How Should This Information be Used?

Ideally, policymakers would give tax expenditures the same kind of scrutiny that they give direct program expenditures. They would consider the likely costs and results of new proposals and periodically evaluate the actual costs and impacts of existing tax expenditures. This evaluation would examine each tax expenditure's effectiveness and its cost-effectiveness.

Evaluating a tax expenditure's effectiveness would require having a clear statement of its purpose and measuring whether it accomplishes that purpose. In general, a tax expenditure's purpose is to change taxpayers' behavior in some way. An effective tax expenditure would produce a large change in taxpayers' behavior for a small cost in lost revenue. An ineffective tax expenditure would reward people for doing what they would have done, anyway.

Thus, measuring a tax expenditure's effectiveness requires knowing its cost, knowing how much of the desired activity taxpayers engaged in, and estimating how much of the activity taxpayers would have done without the incentive.

Evaluating a tax expenditure's cost-effectiveness would require comparing it with other methods of accomplishing the same goal. For example, the tax credits to encourage energy conservation investments could be compared to direct grant programs or changes in building codes. The tax credit for extending infrastructure to new manufacturing plants could be compared to a direct grant program or changes in land use planning.

The table on the next page (Table 9.1) lists all of the tax expenditures in this report, as well as each expenditure's code for reference, year of enactment, and bill and chapter reference

Tax-Exempt Organizations

In addition to the tax expenditures for each tax type listed in this section, the state also exempts some organizations and property from taxation by the state. In general, organizations that qualify for tax-exempt status include government, charitable and educational organizations, properties used for religious purposes, or nonprofits that provide care to qualified individuals. A complete list of tax-exempt organization types can be found in 15-6-201, MCA. To receive tax-exempt status, each organization must meet the requirements and apply with the Department of Revenue by March 1.

Table 9.1 Tax Expenditures and Reference Information

Tax Source	Tax Expenditure	Expenditure Type	Law	Session/Year	Legislation
Individual Income Tax					
Individual Income Tax	Archer MSA Deduction	Adjustment to Gross Income	Federal Provision		
Individual Income Tax	Business Purchase of Recycled Material	Adjustment to Gross Income	15-32-609 to 611	1991	SB 111
Individual Income Tax	Capital Gain Exclusion from the Sale of Mobile Home Park	Adjustment to Gross Income	15-31-163	2009	HB 636
Individual Income Tax	Deduction for Self-Employment	Adjustment to Gross Income	Federal Provision		
Individual Income Tax	Disability Retirement Income	Adjustment to Gross Income	15-30-2110(10)	1985	SB 464
Individual Income Tax	Domestic Production Activities	Adjustment to Gross Income	Federal Provision		
Individual Income Tax	Employer-Paid Disability Insurance Limited to Part Owners and Highly Compensated Employees	Adjustment to Gross Income	15-30-2110(2)(h)	2013	HB 545
Individual Income Tax	Employer-Paid Health Insurance Limited to Part Owners and Highly Compensated Employees	Adjustment to Gross Income	15-30-2110(2)(h)	1985	SB 72
Individual Income Tax	Exempt Tribal Income	Adjustment to Gross Income	Federal Provision		
Individual Income Tax	Expenses Incurred by Medical Marijuana Providers	Adjustment to Gross Income	15-30-2131	2017	SB 333
Individual Income Tax	Family Education Savings Account	Adjustment to Gross Income	15-62-101 to 302	1997	HB 536
Individual Income Tax	Farm and Risk Management Account	Adjustment to Gross Income	15-30-3001 to 3005	2001	SB 245
Individual Income Tax	First Time Home buyer Account	Adjustment to Gross Income	15-63-101 to 205	1997	HB 599
Individual Income Tax	Health Savings Account	Adjustment to Gross Income	Federal Provision		
Individual Income Tax	Individual Retirement Account Deduction	Adjustment to Gross Income	Federal Provision		
Individual Income Tax	Interest On Federal Government Bonds	Adjustment to Gross Income	Federal Provision and 15-30-2110(2)(a)		
Individual Income Tax	Military Salary	Adjustment to Gross Income	15-30-2117(2)	1975	HB 152

Table 9.1 Tax Expenditures and Reference Information (continued)

Tax Source	Tax Expenditure	Expenditure Type	Law	Session/Year	Legislation
Individual Income Tax	Montana Achieving a Better Life Experience Act Account Deposits	Adjustment to Gross Income	15-30-2110(12)		
Individual Income Tax	Montana Medical Savings Account	Adjustment to Gross Income	15-61-101 to 205	1995	HB 560
Individual Income Tax	National Guard Life Insurance	Adjustment to Gross Income	15-30-2117(3)	2005	HB 761
Individual Income Tax	Partial Exclusion of Capital Gains on Pre-1987 Installment Sales	Adjustment to Gross Income	15-30-2110(13)	1987	HB 904
Individual Income Tax	Partial Interest Exclusion for the Elderly	Adjustment to Gross Income	15-30-2110(2)(b)	1981	HB 18
Individual Income Tax	Partial Pension Exemption	Adjustment to Gross Income	15-30-2110(2)(c)	1963	HB 232
Individual Income Tax	Passive Tax Expenditures	Adjustment to Gross Income	15-30-2110(1)	1955	HB 354
Individual Income Tax	Sale of Land to Beginning Farmers	Adjustment to Gross Income	80-12-211	1983	SB 316
Individual Income Tax	Small Business Investment Company Dividends	Adjustment to Gross Income	15-33-106	1981	HB 834
Individual Income Tax	Student Loan Interest Deduction	Adjustment to Gross Income	Federal Provision		
Individual Income Tax	Loan Repayment Through Quality Educator Loan Assistance Program	Adjustment to Gross Income	15-30-2110(14)	2019	HB 211
Individual Income Tax	Third Party Repayment of Health Care Professional's Student Loans	Adjustment to Gross Income	15-30-2110(13)	2003	SB408
Individual Income Tax	Tier I Railroad Retirement	Adjustment to Gross Income	Federal Provision		
Individual Income Tax	Tier II Railroad Retirement	Adjustment to Gross Income	Federal Provision		
Individual Income Tax	Tips	Adjustment to Gross Income	15-30-2110(2)(f)	1983	HB 841
Individual Income Tax	Unemployment Compensation	Adjustment to Gross Income	15-30-2101(10)	1979	HB 363
Individual Income Tax	Worker's Compensation	Adjustment to Gross Income	15-30-2110(2)(g)	1985	SB 72
Individual Income Tax	Casualty and Theft Losses	Itemized Deduction	Federal Provision		
Individual Income Tax	Charitable Contributions	Itemized Deduction	Federal Provision		
Individual Income Tax	Child and Dependent Care Expenses	Itemized Deduction	15-30-2131(1)(c)	1977	HB 47
Individual Income Tax	Federal Income Tax	Itemized Deduction	15-30-2131(1)(b)	1933	HB 328
Individual Income Tax	Home Mortgage Interest	Itemized Deduction	Federal Provision		
Individual Income Tax	Light Vehicle Registration Fees	Itemized Deduction	15-30-2131(1)(h)	1999	HB 540

Table 9.1 Tax Expenditures and Reference Information (continued)

Tax Source	Tax Expenditure	Expenditure Type	Law	Session/Year	Legislation
Individual Income Tax	Long Term Care Insurance Premiums	Itemized Deduction	15-30-2131(1)(a)(iv)	1997	SB 151
Individual Income Tax	Livestock Fees	Itemized Deduction	15-30-2131(1)(i)	2001	HB 124
Individual Income Tax	Medical and Dental Expenses	Itemized Deduction	Federal Provision		
Individual Income Tax	Medical Insurance Premiums	Itemized Deduction	15-30-2131(1)(a)(iii)	1995	HB 202
Individual Income Tax	Other Deductible Taxes	Itemized Deduction	Federal Provision		
Individual Income Tax	Political Contributions	Itemized Deduction	15-30-2131(1)(d)	1979	HB 407
Individual Income Tax	State and Local Taxes Limited to \$10,000	Itemized Deduction	Federal Provision		
Individual Income Tax	Adoption Credit	Credit	15-30-2364	2023	HB 225
Individual Income Tax	Apprenticeship Credit	Credit	15-30-2357, 39-6-109	2017	HB 308
Individual Income Tax	Capital Gains Credit	Credit	15-30-2301	2003	SB 407
Individual Income Tax	Credit For Other States' Taxes	Credit	15-30-2302	1941	HB 38
Individual Income Tax	Earned Income Tax Credit	Credit	15-30-2318	2017	HB 391
Individual Income Tax	Elderly Homeowner/Renter Credit	Credit	15-30-2337 to 15-30-2341	1981	SB 337
Individual Income Tax	Historic Property Preservation Credit	Credit	15-30-2342, 15-31-151	1997	HB 601
Individual Income Tax	Infrastructure Users Fee Credit	Credit	17-6-316	1995	SB 100 and HB 602
Individual Income Tax	Innovative Educational Program Credit	Credit	15-30-3110	2015	SB 410
Individual Income Tax	Jobs Growth Incentive Credit	Credit	15-30-2361, 15-31-175	2021	HB 629
Individual Income Tax	Media Production Credit	Credit	15-31-1001 to 1012	2019	HB 293
Individual Income Tax	Pass-through Entity Tax Credit	Credit	15-30-3328	2023	SB 554
Individual Income Tax	Qualified Endowment Credit	Credit	15-30-2327 to 2329	1997	HB 434
Individual Income Tax	Recycling Credit	Credit	15-32-601 to 604	1991	SB 111
Individual Income Tax	State Land Access Credit	Credit	15-30-2380	2013	HB 444
Individual Income Tax	Student Scholarship Organization Credit	Credit	15-30-3111	2015	SB 410
Individual Income Tax	Trades Education and Training Credit	Credit	15-30-2359, 15-31-174	2021	HB 252

Table 9.1 Tax Expenditures and Reference Information (continued)

Tax Source	Tax Expenditure	Expenditure Type	Law	Session/Year	Legislation
Corporate Income Tax					
Corporate Income Tax	Water's Edge Election	Special Election	15-31-322 to 15-31-324	1987	HB 703
Corporate Income Tax	Capital Gains Exclusion for Mobile Home Park	Deduction	15-31-163	2009	HB 636
Corporate Income Tax	Deduction for Donation of Exploration Information	Deduction	15-32-510	1999	SB 625
Corporate Income Tax	Deduction for Purchasing Montana-Produced Organic Fertilizer Produced as a Byproduct	Deduction	15-32-303	1981	SB 322
Corporate Income Tax	Energy-Conservation Investment Deduction	Deduction	15-32-103	1975	HB 663
Corporate Income Tax	Recycling Material Qualifying for Deduction	Deduction	15-32-609 and 610	1991	SB 111
Corporate Income Tax	Alternative Energy Production Credit	Credit	15-32-401 to 407	1983	HB 755
Corporate Income Tax	Alternative Fuel Motor Vehicle Conversion Credit	Credit	15-30-2320	1993	HB 219
Corporate Income Tax	Apprenticeship Credit	Credit	15-30-2357 and 39-6-109	2017	HB 308
Corporate Income Tax	Biodiesel Blending and Storage Tank Credit	Credit	15-32-703	2005	HB 756
Corporate Income Tax	Charitable Endowment Credit	Credit	15-31-161 and 162	1997	HB 434
Corporate Income Tax	College Contributions Credit	Credit	15-30-2326	1991	HB 894
Corporate Income Tax	Contractor's Gross Receipts Tax Credit	Credit	15-50-207	1967	HB 530
Corporate Income Tax	Dependent Care Assistance Credit	Credit	15-31-131 and 133	1989	SB 282
Corporate Income Tax	Empowerment Zone New Employees Tax Credit	Credit	15-31-134	2003	SB 484
Corporate Income Tax	Geothermal Heating Credit	Credit	15-32-115	2005	SB 340
Corporate Income Tax	Health Insurance for Uninsured Montanans Credit	Credit	15-31-132	1989	HB 166
Corporate Income Tax	Historic Property Preservation Credit	Credit	15-31-151	1997	HB 601
Corporate Income Tax	Infrastructure Users Fee Credit	Credit	17-6-316	1995	SB 100 & HB 602
Corporate Income Tax	Innovative Educational Program Credit	Credit	15-31-158 to 15-31-159	2015	SB 410
Corporate Income Tax	Jobs Growth Incentive Credit	Credit	15-31-175	2021	HB 629
Corporate Income Tax	Mineral Exploration Incentive Credit	Credit	15-32-501 to 509	1999	SB 625

Table 9.1 Tax Expenditures and Reference Information (continued)

Tax Source	Tax Expenditure	Expenditure Type	Law	Session/Year	Legislation
Corporate Income Tax	Montana Economic Development Industry Advancement Act (Media Production Credit)	Credit	15-31-1001 to 1012	2019	HB 293
Corporate Income Tax	New and Expanded Industry Credit	Credit	15-31-124 to 127	1975	HB 593
Corporate Income Tax	Oilseed Crushing and Biodiesel Production Facility Credit	Credit	15-32-701 and 702	2005	HB 756
Corporate Income Tax	Qualified Research Credit	Credit	15-31-150	1999	HB 638
Corporate Income Tax	Recycling Credit	Credit	15-32-601 to 611	1991	SB 111
Corporate Income Tax	Short Term Temporary Lodging Credit	Credit	15-31-171	2007	HB 240
Corporate Income Tax	Trades Education and Training Credit	Credit	15-31-174	2021	HB 252
Corporate Income Tax	Unlocking Public Lands Credit	Credit	15-30-2380	2013	HB 444
Corporate Income Tax	Corporate Passive Deduction Expenditures	Passive Expenditure			
Property Tax					
Property Tax	Property Tax Assistance Program	Residential Property	15-6-134	1979	HB 398
Property Tax	Disabled American Veterans Program	Residential Property	15-6-211	1979	HB 213
Property Tax	Intangible Land Value Property Exemption	Residential Property	15-6-240	2017	SB 94
Property Tax	Energy Production or Development Tax Abatement	Economic Development	15-24-3111	2007	HB 3
Property Tax	New Fiber Optic and Coaxial Cable Exemption	Economic Development	15-6-135, 156, and 219	2021	SB 51
Property Tax	New Manufacturing Machinery, Fixtures, and Equipment	Economic Development	15-6-138	2023	SB 530
Property Tax	Intangible Personal Property Exemption	Centrally Assessed	15-6-218	1999	SB 111
Property Tax	Tax Increment Finance Districts	Other	7-15-4282	1974	HB 193
Property Tax	Generally Exempt Property	Other	See Section for Detail	Various	Various
Oil and Gas Tax					
Oil and Gas Tax	New Production Tax Holiday	Reduced Rate	15-36-304	1977	HB 553
Oil and Gas Tax	Reduced Rate for Oil and Gas Wells Completed After 1998	Reduced Rate	15-36-304	1977	HB 553
Oil and Gas Tax	Reduced Rates for Horizontally Recompleted Oil Wells	Reduced Rate	15-36-304	1993	SB 18
Oil and Gas Tax	Reduced Rates for Incremental Oil Production from Enhanced Recovery Projects	Reduced Rate	15-36-304	1985	HB 636

Table 9.1 Tax Expenditures and Reference Information (continued)

Tax Source	Tax Expenditure	Expenditure Type	Law	Session/Year	Legislation
Oil and Gas Tax	Reduced Rates for Stripper Exemption and Stripper Oil Wells	Reduced Rate	15-36-304	1999	HB 661
Oil and Gas Tax	Reduced Rates for Pre-1999 "Stripper" Gas Wells	Reduced Rate	15-36-304	1999	SB 530

The following tables show the estimated cost of tax expenditures by size. The tables listing individual income, corporate income, and property tax expenditures show only the cost to the general fund for these provisions. The fourth table, presenting natural resource expenditures, illustrates the total cost of the tax expenditure to state and any local governments. Passive tax expenditures are not included in these tables.

Table 9.2 Individual Income Tax Expenditures – 2023

Individual Income Tax Expenditures - 2023	Number	\$
Capital Gains Credit	65,536	\$77,730,688
Credit for Other States' Taxes	15,513	\$69,814,800
Federal Income Tax	192,520	\$64,106,417
Mortgage Interest and Insurance Premiums	124,193	\$59,951,132
Charitable Contributions	146,635	\$50,005,469
State and Local Taxes	190,195	\$38,778,093
Medical Insurance Premiums	104,011	\$27,805,768
Deductions for the Self-Employed	71,911	\$21,173,733
Medical and Dental Expenses	46,035	\$12,257,288
Exempted Military Salary	4,706	\$12,194,490
Exempt Tribal Income	5,506	\$10,272,654
Elderly Homeowner / Renter Credit	15,195	\$10,035,293
Interest on Federal Government Bonds	30,356	\$9,698,094
Tip Income and Gratuities	22,109	\$6,506,115
Partial Pension Exemption	48,419	\$5,453,272
Unemployment Compensation	15,440	\$4,981,818
Earned Income Tax Credit	56,502	\$4,047,850
Individual Retirement Account Deduction	11,575	\$3,929,463
Tier I and Tier II Railroad Retirement Benefits	3,378	\$3,885,600
Health Savings Account Deduction	12,609	\$3,246,951
Qualified Endowment Credit	590	\$2,948,736
Partial Interest Exclusion For Elderly Taxpayers	89,479	\$2,705,958
Media Production Credit	22	\$2,589,812
Adoption Credit	205	\$1,906,579
Long-Term Care Insurance Premiums	8,357	\$1,526,310
Student Scholarship Organization Credit	47	\$1,470,326
Montana Medical Care Savings Account	5,120	\$1,419,950
Family Education Savings Account	5,675	\$1,245,132
Student Loan Interest Deduction	25,921	\$1,080,645
Innovative Educational Program Credit	54	\$764,211
Apprenticeship Credit	424	\$617,027

Table 9.2 Individual Income Tax Expenditures – 2023 (continued)

Individual Income Tax Expenditures - 2023	Number	\$
Other Deductible Taxes	5,404	\$467,424
Light Vehicle Registration Fees	29,243	\$443,463
Medical Marijuana Provider Expenses	74	\$392,294
Recycling Credit	78	\$362,703
Infrastructure Users Fee Credit	*	\$246,298
Health Care Professional Student Loan Repayment	74	\$116,904
Casualty and Theft Losses	35	\$83,081
Political Contributions	5,951	\$45,512
Highly Compensated Employee Health Benefits	105	\$42,211
First-Time Home buyer Account	186	\$40,160
Worker's Compensation	148	\$39,832
Mobile Home Park Capital Gain Exclusion	*	\$39,602
Trades Education and Training Credit	25	\$25,101
ABLE Accounts	198	\$23,993
Quality Educator Loan Assistance Program	597	\$13,935
Business Purchases of Recycled Material	88	\$12,401
Per Capita Livestock Fees	495	\$8,436
Historic Property Preservation Credit	*	\$6,028
National Guard Life Insurance Premiums	13	\$5,836
Archer MSA Deduction	17	\$2,887
Small Business Investment Company Dividends	20	\$2,380
Unlocking State Lands Credit	*	\$2,215
Child and Dependent Care Expenses	191	\$2,179
Disability Retirement Income	14	\$936
Sales of Land to Beginning Farmers	0	\$0
Farm and Ranch Risk Management Account	*	\$0
Jobs Growth Incentive Credit	0	\$0

* Not disclosed due to confidentiality concerns

Table 9.3 Corporate Income Tax Expenditures – 2022

Corporate Income Tax Expenditures - 2022	Number	\$
Water's Edge Election	757	\$8-12 million
MEDIA Credit	*	\$6,202,042
Recycled Material Qualifying for Deduction	*	\$1,472,434
Contractor's Gross Receipts	55	\$1,340,768
Qualified Research Credit	*	\$284,123
Infrastructure Users Fee Credit	*	\$263,474
Historic Property Preservation Credit	*	\$88,638
Recycling Credit	*	\$88,538
Alternative Energy Production Credit	*	\$75,229
Apprenticeship Tax Credit	13	\$66,868
Innovative Education Credit	*	\$50,000
Charitable Endowment Credit	*	\$47,526
Student Scholarship Organization Credit	*	\$4,925
Geothermal Heating System Credit	*	\$258
Jobs Growth Incentive Credit	0	\$0
Trades Education and Training Credit	0	\$0
Capital Gain Exclusion for Mobile Home Park	--	--
Deduction for Donation of Exploration Information	--	--
Deduction for Purchasing Montana-Produced Fertilizer	--	--
Energy Conserving Investments Deduction	--	--

* Not disclosed due to confidentiality concerns

Table 9.4 Property Tax Expenditures – 2024

Property Tax Expenditures - 2024	Number	\$
Generally Exempt Property	156,628	\$45,772,545
Intangible Personal Property Exemption	170	\$15,807,532
Tax Increment Finance Districts	N/A	\$9,537,470
Property Tax Assistance Program	30,468	\$6,690,113
Montana Disabled Veterans Program	3,455	\$1,538,225
New Fiber Optic and Coaxial Cable Exemption	12	\$432,642
Energy Production or Development Tax Abatement	5	\$370,990
New Manufacturing Machinery, Fixtures, and Equipment	11	\$225,369
Intangible Land Value Property Exemption	231	\$164,538

Table 9.5 Natural Resource Tax Expenditures – 2024

Natural Resource Tax Expenditures - 2024	Number	\$
Oil New Production Holiday (Oil Production Tax)	114	\$12,804,125
Oil Stripper Well Production (Oil Production Tax)	2,270	\$2,318,622
Natural Gas Pre-1999 and Less than 60 MCF/day (Gas Production Tax)	6,024	\$1,074,484
Natural Gas New Production Tax Holiday (Gas Production Tax)	95	\$701,396
Oil Horizontally Recompleted Wells (Oil Production Tax)	60	\$1,452,522
Oil Tertiary Incremental Production (Oil Production Tax)	0	\$0

Individual Income Tax Expenditures

Tax Expenditures: Individual Income Tax

The individual income tax is a tax on the income a person or couple receives during a year. The general structure of the income tax has three components:

- the taxpayer's adjusted gross income, which generally includes cash receipts and the value of nonmonetary compensation, minus costs related to earning income
- an exemption for each taxpayer and dependent, and a standard deduction, both of which are subtracted from adjusted gross income to give taxable income
- the tax rates, which in Montana take the form of a graduated rate schedule with the first increments of income taxed at lower rates. The total of the personal exemption and standard deduction can be viewed as defining an initial rate bracket with a zero tax rate.

Tax expenditures for the income tax take four forms:

- tax credits for taxpayers who meet certain conditions or make certain types of expenditures
- special treatment of specific types of income, either through special provisions for measuring income, or by excluding some types of income from the definition of adjusted gross income
- itemized deductions from adjusted gross income for taxpayers who meet certain conditions or make certain types of expenditures
- lower tax rates for certain types of income

Definition of Adjusted Gross Income – Passive Expenditures

Tax Expenditures in the Definition of Adjusted Gross Income

In most cases, Montana law adopts the federal definition of adjusted gross income as the starting point for measuring income that is subject to the state income tax. Tax expenditures in the definition of adjusted gross income arise from two sources: the federal definition of adjusted gross income and the special provisions of Montana law.

State tax expenditures that arise from the state's adoption of federal law are called passive tax expenditures. The legislature has not taken any action to create them and would have to act to prevent them.

Some passive tax expenditures result from federal law exempting certain types of income from tax. Others arise from special rules for measuring income. These include special depreciation provisions, rules for the timing of recognition of income, and rules that determine when expenditures that employers make on behalf of their employees count as income to the employee. A third type of passive expenditure results from extra expense deductions that federal law allows as incentives to make certain types of investment.

Federal credits do not create passive state tax expenditures because they do not affect the taxpayer's adjusted gross income.

Montana tax returns do not include information that would allow reliable state-level estimates of individual passive tax expenditures. Total passive tax expenditures can be roughly estimated from the estimates of federal tax expenditures published by the congressional Joint Committee on Taxation (JCT).

Based on JCT estimates, federal tax expenditures created approximately \$912 million in Montana passive tax expenditures. This amount, multiplied by the ratio of adjusted gross income reported on federal returns with a Montana address to adjusted gross income reported on all federal returns (0.31 percent), and the ratio of the top Montana rate to the top federal rate (18.2 percent), results in passive tax expenditures of \$512 million due to the federal definition of total income.

Other passive tax expenditures arise from specific adjustments to gross income. These items are listed on both federal and state tax returns. For Tax Year 2023, these adjustments are on Schedule 1 of Montana's Form 2. These items are sometimes called federal adjustments to income or above-the-line deductions.

Five above-the-line deductions should not be considered tax expenditures. Four of these allow taxpayers to deduct unreimbursed costs of doing their jobs or otherwise earning income. The first four above-the-line deductions are:

- the deduction for educator expenses
- the deduction for business expenses of reservists, performing artists, and fee-basis local government officials
- the deduction for expenses of moving for members of the Armed Forces
- the deduction for penalties for early withdrawal of savings
- the deduction for alimony paid, which ensures that income allocated between former spouses is taxed to the person who ultimately receives it

There are seven other above-the-line deductions that are considered tax expenditures.

Deductions for the Self-Employed: Federal Provision

Legislation: N/A

Three above-the-line deductions give the self-employed taxpayer the same treatment as employees for fringe benefits and retirement plans. These deductions are:

- the deduction for one-half of the self-employment tax
- the deduction for contributions to qualified self-employed retirement plans
- the deduction for a self-employed person's health insurance premiums

These three deductions are equivalent to an employer's payments for payroll taxes, health insurance benefits, and pension contributions that are not included in an employee's adjusted gross income.

The exclusions for employees provide an incentive for employers to offer and employees to accept pension and health benefits because they make it cheaper for employers to provide additional after-tax compensation as fringe benefits rather than as wages. Providing the same exclusions for self-employed persons removes an incentive to be an employee rather than self-employed.

The costs of the exclusions for employees are included in the figure for passive tax expenditures. The following tables show these deductions for Tax Years 2015 through 2023.

Table 9.6 One-Half of Self Employment Tax

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	60,556	\$89,922,276	9,844	\$41,834,447	2,565	\$2,528,989	72,965	\$134,285,712
2016	61,088	\$88,099,153	9,774	\$43,246,206	2,596	\$2,625,927	73,458	\$133,971,286
2017	61,605	\$89,951,840	10,037	\$40,555,635	2,627	\$2,823,065	74,269	\$133,330,540
2018	60,312	\$85,230,666	9,452	\$43,488,645	2,740	\$2,661,760	72,504	\$131,381,071
2019	62,562	\$96,409,633	10,486	\$51,753,246	2,947	\$3,409,125	75,995	\$151,572,004
2020	61,661	\$99,987,176	9,714	\$60,590,983	3,025	\$3,711,978	74,400	\$164,290,137
2021	66,384	\$114,394,252	11,412	\$95,495,562	3,782	\$4,620,291	81,578	\$214,510,105
2022	67,523	\$120,009,724	12,366	\$73,105,084	3,437	\$4,583,404	83,326	\$197,698,212
2023	68,710	\$124,011,990	12,169	\$72,972,046	3,089	\$3,786,934	83,968	\$200,770,970

Table 9.7 Contributions to Qualified Self-Employed Retirement Plans

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	2,641	\$49,414,662	1,364	\$44,931,667	69	\$1,336,748	4,074	\$95,683,077
2016	2,658	\$50,148,146	1,408	\$46,243,338	77	\$1,275,171	4,143	\$97,666,655
2017	2,679	\$51,530,999	1,499	\$51,744,670	95	\$2,157,835	4,273	\$105,433,504
2018	2,239	\$41,034,938	1,313	\$48,785,296	69	\$1,153,009	3,621	\$90,973,243
2019	2,494	\$51,970,436	1,540	\$57,362,334	95	\$2,194,690	4,129	\$111,527,460
2020	2,543	\$55,866,698	1,432	\$51,890,759	110	\$2,354,376	4,085	\$110,111,833
2021	2,745	\$65,102,113	1,606	\$60,859,550	107	\$2,693,723	4,458	\$128,655,386
2022	2,726	\$64,922,623	1,719	\$70,634,655	110	\$3,407,946	4,555	\$138,965,224
2023	2,699	\$66,345,746	1,819	\$76,206,812	74	\$1,836,306	4,592	\$144,388,864

Table 9.8 Self-Employed Health Insurance Premiums Deduction

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	24,554	\$138,208,738	5,395	\$54,472,657	522	\$2,138,891	30,471	\$194,820,286
2016	24,485	\$145,127,725	5,396	\$57,881,920	463	\$2,204,967	30,344	\$205,214,612
2017	23,377	\$152,651,623	5,430	\$60,668,262	476	\$2,598,515	29,283	\$215,918,400
2018	21,107	\$139,368,732	4,806	\$54,633,071	442	\$2,216,325	26,355	\$196,218,128
2019	21,748	\$148,882,955	5,449	\$65,536,437	497	\$2,750,877	27,694	\$217,170,269
2020	21,012	\$138,780,789	5,066	\$63,226,854	479	\$2,819,629	26,557	\$204,827,272
2021	21,161	\$143,629,871	5,405	\$67,357,543	586	\$3,380,678	27,152	\$214,368,092
2022	21,452	\$149,819,439	5,904	\$77,136,544	527	\$3,030,415	27,883	\$229,986,398
2023	21,189	\$156,003,629	5,824	\$81,564,956	416	\$2,172,375	27,429	\$239,740,960

Health Savings Account Deduction: Federal Provision

Legislation: N/A

A Health Savings Account (HSA) is a tax-advantaged account for certain medical expenses of taxpayers whose only health insurance is a high-deductible insurance plan. Funds in an HSA may be used only to pay medical costs that are not reimbursed by insurance. Both deposits to and distributions from an HSA are exempt from income tax.

HSAs provide a partial subsidy to taxpayers who buy their own health insurance and choose a high-deductible plan. This provides an incentive for individuals to purchase high-deductible health insurance themselves rather than choose some other option for health insurance or to do without.

The following table shows HSA deductions for Tax Years 2015 through 2023.

Table 9.9 Health Savings Account Deduction

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	9,743	\$34,820,388	1,440	\$6,646,471	323	\$849,707	11,506	\$42,316,566
2016	11,828	\$41,310,075	1,612	\$7,369,209	426	\$935,438	13,866	\$49,614,722
2017	12,203	\$43,149,496	1,692	\$7,865,067	436	\$923,775	14,331	\$51,938,338
2018	11,939	\$41,366,481	1,617	\$7,236,979	457	\$915,478	14,013	\$49,518,938
2019	12,832	\$45,824,799	1,750	\$8,256,363	430	\$916,820	15,012	\$54,997,982
2020	12,600	\$45,569,798	1,655	\$8,080,558	492	\$1,097,516	14,747	\$54,747,872
2021	12,397	\$46,892,804	1,821	\$9,107,331	606	\$1,466,321	14,824	\$57,466,456
2022	12,972	\$48,365,484	1,997	\$10,045,477	570	\$1,385,751	15,539	\$59,796,712
2023	12,609	\$50,306,359	1,936	\$10,303,753	494	\$1,028,964	15,039	\$61,639,076

Individual Retirement Account Deduction: Federal Provision

Legislation: N/A

An Individual Retirement Account (IRA) is a tax-advantaged account for retirement savings. Taxpayers are allowed an above-the-line deduction for contributions to a traditional IRA. For most taxpayers, the deduction was limited to \$6,500 in Tax Year 2023. The limit is \$1,000 higher for taxpayers at least 50 years old. Higher-income taxpayers who participate in one of several types of pension plans have a lower limit that depends on their income.

Earnings kept in an IRA are not taxed. Funds deposited in an IRA and accumulated earnings are both taxed when they are withdrawn. This deferral of taxes gives taxpayers an incentive to increase retirement savings.

The following table shows IRA deductions for Tax Years 2015 through 2023.

Table 9.10 Individual Retirement Account Deduction

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	13,176	\$65,361,123	1,425	\$9,379,560	417	\$1,544,536	15,018	\$76,285,219
2016	13,240	\$66,073,642	1,382	\$9,201,406	452	\$1,849,560	15,074	\$77,124,608
2017	13,194	\$67,053,676	1,395	\$9,424,326	442	\$1,645,468	15,031	\$78,123,470
2018	12,060	\$60,604,691	1,271	\$8,428,998	387	\$1,557,223	13,718	\$70,590,912
2019	12,093	\$63,021,981	1,268	\$8,839,514	436	\$1,525,690	13,797	\$73,387,185
2020	11,815	\$65,218,041	1,226	\$8,771,679	434	\$1,651,087	13,475	\$75,640,807
2021	11,330	\$64,537,851	1,229	\$8,988,081	444	\$1,970,418	13,003	\$75,496,350
2022	11,713	\$62,122,400	1,374	\$9,373,971	508	\$1,800,580	13,595	\$73,296,951
2023	11,575	\$62,796,894	1,279	\$9,371,280	446	\$1,625,240	13,300	\$73,793,414

Student Loan Interest Deduction: Federal Provision

Legislation: N/A

Taxpayers may deduct up to \$2,500 of interest they paid on student loans for either their own or their dependents' post-secondary education. The deduction phases out for incomes between \$75,000 and \$90,000 (\$155,000 and \$185,000 for a joint return) and may not be claimed by a taxpayer who is claimed as someone else's dependent. This deduction provides a subsidy to taxpayers who borrow to pay for either their own or their dependents' education. This provides an incentive for taxpayers to invest more in their own or their dependents' educations. It also provides an incentive to increase the proportion of education expenses financed by borrowing.

The following table shows student loan interest deductions for Tax Years 2015 through 2023.

Table 9.11 Student Loan Interest Deduction

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	44,987	\$46,402,195	3,372	\$3,596,607	4,455	\$4,898,571	52,814	\$54,897,373
2016	46,722	\$46,125,127	3,375	\$3,584,420	4,525	\$4,824,229	54,622	\$54,533,776
2017	47,360	\$46,843,507	3,364	\$3,498,850	4,542	\$4,905,421	55,266	\$55,247,778
2018	46,898	\$46,949,461	3,326	\$3,542,997	4,415	\$4,749,345	54,639	\$55,241,803
2019	47,046	\$48,349,339	3,476	\$3,764,753	4,390	\$4,680,305	54,912	\$56,794,397
2020	37,397	\$24,835,659	2,735	\$1,988,189	3,255	\$2,404,119	43,387	\$29,227,967
2021	17,413	\$12,688,481	1,398	\$1,169,244	1,784	\$1,545,994	20,595	\$15,403,719
2022	14,277	\$11,281,776	1,281	\$1,230,389	1,482	\$1,459,673	17,040	\$13,971,838
2023	25,921	\$16,659,122	2,364	\$1,802,732	2,526	\$1,856,602	30,811	\$20,318,456

Archer MSA Deduction: Federal Provision

Legislation: N/A

An Archer MSA is a tax-advantaged account for medical savings and expenses. Taxpayers are allowed an above-the-line deduction for contributions to an Archer MSA. Earnings kept in an Archer MSA are not taxed. In addition, distributions from an Archer MSA are not considered taxable if used for qualified medical expenses.

The following table shows the Archer MSA deductions for Tax Years 2021 through 2023.

Table 9.12 Archer MSA Deduction

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	0	\$0	0	\$0	0	\$0	0	\$0
2017	0	\$0	0	\$0	0	\$0	0	\$0
2018	0	\$0	0	\$0	0	\$0	0	\$0
2019	0	\$0	0	\$0	0	\$0	0	\$0
2020	0	\$0	0	\$0	0	\$0	0	\$0
2021	17	\$31,841	*	\$3,750	0	\$0	*	\$35,591
2022	22	\$32,879	*	\$271	*	\$6,306	*	\$39,456
2023	17	\$48,081	*	\$6,671	*	\$1,900	*	\$56,652

Definition of Adjusted Gross Income

Montana Adjustments to Income

Through Tax Year 2023, Montana had 50 adjustments to Federal Adjusted Gross Income that taxpayers were either allowed or required to make in calculating their Montana Adjusted Gross Income. Some of these Montana adjustments allocate income between spouses filing separate Montana returns when they file a joint federal return. Other state adjustments exist because federal law prohibits states from taxing certain types of income that the federal government taxes. A few exist because the state taxes some types of income that the federal government does not tax. Most exist because the legislature has chosen to exempt certain types of income partly or completely from taxation.

Most of the adjustments in this section were eliminated by the 2021 Legislature starting Tax Year 2024. In addition, starting Tax Year 2024, Montana's personal income tax will no longer be based on Federal Adjusted Gross Income, but instead Federal Taxable Income. As a result, the Montana adjustments to income are no longer applied to adjusted gross income, but instead applied to taxable income.

ABLE Accounts: 15-30-2110 (12), MCA

Legislation: SB 399, 2015 Session

In 2014, Congress amended Section 529 of the Internal Revenue Code to create the Achieving a Better Life Experience (ABLE) account, which is a tax-advantaged savings account to be used for the benefit of a person with disabilities. Earnings on an ABLE account are exempt from federal tax as long as the funds withdrawn from the account are used for eligible expenses related to the beneficiary's disability. More than one person can contribute to a single account, but total contributions in a year may not exceed \$15,000 (adjusted annually for inflation). As long as the balance in the account is \$100,000 or less, having an ABLE account will not affect the beneficiary's eligibility for Social Security or Medicaid.

Beginning in Tax Year 2015, Montana exempts up to \$3,000 contributed by a taxpayer to an ABLE account from income tax. More than one taxpayer can contribute to the same account if total deposits do not exceed the annual limit, and each taxpayer can exempt the amount of their deposit.

The table below lists exempt income reported on Montana income tax returns for Tax Years 2015 through 2023.

Table 9.13 ABLE Account Deposits

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	17	\$42,190	0	\$0	*	\$3,525	*	\$45,715
2017	35	\$78,670	0	\$0	*	\$3,125	*	\$81,795
2018	69	\$171,910	0	\$0	*	\$10,482	*	\$182,392
2019	108	\$242,259	0	\$0	*	\$250	*	\$242,509
2020	137	\$365,139	0	\$0	*	\$6,870	*	\$372,009
2021	164	\$442,144	0	\$0	*	\$9,800	*	\$451,944
2022	161	\$380,383	*	\$1,005	*	\$8,002	*	\$389,390
2023	198	\$520,131	*	\$3,000	*	\$3,025	*	\$526,156

* Not disclosed due to confidentiality concerns

Business Purchases of Recycled Material: 15-32-609, MCA through 15-32-611, MCA

Legislation: SB 111, 1991 Session

Montana allows businesses to take an extra deduction of 10 percent of the cost of purchases of recycled materials. In effect, this allows a business expense deduction of 110 percent of these costs. This reduces the cost of recycled material relative to other raw materials, giving businesses an incentive to use recycled material.

The deduction is available to corporations and to the owners of sole-proprietor businesses and pass-through entities. The following table shows individual income tax deductions for purchases of recycled material since Tax Year 2015.

Table 9.14 Business Expense for Recycled Materials

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	101	\$240,929	*	\$100	*	\$3,025	*	\$244,054
2016	105	\$327,567	*	\$291	*	\$5,809	*	\$333,667
2017	90	\$279,218	*	\$47	*	\$200	*	\$279,465
2018	98	\$938,108	*	\$62	*	\$1,437	*	\$939,607
2019	103	\$617,354	*	\$1,051	*	\$3,652	*	\$622,057
2020	110	\$483,000	0	\$0	*	\$355	*	\$483,355
2021	91	\$640,035	*	\$11,533	*	\$1,770	*	\$653,338
2022	84	\$904,440	*	\$2,561	*	\$1,721	*	\$908,722
2023	88	\$288,638	*	\$125	*	\$6,045	*	\$294,808

* Not disclosed due to confidentiality concerns

Capital Gain Exclusion from Sale of Mobile Home Park: 15-31-163, MCA

Legislation: HB 636, 2009 Session

A taxpayer who was the owner of a mobile home park may be able to deduct a portion of their capital gains if the park was sold to a tenant’s association, a 501(c)(3) organization, or a county or municipal housing authority.

The table below contains the income exempted from Montana income tax for Tax Years 2018 through 2023.

Table 9.15 Capital Gains Exclusion From Sale of Mobile Home Park

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	0	\$0	0	\$0	0	\$0	0	\$0
2017	0	\$0	0	\$0	0	\$0	0	\$0
2018	0	\$0	0	\$0	0	\$0	0	\$0
2019	*	\$1,506,856	0	\$0	0	\$0	*	\$1,506,856
2020	0	\$0	0	\$0	0	\$0	0	\$0
2021	0	\$0	0	\$0	0	\$0	0	\$0
2022	*	\$787,338	0	\$0	0	\$0	*	\$787,338
2023	*	\$3	*	\$807,246	0	\$0	*	\$807,249

* Not disclosed due to confidentiality concerns

Disability Retirement Income: 15-30-2110(10), MCA

Legislation: SB 464, 1985 Session

Taxpayers who were under the age of 65 and permanently disabled could exclude up to \$5,200 of disability retirement income. The amount taxpayers could exclude was reduced by any amount by which their pre-exclusion adjusted gross income exceeded \$15,000. This exclusion increased the after-tax income of permanently disabled taxpayers with low incomes.

This exemption expired at the end of tax year 2023.

The following table shows disability income excluded since Tax Year 2015.

Table 9.16 Exempt Disability Retirement Income

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	31	\$137,022	0	\$0	*	\$5,200	*	\$142,222
2016	36	\$171,297	*	\$5,200	*	\$5,063	*	\$181,560
2017	37	\$170,951	0	\$0	*	\$5,200	*	\$176,151
2018	38	\$161,933	*	\$4,800	0	\$0	*	\$166,733
2019	28	\$115,731	*	\$8,480	*	\$19,900	*	\$144,111
2020	28	\$118,893	0	\$0	0	\$0	28	\$118,893
2021	18	\$79,046	*	\$7,102	*	\$5,200	*	\$91,348
2022	18	\$92,658	0	\$0	*	\$3	*	\$92,661
2023	14	\$61,548	0	\$0	*	\$10,400	*	\$71,948

* Not disclosed due to confidentiality concerns

Exempt Tribal Income: Federal Provision

Legislation: N/A

Indian tribes are sovereign governments, and state taxation of tribes and their members is governed by federal law and treaties. The right to tax the income earned on the reservation by a member who lives on the tribe's reservation is limited to the tribal government. The state may tax income earned by non-members on a reservation and income earned by a tribal member off the reservation. This is similar to the general rule for taxation across national borders—a country may tax income earned by its citizens anywhere and may tax income earned by non-citizens in the country, but it may not tax income earned by citizens of another country in another country. Therefore, it is not clear whether the exemption for tribal income should be considered a tax expenditure.

The following table shows exempt tribal income reported on Montana returns since Tax Year 2015.

Table 9.17 Exempt Tribal Income

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	6,172	\$204,787,286	17	\$349,962	41	\$1,281,013	6,230	\$206,418,261
2016	6,255	\$216,137,415	21	\$544,256	32	\$1,266,686	6,308	\$217,948,357
2017	6,152	\$254,049,703	24	\$558,530	64	\$1,259,708	6,240	\$255,867,941
2018	6,012	\$238,297,833	14	\$571,165	36	\$870,434	6,062	\$239,739,432
2019	5,848	\$230,915,588	29	\$753,965	52	\$1,039,519	5,929	\$232,709,072
2020	5,606	\$436,859,218	17	\$678,936	34	\$910,027	5,657	\$438,448,181
2021	5,415	\$224,169,249	18	\$522,414	34	\$1,088,133	5,467	\$225,779,796
2022	5,496	\$255,683,004	15	\$501,192	37	\$1,454,952	5,548	\$257,639,148
2023	5,506	\$405,640,646	11	\$341,054	25	\$1,024,547	5,543	\$412,549,738

* Not disclosed due to confidentiality concerns

Expenses Incurred by Medical Marijuana Providers: 15-30-2131, MCA

Legislation: SB 333, 2017 Session

Under federal law, Medical Marijuana providers may not deduct business expenses directly related to the production and sale of marijuana beyond those directly related to the cost of manufacturing the product. Medical Marijuana providers that are registered with the state of Montana can exempt any ordinary and necessary business expenses that are disallowed under Internal Revenue Code Section 280E.

The table below has exempt income reported on Montana income tax returns for Tax Years 2018 through 2023.

Table 9.18 Expenses Incurred by Medical Marijuana Providers

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	0	\$0	0	\$0	0	\$0	0	\$0
2017	0	\$0	0	\$0	0	\$0	0	\$0
2018	56	\$982,343	*	\$23	*	\$1,000	*	\$983,366
2019	60	\$4,306,185	*	\$12,514	*	\$100	*	\$4,318,799
2020	65	\$4,344,305	0	\$0	0	\$0	65	\$4,344,305
2021	71	\$5,757,939	0	\$0	*	\$14,982	*	\$5,772,921
2022	66	\$7,920,136	0	\$0	0	\$0	66	\$7,920,136
2023	74	\$6,671,294	0	\$0	0	\$0	74	\$6,671,294

* Not disclosed due to confidentiality concerns

Family Education Savings Accounts: 15-62-101, MCA through 15-62-302, MCA

Legislation: HB 536, 1997 Session

Section 529 of the Internal Revenue Code allows states to set up higher education savings programs. These programs allow taxpayers to set up an account for a designated beneficiary, usually a child or grandchild. States may give special tax treatment to deposits to a qualifying account; withdrawals to pay the beneficiary's education expenses are not included in Federal Adjusted Gross Income, which means that account earnings are tax free.

Montana taxpayers may exclude up to \$3,000 of contributions to one or more Family Education Savings Accounts from adjusted gross income each year. Any withdrawals that are not used for higher education expenses are taxed at the highest income tax rate. The 2013 Legislature (SB 117) expanded the deduction to include deposits to other states' college savings plans. The 2021 Legislature also expanded the types of expenditures from the accounts that qualify as tax free spending to those covered in 26 U.S. Code 529. The new tax-free expenses include K-12 tuition, certain expenses for registered apprenticeships, and the repayment of student loans.

This program encourages families to save for their children's education by lowering the cost of saving any given amount. The tax expenditure from the federal exclusion of account earnings is included in the estimate of passive tax expenditures. The state exclusion of deposits to an education savings account creates an additional tax expenditure.

The following table shows deposits to Montana Family Educations Savings Accounts since Tax Year 2015.

Table 9.19 Family Education Savings Account Deposits

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	3,311	\$10,525,352	110	\$405,000	63	\$181,822	3,484	\$11,112,174
2016	3,473	\$11,083,019	112	\$424,186	56	\$188,042	3,641	\$11,695,247
2017	3,807	\$12,361,878	142	\$539,923	68	\$194,936	4,017	\$13,096,737
2018	4,167	\$13,454,571	157	\$587,391	60	\$178,158	4,384	\$14,220,120
2019	4,596	\$15,038,959	178	\$678,180	80	\$218,240	4,854	\$15,935,379
2020	4,673	\$15,524,119	186	\$681,445	96	\$310,602	4,955	\$16,516,166
2021	5,494	\$18,807,708	218	\$880,870	120	\$425,702	5,832	\$20,114,280
2022	5,609	\$18,997,754	239	\$903,139	108	\$365,228	5,956	\$20,266,121
2023	5,675	\$19,202,170	217	\$835,776	104	\$327,751	5,996	\$20,365,697

* Not disclosed due to confidentiality concerns

Farm and Ranch Risk Management Accounts: 15-30-3001, MCA through 15-30-3005, MCA

Legislation: SB 245, 2001 Session

The 2001 Legislature created Farm and Ranch Risk Management Accounts as a tool for family farms to deal with uneven and uncertain income. An individual or family farm corporation could set up an account and deposit up to 20 percent of their net income from agriculture each year, with a limit of \$20,000. The 2021 Legislature eliminated this program starting tax year 2024, so that no new funds could be deposited into an account and no new accounts could be created.

Deposits to a risk management account before tax year 2024 are excluded from adjusted gross income. Funds deposited in an account must be withdrawn within five years. Income and withdrawals from the account are taxable.

Federal law allows farmers to average income over three years for income tax purposes. The additional tax smoothing allowed by Montana Farm and Ranch Risk Management Accounts has seen very little use. No deposits were made in Tax Years 2019 through 2023. The tables below show exempt deposits and taxable withdrawals since Tax Year 2015.

Table 9.20 Family Farm and Ranch Risk Management Accounts

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	*	\$1,941	0	\$0	0	\$0	*	\$1,941
2017	*	\$1,056	0	\$0	0	\$0	*	\$1,056
2018	*	\$1,154	0	\$0	0	\$0	*	\$1,154
2019	0	\$0	0	\$0	0	\$0	0	\$0
2020	0	\$0	0	\$0	0	\$0	0	\$0
2021	0	\$0	0	\$0	0	\$0	0	\$0
2022	*	\$803	0	\$0	0	\$0	*	\$803
2023	*	\$1,000	0	\$0	0	\$0	*	\$1,000

* Not disclosed due to confidentiality concerns

Table 9.21 Farm and Ranch Risk Management Account Taxable Distributions

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	*	\$993	*	\$132	0	\$0	*	\$1,125
2016	*	\$3,500	*	\$1,457	0	\$0	*	\$4,957
2017	0	\$0	*	\$14,480	0	\$0	*	\$14,480
2018	*	\$3,443	*	\$2,403	0	\$0	*	\$5,846
2019	*	\$6,293	*	\$1,992	0	\$0	*	\$8,285
2020	*	\$2,394	*	\$7,712	*	\$1,010	*	\$11,116
2021	*	\$46,804	*	\$5,460	0	\$0	*	\$52,264
2022	*	\$4,629	*	\$9	0	\$0	*	\$4,638
2023	*	\$801	*	\$1	0	\$0	*	\$802

* Not disclosed due to confidentiality concerns

First-Time Home Buyer Accounts: 15-63-101, MCA through 15-63-205, MCA

Legislation: HB 599, 1997 Session

Through Tax Year 2023, Montana law allowed residents who have never owned a home to establish a First-Time Home Buyer Account. Deposits of up to \$3,000 per year (\$6,000 for a married couple filing a joint return) and account earnings were exempt from taxation. Funds in the account must be used for the down payment and closing costs on a single-family house within 10 years after the account is established. If funds are withdrawn for another use or are not used within 10 years, they must be reported as taxable income. This program attempted to encourage home ownership by reducing the cost of saving for a down payment.

The 2021 Legislature (SB 399) eliminated the income exemption for deposits made into the home buyer accounts after December 31, 2023.

The following tables show exempt deposits and earnings and taxable withdrawals.

Table 9.22 First-Time Home Buyer Account Deposits

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	214	\$678,938	*	\$1,820	10	\$33,480	*	\$714,238
2016	215	\$706,088	*	\$6,000	*	\$18,000	*	\$730,088
2017	217	\$691,899	*	\$8,800	*	\$6,003	*	\$706,702
2018	226	\$731,601	0	\$0	*	\$12,001	*	\$743,602
2019	241	\$753,212	0	\$0	*	\$23,004	*	\$776,216
2020	262	\$1,000,174	*	\$1,200	12	\$45,200	*	\$1,046,574
2021	251	\$962,219	*	\$2,000	*	\$40,711	*	\$1,004,930
2022	221	\$972,820	*	\$3,000	*	\$21,000	*	\$996,820
2023	186	\$674,039	0	\$0	*	\$21,382	*	\$695,421

* Not disclosed due to confidentiality concerns

Table 9.23 First-Time Home Buyer Account Nonqualified Withdrawals

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	11	\$29,261	0	\$0	0	\$0	11	\$29,261
2016	13	\$27,839	0	\$0	0	\$0	13	\$27,839
2017	*	\$11,317	*	\$250	0	\$0	*	\$11,567
2018	*	\$31,301	0	\$0	0	\$0	*	\$31,301
2019	15	\$17,465	0	\$0	*	\$5,000	*	\$22,465
2020	14	\$90,090	0	\$0	*	\$780	*	\$90,870
2021	24	\$70,200	0	\$0	*	\$4,460	*	\$74,660
2022	16	\$51,430	*	\$78	0	\$0	*	\$51,508
2023	12	\$45,637	0	\$0	*	\$12,042	*	\$57,679

* Not disclosed due to confidentiality concerns

Health Benefits Limited to Highly Compensated Employees: 15-30-2110(2)(h), MCA

Legislation: SB 72, 1985 Session

Federal law treats employer-paid premiums for group health insurance and reimbursement of medical costs by an employer's self-insurance program as a nontaxable fringe benefit if the same benefits are available to all employees. This creates a passive tax expenditure, and the cost to the state is included in the estimate of passive tax expenditures.

When an employer's health plan provides more benefits to a select group of highly compensated employees, such as company executives, major stockholders, or the highest-paid employees, federal law requires these employees to count the difference between their benefits and the benefits available to all employees as taxable compensation. Montana law allowed these select employees to count their extra health insurance benefits as non-taxable fringe benefits.

The 2021 Legislature ended this exemption starting tax year 2024.

The purpose of the federal exclusion is to encourage employers to provide group health insurance by providing preferential treatment for group health plans that cover all employees. The additional state exclusion undermined this purpose by providing the same state tax treatment to plans that cover only select employees.

The following table shows federally taxable health insurance premiums excluded from Montana Adjusted Gross Income since Tax Year 2015.

Table 9.24 Employer-Provided Health Insurance Not Available To All Employees

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	103	\$439,835	10	\$49,135	*	\$5,000	*	\$493,970
2016	130	\$563,180	*	\$15,031	*	\$16,620	*	\$594,831
2017	155	\$646,073	*	\$7,880	*	\$29,886	*	\$683,839
2018	141	\$743,590	*	\$88,760	*	\$13,417	*	\$845,767
2019	124	\$550,391	*	\$24,881	*	\$19,122	*	\$594,394
2020	138	\$694,294	*	\$28,042	*	\$4,048	*	\$726,384
2021	115	\$568,229	*	\$1,446	*	\$10,201	*	\$579,876
2022	91	\$501,614	*	\$46,794	*	\$20,087	*	\$568,495
2023	105	\$670,584	*	\$31,462	*	\$5,645	*	\$707,691

* Not disclosed due to confidentiality concerns

Interest on Federal Government Bonds: Federal Provision and 15-30-2110(2)(a), MCA

Legislation: N/A

Federal law and court decisions prohibit states from taxing interest on federal government bonds. Montana law exempts interest on federal bonds from taxation. The following table shows exempt federal interest since Tax Year 2015.

Table 9.25 Interest on Federal Government Bonds

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	14,678	\$20,245,070	2,872	\$52,382,952	420	\$560,967	17,970	\$73,188,989
2016	15,995	\$23,737,395	3,084	\$75,315,859	414	\$593,914	19,493	\$99,647,168
2017	17,472	\$25,990,828	3,436	\$285,464,468	443	\$873,541	21,351	\$312,328,837
2018	19,323	\$31,134,949	3,617	\$275,323,996	534	\$898,469	23,474	\$307,357,414
2019	21,943	\$47,045,746	4,687	\$546,813,819	625	\$1,185,510	27,255	\$595,045,075
2020	20,179	\$32,425,710	4,208	\$192,177,430	573	\$2,010,844	24,960	\$226,613,984
2021	19,036	\$27,050,136	3,754	\$35,084,940	556	\$985,377	23,346	\$63,120,453
2022	23,585	\$47,207,761	5,496	\$201,693,547	631	\$1,460,328	29,712	\$250,361,636
2023	30,356	\$139,105,688	7,859	\$1,211,751,590	821	\$5,879,142	39,036	\$1,356,736,420

Military Salary: 15-30-2117(2), MCA Legislation: HB 152, 1979

Session: SB 378, 2015 Session

Montana exempts the military salary of residents who are on active duty in the armed forces. This includes members of the Montana National Guard who are serving in a homeland defense activity or contingency operation.

The following table shows the amount of income subject to this exemption since Tax Year 2015.

Table 9.26 Active Duty Military Salary

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	4,537	\$170,649,803	85	\$3,798,088	156	\$5,378,956	4,778	\$179,826,847
2016	4,541	\$174,056,632	74	\$2,861,817	156	\$5,030,357	4,771	\$181,948,806
2017	4,650	\$180,870,093	91	\$4,077,258	194	\$6,160,503	4,935	\$191,107,854
2018	4,812	\$198,113,363	954	\$46,738,719	403	\$12,103,039	6,169	\$256,955,121
2019	5,167	\$214,409,324	1,013	\$50,183,267	419	\$13,804,500	6,599	\$278,397,091
2020	4,848	\$212,067,156	857	\$44,002,418	320	\$10,463,016	6,025	\$266,532,590
2021	4,955	\$223,462,683	875	\$44,361,887	432	\$15,226,554	6,262	\$283,051,124
2022	4,908	\$231,079,130	1,021	\$57,426,192	417	\$16,622,634	6,346	\$305,127,956
2023	4,706	\$238,092,021	969	\$53,418,748	371	\$14,390,316	6,046	\$305,901,085

Montana Medical Care Savings Accounts: 15-61-101, MCA to 15-61-205, MCA

Legislation: HB 560, 1995 Session

Federal law has created two mechanisms, the Archer Medical Savings Account and the Health Savings Account, for taxpayers or their employers to set aside pretax funds to pay medical expenses. Deposits to these accounts and distributions from these accounts to pay medical expenses are excluded from Federal Adjusted Gross Income. This means that they also are excluded from Montana Adjusted Gross Income. The tax expenditure from this federal exclusion is in the section on federal adjustments to income.

In Tax Year 1997, the legislature created a similar state program. The main difference is that the federal programs are limited to taxpayers whose only health insurance is a high-deductible policy, while the state program does not have this limitation. The 2023 Legislature (SB 550) also expanded the types of qualified medical expenditures to include any direct fee associated with a direct patient care agreement as well as any expenses paid by a member to a qualified health care sharing ministry. The purpose of these accounts appears to be to encourage taxpayers to set aside funds ahead of time to cover medical costs that will not be covered by insurance.

Before Tax Year 2023, taxpayers could exclude up to \$4,500 of their contributions to an account during a year and any withdrawals from an account that are used to pay medical expenses. Starting in Tax Year 2024, the exclusion from taxable income increased to \$4,500 and is set to be adjusted each year for inflation. This exclusion means that earnings kept in the account are also not taxed.

Funds may be withdrawn for other purposes, but then the amount withdrawn is treated as income.

The following tables show exempt medical savings account deposits and earnings and taxable withdrawals.

Table 9.27 Montana Medical Care Savings Accounts

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	6,233	\$19,574,075	0	\$0	98	\$138,910	6,331	\$19,712,985
2016	6,036	\$19,419,283	0	\$0	99	\$158,784	6,135	\$19,578,067
2017	6,101	\$19,759,187	0	\$0	100	\$144,077	6,201	\$19,903,264
2018	5,110	\$19,589,251	0	\$0	35	\$47,828	5,145	\$19,637,079
2019	5,354	\$22,651,337	0	\$0	37	\$98,099	5,391	\$22,749,436
2020	5,185	\$22,743,005	0	\$0	49	\$133,358	5,234	\$22,876,363
2021	5,175	\$23,986,330	0	\$0	51	\$165,303	5,226	\$24,151,633
2022	5,106	\$24,217,502	0	\$0	43	\$103,336	5,149	\$24,320,838
2023	5,120	\$25,393,441	0	\$0	36	\$199,170	5,156	\$25,592,611

Table 9.28 Medical Savings Account Nonqualified Withdrawals

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	71	\$135,323	0	\$0	*	\$40,937	*	\$176,260
2016	50	\$93,482	*	\$8,622	0	\$0	*	\$102,104
2017	63	\$122,519	*	\$1,000	*	\$9,303	*	\$132,822
2018	156	\$348,943	0	\$0	*	\$137,248	*	\$486,191
2019	198	\$426,060	0	\$0	*	\$19,223	*	\$445,283
2020	210	\$520,415	0	\$0	*	\$12,141	*	\$532,556
2021	182	\$476,861	0	\$0	*	\$3,088	*	\$479,949
2022	217	\$869,951	0	\$0	*	\$104,173	*	\$974,124
2023	199	\$689,284	0	\$0	*	\$28,959	*	\$718,243

* Not disclosed due to confidentiality concerns

National Guard Life Insurance Premiums: 15-30-2117(3)

Legislation: HB 761, 2005 Session

Before Tax Year 2024, the state would reimburse members of the National Guard or Reserve who were on active duty for premiums they pay for military group life insurance. This reimbursement was treated as income for federal income tax, but the state exempted it from taxation. This exemption increased the after-tax income of Guard and Reserve members, increasing the financial incentive to join or remain in the Guard or Reserves. It also provided an incentive for Guard and Reserve members to purchase military group life insurance.

The National Guard life insurance reimbursements, and the corresponding state income tax exemption for the reimbursements, was eliminated by the 2023 Legislature (HB 89). The reimbursements are no longer available starting Tax Year 2024.

The following table shows exempt Guard and Reserve life insurance premium reimbursements since Tax Year 2015.

Table 9.29 National Guard Life Insurance Premiums

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	20	\$10,766	0	\$0	0	\$0	20	\$10,766
2016	25	\$15,633	0	\$0	*	\$170	*	\$15,803
2017	28	\$28,304	0	\$0	*	\$778	*	\$29,082
2018	14	\$17,792	*	\$408	0	\$0	*	\$18,200
2019	21	\$34,481	*	\$19,059	0	\$0	*	\$53,540
2020	26	\$194,456	0	\$0	*	\$714	*	\$195,170
2021	*	\$4,822	0	\$0	0	\$0	*	\$4,822
2022	26	\$29,357	0	\$0	*	\$4,182	*	\$33,539
2023	13	\$110,053	0	\$0	*	\$22,848	*	\$132,901

* Not disclosed due to confidentiality concerns

Partial Interest Exclusion for Elderly Taxpayers: 15-30-2110(2)(b), MCA

Legislation: HB 18, 1981 Session

Through Tax Year 2023, taxpayers who were at least 65 years old could exclude up to \$800 of interest income from their Montana taxable income. This exemption was eliminated starting Tax Year 2024 by the 2021 Legislature.

The following table shows interest income excluded since Tax Year 2015. This exemption provided a limited incentive for retirees to hold interest-paying assets, such as corporate bonds, rather than assets that pay other types of income. The primary effect of the exemption was to reduce tax paid by older taxpayers. However, it also provided a limited incentive for retirees to locate in Montana rather than in a state without a similar exemption.

Table 9.30 Partial Interest Exclusion for Elderly Taxpayers

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	64,139	\$30,087,414	10,135	\$7,973,410	1,172	\$550,550	75,446	\$38,611,374
2016	65,312	\$30,687,228	10,475	\$8,296,402	1,277	\$575,776	77,064	\$39,559,406
2017	69,725	\$33,284,834	11,098	\$8,805,973	1,458	\$664,040	82,281	\$42,754,847
2018	72,006	\$36,035,566	10,677	\$8,611,233	1,525	\$735,052	84,208	\$45,381,851
2019	76,703	\$41,744,457	11,944	\$10,333,249	1,632	\$883,476	90,279	\$52,961,182
2020	74,882	\$38,240,518	11,645	\$9,718,363	1,650	\$806,405	88,177	\$48,765,286
2021	73,706	\$32,290,033	11,978	\$9,169,320	1,986	\$835,453	87,670	\$42,294,806
2022	80,549	\$37,966,773	12,781	\$10,401,002	1,815	\$907,844	95,145	\$49,275,619
2023	89,479	\$56,323,782	13,313	\$12,797,872	1,763	\$1,219,945	104,555	\$70,341,599

* Not disclosed due to confidentiality concerns

Partial Pension Exemption: 15-30-2110(2)(c), MCA

Legislation: HB 232, 1963 Session / SB 226, 1991 Session

Before Tax Year 2024, taxpayers with Federal Adjusted Gross Income below a threshold could have part of their pension income exempted from taxation. For taxpayers with higher incomes, the exemption amount was reduced by \$2 for each \$1 that the Federal Adjusted Gross Income exceeds the threshold. Both the threshold and the amount exempted were adjusted for inflation each year. For Tax Year 2023, the amount exempted was \$5,060 and the threshold was \$42,140. Taxpayers with Federal Adjusted Gross Income between \$42,140 and \$44,670 were eligible for an exemption of less than \$5,060, and taxpayers with incomes over \$44,670 were not eligible for the exemption. This exemption ended at the end of Tax Year 2023.

This exemption provided a limited incentive to participate in a retirement system and to keep funds in a retirement plan rather than withdrawing them. It also provided a limited incentive for retirees to locate in Montana rather than in a state without a similar exemption. However, this does not appear to have been the legislative purpose. Montana was one of 23 states that originally exempted state employee pensions from the state income tax. This allowed the state to make smaller pension contributions and resulted in some administrative savings.

In addition, the legislature exempted the first \$3,600 of income from federal government pensions. In Tax Year 1989, a group of federal government and military retirees sued states that exempted state pensions, including Montana, arguing that states must give them the same exemption. The states lost, with the U.S. Supreme Court ruling that states may tax different types of income differently but may not tax the same type of income differently depending on who paid it. As a result, the states that had exempted state employee pensions changed their laws in a variety of ways. The Montana Legislature eliminated the exemption for state employee pensions but extended the \$3,600 partial exemption to all pension income.

The following table shows pension income excluded from taxation since 2015.

Table 9.31 Partial Pension Exemption

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	44,197	\$164,186,433	1,852	\$6,551,278	855	\$2,833,101	46,904	\$173,570,812
2016	45,229	\$173,070,990	1,985	\$7,357,688	978	\$3,361,132	48,192	\$183,789,810
2017	44,862	\$173,734,004	1,914	\$7,179,943	945	\$3,314,448	47,721	\$184,228,395
2018	44,573	\$174,904,162	1,682	\$6,242,999	942	\$3,290,626	47,197	\$184,437,787
2019	45,396	\$182,365,023	1,348	\$5,198,618	818	\$3,091,122	47,562	\$190,654,763
2020	46,106	\$185,146,420	1,482	\$5,619,338	1,045	\$3,595,034	48,633	\$194,360,792
2021	44,793	\$184,243,909	1,339	\$5,357,069	928	\$3,553,632	47,060	\$193,154,610
2022	46,985	\$205,312,143	1,426	\$6,306,465	877	\$3,563,735	49,288	\$215,182,343
2023	48,419	\$228,981,362	1,503	\$6,773,408	730	\$3,211,583	50,652	\$238,966,353

Sales of Land to Beginning Farmers: 80-12-211, MCA

Legislation: SB 316, 1983 Session

Before Tax Year 2024, Montana allowed taxpayers to exclude up to \$50,000 of income from the sale of at least 80 acres to a beginning farmer. To be eligible, a taxpayer's land sale must have been approved by the Montana Department of Agriculture. The deduction provides an incentive for retiring farmers to sell land to someone who will keep it in agriculture rather than convert it to another use.

The following table shows income excluded since Tax Year 2015. Fewer than 10 taxpayers have used the exclusion every year.

Table 9.32 Sales of Land to Beginning Farmers

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	*	\$7,918	0	\$0	0	\$0	*	\$7,918
2016	*	\$27,569	0	\$0	0	\$0	*	\$27,569
2017	*	\$4,377	0	\$0	0	\$0	*	\$4,377
2018	*	\$3,955	0	\$0	0	\$0	*	\$3,955
2019	*	\$33,234	0	\$0	*	\$1	*	\$33,235
2020	0	\$0	0	\$0	0	\$0	0	\$0
2021	*	\$77,990	0	\$0	0	\$0	*	\$77,990
2022	*	\$14	0	\$0	0	\$0	*	\$14
2023	*	\$1	0	\$0	0	\$0	*	\$1

* Not disclosed due to confidentiality concerns

Small Business Investment Company Dividends: 15-33-106, MCA

Legislation: HB 834, 1981 Session

The federal Small Business Investment Act of 1958 created a category of venture capital firms called small business investment companies. Montana law allows taxpayers to exempt capital gains or dividends from a Montana small business investment company. This provides an incentive to invest in these companies rather than in other businesses.

The following table shows income exempted under this provision since Tax Year 2015.

Table 9.33 Capital Gains from Small Business Investment Companies

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	13	\$48,730	*	\$57,758	*	\$69,535	*	\$176,023
2016	13	\$24,738	*	\$29,921	0	\$0	*	\$54,659
2017	*	\$1,449,364	*	\$245,044	0	\$0	*	\$1,694,408
2018	16	\$79,928	*	\$138,707	*	\$56,087	*	\$274,722
2019	23	\$10,486	*	\$297,119	*	\$723,789	*	\$1,031,394
2020	22	\$1,335,337	*	\$192,584	*	\$145,792	*	\$1,673,713
2021	19	\$529,940	*	\$254,165	0	\$0	*	\$784,105
2022	23	\$222,230	*	\$105,912	*	\$86,380	*	\$414,522
2023	20	\$35,540	0	\$0	*	\$2,943	*	\$38,483

* Not disclosed due to confidentiality concerns

Loan Repayment Through Quality Educator Loan Assistance Program: 15-30-2110(14), MCA

Legislation: HB 211, 2019 Session

Starting Tax Year 2020, taxpayers who received loan repayment assistance during the tax year from the Quality Educator Loan Assistance Program could exclude the assistance amount from their adjusted gross income. The exclusion was limited to a maximum of \$5,000 for the tax year. The 2021 Legislature eliminated this exemption starting Tax Year 2024.

The table below shows the cost of this exclusion for Tax Years 2020 through 2023.

Table 9.34 Educator Student Loan Repayment included in Federal AGI

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	0	\$0	0	\$0	0	\$0	0	\$0
2017	0	\$0	0	\$0	0	\$0	0	\$0
2018	0	\$0	0	\$0	0	\$0	0	\$0
2019	0	\$0	0	\$0	0	\$0	0	\$0
2020	83	\$190,483	0	\$0	*	\$15,050	*	\$205,533
2021	71	\$5,757,939	0	\$0	*	\$14,982	*	\$5,772,921
2022	66	\$7,920,136	0	\$0	0	\$0	66	\$7,920,136
2023	74	\$6,671,294	0	\$0	0	\$0	74	\$6,671,294

* Not disclosed due to confidentiality concerns

Third-Party Repayment of Health Care Professional's Student Loans: 15-30-2110(12), MCA

Legislation: SB 408, 2003 Session

There are several private, federal, and state programs intended to encourage health care professionals to locate in under-served areas by making student loan payments for those who do. Federal law excludes repayments made by certain federal and state programs from taxable income. Montana law excluded qualifying repayments from all programs, including programs provided by private health-care facilities for their employees.

The state cost of the federal exclusion is part of the estimate of passive tax expenditures. The additional state exclusions were eliminated starting Tax Year 2024.

The following table shows the cost of the additional state exclusion since Tax Year 2015.

Table 9.35 Health Care Professional Student Loan Repayment Included in Fed. AGI

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	426	\$1,234,654	10	\$28,757	32	\$79,458	468	\$1,342,869
2016	425	\$1,278,928	13	\$34,086	49	\$148,114	487	\$1,461,128
2017	455	\$1,315,847	12	\$41,405	49	\$136,636	516	\$1,493,888
2018	448	\$1,422,858	12	\$34,351	50	\$164,686	510	\$1,621,895
2019	467	\$1,535,563	21	\$55,784	71	\$228,584	559	\$1,819,931
2020	444	\$1,278,535	21	\$61,225	33	\$111,418	498	\$1,451,178
2021	350	\$1,116,534	14	\$43,575	26	\$85,434	390	\$1,245,543
2022	344	\$1,164,412	16	\$50,258	25	\$84,887	385	\$1,299,557
2023	597	\$1,680,338	25	\$62,505	53	\$175,689	675	\$1,918,532

Tier I and Tier II Railroad Retirement: Federal Provision

Legislation: N/A

Railroad retirement benefits are divided into Tier I and Tier II. Tier I is equivalent to Social Security, and Tier I benefits are taxed the same as Social Security benefits. Tier II benefits are similar to a private pension but are based only on railroad earnings. Both sources of income are potentially taxable at the federal level. However, Montana taxes neither source of income.

The tables below show Tier I and Tier II railroad retirement benefits exempted from Montana taxation.

Table 9.36 Tier I Railroad Retirement Benefits

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	†	†	†	†	†	†	†	†
2016	†	†	†	†	†	†	†	†
2017	†	†	†	†	†	†	†	†
2018	†	†	†	†	†	†	†	†
2019	†	†	†	†	†	†	†	†
2020	†	†	†	†	†	†	†	†
2021	†	†	†	†	†	†	†	†
2022	1,802	\$28,339,037	85	\$1,686,471	18	\$268,145	1,905	\$30,293,653
2023	2,010	\$34,133,687	83	\$1,940,125	28	\$488,670	2,121	\$36,562,482

† This item did not have a separate line on returns during these tax years.

Table 9.37 Tier II Railroad Retirement Benefits

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	2,820	\$46,343,176	80	\$1,383,942	18	\$235,919	2,918	\$47,963,037
2016	2,846	\$48,318,083	81	\$1,341,418	28	\$489,381	2,955	\$50,148,882
2017	2,878	\$50,097,081	85	\$1,481,810	29	\$430,941	2,992	\$52,009,832
2018	2,951	\$52,442,866	89	\$1,640,449	29	\$313,763	3,069	\$54,397,078
2019	2,903	\$53,205,289	86	\$1,641,744	37	\$594,601	3,026	\$55,441,634
2020	2,883	\$53,655,007	78	\$1,378,911	27	\$365,423	2,988	\$55,399,341
2021	2,876	\$54,408,208	87	\$1,594,030	27	\$461,304	2,990	\$56,463,542
2022	2,847	\$55,194,883	90	\$2,025,204	30	\$366,270	2,967	\$57,586,357
2023	2,787	\$56,881,820	85	\$1,904,161	34	\$487,189	2,906	\$59,273,170

Tip Income and Gratuities: 15-30-2110(2)(f), MCA

Legislation: HB 841, 1983 Session

Before Tax Year 2024, tips earned while working for a licensed food service, beverage, or lodging establishment were not taxable in Montana. The reasoning behind this exclusion was that tips should be considered voluntary gifts from a restaurant's patrons to its employees, and gifts generally are not included in taxable income. Federal law considers tips to be taxable compensation for providing services. The 2021 Legislature eliminated this exemption starting Tax Year 2024.

The following table shows tips excluded from income since Tax Year 2015.

Table 9.38 Exempt Tip Income

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	18,795	\$67,147,671	1,402	\$4,252,879	2,174	\$6,809,415	22,371	\$78,209,965
2016	19,216	\$71,768,259	1,471	\$4,468,898	2,291	\$7,468,411	22,978	\$83,705,568
2017	20,718	\$80,661,372	1,691	\$5,765,450	2,634	\$8,284,592	25,043	\$94,711,414
2018	20,189	\$81,593,214	1,785	\$6,141,529	2,385	\$7,870,545	24,359	\$95,605,288
2019	21,799	\$88,982,140	1,967	\$6,928,943	2,621	\$8,648,427	26,387	\$104,559,510
2020	20,430	\$70,780,085	1,803	\$5,182,929	2,287	\$5,956,110	24,520	\$81,919,124
2021	22,069	\$105,418,886	2,351	\$9,765,435	2,774	\$10,477,779	27,194	\$125,662,100
2022	23,891	\$122,035,317	2,575	\$11,138,161	2,726	\$11,475,388	29,192	\$144,648,866
2023	22,109	\$124,077,840	2,398	\$11,801,332	2,116	\$9,389,968	26,623	\$145,269,140

Unemployment Compensation: 15-30-2101, MCA

Legislation: HB 363, 1979 Session

Federal law taxes unemployment compensation. Before Tax Year 2024, Montana law exempted unemployment compensation from its income tax. Starting Tax Year 2024, however, the exemption for unemployment compensation was eliminated.

The following table shows additional state exemptions for unemployment compensation since Tax Year 2015.

Table 9.39 Exempt Unemployment Compensation

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	24,456	\$89,447,741	3,933	\$20,533,636	1,752	\$7,791,931	30,141	\$117,773,308
2016	23,437	\$94,926,088	3,453	\$18,390,875	1,687	\$8,100,053	28,577	\$121,417,016
2017	21,741	\$87,578,113	3,404	\$19,041,750	1,480	\$6,909,586	26,625	\$113,529,449
2018	19,589	\$80,750,167	3,027	\$16,330,381	1,252	\$5,984,762	23,868	\$103,065,310
2019	19,506	\$82,795,091	2,652	\$14,590,281	1,209	\$5,793,306	23,367	\$103,178,678
2020	80,869	\$887,376,585	7,908	\$101,781,077	5,547	\$68,943,815	94,324	\$1,058,101,477
2021	34,489	\$302,584,760	5,299	\$59,161,752	2,851	\$31,179,289	42,639	\$392,925,801
2022	15,538	\$70,068,144	3,405	\$19,998,507	1,207	\$6,204,591	20,150	\$96,271,242
2023	15,440	\$79,275,782	3,099	\$22,244,482	992	\$6,077,975	19,531	\$107,598,239

Worker's Compensation: 15-30-2110(2)(g), MCA

Legislation: SB 72, 1985 Session

Federal law exempts worker's compensation payments, except payments that are reimbursement for medical expenses deducted in an earlier year. Before Tax Year 2024, Montana law also exempted all worker's compensation payments. This additional exemption was eliminated by the 2021 Legislature starting Tax Year 2024. The state revenue loss from the federal exemption is included in the estimate of passive tax expenditures.

The following table shows additional state exemptions for worker's compensation payments since Tax Year 2015.

Table 9.40 Exempt Unemployment Compensation

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	136	\$998,080	16	\$82,565	*	\$4,750	*	\$1,085,395
2016	124	\$699,707	*	\$29,817	15	\$112,900	*	\$842,424
2017	155	\$774,048	*	\$105,741	11	\$70,428	*	\$950,217
2018	182	\$1,111,653	*	\$50,666	*	\$33,832	*	\$1,196,151
2019	154	\$882,827	*	\$64,920	10	\$64,745	*	\$1,012,492
2020	284	\$2,433,726	*	\$135,823	15	\$131,366	*	\$2,700,915
2021	179	\$1,354,321	*	\$84,622	18	\$189,824	*	\$1,628,767
2022	141	\$994,545	*	\$28,124	*	\$47,236	*	\$1,069,905
2023	148	\$983,491	11	\$376,423	*	\$9,832	*	\$1,369,746

* Not disclosed due to confidentiality concerns

Itemized Deduction Tax Expenditures

In general, itemized deductions provide a partial subsidy or reimbursement for deductible expenses. The amount of the subsidy depends on the taxpayer's marginal tax rate and on the amount by which itemized deductions exceed the standard deduction.

For a taxpayer whose deductible expenses are less than their standard deduction, the fact that an expense is deductible provides no extra benefit to the taxpayer and no cost to the state general fund.

For a taxpayer whose deductible expenses are more than their standard deduction, an extra \$100 of itemized deductions reduces tax liability by \$100 multiplied by the marginal tax rate.

For example, a taxpayer with taxable income of \$6,000 in Tax Year 2023 would be in the 2 percent state tax bracket and the 10 percent federal tax bracket. An additional \$100 deduction would reduce this person's state tax liability by \$2 and federal tax liability by \$10, for a total of \$12 if the taxpayer itemizes their deductions. The \$100 expenditure that was the basis of the deduction cost the taxpayer \$88 and cost the state and federal governments, and ultimately other taxpayers \$12.

A taxpayer with a taxable income of \$500,000 in 2023 was in the 6.75 percent state tax bracket and the 35 percent federal tax bracket. An additional \$100 deduction would reduce this person's state tax liability by \$6.75 and federal tax liability by \$35, for a total of \$41.75 if the taxpayer itemizes. The \$100 expenditure that was the basis of the deduction cost this taxpayer \$58.25 and cost the state and federal governments, and ultimately other taxpayers \$41.75.

Not all itemized deductions are considered tax expenditures. For example, itemized deductions that allow taxpayers to deduct costs of earning income are generally not considered tax expenditures. An example of this type of deduction is the deduction of gambling losses. Taxpayers who report income from gambling can deduct gambling losses up to the amount of reported winnings. This makes the income tax apply to net winnings from gambling.

Before Tax Year 2024

Prior to Tax Year 2024, Montana law generally allowed itemized deductions also allowed by federal law (15-30-2131(1)(a), MCA). There were a few exceptions where Montana law specifically disallowed a federal deduction. Montana law also allowed several itemized deductions that are not allowed by federal law. These additional deductions included the deduction for medical insurance premiums, long-term care insurance premiums, and federal income taxes paid.

Starting Tax Year 2024

After Tax Year 2024, Montana's personal income tax moved from being based on Federal Adjusted Gross Income to Federal Taxable Income. Under this new structure, Montana specific deductions, both standard and itemized, were eliminated and taxpayers determined their Montana taxable income based on federal deduction amounts. The only adjustment to the federal deductions amounts is to add back any Montana income tax deducted at the federal level.

Casualty and Theft Losses: Federal Provision

Legislation: N/A

Federal and Montana law allows taxpayers to take an itemized deduction for the uncompensated theft, damage, or destruction of non-business property that exceeds 10 percent of the taxpayer's adjusted gross income. Casualty and theft losses of business property are deducted as a business expense in calculating adjusted gross income.

Starting in Tax Year 2018, the deduction is limited to losses attributable to a federally declared disaster.

This deduction essentially treats the value of a taxpayer's significant property loss as an offset to income. This reduces the incentive to insure or protect property against theft, damage, or other losses.

The following table shows itemized deductions for casualty and theft losses for Tax Years 2015 through 2023.

Table 9.41 Casualty and Theft Losses

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	334	\$5,334,806	30	\$1,148,861	22	\$97,586	386	\$6,581,253
2016	309	\$6,744,568	40	\$1,965,451	27	\$263,256	376	\$8,973,275
2017	267	\$5,112,316	53	\$6,092,544	23	\$297,291	343	\$11,502,151
2018	448	\$4,442,831	32	\$670,697	*	\$87,003	*	\$5,200,531
2019	322	\$1,560,011	32	\$520,150	10	\$25,198	364	\$2,105,359
2020	477	\$2,825,353	32	\$216,179	*	\$6,318	*	\$3,047,850
2021	305	\$1,777,231	34	\$298,126	*	\$9,814	*	\$2,085,171
2022	330	\$4,435,344	25	\$1,176,086	*	\$116,523	*	\$5,727,953
2023	35	\$2,157,970	*	\$183,517	*	\$29,384	*	\$2,370,871

* Not disclosed due to confidentiality concerns

Charitable Contributions: Federal Provision

Legislation: N/A

Federal and Montana law allows an itemized deduction for charitable contributions. In any year, this deduction is limited to 50 percent of the taxpayer's adjusted gross income. In addition, gifts to certain types of charities and certain types of gifts are subject to lower limits. A taxpayer whose contributions exceed the limit may carry the excess contributions forward and deduct them in a later tax year. The deduction provides an incentive for taxpayers to contribute to tax-exempt charities by making the taxpayer's cost of the donation less than the amount the charity receives.

The following tables show itemized deductions for contributions for Tax Years 2015 through 2023.

Table 9.42 Charitable Contributions

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	150,403	\$450,272,008	18,378	\$551,805,559	4,299	\$13,726,971	173,080	\$1,015,804,538
2016	150,927	\$502,946,119	18,540	\$1,857,487,225	4,278	\$14,917,531	173,745	\$2,375,350,875
2017	151,085	\$490,356,062	19,129	\$741,475,164	4,341	\$13,967,357	174,555	\$1,245,798,583
2018	136,747	\$447,461,011	15,359	\$1,262,677,513	3,564	\$13,681,208	155,670	\$1,723,819,732
2019	132,059	\$494,466,799	15,593	\$1,400,677,568	3,272	\$14,800,967	150,924	\$1,909,945,334
2020	102,298	\$474,658,056	13,710	\$483,685,968	2,911	\$30,895,489	118,919	\$989,239,513
2021	131,650	\$630,240,590	17,527	\$887,866,826	4,441	\$30,781,520	153,618	\$1,548,888,936
2022	127,436	\$585,440,790	16,614	\$895,214,917	3,355	\$17,717,827	147,405	\$1,498,373,534
2023	122,212	\$583,088,556	15,726	\$1,255,999,332	2,644	\$12,828,656	140,582	\$1,851,916,544

Table 9.43 Charitable Noncash Contributions

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	71,039	\$90,062,103	9,695	\$379,146,416	3,086	\$5,979,338	83,820	\$475,187,857
2016	72,718	\$148,637,209	10,024	\$927,313,382	3,379	\$8,283,427	86,121	\$1,084,234,018
2017	72,383	\$118,484,126	10,149	\$1,045,453,011	3,329	\$5,369,819	85,861	\$1,169,306,956
2018	61,347	\$73,875,268	7,636	\$363,465,342	2,492	\$4,023,178	71,475	\$441,363,788
2019	55,483	\$126,426,919	7,335	\$541,144,496	2,205	\$6,639,952	65,023	\$674,211,367
2020	46,737	\$104,422,201	6,128	\$211,957,533	1,954	\$12,568,872	54,819	\$328,948,606
2021	47,835	\$181,278,076	6,717	\$536,287,154	2,459	\$9,593,978	57,011	\$727,159,208
2022	47,279	\$148,049,106	6,864	\$553,107,881	2,015	\$6,630,737	56,158	\$707,787,724
2023	46,309	\$154,222,790	6,474	\$524,568,317	1,571	\$3,310,706	54,354	\$682,101,813

Table 9.44 Carryover of Contributions from Previous Years

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	2,778	\$35,565,096	481	\$122,379,344	75	\$362,590	3,334	\$158,307,030
2016	3,102	\$33,937,186	504	\$414,328,549	60	\$504,653	3,666	\$448,770,388
2017	3,477	\$42,384,106	577	\$205,476,095	76	\$1,096,563	4,130	\$248,956,764
2018	2,583	\$33,969,667	489	\$44,141,614	55	\$291,779	3,127	\$78,403,060
2019	2,314	\$30,647,375	466	\$233,950,152	48	\$2,141,288	2,828	\$266,738,815
2020	2,011	\$33,893,069	436	\$111,051,210	52	\$879,665	2,499	\$145,823,944
2021	2,894	\$53,647,324	497	\$127,351,049	65	\$512,902	3,456	\$181,511,275
2022	2,565	\$37,023,310	393	\$79,651,809	49	\$1,071,845	3,007	\$117,746,964
2023	2,338	\$41,848,209	356	\$101,063,802	44	\$769,350	2,738	\$143,681,361

Child and Dependent Care Expenses: 15-30-2131(1)(c), MCA

Legislation: HB 47, 1977 Session

Montana law allowed an itemized deduction for up to \$4,800 for the expenses of maintaining a household for or providing care for certain dependents while the taxpayer is at work or looking for a job. The dependent could have been a child under 15 or any person who was unable to care for him or herself while the taxpayer is at work. To qualify for the deduction, the taxpayer and spouse, if married, must have had combined Montana Adjusted Gross Income of less than \$22,800 if caring for one eligible dependent. The income limit was \$25,200 if the taxpayer was caring for two dependents and \$27,600 for three or more dependents.

Federal law allows taxpayers to claim a credit rather than an itemized deduction for dependent care expenses. The conditions for claiming the federal credit are similar to the conditions for claiming the state deduction.

This deduction reduced the cost of working for taxpayers who had a child or other dependent to care for. It provided an incentive to engage in paid work and pay to have the dependent cared for rather than to provide the care personally.

This deduction was eliminated at the end of Tax Year 2023.

The table below shows itemized deductions for child and dependent care expenses for Tax Years 2015 through 2023.

Table 9.45 Child and Dependent Care Expenses

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	484	\$1,050,416	27	\$46,766	33	\$73,996	544	\$1,171,178
2016	548	\$1,206,246	28	\$66,605	29	\$62,376	605	\$1,335,227
2017	496	\$1,093,360	41	\$95,077	34	\$82,612	571	\$1,271,049
2018	368	\$886,905	24	\$59,792	21	\$54,843	413	\$1,001,540
2019	325	\$705,164	21	\$55,913	14	\$29,247	360	\$790,324
2020	295	\$681,098	19	\$48,253	*	\$22,591	*	\$751,942
2021	271	\$679,465	20	\$56,452	14	\$34,036	305	\$769,953
2022	217	\$509,733	26	\$54,710	*	\$9,132	*	\$573,575
2023	191	\$425,443	21	\$59,041	*	\$23,047	*	\$507,531

* Not disclosed due to confidentiality concerns

Federal Income Tax: 15-30-2131(1)(b), MCA

Legislation: HB 328, 1933 Session

Montana law allowed an itemized deduction for federal income tax paid during the year with a limit of \$5,000 for a single taxpayer or married taxpayer filing separately and \$10,000 for a married couple filing a joint return. Before 2005, there was no upper limit on this deduction.

The cap was introduced by SB 407 (2003 legislative session). The sponsors of this legislation had several goals, which included reducing income tax revenue, lowering the top marginal rate, reducing the number of rate brackets, making the brackets narrower, eliminating the itemized deduction for federal taxes, and having no income group pay more than under prior law. It proved impossible to fully meet all these goals, and the capped deduction was kept, preventing the narrower rate brackets from increasing taxes on middle-income taxpayers. The 2003 Legislature chose not to index the cap for inflation, so that, in real terms, the cap will decrease over time.

This deduction partially or completely avoided having the state levy income tax on income paid to the federal government as income tax. It also had the same effect on taxpayers as having lower tax rates for taxpayers who itemize deductions and whose income put them below the cap on this deduction. This is because each extra dollar of income increased adjusted gross income by 1 dollar but also increased itemized deductions by the federal marginal tax rate times 1 dollar. Thus, an extra dollar of adjusted gross income translated into less than an extra dollar of taxable income.

For example, a single taxpayer with taxable income of \$25,000 in Tax Year 2023 would be in the 6.75 percent state tax bracket and the 12 percent federal tax bracket. An additional \$100 of income would result in an additional \$12 of federal income tax, for an \$88 increase in taxable income. Applying the 6.75 percent rate to \$88 provides additional tax of \$5.94, for an effective marginal tax rate of about 5.9 percent rather than 6.75 percent. For a taxpayer whose federal taxes are above the cap on the deduction, the effective marginal tax rate is 6.75 percent.

This deduction was eliminated starting Tax Year 2024

The following table shows itemized deductions for federal income tax for Tax Years 2015 through 2023.

Table 9.46 Federal Income Tax

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	232,979	\$1,297,118,744	33,646	\$245,467,280	10,148	\$61,093,726	276,773	\$1,603,679,750
2016	236,969	\$1,325,330,899	33,132	\$241,315,861	10,241	\$60,477,836	280,342	\$1,627,124,596
2017	242,669	\$1,367,118,010	34,595	\$250,911,791	10,643	\$63,443,115	287,907	\$1,681,472,916
2018	218,784	\$1,199,661,055	29,269	\$214,748,520	8,891	\$53,607,145	256,944	\$1,468,016,720
2019	208,531	\$1,153,558,682	30,784	\$228,991,454	8,202	\$50,830,919	247,517	\$1,433,381,055
2020	208,762	\$1,164,299,664	30,072	\$221,821,966	8,844	\$54,323,729	247,678	\$1,440,445,359
2021	220,833	\$1,259,672,196	33,881	\$250,693,510	11,308	\$71,046,028	266,022	\$1,581,411,734
2022	199,670	\$1,178,374,560	28,493	\$217,452,653	7,152	\$46,589,907	235,315	\$1,442,417,120
2023	192,520	\$1,151,420,993	27,670	\$211,891,825	5,722	\$37,144,276	225,912	\$1,400,457,094

Home Mortgage Interest and Insurance Premiums: Federal Provision

Legislation: N/A

Federal and state law allow an itemized deduction for home mortgage interest paid during the tax year. The deduction of interest is limited to the first \$750,000 of debt that is incurred after December 2017. In addition, taxpayers cannot deduct interest paid on equity indebtedness for Tax Years 2018 through 2025.

Federal and state law also allow taxpayers to deduct the mortgage insurance premiums paid for mortgage insurance issued after Tax Year 2006. Federal law considers mortgage insurance premiums to be part of mortgage interest, and Montana law follows federal law on this point.

The deduction for home mortgage interest and mortgage insurance provides an incentive for home ownership and a disincentive for taxpayers to pay off their mortgages.

The following table shows itemized deductions for home mortgage interest and insurance.

Table 9.47 Home Mortgage Interest

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	142,562	\$900,243,023	15,218	\$146,760,981	4,664	\$32,888,662	162,444	\$1,079,892,666
2016	144,780	\$909,386,335	15,504	\$150,336,425	4,888	\$34,706,195	165,172	\$1,094,428,955
2017	146,491	\$932,109,767	15,809	\$154,934,319	5,108	\$37,201,137	167,408	\$1,124,245,223
2018	137,315	\$903,558,507	13,293	\$136,209,342	4,599	\$36,320,490	155,207	\$1,076,088,339
2019	136,388	\$987,393,435	17,085	\$212,703,072	4,813	\$41,987,715	158,286	\$1,242,084,222
2020	135,162	\$979,405,589	16,715	\$198,342,853	5,058	\$44,816,143	156,935	\$1,222,564,585
2021	136,905	\$921,441,130	17,912	\$191,183,631	6,334	\$51,468,005	161,151	\$1,164,092,766
2022	128,326	\$900,683,824	17,913	\$206,708,802	5,079	\$51,081,669	151,318	\$1,158,474,295
2023	124,193	\$1,007,632,419	17,673	\$236,358,058	3,955	\$49,581,350	145,821	\$1,293,571,827

Light Vehicle Registration Fees: 15-30-2131(1)(h), MCA

Legislation: HB 540, 1999 Session

Before Tax Year 2024, Montana taxpayers were allowed to deduct any light vehicle registration fees paid by the taxpayer for a Montana vehicle during the tax year from their income. Before Tax Year 2018, this deduction was reported with other personal property taxes when the taxpayer itemized their deductions. However, the federal deduction limitation for state and local taxes does not apply to Montana light vehicle registrations and was separated on Montana's income tax return starting in Tax Year 2018.

The exemption of light vehicle registration fees from taxable income provided an incentive for vehicle ownership. In addition, as the registration rate is higher for newer vehicles, the deduction also provided an incentive for taxpayers to operate newer vehicles.

This state deduction was eliminated starting Tax Year 2024.

The following table shows the deductions claimed for light vehicle registration fees for Tax Year 2018 through 2023.

Table 9.48 Light Vehicle Registration Fees

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	†	†	†	†	†	†	†	†
2016	†	†	†	†	†	†	†	†
2017	†	†	†	†	†	†	†	†
2018	†	†	†	†	†	†	†	†
2019	†	†	†	†	†	†	†	†
2020	31,857	\$8,290,227	118	\$32,622	546	\$164,985	32,521	\$8,487,834
2021	30,214	\$7,711,508	133	\$34,925	665	\$204,001	31,012	\$7,950,434
2022	30,533	\$7,913,839	139	\$3,043,958	601	\$197,535	31,273	\$11,155,332
2023	29,243	\$7,469,337	113	\$46,492	400	\$141,613	29,756	\$7,657,442

† This item did not have a separate line on returns during these tax years.

Long-Term Care Insurance Premiums: 15-30-2131(1)(a)(iv), MCA

Legislation: SB 151, 1997 Session

In addition to the federal deduction for medical expenses, Montana law allowed an itemized deduction for all unreimbursed long-term care insurance premiums. As with medical insurance premiums, long-term care premiums could not be claimed as an itemized deduction if they were claimed as an above-the-line deduction in calculating adjusted gross income. In addition, a taxpayer could not claim a deduction for premiums that were part of the expense qualifying for the elderly care credit.

This deduction provided a partial subsidy to taxpayers who buy long-term care insurance.

The following table shows itemized deductions for medical insurance premiums for Tax Years 2015 through 2023.

Table 9.49 Long Term Care Insurance Premiums

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	10,756	\$30,500,607	1,419	\$4,705,289	214	\$529,032	12,389	\$35,734,928
2016	10,793	\$30,987,121	1,418	\$4,804,136	235	\$776,408	12,446	\$36,567,665
2017	10,451	\$30,898,836	1,422	\$5,136,137	217	\$567,120	12,090	\$36,602,093
2018	9,721	\$28,930,381	1,191	\$4,339,615	212	\$721,413	11,124	\$33,991,409
2019	9,751	\$29,512,592	1,130	\$4,139,437	205	\$583,102	11,086	\$34,235,131
2020	9,211	\$28,951,256	1,058	\$3,946,828	167	\$479,828	10,436	\$33,377,912
2021	9,069	\$29,135,526	1,041	\$4,098,063	235	\$741,345	10,345	\$33,974,934
2022	8,850	\$28,916,875	999	\$3,993,760	180	\$568,926	10,029	\$33,479,561
2023	8,357	\$28,087,891	888	\$3,858,118	143	\$470,122	9,388	\$32,416,131

Medical and Dental Expenses: Federal Provision

Legislation: N/A

Both federal and state law allow an itemized deduction for a portion of the taxpayer’s unreimbursed medical and dental expenses. Expenses paid directly by another party or which are reimbursed by insurance are not deductible. Premiums for health insurance and long-term care insurance are considered deductible medical expenses.

In Tax Year 2012, the deduction for expenses was more than 7.5 percent of adjusted gross income. Beginning in Tax Year 2013, taxpayers younger than 65 could only deduct expenses that are more than 10 percent of adjusted gross income. Federal tax law changes lowered the expenses threshold to 7.5 percent for all taxpayers until Tax Year 2020. Beginning in Tax Year 2020, the 10 percent threshold will apply to all taxpayers. This deduction provides a partial reimbursement or subsidy for taxpayers who have high unreimbursed medical expenses in a year.

The table below shows itemized deductions for medical and dental expenses for Tax Years 2015 through 2023.

Table 9.50 Medical Expenses

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	56,183	\$284,136,157	3,007	\$29,160,349	1,024	\$6,375,164	60,214	\$319,671,670
2016	56,383	\$293,717,332	3,158	\$30,398,401	1,023	\$6,703,465	60,564	\$330,819,198
2017	60,310	\$307,625,176	3,308	\$31,767,112	1,197	\$6,487,843	64,815	\$345,880,131
2018	54,824	\$305,327,291	2,602	\$27,120,558	932	\$7,840,943	58,358	\$340,288,792
2019	52,185	\$297,489,660	2,460	\$29,233,391	869	\$7,821,301	55,514	\$334,544,352
2020	47,853	\$275,452,616	2,235	\$27,593,330	861	\$5,784,693	50,949	\$308,830,639
2021	47,090	\$285,501,631	2,172	\$28,352,905	933	\$7,962,980	50,195	\$321,817,516
2022	47,764	\$304,195,192	2,318	\$33,207,055	785	\$8,435,245	50,867	\$345,837,492
2023	46,035	\$316,871,679	2,213	\$34,939,073	682	\$7,787,583	48,930	\$359,598,335

Medical Insurance Premiums: 15-30-2131(1)(a)(iii), MCA

Legislation: HB 202, 1995 Session

In addition to the federal deduction for medical expenses, Montana law allowed an itemized deduction for all unreimbursed health insurance premiums. Insurance premiums could not be claimed as an itemized deduction if they were claimed as an above-the-line deduction in calculating adjusted gross income. This would be the case for a self-employed taxpayer who deducted premiums as a business expense, an employee who had premiums excluded as a fringe benefit, or if the taxpayer paid the premiums with pre-tax funds from a medical savings account.

This deduction was eliminated at the end of Tax Year 2023.

This deduction provided a partial subsidy to taxpayers who buy their own health insurance.

The following table shows itemized deductions for medical insurance premiums for Tax Years 2015 through 2023.

Table 9.51 Medical Insurance Premiums Not Deducted Elsewhere

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	98,528	\$481,950,204	9,085	\$46,594,292	2,275	\$8,162,208	109,888	\$536,706,704
2016	103,805	\$445,884,104	9,571	\$51,676,439	2,728	\$9,434,403	116,104	\$506,994,946
2017	103,991	\$473,418,359	9,734	\$54,746,509	2,775	\$10,288,605	116,500	\$538,453,473
2018	100,134	\$520,492,426	8,580	\$50,692,623	2,518	\$10,505,651	111,232	\$581,690,700
2019	100,332	\$507,233,583	9,275	\$57,113,085	2,416	\$10,366,215	112,023	\$574,712,883
2020	100,311	\$509,733,715	9,122	\$57,517,141	2,414	\$10,574,569	111,847	\$577,825,425
2021	102,380	\$565,919,725	9,765	\$69,843,262	3,152	\$13,460,794	115,297	\$649,223,781
2022	104,377	\$565,333,261	9,868	\$71,152,792	2,458	\$11,485,999	116,703	\$647,972,052
2023	104,011	\$660,771,330	9,708	\$68,050,135	2,111	\$10,329,195	115,830	\$739,150,660

Per Capita Livestock Fees: 15-30-2131(1)(i), MCA

Legislation: HB 124, 2001 Session

Montana taxpayers were able to deduct the per capita livestock fees paid by the taxpayer during the tax year from their income. Before Tax Year 2018, this deduction was reported with other personal property taxes when the taxpayer itemized their deductions. However, the federal deduction limitation for state and local taxes does not apply to Montana livestock fees and was separated on Montana's income tax return starting Tax Year 2018.

This deduction was eliminated starting Tax Year 2024.

The exemption of livestock fees from taxable income reduced the cost of having livestock subject to the fee. This exemption provided an incentive for livestock ownership.

The following table shows the deductions claimed for per capita livestock fees for Tax Years 2018 through 2023.

Table 9.52 Per Capita Livestock Fees

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	†	†	†	†	†	†	†	†
2016	†	†	†	†	†	†	†	†
2017	†	†	†	†	†	†	†	†
2018	†	†	†	†	†	†	†	†
2019	†	†	†	†	†	†	†	†
2020	528	\$76,631	0	\$0	*	\$5,922	*	\$82,553
2021	493	\$64,548	*	\$17	*	\$447	*	\$65,012
2022	544	\$83,399	*	\$5,194	*	\$1,694	*	\$90,287
2023	495	\$200,538	0	\$0	*	\$2,768	*	\$203,306

† This item did not have a separate line on returns during these tax years.

* Not disclosed due to confidentiality concerns

Political Contributions: 15-30-2131(1)(d), MCA

Legislation: HB 407, 1979 Session

Montana law allowed taxpayers an itemized deduction for up to \$100 of contributions to candidates for political office or to political parties. Federal law does not allow a comparable deduction. This deduction provided a subsidy for taxpayers making political contributions totaling up to \$100.

The last year to claim this deduction was Tax Year 2023.

The following table shows itemized deductions for political contributions for Tax Years 2015 through 2023.

Table 9.53 Political Contributions

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	5,621	\$684,847	209	\$25,325	105	\$11,111	5,935	\$721,283
2016	8,490	\$1,055,050	281	\$36,989	154	\$17,115	8,925	\$1,109,154
2017	6,832	\$838,756	240	\$32,440	133	\$15,210	7,205	\$886,406
2018	7,297	\$939,555	164	\$22,572	102	\$12,974	7,563	\$975,101
2019	6,337	\$780,893	160	\$20,432	111	\$12,468	6,608	\$813,793
2020	8,756	\$1,166,306	205	\$28,477	158	\$19,436	9,119	\$1,214,219
2021	5,264	\$675,348	132	\$18,205	122	\$14,466	5,518	\$708,019
2022	6,389	\$847,647	147	\$21,830	95	\$11,808	6,631	\$881,285
2023	5,951	\$770,120	127	\$17,000	68	\$9,578	6,146	\$796,698

Other Deductible Taxes: Federal Provision

Legislation: N/A

Federal and state law allows itemized deductions for several other types of taxes, including the generation-skipping transfer tax and income taxes paid to other countries. This deduction avoids having the state levy income tax on income paid as tax to the United States or another country. As with other deductions for taxes, the effect on taxpayers is similar to having lower rates as long as taxpayers with higher incomes tend to pay more of the deductible taxes.

The following table shows itemized deductions for other taxes from Tax Years 2015 through 2023.

Table 9.54 Other Deductible Taxes

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	20,251	\$7,480,154	1,489	\$3,177,156	290	\$301,071	22,030	\$10,958,381
2016	16,400	\$6,342,633	1,533	\$3,092,082	280	\$156,522	18,213	\$9,591,237
2017	15,178	\$6,262,752	1,560	\$3,621,889	302	\$246,158	17,040	\$10,130,799
2018	9,153	\$3,901,158	845	\$1,040,863	193	\$98,999	10,191	\$5,041,020
2019	7,152	\$3,372,436	713	\$4,825,552	140	\$97,051	8,005	\$8,295,039
2020	5,883	\$2,617,365	630	\$7,532,583	113	\$160,146	6,626	\$10,310,094
2021	5,648	\$3,037,712	627	\$6,970,253	127	\$121,086	6,402	\$10,129,051
2022	5,485	\$2,818,356	616	\$1,489,561	104	\$176,298	6,205	\$4,484,215
2023	5,404	\$3,129,203	629	\$1,426,267	100	\$137,290	6,133	\$4,692,760

State and Local Taxes: Federal Provision

Legislation: N/A

Federal law allows taxpayers to choose an itemized deduction for state and local taxes paid. The deduction applies to state and local sales taxes, local income taxes, real estate taxes paid, and value based personal property taxes. State income taxes are excluded from this deduction for Montana income taxes.

Starting in Tax Year 2018, federal tax law changes limited this deduction to \$10,000 for taxpayers who file tax returns as single, head of household, or married filing jointly tax. For taxpayers who are married filing separately, the deduction is limited to \$5,000 for each taxpayer.

The effect of this deduction on taxpayers is like the effect of the deduction for federal taxes. Formally, it avoids having the state levy income tax on income paid as tax to another state or political subdivision of another state. Practically, it is essentially equivalent to a lower tax rate for taxpayers who pay sales tax or local income tax in another state and itemize deductions.

For example, a taxpayer who lives in another state but has Montana income spends 90 percent of any extra income on purchases that are subject to their home state's 8 percent sales tax.

For every \$100 of extra income, this person will have \$7.40 of extra sales tax deductions, so that an extra \$100 of gross income is only \$92.80 of taxable income. If they were in the 6.75 percent top rate bracket, their effective marginal rate was 6.26 percent (6.75 percent x \$92.80).

The table below show itemized deductions for state and local taxes.

Table 9.55 State and Local Tax Deduction Limited to \$10,000

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	212,042	\$519,000,445	23,145	\$197,600,830	6,443	\$17,618,418	241,630	\$734,219,693
2016	216,054	\$550,693,459	23,841	\$195,002,176	7,023	\$18,852,374	246,918	\$764,548,009
2017	220,517	\$604,765,477	24,709	\$217,569,650	7,502	\$20,944,954	252,728	\$843,280,081
2018	204,553	\$553,904,721	20,569	\$93,330,078	6,353	\$17,161,634	231,475	\$664,396,433
2019	201,358	\$589,498,152	20,761	\$101,359,325	5,997	\$18,246,174	228,116	\$709,103,651
2020	199,040	\$594,090,801	20,024	\$99,198,163	6,259	\$19,717,808	225,323	\$713,006,772
2021	203,536	\$622,718,879	21,689	\$106,825,856	7,795	\$23,487,268	233,020	\$753,032,003
2022	196,126	\$634,229,242	21,533	\$114,207,015	6,049	\$20,166,946	223,708	\$768,603,203
2023	190,195	\$676,103,837	21,752	\$120,349,506	4,951	\$17,542,263	216,898	\$813,995,606

Tax Credits

Tax credits offset tax liability for taxpayers who make specified expenditures or take specified actions. Tax credits are not part of the basic structure of the income tax and are therefore tax expenditures. Credits generally give taxpayers an incentive to make certain expenditures by providing a partial subsidy for those expenditures, which lowers the taxpayer's cost. The amount of subsidy a taxpayer receives depends on whether the taxpayer can also claim a federal deduction or credit, whether the taxpayer could claim a state deduction for the same expenditure, and whether the taxpayer must choose between a state deduction and the state credit, or can claim both.

For each credit, this section shows taxpayer subsidies, taking the interactions of state and federal taxes into account, for taxpayers whose federal taxes are above and below the cap on the state deduction for federal taxes.

Sometimes, a taxpayer will have a credit or combination of credits that is greater than their tax liability. If a credit is refundable, the taxpayer receives a direct subsidy equal to the difference between the credit and tax liability, and the cost to the general fund is the full amount of the credit. If a credit is non-refundable but has a carry-over provision, any excess of the credit over tax liability must be carried forward and applied against tax liability in a later year.

The current cost to the general fund is limited to the tax liability of taxpayers claiming the credit, but some credits claimed one year may be carried forward and reduce general fund revenue in future years. Also, part of the credits claimed in the current year may have been carried forward from earlier years. If a credit is non-refundable and cannot be carried over, the cost to the general fund is limited by the current tax liability of taxpayers claiming the credit.

The 2021 Individual Income Tax reform bill (SB 399) eliminated several of Montana's income tax credits, with 17 credits eliminated starting in Tax Year 2022.

Adoption Credit: 15-30-2364, MCA

Legislation: HB 490, 2007 Session

The Internal Revenue Code allows an income tax credit for costs of adopting a child.

Before Tax Year 2023, a taxpayer who meet the requirements for the federal credit could also claim a credit of \$1,000 against their Montana income tax. If the credit was more than the taxpayer's liability, the excess was not refunded, but excess credits could be carried forward for up to five years. This credit was first available in Tax Year 2007 and expired in Tax Year 2022.

Starting Tax Year 2023, however, the state adoption credit was brought back, but was changed significantly. Under the new credit, taxpayers could claim a Montana adoption credit for a qualified adoption even if they did not claim the federal credit. The credit amount was also increased to \$7,500 if the eligible child was in foster care under the custody of the state when adopted. If the child was not under the custody of the state, taxpayers would qualify for a \$5,000 credit on the year the adoption was finalized. The credit was also made fully refundable.

The following table shows credits claimed for Tax Years 2015 through 2023.

Table 9.56 Adoption Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	183	\$219,789	23	\$27,367	10	\$10,594	216	\$257,750
2016	185	\$222,618	14	\$12,591	10	\$12,582	209	\$247,791
2017	175	\$205,210	17	\$16,291	*	\$5,582	*	\$227,083
2018	151	\$179,974	*	\$7,888	*	\$12,000	*	\$199,862
2019	138	\$182,016	12	\$13,169	*	\$8,453	*	\$203,638
2020	108	\$148,946	*	\$4,039	*	\$1,000	*	\$153,985
2021	126	\$153,283	*	\$10,000	*	\$14,714	*	\$177,997
2022	0	\$0	0	\$0	0	\$0	0	\$0
2023	205	\$1,839,079	*	\$7,500	*	\$60,000	*	\$1,906,579

* Not disclosed due to confidentiality concerns

In Tax Year 2023, taxpayers reported \$1,906,579 Adoption credits on their returns.

Apprenticeship Credit: 15-30-2357, MCA and 39-6-109, MCA

Legislation: HB 308, 2017 Session

State taxpayers are allowed a credit for employing an apprentice or veteran apprentice as a new employee in a state-registered apprenticeship training program. The credit is worth \$750 per approved apprentice, or \$1,500 per approved veteran apprentice, and may only be claimed for five years per apprentice.

The credit is non-refundable and cannot exceed the individual's tax liability.

This credit was first available in Tax Year 2018. The table below shows the credits reported on income tax returns for Tax Years 2018 through 2023.

Table 9.57 Apprenticeship Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	0	\$0	0	\$0	0	\$0	0	\$0
2017	0	\$0	0	\$0	0	\$0	0	\$0
2018	133	\$154,603	*	\$863	*	\$1,010	*	\$156,476
2019	233	\$294,451	*	\$7,207	*	\$781	*	\$302,439
2020	296	\$392,943	14	\$15,755	*	\$790	*	\$409,488
2021	325	\$466,256	16	\$20,395	*	\$5,576	*	\$492,227
2022	384	\$596,970	18	\$16,889	*	\$3,879	*	\$617,738
2023	424	\$682,857	17	\$27,881	*	\$1,578	*	\$712,316

* Not disclosed due to confidentiality concerns

Capital Gains Credit: 15-30-2301, MCA

Legislation: HB 407, 2003 Session

A taxpayer has a gain or loss when the price of an asset the taxpayer owns changes and the change is not equal to depreciation on the asset. Gains and losses are realized when the taxpayer sells the asset. A taxpayer has unrealized gains or losses when the market value of an asset is more or less than the taxpayer's basis, which usually is the purchase price minus depreciation.

In most cases, gains or losses on asset sales are considered capital gains or losses and are given special tax treatment by both federal and Montana law. In some cases, where an asset's book value is less than its market value because of excess depreciation, part or all of the gain from its sale is taxed as ordinary income.

Both federal law and Montana law require taxpayers to recognize gains and losses when assets are sold, rather than when the price change occurs. Gains and losses in the same year are netted against each other. If the result is a net gain, it is taxed that year. A net loss of up to \$3,000 (\$1,500 for a married taxpayer filing a separate return) may be used to offset other income in the same year, and any loss over this limit must be carried forward to the next year.

Federal law taxes income from capital gains and corporate dividends at lower rates than ordinary income.

Before Tax Year 2024, Montana did not have separate rates for different types of income but did allow a credit equal to 2 percent of capital gains income. If the capital gains credit exceeded the taxpayer's tax liability, the excess credit was not refunded and may not be carried forward or backward to other tax years. This credit was equivalent to taxing capital gains at a lower rate than other income. With the credit, a taxpayer in the top income bracket would be taxed at 6.75 percent on an additional dollar of ordinary income, but at 4.75 percent on an additional dollar of capital gains income.

Starting Tax Year 2024, the 2 percent capital gains tax credit was eliminated. Instead, two different tax rates were created specifically for net-long-term capital gains income. Like at the federal level, these new rates tax capital gains income a rate lower than non-capital gains income. The new tax rates for capital gains income were 3 percent and 4.1 percent.

The income tax would not affect taxpayers' choices between assets that yield a stream of income and assets that provide a return through appreciation if:

- capital gains were taxed (and capital losses were deducted) when they accrue rather than when they are realized
- if capital gains were taxed at the same rate as ordinary income, and
- gains and losses were calculated after adjusting the taxpayer's basis for inflation

In most cases, the preferential treatment of capital gains income creates incentives for taxpayers to invest in assets that produce capital gains rather than producing a stream of income, for taxpayers to make riskier investments, and for taxpayers to hold assets that have appreciated and sell assets that have lost value. However, these incentives may be reversed if taxpayers expect asset price increases to be offset by inflation.

The following table shows capital gains credits for Tax Years 2015 through 2023. The reduction in income tax revenue is less than the total amount of credits claimed because some taxpayers reach zero tax liability without using all of their credit.

Table 9.58 Capital Gains Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	67,457	\$33,445,616	15,263	\$272,007,058	2,449	\$2,004,163	85,169	\$307,456,837
2016	62,818	\$33,576,490	14,410	\$357,188,908	2,297	\$3,481,699	79,525	\$394,247,097
2017	72,881	\$44,758,820	16,863	\$396,299,151	2,787	\$2,072,261	92,531	\$443,130,232
2018	71,281	\$39,822,120	3,688	\$5,293,985	1,444	\$522,827	76,413	\$45,638,932
2019	73,591	\$50,825,618	3,982	\$5,789,021	1,533	\$737,781	79,106	\$57,352,420
2020	74,137	\$62,915,567	4,466	\$12,218,521	1,902	\$2,151,091	80,505	\$77,285,179
2021	93,649	\$125,399,235	5,381	\$19,745,253	2,710	\$5,966,078	101,740	\$151,110,566
2022	70,428	\$79,894,105	4,372	\$17,989,181	1,726	\$3,044,966	76,526	\$100,928,252
2023	65,536	\$67,122,869	3,943	\$13,300,881	1,376	\$1,822,818	70,855	\$82,246,568

* Not disclosed due to confidentiality concerns

Credit for Other States' Taxes: 15-30-2302, MCA

Legislation: HB 38, 1941 Session

Taxpayers who earn income in more than one state generally will owe tax in each of those states where the taxpayer has an income tax. A Montana resident computes Montana income tax on their entire income and then is allowed a credit for income tax paid to other states. A non-resident or part-year resident computes Montana income tax on their entire income and then multiplies that by the percentage of income earned in Montana to find Montana tax liability. A part-year resident is then allowed a credit for income tax paid to another state on income also taxed in Montana.

If the credit is more than the taxpayer's liability, the excess credit is not refunded and may not be carried forward or backward to another tax year.

This credit prevents two states from taxing the same income. Not having a credit for income tax paid to other states would create a disincentive for individuals to work or have business interests in more than one state. The following table shows the credits claimed for Tax Years 2015 through 2023.

Table 9.59 Credit for Other States' Taxes

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	13,301	\$31,375,448	0	\$0	925	\$855,861	14,226	\$32,231,309
2016	13,351	\$31,363,032	0	\$0	460	\$575,796	13,811	\$31,938,828
2017	14,070	\$33,636,066	0	\$0	540	\$502,006	14,610	\$34,138,072
2018	14,021	\$31,680,581	0	\$0	604	\$639,465	14,625	\$32,320,046
2019	14,972	\$44,613,482	0	\$0	675	\$690,143	15,647	\$45,303,625
2020	14,409	\$53,792,718	0	\$0	693	\$5,357,210	15,102	\$59,149,928
2021	16,339	\$77,470,924	0	\$0	851	\$4,917,853	17,190	\$82,388,777
2022	17,214	\$77,406,239	0	\$0	808	\$1,918,412	18,022	\$79,324,651
2023	15,513	\$70,101,811	0	\$0	567	\$1,034,929	16,080	\$71,136,740

Earned Income Tax Credit: 15-30-2318, MCA

Legislation: HB 391, 2017 Session

Individual taxpayers with income from working or owning a business can claim the federal Earned Income Tax Credit if they meet the requirements and file a federal tax return. The credit is determined by the amount of income and number of qualified dependents the taxpayer reports. With zero qualifying children, a taxpayer could receive a federal tax credit of up to \$600 in Tax Year 2023, depending on their income. The maximum credit amounts in Tax Year 2023 increased to \$3,995 for taxpayers with one qualifying child, \$6,604 for two children and \$7,430 for three or more. The federal credit is fully refundable.

When first created, taxpayers in Montana were allowed a credit equal to 3 percent of the federal Earned Income Tax Credit on their state income taxes. Starting Tax Year 2024, Montana's credit was increased to 10 percent of the federal credit.

Montana's credit was enacted by the 2017 Legislature and expanded by the 2023 Legislature. The state credit is also fully refundable.

The table below has the number of credits reported on returns through Tax Year 2023.

Table 9.60 Earned Income Tax Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	0	\$0	0	\$0	0	\$0	0	\$0
2017	0	\$0	0	\$0	0	\$0	0	\$0
2018	0	\$0	0	\$0	0	\$0	0	\$0
2019	66,474	\$4,240,321	0	\$0	3,696	\$124,461	70,170	\$4,364,782
2020	62,711	\$3,867,675	0	\$0	3,362	\$110,021	66,073	\$3,977,696
2021	89,015	\$4,756,086	0	\$0	6,266	\$180,189	95,281	\$4,936,275
2022	57,363	\$3,737,191	0	\$0	3,087	\$111,341	60,450	\$3,848,532
2023	56,502	\$3,943,201	0	\$0	2,760	\$104,649	59,262	\$4,047,850

Elderly Homeowner/Renter Credit: 15-30-2337 to 15-30-2341, MCA

Legislation: SB 337, 1981 Session

Taxpayers who are age 62 or older and have a household income of less than \$45,000 may be eligible for the Elderly Homeowner/Renter Credit. The credit refunds part or all of the property tax a homeowner pays directly, or a renter pays indirectly, that is more than a certain percentage of household income. For a household with income between \$12,000 and \$45,000, this percentage is 5 percent. For households with lower incomes, the credit refunds part or all of property taxes above a smaller percent of income. For taxpayers with income between \$2,000 and \$2,999, the credit refunds part or all of property taxes above 0.6 percent of income. The credit is limited to a maximum of \$1,150 per household. The credit phases out for households with income between \$35,000 and \$45,000.

Taxpayers who receive the Elderly Homeowner/Renter Credit pay their property taxes and then receive a partial refund. Local governments, school districts, the university system, and the state general fund all receive full payments of property taxes on these taxpayers' residences. Then, taxpayers are refunded part of the tax they paid via this credit, which reduces revenue going to the general fund.

This credit is essentially a property tax refund administered through the income tax system. The credit could be considered a tax expenditure either for the income tax or the property tax.

This credit provides a subsidy for older taxpayers who own their home and whose income is no longer proportional to the value of their home, to help them stay in their homes. For older taxpayers who rent, it subsidizes the rent they pay.

Taxpayers who claim the credit may take an itemized deduction for property taxes on their homes. For a taxpayer who takes the state and federal standard deductions, the credit reduces state income tax by \$1 for each \$1 by which the taxpayer's property tax exceeds the credit percentage for their income. If the taxpayer itemizes deductions, the credit reduces the federal deduction for state taxes, which increases federal income tax. This increases the state deduction for federal taxes, further reducing state taxes.

A taxpayer who is eligible for the credit may be in any state rate bracket but is likely to be in the 10 percent or 12 percent federal brackets. The table below shows: federal and state subsidies for a taxpayer in the top state and 12 percent federal rate brackets who claims the credit and itemizes; the federal and state subsidies if the taxpayer itemizes but does not claim the credit; and the difference due to the credit.

For a taxpayer who itemizes, the credit reduces the federal deduction for state taxes by the amount by which the federal deduction for property taxes exceeds the credit percentage.

The tables below show the credits claimed with income tax returns for Tax Years 2015 through Tax Year 2023.

Table 9.61 Elderly Homeowner / Renter Credit Offsetting Factors

Taxpayer Claims Credit and Federal and State Deductions	
Federal Tax Subsidy	-\$0.82
State Tax Subsidy	\$106.81
Net Taxpayer Subsidy	\$105.99
Taxpayer Claims Federal and State Itemized Deductions	
Federal Tax Subsidy	\$11.28
State Tax Subsidy	\$5.99
Net Taxpayer Subsidy	\$17.27
Difference Due to Credit	
Federal Tax Subsidy	-\$12.1
State Tax Subsidy	\$100.82
Net Taxpayer Subsidy	\$88.72

Table 9.62 Elderly Homeowner / Renter Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	16,112	\$7,817,883	0	\$0	22	\$10,962	16,134	\$7,828,845
2016	16,173	\$8,008,009	*	\$1,768	25	\$8,407	*	\$8,018,184
2017	16,261	\$8,294,505	0	\$0	16	\$5,740	16,277	\$8,300,245
2018	16,195	\$8,372,909	0	\$0	28	\$17,460	16,223	\$8,390,369
2019	15,229	\$8,051,148	0	\$0	24	\$9,540	15,253	\$8,060,688
2020	14,615	\$7,837,867	0	\$0	19	\$9,015	14,634	\$7,846,882
2021	13,052	\$7,038,801	*	\$63	19	\$10,576	*	\$7,049,440
2022	16,242	\$10,579,731	0	\$0	31	\$15,178	16,273	\$10,594,909
2023	15,195	\$10,022,907	*	\$848	28	\$11,538	*	\$10,035,293

Historic Property Preservation Credit: 15-30-2342, MCA and 15-31-151, MCA

Legislation: HB 601, 1997 Session

Taxpayers may take a credit against either individual income tax or corporation income tax for costs of rehabilitating a certified historic building. The credit is 25 percent of the federal credit allowed by 26 U.S.C. 47(a)(2). The federal credit is 20 percent of the cost of rehabilitation. A certified historic building must either be in the National Register of Historic Buildings or be in a designated historic district and be certified by the Department of the Interior as having historic significance to the district. Only commercial buildings that can be depreciated are eligible for the credit. No credits may be claimed for rehabilitating a private residence. This credit is effectively a subsidy from the state general fund for rehabilitation of privately owned real estate.

Through Tax Year 2011, individuals were allowed a credit against income tax for 20 percent of the costs and loss of value from creating a conservation easement and protecting and preserving the property as required by the conservation easement.

There is no maximum for the rehabilitation credit. If the credit is more than the taxpayer's liability, the excess is not refunded but may be carried forward for seven years.

The rehabilitation credit was enacted by the 1997 Legislature (HB 601). The conservation easement credit was enacted by the 2001 Legislature (HB 619) and was sunset at the end of Tax Year 2011.

With the combination of state and federal credits, a taxpayer who rehabilitates a historic property can have 25 percent of the costs paid by the federal and state governments. Claiming the credits does not reduce the depreciation the taxpayer may take over the life of the building. If the taxpayer itemizes, the state credit will reduce the taxpayer's federal deduction for state taxes, and the federal credit may reduce the taxpayer's state deduction for federal taxes. The following table shows the net federal and state tax subsidies for a taxpayer in the top state and federal rate brackets.

Table 9.63 \$100 Expenditure for Historic Building Rehabilitation

Taxpayer Claims State and Federal Credits		
	Deduction for Federal Taxes	
	Capped	Not Capped
Federal Tax Subsidy	\$18.15	\$18.61
State Tax Subsidy	\$5.00	\$3.74
Net Taxpayer Subsidy	\$23.15	\$22.36

The following table shows credits taken against individual income tax for Tax Years 2015 through 2023.

Table 9.64 Historic Property Preservation Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	16	\$363,789	46	\$241,925	0	\$0	62	\$605,714
2016	19	\$301,456	33	\$416,873	*	\$50,000	*	\$768,329
2017	13	\$186,753	30	\$373,205	0	\$0	43	\$559,958
2018	18	\$27,884	24	\$287,573	*	\$796	*	\$316,253
2019	19	\$36,554	35	\$285,746	*	\$16	*	\$322,316
2020	13	\$41,494	30	\$317,235	0	\$0	43	\$358,729
2021	13	\$42,749	17	\$224,282	*	\$12,500	*	\$279,531
2022	*	\$828	*	\$105,872	0	\$0	*	\$106,700
2023	*	\$5,832	*	\$346	0	\$0	*	\$6,178

* Not disclosed due to confidentiality concerns

Infrastructure Users Fee Credit: 17-6-316, MCA

Legislation: SB 100 and HB 602, 1995 Session

The Board of Investments may make loans to local governments to finance infrastructure to serve a new or relocated business that will result in 15 or more new full-time jobs. The local government may charge fees to the users for extending the infrastructure. The business may claim a credit against income or corporation tax for the amount of the fee it pays.

If the credit is more than the taxpayer’s liability, the excess is not refunded, but may be carried forward for seven years or carried back to the three previous tax years. The credit has not been amended since it was enacted.

This credit, in effect, pays the taxpayer for having local infrastructure extended to serve its business. For example, if a business pays \$100 per year to its local government to cover the cost of having sewer service extended to the business, it can claim a credit of \$100 and deduct \$100 as a business expense. For a taxpayer in the 6.75 percent tax bracket, the net effect would be the same as being paid \$6.75 per year to have a new sewer hookup. However, if the taxpayer is an individual who itemizes deductions, the taxpayer’s federal deduction for state taxes will be smaller, resulting in higher federal taxes. This may result in a smaller state deduction for federal taxes. The table below shows the net change in federal and state taxes and the net subsidy from claiming a \$100 credit for a taxpayer in the top federal and state tax rate brackets.

Table 9.65 \$100 Expenditure on Infrastructure Fees

Taxpayer Claims State and Federal Credits		
	Deduction for Federal Taxes	
	Capped	Not Capped
Federal Tax Subsidy	-\$37.00	-\$37.95
State Tax Subsidy	\$100.00	\$102.56
Net Taxpayer Subsidy	\$63.00	\$64.61

The following table shows credits against individual income tax for Tax Years 2015 through 2023.

Table 9.66 Infrastructure User Fee Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	13	\$2,832,145	*	\$10,755	0	\$0	*	\$2,842,900
2016	14	\$646,145	*	\$11,587	0	\$0	*	\$657,732
2017	21	\$3,341,669	*	\$11,011	0	\$0	*	\$3,352,680
2018	20	\$6,427,077	*	\$57,084	0	\$0	*	\$6,484,161
2019	*	\$5,019,787	*	\$23,340	0	\$0	*	\$5,043,127
2020	*	\$4,665,962	*	\$21,494	0	\$0	*	\$4,687,456
2021	*	\$4,682,999	*	\$62,650	0	\$0	*	\$4,745,649
2022	*	\$74,578	*	\$589	0	\$0	0	\$75,167
2023	*	\$4,196,583	*	\$4,759	0	\$0	*	\$4,201,342

* Not disclosed due to confidentiality concerns

In general, local governments recover the cost of infrastructure investments through user fees for the services the infrastructure provides, as with water and sewer services, or through taxes, as with roads. In some cases, local governments charge impact fees to cover the cost of extending infrastructure to new developments. Through this credit, the state general fund pays the cost of extending infrastructure to selected new businesses. This credit provides a subsidy for businesses that locate into a jurisdiction that needs to invest in additional infrastructure to provide services to the business rather than in a jurisdiction that has existing capacity.

Innovative Educational Program Credit: 15-30-3110, MCA

Legislation: SB 410, 2015 Session

Taxpayers are allowed a credit against any pre-approved donation to the state’s educational improvement account. Through Tax Year 2021, the credit was limited to \$150 per taxpayer, with a limit of \$300 for taxpayers who file a joint return. Starting Tax Year 2022, the maximum credit for each taxpayer was increased to \$200,000. The credit is proportional to the size of the donation made by the taxpayer, up to the credit limit. The credit is non-refundable and can be claimed by individuals, corporations, partnerships, small businesses, estates, and trusts.

The credit was first available in Tax Year 2016. The total amount of credits that can be claimed each tax year is capped, with a limit of \$3 million in total credits in Tax Year 2021. The maximum credit amount was reduced to \$1 million for Tax Year 2022 and \$2 million in Tax Year 2023. The 2023 Legislature (HB 408) increased the maximum credit amount to \$5 million in Tax Year 2024.

This credit effectively pays the taxpayer for donating to the state’s education improvement account. For example, if an individual donates \$100 to the improvement account, they will be able to claim a credit of \$100. However, if the taxpayer is an individual who itemizes their deductions, the taxpayer’s federal deduction for state taxes will be smaller, resulting in higher federal taxes.

This may result in a smaller state deduction for federal taxes. The table below shows the net change in federal and state taxes and the net subsidy from claiming a \$100 credit for a taxpayer in the top federal and state tax rate brackets who itemize their deductions.

Table 9.67 \$100 Contribution to Innovative Educational Program

Taxpayer Claims State and Federal Credits		
	Deduction for Federal Taxes	
	Capped	Not Capped
Federal Tax Subsidy	-\$37.00	-\$37.95
State Tax Subsidy	\$100.00	\$102.56
Net Taxpayer Subsidy	\$63.00	\$64.61

The following table shows the credits claimed on individual income tax returns for Tax Years 2016 through 2023.

Table 9.68 Innovative Educational Program Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	35	\$7,601	0	\$0	*	\$100	*	\$7,701
2017	39	\$8,420	0	\$0	*	\$540	*	\$8,960
2018	18	\$3,700	0	\$0	0	\$0	18	\$3,700
2019	*	\$1,651	*	\$150	*	\$1	*	\$1,802
2020	13	\$2,450	0	\$0	0	\$0	13	\$2,450
2021	*	\$1,500	*	\$150	*	\$150	*	\$1,800
2022	20	\$209,131	0	\$0	0	\$0	20	\$209,131
2023	54	\$763,376	0	\$0	*	\$11,000	*	\$774,376

* Not disclosed due to confidentiality concerns

Job Growth Incentive Credit: 15-30-2361, MCA

Legislation: HB 629, 2021 Session

Since Tax Year 2022, taxpayers have been able to claim an individual income tax credit for half the Federal Insurance Contributions Act (FICA) paid by an employer for qualified new employees.

To qualify for the credit, an employer must hire new qualifying employees that are associated with a project in the state that “encourages, promotes, and stimulates economic development in the sectors of construction, natural resources, mining, agriculture, forestry, manufacturing, transportation, utilities, or outdoor recreation.” The employer must also have net employee growth associated with the qualifying project.

To qualify, new employees must have been hired towards the qualifying project. They must also have an annual wage that is above the qualifying cutoff amount, which is adjusted each year for inflation. The qualifying income amounts were \$50,000 in 2022 and \$54,530 in 2023. Qualifying employees must also work at least 6 months in the year the credit is being claimed.

If an employer meets the credit requirements, they must apply for a tax credit certificate from the Montana Department of Labor and Industry before they can claim the credit. If the Department of Labor and Industry determines the businesses has met all the necessary requirements, they will issue a credit certificate. With the credit certificate, the employer can claim the Job Growth Incentive credit on their personal income tax returns.

The credit is non-refundable, but taxpayer can carryforward unused credit amounts for up to 10 years. The credit is currently set to expire in Tax Year 2028.

This credit is unique in that the use of this credit is not considered confidential taxpayer information. Taxpayers who claim the credit consent to the Department of Revenue reporting their use of the credit to the Revenue Interim Committee and Department of Labor and Industry. They also consent to the release of the number of employees used to claim the credit and the number of credits claimed.

The following table shows the credits claimed on individual income tax returns for Tax Years 2022 and 2023.

Table 9.69 Job Growth Incentive Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	0	\$0	0	\$0	0	\$0	0	\$0
2017	0	\$0	0	\$0	0	\$0	0	\$0
2018	0	\$0	0	\$0	0	\$0	0	\$0
2019	0	\$0	0	\$0	0	\$0	0	\$0
2020	0	\$0	0	\$0	0	\$0	0	\$0
2021	0	\$0	0	\$0	0	\$0	0	\$0
2022	0	\$0	0	\$0	0	\$0	0	\$0
2023	0	\$0	0	\$0	0	\$0	0	\$0

Media Production Credit: 15-31-1001 through 1012, MCA

Legislation: HB 293, 2019 Session

Media production companies, and their affiliates, are allowed to claim a credit against their individual or corporate income taxes for any investments made by a state-certified production in the state during the tax year. To claim the credit, the production company must have been approved by the Department of Commerce. The credit is equal to 20 percent of the production expenditures made in Montana during the tax year. Additional credits are allowed for the production based on the compensation provided to residents and non-residents, equipment purchases or rentals, or for spending in underserved areas of the state. In total, up to 35 percent of the production company's base investments can be claimed as credits by the qualified company.

Any unused credits can be carried forward for up to five years or can be transferred to a different taxpayer for the tax year. Transferred tax credits sold by the production companies must be purchased at a price that is equal to at least 85 percent of the credits value. The total number of credits that can be claimed are limited to \$12 million each tax year.

The following table shows the credits claimed on individual income tax returns for Tax Years 2020 through 2023.

Table 9.70 Media Production Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	0	\$0	0	\$0	0	\$0	0	\$0
2017	0	\$0	0	\$0	0	\$0	0	\$0
2018	0	\$0	0	\$0	0	\$0	0	\$0
2019	0	\$0	0	\$0	0	\$0	0	\$0
2020	12	\$1,723,316	0	\$0	0	\$0	0	\$1,723,316
2021	18	\$3,991,438	0	\$0	0	\$0	0	\$3,991,438
2022	*	\$800,619	*	\$91	0	\$0	*	\$800,710
2023	22	\$2,845,824	*	\$1	0	\$0	*	\$2,845,825

* Not disclosed due to confidentiality concerns

Qualified Endowment Credit: 15-30-2327, MCA through 15-30-2329, MCA

Legislation: HB 434, 1997 Session

Individual taxpayers are allowed a credit of 40 percent of the present value of a planned gift to a qualified endowment, which is a permanent fund held by or on behalf of a 501(c)(3) charitable organization. A planned gift is one of nine types of arrangements specified in the IRS code. Planned gifts basically fall into three categories. In the first, the donor continues to receive income or benefits from the donated assets, either for a fixed term or for life, and the endowment receives the assets at the end of the term or when the donor dies. Examples include charitable remainder trusts and life estate arrangements. In the second category, the endowment receives income from the assets, generally for a fixed term, and then the assets revert to the donor or the donor's heirs. Charitable lead trusts fall into this category. The third category of planned gifts is paid-up life insurance.

Corporations are allowed a credit of 20 percent of a gift to a qualified endowment. Because the concept of planned gifts only makes sense for individuals, corporations are only allowed the credit for an outright gift.

Before Tax Year 2024, the credit was limited to \$10,000. Starting Tax Year 2024, the maximum credit amount was increased a maximum of \$15,000. A taxpayer with a credit that is larger than their tax liability will not be refunded the excess, and excess credits may not be carried forward or backward to another tax year. A taxpayer may claim the credit for multiple gifts in one year, as long as total credits do not exceed \$15,000. A taxpayer who makes eligible contributions in multiple years may take the credit each year. An individual will receive the maximum credit for a gift with a present value of \$37,500. A corporation will receive the maximum credit for a gift of \$75,000.

The credit originally was 50 percent of the present value of the planned gift with a limit of \$10,000. The credit was to sunset at the end of Tax Year 2001. The 2001 Legislature (HB 377) reduced the credit to 40 percent of the present value of the planned gift for individuals and 20 percent of the value of the gift for corporations. It also clarified the definition of planned gift and extended the sunset date to the end of Tax Year 2007. The 2001 Legislature (SB 350) also created an affordable housing revolving loan program and made contributions to the account for this program eligible for the credit. This provision sunset at the end of Tax Year 2004, and the Legislature did not extend it. In August 2002, the Montana legislature met in a special session to deal with revenue shortfalls.

To reduce the costs of the credit in the short run, the Legislature (SB 15) reduced the credit for the period from August 28, 2002, through June 30, 2003, to 30 percent for individuals and 13.3 percent for corporations, with a cap of \$6,600. The same bill increased the credit for the period from July 1, 2003, to April 30, 2004, to 50 percent for individuals and 26.7 percent for corporations, with a cap of \$13,400. The credit returned to its previous levels on May 1, 2004. The 2003 Legislature (SB 143) defined the term “charitable gift annuity” in Montana Code Annotated Title 33, which deals with insurance, and made the credit language refer to that definition. The 2005 Legislature (HB 193) provided for recapture of the tax credit when a gift is returned to the taxpayer. The 2007 Legislature (SB 150) clarified that a building fund or other fund that spends from contributions rather than just from its earnings is not a charitable endowment. SB 150 also extended the sunset date to the end of 2013. The 2013 Legislature (SB 108) extended the sunset date to the end of Tax Year 2019. The credit was extended again during the 2019 Legislature (SB 111) to the end of Tax Year 2025. The 2023 Legislature (SB 506) extended the credit indefinitely and increased the maximum credit amount from \$10,000 to \$15,000.

The arrangements that can be used for planned gifts are defined in the IRS code, but there is no specific federal tax treatment of planned gifts other than the general deduction for contributions. A taxpayer may not claim the credit for a gift and take a state itemized deduction for the same gift. If the present value of the contribution exceeds the limit, the deduction may be taken on the excess. The taxpayer may take a federal itemized deduction for the full amount of the gift.

This credit is essentially a transfer from the state general fund to Montana charitable endowment funds. The table below shows the portions of a \$100 contribution to an eligible endowment fund that are ultimately paid by a donor, and by federal and state taxpayers, when the donor claims state and federal itemized deductions for the donation, when the donor claims the state credit and the federal deduction, and the difference due to the credit. The table assumes that the donor is in the top federal and state rate brackets.

Table 9.71 \$100 Contribution to Charitable Endowment Fund

Taxpayer Claims Credit and Federal Itemized Deduction		
	Deduction for Federal Taxes	
	Capped	Not Capped
Federal Tax Subsidy	\$22.20	\$22.77
State Tax Subsidy	\$40.00	\$38.46
Net Taxpayer Subsidy	\$62.20	\$61.23

Taxpayer Claims Federal and State Itemized Deductions		
	Deduction for Federal Taxes	
	Capped	Not Capped
Federal Tax Subsidy	\$34.50	\$35.39
State Tax Subsidy	\$6.75	\$4.36
Net Taxpayer Subsidy	\$41.25	\$39.75

Difference Due to Credit		
	Deduction for Federal Taxes	
	Capped	Not Capped
Federal Tax Subsidy	-\$12.30	-\$12.62
State Tax Subsidy	\$33.25	\$34.10
Net Taxpayer Subsidy	\$20.95	\$21.48

A taxpayer who takes state and federal itemized deductions for a charitable contribution receives a subsidy from other taxpayers of a little more than 40 percent of the donation, with most of that subsidy coming from federal taxes. A taxpayer who claims the state credit and a federal itemized deduction receives a subsidy of a little more than 60 percent, with about two-thirds of the subsidy coming from state taxes.

The table below shows qualified endowment credits claimed by individuals for Tax Years 2015 through 2023.

Table 9.72 Qualified Endowment Contribution Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	616	\$2,461,321	*	\$24,060	*	\$9,545	*	\$2,494,926
2016	641	\$2,708,754	*	\$32,071	*	\$2,046	*	\$2,742,871
2017	728	\$3,157,163	15	\$58,607	*	\$10,020	*	\$3,225,790
2018	597	\$2,528,221	*	\$53,395	*	\$908	*	\$2,582,524
2019	665	\$3,007,492	11	\$77,440	*	\$6,497	*	\$3,091,429
2020	618	\$2,676,780	*	\$53,909	*	\$9,889	*	\$2,740,578
2021	654	\$3,577,812	10	\$50,961	*	\$10,031	*	\$3,638,804
2022	632	\$3,372,075	*	\$25,981	*	\$750	*	\$3,398,806
2023	590	\$3,126,367	*	\$3,302	*	\$1,183	*	\$3,130,852

* Not disclosed due to confidentiality concerns

Recycling Credit: 15-32-601, MCA through 15-32-614, MCA

Legislation: SB 111, 1991 Session

Taxpayers are allowed a credit against individual income tax or corporate license tax for part of the cost of investments in depreciable property used in collecting or processing reclaimable material or in manufacturing a product from reclaimed material. The credit is 25 percent of the first \$250,000 invested, 15 percent of the next \$250,000 invested, and 5 percent of the next \$500,000 invested. The credit for an investment of \$1 million or more is \$125,000.

If a taxpayer claims a credit in excess of his or her tax liability, the excess credit is not refunded and may not be carried forward or backward to another tax year. An individual may claim the credit directly for an investment made by a sole-proprietor business or may claim a share of the credit for an investment made by a pass-through entity.

The credit was enacted as a credit equal to 25 percent of investments made between Tax Years 1990 and 1995. The 1993 Legislature (HB 519) clarified the definitions used to determine eligible investments. The 1995 Legislature (SB 358) extended the sunset date to Tax Year 2001 and expanded eligible investments to include equipment to reclaim contaminated soils. The 2001 Legislature (SB 92) extended the sunset date to Tax Year 2005 and removed equipment to reclaim contaminated soils from eligible investments. The 2005 Legislature (SB 213) extended the sunset date to Tax Year 2011. The 2009 Legislature (HB 21) made the credit permanent.

The basis of property for which the credit is claimed is not affected by the credit. Taxpayers are allowed to deduct depreciation on property on which the credit has been claimed.

The credit provides a subsidy to taxpayers who make investments in recycling plant and equipment by reducing the taxpayer's cost. For investments under \$250,000, the cost is reduced by 25 percent. For more expensive investments, the percentage reduction is a declining function of the cost.

If a taxpayer who claims this credit itemizes deductions on their federal and state tax returns, the credit will reduce the federal deduction for state taxes, increasing the taxpayer's federal income tax. If the taxpayer's federal taxes are less than the cap on the state deduction for federal taxes, this will increase that deduction, reducing state taxes. The following table shows the net state tax subsidy and federal tax cost for the first \$100 of expenditure on recycling equipment by a taxpayer in the top federal and state rate brackets.

Table 9.73 \$100 Recycling Equipment Expenditure

Difference Due to Credit		
	Deduction for Federal Taxes	
	Capped	Not Capped
Federal Tax Subsidy	-\$9.25	-\$9.49
State Tax Subsidy	\$25.00	\$25.64
Net Taxpayer Subsidy	\$15.75	\$16.15

The following table shows use of the recycling credit by individuals for Tax Years 2015 through 2023. This credit is equivalent to a subsidy from the state general fund for the purchase of private property to be used in recycling.

Table 9.74 Recycling Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	71	\$279,657	*	\$1,762	*	\$500	*	\$281,919
2016	101	\$329,343	*	\$4,448	*	\$30	*	\$333,821
2017	106	\$473,540	*	\$27,029	*	\$110	*	\$500,679
2018	91	\$545,086	*	\$12,700	10	\$4,480	*	\$562,266
2019	83	\$426,741	*	\$1,602	*	\$9,195	*	\$437,538
2020	118	\$508,351	*	\$14,187	*	\$53	*	\$522,591
2021	105	\$884,053	*	\$24,274	*	\$1,073	*	\$909,400
2022	92	\$642,146	*	\$162	*	\$202	*	\$642,510
2023	78	\$590,774	*	\$150	*	\$394	*	\$591,318

* Not disclosed due to confidentiality concerns

Student Scholarship Organization Credit: 15-30-3111, MCA

Legislation: SB 410, 2015 Session

Taxpayers are allowed a credit against any preapproved charitable donation to a registered student scholarship organization in the state. Through Tax Year 2021, the credit was limited to \$150 per taxpayer, with a limit of \$300 for taxpayers who file a joint return. Starting in Tax Year 2022, the maximum credit amount per taxpayer was increased to \$200,000. The credit is proportional to the size of the donation made by the taxpayer up to the credit limit. The credit is non-refundable and can be claimed by individuals, corporations, partnerships, small businesses, estates, and trusts.

The credit was first available in Tax Year 2016. The total amount of credits that can be claimed each tax year is capped, with a limit of \$3 million in total credits for Tax Year 2019. For Tax Years 2022 and 2023, the maximum credit amounts were changed to \$1 million and \$2 million, respectively. The 2023 Legislature (HB 408) increased the maximum credit amount to \$5 million in Tax Year 2024.

This credit, in effect, pays the taxpayer for donating to a student scholarship organization. For example, if an individual donates \$100 to an organization, they will be able to claim a credit of \$100. However, if the taxpayer is an individual who itemizes their deductions, the taxpayer's federal deduction for state taxes will be smaller, resulting in higher federal taxes. This may result in a smaller state deduction for federal taxes. The table below shows the net change in federal and state taxes and the net subsidy from claiming a \$100 credit for a taxpayer in the top federal and state tax rate brackets who itemize their deductions.

Table 9.75 \$100 Contribution to Student Scholarship Organization

Difference Due to Credit		
	Deduction for Federal Taxes	
	Capped	Not Capped
Federal Tax Subsidy	-\$37.00	-\$37.95
State Tax Subsidy	\$100.00	\$102.56
Net Taxpayer Subsidy	\$63.00	\$64.61

The table below shows the credits claimed on individual income tax returns for Tax Years 2015 through 2023.

Table 9.76 Student Scholarship Organization Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	130	\$30,474	*	\$5	*	\$1,350	*	\$31,829
2017	123	\$27,732	0	\$0	*	\$150	*	\$27,882
2018	54	\$10,301	*	\$150	*	\$300	*	\$10,751
2019	*	\$1,560	*	\$3	0	\$0	*	\$1,563
2020	30	\$5,690	*	\$251	*	\$300	*	\$6,241
2021	40	\$6,639	*	\$300	*	\$600	*	\$7,539
2022	39	\$590,850	*	\$132	0	\$0	*	\$590,982
2023	47	\$1,818,564	*	\$500	0	\$0	*	\$1,819,064

* Not disclosed due to confidentiality concerns

Trades Education and Training Credit: 15-30-2359, MCA and 15-31-174, MCA

Legislation: HB 252, 2021 Session

Taxpayers are allowed a credit for training expenses paid by the taxpayer to an unrelated third-party for training of qualified employees in a vocational, technical, or trade profession.

The 2023 Legislature (HB 245) expanded the number of occupations that qualify for the credit and extended the termination date of the credit from Tax Year 2026 to Tax Year 2028.

The credit is equal to 50% of the costs incurred by the taxpayer on qualified expenses and is limited to \$2,000 per employee and \$25,000 per employer. The credit is non-refundable and cannot be carried forward or backward.

This credit was first available in Tax Year 2021, and it set to expire after Tax Year 2028. The table below shows the credit use through Tax Year 2023.

Table 9.77 Trades Education and Training Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	0	\$0	0	\$0	0	\$0	0	\$0
2017	0	\$0	0	\$0	0	\$0	0	\$0
2018	0	\$0	0	\$0	0	\$0	0	\$0
2019	0	\$0	0	\$0	0	\$0	0	\$0
2020	0	\$0	0	\$0	0	\$0	0	\$0
2021	166	\$236,789	*	\$12,959	9	\$6,191	*	\$255,939
2022	31	\$34,641	*	\$4,169	3	\$2,083	*	\$40,893
2023	25	\$53,521	0	\$0	0	\$0	25	\$53,521

* Not disclosed due to confidentiality concerns

Unlocking State Lands Credit: 15-30-2380, MCA

Legislation: HB 444, 2013 Session

A taxpayer is allowed a credit of \$750 for allowing recreational access across the taxpayer's property to an isolated parcel of state land or federal land managed by the U.S. Forest Service or the U.S. Bureau of Land Management. Access must be granted by a contract between the landowner and the Montana Department of Fish, Wildlife, and Parks. A taxpayer granting access across multiple parcels is limited to a maximum of \$3,000 in credits. If a property has multiple owners, they are to share a single credit for granting access. If the credit is more than the taxpayer's tax liability, the excess is to be refunded.

This credit was enacted by the 2013 Legislature and was first available for Tax Year 2014. SB 309, enacted by the 2015 Legislature, increased the maximum credit per taxpayer from \$2,000 to \$3,000 and expanded coverage to providing access to federal land. The 2017 Legislature (HB 498) extended the credit sunset date to the end of Tax Year 2027.

This credit is equivalent to an annual lease payment of \$750 for an easement across private land. The following table shows credits claimed for Tax Years 2015 through 2023. For each tax year, the number of taxpayers claiming the credit was less than 10 and could not be released.

Table 9.78 Unlocking State Lands Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	N	\$	N	\$	N	\$	N	\$
2015	*	\$1,086	*	\$153	0	\$0	*	\$1,239
2016	*	\$1,973	0	\$0	0	\$0	*	\$1,973
2017	*	\$1,973	0	\$0	0	\$0	*	\$1,973
2018	*	\$100	0	\$0	0	\$0	*	\$100
2019	*	\$7,500	*	\$430	0	\$0	*	\$7,930
2020	*	\$2,413	*	\$286	0	\$0	*	\$2,699
2021	*	\$1,500	0	\$0	0	\$0	*	\$1,500
2022	*	\$1,500	0	\$0	0	\$0	*	\$1,500
2023	*	\$1,929	*	\$286	0	\$0	*	\$2,215

* Not disclosed due to confidentiality concerns

Individual Income Tax Expenditures Summary

Tax Expenditures by Income

The tables on the following pages show the distribution of income tax expenditures between income groups and between residents and non-residents. The left half of the table shows the number of residents in 13 income groups and the number of non-residents and part-year residents. The first group contains all taxpayers with incomes less than zero. The next nine categories contain the remaining taxpayers and groups them into income deciles. The final three categories contain the final decile broken down into three equal groups based on their income. It also shows total income, the percent of total income, total tax, and the percent of total tax for each group. The right half of the table shows total tax expenditures and the percent of the total going to each group for four categories of tax expenditures and for the total.

Table 9.79 Income Tax Expenditures by Household Income Tax Year 2022 (\$ million)

Residents	Returns	Tax-payers	Total Household Income*		Tax		Passive Federal		State Adjustments		Itemized		Credit		Total	
			\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total
Income range	5,461	7,725	-\$256.3	-0.6%	-\$0.7	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.6	0.3%	\$0.6	0.1%
Less than \$0	49,451	54,632	\$202.2	0.5%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$6.4	3.3%	\$6.4	1.2%
\$0 to \$8,581	49,451	55,504	\$639.7	1.4%	\$3.6	0.2%	\$0.1	0.3%	\$0.5	1.0%	\$0.2	0.1%	\$3.5	1.8%	\$4.3	0.8%
\$8,582 to \$17,420	49,451	56,894	\$1,106.6	2.5%	\$14.0	0.7%	\$0.5	1.0%	\$1.8	3.6%	\$1.1	0.4%	\$2.4	1.3%	\$5.8	1.1%
\$17,421 to \$27,283	49,451	57,879	\$1,586.5	3.5%	\$34.0	1.8%	\$0.9	1.8%	\$3.7	7.4%	\$3.0	1.2%	\$1.7	0.9%	\$9.4	1.7%
\$27,284 to \$36,898	49,451	59,574	\$2,082.5	4.6%	\$60.4	3.2%	\$1.4	2.9%	\$4.2	8.5%	\$7.5	3.0%	\$1.2	0.7%	\$14.4	2.7%
\$36,899 to \$47,779	49,451	64,369	\$2,701.6	6.0%	\$89.7	4.7%	\$2.2	4.4%	\$5.2	10.3%	\$14.8	5.9%	\$1.5	0.8%	\$23.6	4.4%
\$47,780 to \$62,150	49,451	72,351	\$3,523.5	7.9%	\$126.9	6.7%	\$3.3	6.5%	\$6.2	12.4%	\$24.3	9.7%	\$2.5	1.3%	\$36.3	6.7%
\$62,151 to \$81,397	49,451	82,657	\$4,648.0	10.4%	\$178.9	9.4%	\$4.6	9.1%	\$7.5	15.0%	\$36.8	14.8%	\$4.2	2.2%	\$53.1	9.8%
\$81,398 to \$10,095	49,451	89,449	\$6,349.6	14.2%	\$270.5	14.2%	\$6.9	13.7%	\$8.1	16.2%	\$52.9	21.2%	\$7.9	4.1%	\$75.7	14.0%
\$10,096 to \$155,872	16,483	30,442	\$2,820.6	6.3%	\$130.9	6.9%	\$3.6	7.2%	\$2.8	5.6%	\$22.3	8.9%	\$5.3	2.8%	\$34.1	6.3%
\$155,873 to \$190,062	16,484	30,395	\$3,708.4	8.3%	\$182.2	9.6%	\$6.6	13.1%	\$2.8	5.6%	\$25.9	10.4%	\$11.2	5.8%	\$46.5	8.6%
\$190,063 to \$277,200	16,484	30,206	\$11,787.4	26.3%	\$631.7	33.3%	\$17.2	34.2%	\$3.8	7.5%	\$49.4	19.8%	\$122.2	63.6%	\$192.5	35.6%
Over \$277,200	499,971	692,077	\$40,900.5	91.3%	\$1,722.1	90.7%	\$47.3	94.1%	\$46.5	93.3%	\$238.0	95.5%	\$170.7	88.9%	\$502.6	92.8%
Resident Total	499,971	692,077	\$40,900.5	91.3%	\$1,722.1	90.7%	\$47.3	94.1%	\$46.5	93.3%	\$238.0	95.5%	\$170.7	88.9%	\$502.6	92.8%
Nonresidents	64,329	95,783	\$2,681.4	6.0%	\$123.0	6.5%	\$2.2	4.3%	\$2.2	4.3%	\$7.0	2.8%	\$16.7	8.7%	\$28.1	5.2%
Part-Year Residents	32,402	41,632	\$1,229.5	2.7%	\$53.9	2.8%	\$0.8	1.6%	\$1.2	2.3%	\$4.3	1.7%	\$4.6	2.4%	\$10.8	2.0%
Total	596,702	829,492	\$44,811.3	100.0%	\$1,899.0	100.0%	\$50.3	100.0%	\$49.9	100.0%	\$249.4	100.0%	\$192.1	100.0%	\$541.6	100.0%

*Montana Source Income for Nonresidents and Part-Year Residents

Table 9.80 Income Tax Expenditures by Household Income Tax Year 2023 (\$ million)

Residents	Returns	Tax-payers	Total Household Income*		Tax		Passive Federal		State Adjustments		Itemized		Credit		Total	
			\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total
Income range	5,601	7,898	-\$234.4	-0.5%	-\$0.5	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.6	0.3%	\$0.6	0.1%
Less than \$0	50,044	55,294	\$221.5	0.5%	\$0.1	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$0.0	0.0%	\$6.7	3.9%	\$6.7	1.2%
\$0 to \$9,238	50,044	55,997	\$700.0	1.5%	\$4.0	0.2%	\$0.2	0.3%	\$0.5	0.9%	\$0.2	0.1%	\$3.3	1.9%	\$4.2	0.8%
\$9,239 to \$18,896	50,044	57,385	\$1,208.5	2.6%	\$15.3	0.8%	\$0.5	1.0%	\$1.9	3.2%	\$1.1	0.4%	\$2.3	1.4%	\$5.9	1.1%
\$18,897 to \$29,388	50,044	58,163	\$1,726.7	3.7%	\$37.1	1.9%	\$1.0	1.9%	\$3.8	6.4%	\$3.0	1.2%	\$1.7	1.0%	\$9.5	1.8%
\$29,389 to \$39,505	50,045	60,169	\$2,256.6	4.9%	\$64.6	3.3%	\$1.5	3.0%	\$4.7	7.9%	\$7.6	3.0%	\$1.3	0.8%	\$15.1	2.8%
\$39,506 to \$51,089	50,044	64,840	\$2,909.8	6.3%	\$95.6	4.9%	\$2.3	4.5%	\$5.5	9.4%	\$14.8	5.8%	\$1.7	1.0%	\$24.4	4.5%
\$51,090 to \$65,925	50,044	72,546	\$3,774.6	8.1%	\$135.3	7.0%	\$3.5	6.8%	\$6.7	11.3%	\$24.4	9.6%	\$2.5	1.5%	\$37.2	6.9%
\$65,926 to \$86,043	50,044	83,411	\$4,967.6	10.7%	\$189.3	9.7%	\$4.7	9.0%	\$8.2	13.9%	\$37.7	14.8%	\$4.1	2.4%	\$54.8	10.2%
\$86,044 to \$11,102	50,044	90,340	\$6,761.4	14.6%	\$285.7	14.7%	\$7.2	13.9%	\$9.0	15.2%	\$54.7	21.4%	\$7.3	4.2%	\$78.2	14.5%
\$11,103 to \$162,810	16,682	30,948	\$2,976.3	6.4%	\$137.2	7.1%	\$3.7	7.1%	\$3.3	5.5%	\$22.9	8.9%	\$4.6	2.7%	\$34.4	6.4%
\$162,811 to \$197,400	16,681	30,858	\$3,859.3	8.3%	\$188.5	9.7%	\$6.5	12.6%	\$3.7	6.2%	\$27.3	10.7%	\$9.6	5.5%	\$47.1	8.7%
\$197,401 to \$282,653	16,682	30,686	\$12,071.3	26.0%	\$648.9	33.4%	\$17.9	34.7%	\$7.6	12.9%	\$51.7	20.2%	\$111.4	64.5%	\$188.6	35.0%
Over \$282,653	499,971	692,077	\$40,900.5	91.3%	\$1,722.1	90.7%	\$47.3	94.1%	\$46.5	93.3%	\$238.0	95.5%	\$170.7	88.9%	\$502.6	92.8%
Resident Total	506,043	698,535	\$43,199.3	93.1%	\$1,801.2	92.7%	\$49.1	94.9%	\$54.9	93.0%	\$245.4	96.1%	\$157.0	91.0%	\$506.5	94.0%
Nonresidents	63,473	94,415	\$2,165.7	4.7%	\$97.0	5.0%	\$2.1	4.0%	\$3.0	5.0%	\$6.4	2.5%	\$12.6	7.3%	\$24.1	4.5%
Part-Year Residents	29,183	36,896	\$1,049.8	2.3%	\$44.6	2.3%	\$0.6	1.1%	\$1.2	2.0%	\$3.6	1.4%	\$2.9	1.7%	\$8.3	1.5%
Total	598,699	829,846	\$46,414.8	100.0%	\$1,942.8	100.0%	\$51.8	100.0%	\$59.1	100.0%	\$255.5	100.0%	\$172.6	100.0%	\$538.9	100.0%

*Montana Source Income for Nonresidents and Part-Year Residents

Revenue Cost Estimates of Tax Expenditures

All of the prior tax expenditure tables in this section reported the amounts reported on taxpayer returns for each of the income tax expenditures. However, the impact to income tax revenues is likely different from the amounts reported on taxpayer returns. For income subtractions and deductions, the impact to income tax revenue is the change in taxable income multiplied by the marginal tax rate applied to the exempted income. For non-refundable tax credits, the impact to income tax revenue is the smaller of the credit amount, or the taxpayer's tax liability after removing all other non-refundable credits.

To determine the income tax revenue impact of each tax expenditure, the tax liability of each taxpayer claiming each tax expenditure listed previously is estimated with and without the tax expenditure in place. The difference between the two liability amounts provides an estimate of the revenue impact of each tax expenditure. Table 9.81 below provides revenue estimates for each of the tax expenditures reported in this section for Tax Years 2018 through 2023.

Table 9.81 Income Tax Expenditure Cost Estimates, Tax Years 2018 – 2023

Tax Expenditure	Tax Year					
	2018	2019	2020	2021	2022	2023
Above-The-Line Deductions						
Deductions for the Self-Employed	\$16,931,717	\$19,273,883	\$19,196,611	\$21,647,169	\$21,859,517	\$21,173,733
Health Savings Account Deduction	\$2,674,404	\$2,962,810	\$2,941,061	\$3,104,002	\$3,115,221	\$3,246,951
Individual Retirement Account Deduction	\$3,853,536	\$3,992,708	\$4,101,284	\$4,143,298	\$3,917,062	\$3,929,463
Student Loan Interest Deduction	\$3,046,256	\$3,143,433	\$1,605,601	\$836,977	\$736,596	\$1,080,645
Archer MSA Deduction	\$0	\$0	\$0	\$2,347	\$2,199	\$2,887
Montana Adjustments to Income						
ABLE Accounts	\$9,175	\$12,959	\$17,835	\$23,227	\$18,106	\$23,993
Business Purchases of Recycled Material	\$27,319	\$16,005	\$16,376	\$27,579	\$57,264	\$12,401
Mobile Home Park Capital Gain Exclusion	\$0	\$86,430	\$0	\$0	\$37,488	\$39,602
Disability Retirement Income	\$1,341	\$1,243	\$1,967	\$945	\$2,954	\$936
Exempt Tribal Income	\$8,028,696	\$8,155,004	\$9,038,501	\$9,199,798	\$9,990,492	\$10,272,654
Medical Marijuana Provider Expenses	\$47,953	\$278,459	\$272,028	\$369,000	\$512,087	\$392,294
Family Education Savings Account	\$889,141	\$996,676	\$1,020,273	\$1,259,674	\$1,238,214	\$1,245,132
Farm and Ranch Risk Management Account	\$0	\$0	\$0	\$0	\$0	\$0
First-Time Home Buyer Account	\$47,110	\$48,249	\$54,137	\$57,683	\$50,745	\$40,160
Highly Compensated Employee Health Benefits	\$43,561	\$32,270	\$42,475	\$34,664	\$32,818	\$42,211
Interest on Federal Government Bonds	\$1,956,896	\$4,202,655	\$2,104,167	\$1,707,442	\$3,017,907	\$9,698,094

Table 9.81 Income Tax Expenditure Cost Estimates, Tax Years 2018 – 2023 (continued)

Tax Expenditure	Tax Year					
	2018	2019	2020	2021	2022	2023
Exempted Military Salary	\$10,106,600	\$10,866,718	\$10,795,321	\$11,851,890	\$12,126,683	\$12,194,490
Montana Medical Care Savings Account	\$1,120,860	\$1,308,343	\$1,266,460	\$1,395,302	\$1,330,600	\$1,419,950
National Guard Life Insurance Premiums	\$670	\$2,090	\$2,341	\$321	\$1,853	\$5,836
Partial Interest Exclusion For Elderly Taxpayers	\$1,696,675	\$1,986,593	\$1,775,434	\$1,674,247	\$1,882,182	\$2,705,958
Partial Pension Exemption	\$4,081,128	\$4,259,649	\$4,265,061	\$4,420,373	\$4,888,684	\$5,453,272
Sales of Land to Beginning Farmers	\$273	\$1,706	\$0	\$3,505	\$1	\$0
Small Business Investment Company Dividends	\$10,756	\$19,051	\$53,715	\$35,130	\$13,236	\$2,380
Health Care Professional Student Loan Repayment	\$101,851	\$112,249	\$88,956	\$79,415	\$79,466	\$116,904
Quality Educator Loan Assistance Program	\$0	\$0	\$10,533	\$11,045	\$9,536	\$13,935
Tier I and Tier II Railroad Retirement Benefits	\$1,825,685	\$1,805,213	\$1,736,881	\$1,951,187	\$3,578,174	\$3,885,600
Tip Income and Gratuities	\$4,007,166	\$4,419,879	\$3,173,995	\$5,710,835	\$6,474,100	\$6,506,115
Unemployment Compensation	\$4,774,615	\$4,928,741	\$45,512,200	\$15,724,305	\$4,512,411	\$4,981,818
Worker's Compensation	\$35,103	\$34,837	\$70,593	\$50,807	\$28,410	\$39,832
Itemized Deductions						
Casualty and Theft Losses	\$30,339	\$39,393	\$18,912	\$13,621	\$18,912	\$83,081
Charitable Contributions	\$34,587,639	\$42,577,833	\$41,016,990	\$60,413,912	\$41,016,990	\$50,005,469
Child and Dependent Care Expenses	\$3,695	\$2,674	\$2,729	\$3,294	\$2,729	\$2,179
Federal Income Tax	\$65,508,383	\$64,294,384	\$63,106,971	\$68,620,386	\$63,106,971	\$64,106,417
Mortgage Interest and Insurance Premiums	\$54,728,421	\$59,178,885	\$56,742,274	\$55,873,206	\$56,742,274	\$59,951,132
Light Vehicle Registration Fees	\$494,621	\$504,364	\$491,824	\$475,037	\$491,824	\$443,463
Long-Term Care Insurance Premiums	\$1,547,577	\$1,587,328	\$1,519,458	\$1,639,725	\$1,519,458	\$1,526,310
Medical and Dental Expenses	\$11,680,607	\$11,793,947	\$10,226,156	\$11,546,980	\$10,226,156	\$12,257,288
Medical Insurance Premiums	\$23,076,718	\$24,112,624	\$23,309,526	\$25,880,868	\$23,309,526	\$27,805,768

Table 9.81 Income Tax Expenditure Cost Estimates, Tax Years 2018 – 2023 (continued)

Tax Expenditure	Tax Year					
	2018	2019	2020	2021	2022	2023
Per Capita Livestock Fees	\$3,817	\$4,843	\$3,895	\$3,379	\$3,895	\$8,436
Political Contributions	\$56,824	\$47,111	\$69,073	\$41,181	\$69,073	\$45,512
Other Deductible Taxes	\$402,497	\$467,336	\$385,743	\$540,083	\$385,743	\$467,424
State and Local Taxes	\$32,717,435	\$34,971,310	\$34,692,455	\$37,622,771	\$34,692,455	\$38,778,093
Tax Credits						
Adoption Credit	\$166,222	\$158,271	\$114,725	\$133,395	\$0	\$1,906,579
Apprenticeship Credit	\$105,446	\$205,163	\$327,826	\$430,530	\$515,672	\$617,027
Capital Gains Credit	\$39,768,749	\$50,337,761	\$70,356,476	\$142,659,750	\$94,646,589	\$77,730,688
Credit for Other States' Taxes	\$31,383,809	\$44,078,008	\$58,045,684	\$80,816,438	\$77,764,792	\$69,814,800
Earned Income Tax Credit	\$0	\$4,364,782	\$3,977,696	\$4,936,275	\$3,848,532	\$4,047,850
Elderly Homeowner / Renter Credit	\$7,575,730	\$8,060,688	\$7,846,882	\$7,049,440	\$10,594,909	\$10,035,293
Historic Property Preservation Credit	\$51,233	\$47,131	\$44,224	\$32,062	\$1,240	\$6,028
Infrastructure Users Fee Credit	\$852,456	\$133,930	\$9,727	\$77,182	\$6,208	\$246,298
Innovative Educational Program Credit	\$3,262	\$1,601	\$2,300	\$1,650	\$189,758	\$764,211
Qualified Endowment Credit	\$2,363,612	\$2,905,212	\$2,384,519	\$3,356,828	\$3,130,232	\$2,948,736
Recycling Credit	\$213,759	\$132,406	\$307,316	\$517,006	\$366,388	\$362,703
Student Scholarship Organization Credit	\$9,321	\$1,113	\$5,707	\$6,544	\$520,531	\$1,470,326
Unlocking State Lands Credit	\$100	\$7,930	\$2,699	\$1,500	\$1,500	\$2,215
Media Production Credit	\$0	\$0	\$1,537,050	\$3,338,049	\$443,337	\$2,589,812
Trades Education and Training Credit	\$0	\$0	\$0	\$101,409	\$25,258	\$25,101
Job Growth Incentive Credit	\$0	\$0	\$0	\$0	\$0	\$0

Over time, the revenue impact of each tax expenditure is likely to increase as a result of more taxpayers filing Montana tax returns over time and with taxable incomes generally increasing over time. To compare the impacts of each tax expenditure over time, the revenue impact of each tax expenditure for each tax year can be compared to the total number of taxpayers filing a tax return. This comparison provides a comparable per-taxpayer tax expenditure estimate for each tax year. The table below provides a per-taxpayer breakdown of each of the income tax expenditures in this section for Tax Years 2018 through 2023.

Table 9.82 Per Taxpayer Tax Expenditure Cost Estimates, Tax Years 2018 - 2023

Tax Expenditure	Tax Year					
	2018	2019	2020	2021	2022	2023
Above-The-Line Deductions						
Deductions for the Self-Employed	\$25.77	\$28.58	\$28.27	\$31.80	\$31.59	\$30.31
Health Savings Account Deduction	\$4.07	\$4.39	\$4.33	\$4.56	\$4.50	\$4.65
Individual Retirement Account Deduction	\$5.86	\$5.92	\$6.04	\$6.09	\$5.66	\$5.63
Student Loan Interest Deduction	\$4.64	\$4.66	\$2.36	\$1.23	\$1.06	\$1.55
Archer MSA Deduction	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Montana Adjustments to Income						
ABLE Accounts	\$0.01	\$0.02	\$0.03	\$0.03	\$0.03	\$0.03
Business Purchases of Recycled Material	\$0.04	\$0.02	\$0.02	\$0.04	\$0.08	\$0.02
Mobile Home Park Capital Gain Exclusion	\$0.00	\$0.13	\$0.00	\$0.00	\$0.05	\$0.06
Disability Retirement Income	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Exempt Tribal Income	\$12.22	\$12.09	\$13.31	\$13.51	\$14.44	\$14.71
Medical Marijuana Provider Expenses	\$0.07	\$0.41	\$0.40	\$0.54	\$0.74	\$0.56
Family Education Savings Account	\$1.35	\$1.48	\$1.50	\$1.85	\$1.79	\$1.78
Farm and Ranch Risk Management Account	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
First-Time Home Buyer Account	\$0.07	\$0.07	\$0.08	\$0.08	\$0.07	\$0.06
Highly Compensated Employee Health Benefits	\$0.07	\$0.05	\$0.06	\$0.05	\$0.05	\$0.06
Interest on Federal Government Bonds	\$2.98	\$6.23	\$3.10	\$2.51	\$4.36	\$13.88
Exempted Military Salary	\$15.38	\$16.11	\$15.90	\$17.41	\$17.52	\$17.46
Montana Medical Care Savings Account	\$1.71	\$1.94	\$1.87	\$2.05	\$1.92	\$2.03
National Guard Life Insurance Premiums	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.01
Partial Interest Exclusion For Elderly Taxpayers	\$2.58	\$2.95	\$2.61	\$2.46	\$2.72	\$3.87
Partial Pension Exemption	\$6.21	\$6.32	\$6.28	\$6.49	\$7.06	\$7.81
Sales of Land to Beginning Farmers	\$0.00	\$0.00	\$0.00	\$0.01	\$0.00	\$0.00

Table 9.82 Per Taxpayer Tax Expenditure Cost Estimates, Tax Years 2018 - 2023 (continued)

Tax Expenditure	Tax Year					
	2018	2019	2020	2021	2022	2023
Small Business Investment Company Dividends	\$0.02	\$0.03	\$0.08	\$0.05	\$0.02	\$0.00
Health Care Professional Student Loan Repayment	\$0.16	\$0.17	\$0.13	\$0.12	\$0.11	\$0.17
Quality Educator Loan Assistance Program	\$0.00	\$0.00	\$0.02	\$0.02	\$0.01	\$0.02
Tier I and Tier II Railroad Retirement Benefits	\$2.78	\$2.68	\$2.56	\$2.87	\$5.17	\$5.56
Tip Income and Gratuities	\$6.10	\$6.55	\$4.67	\$8.39	\$9.35	\$9.31
Unemployment Compensation	\$7.27	\$7.31	\$67.03	\$23.10	\$6.52	\$7.13
Worker's Compensation	\$0.05	\$0.05	\$0.10	\$0.07	\$0.04	\$0.06
Itemized Deductions						
Casualty and Theft Losses	\$0.05	\$0.06	\$0.03	\$0.02	\$0.03	\$0.12
Charitable Contributions	\$52.64	\$63.13	\$60.41	\$88.75	\$59.27	\$71.59
Child and Dependent Care Expenses	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Federal Income Tax	\$99.70	\$95.33	\$92.94	\$100.80	\$91.18	\$91.77
Mortgage Interest and Insurance Premiums	\$83.29	\$87.74	\$83.57	\$82.08	\$81.99	\$85.82
Light Vehicle Registration Fees	\$0.75	\$0.75	\$0.72	\$0.70	\$0.71	\$0.63
Long-Term Care Insurance Premiums	\$2.36	\$2.35	\$2.24	\$2.41	\$2.20	\$2.19
Medical and Dental Expenses	\$17.78	\$17.49	\$15.06	\$16.96	\$14.78	\$17.55
Medical Insurance Premiums	\$35.12	\$35.75	\$34.33	\$38.02	\$33.68	\$39.81
Per Capita Livestock Fees	\$0.01	\$0.01	\$0.01	\$0.00	\$0.01	\$0.01
Political Contributions	\$0.09	\$0.07	\$0.10	\$0.06	\$0.10	\$0.07
Other Deductible Taxes	\$0.61	\$0.69	\$0.57	\$0.79	\$0.56	\$0.67
State and Local Taxes	\$49.79	\$51.85	\$51.09	\$55.27	\$50.13	\$55.51
Tax Credits						
Adoption Credit	\$0.25	\$0.23	\$0.17	\$0.20	\$0.00	\$2.73
Apprenticeship Credit	\$0.16	\$0.30	\$0.48	\$0.63	\$0.75	\$0.88
Capital Gains Credit	\$60.52	\$74.64	\$103.62	\$209.57	\$136.76	\$111.28
Credit for Other States' Taxes	\$47.76	\$65.35	\$85.48	\$118.72	\$112.36	\$99.94

Table 9.82 Per Taxpayer Tax Expenditure Cost Estimates, Tax Years 2018 - 2023 (continued)

Tax Expenditure	Tax Year					
	2018	2019	2020	2021	2022	2023
Earned Income Tax Credit	\$0.00	\$6.47	\$5.86	\$7.25	\$5.56	\$5.79
Elderly Homeowner / Renter Credit	\$11.53	\$11.95	\$11.56	\$10.36	\$15.31	\$14.37
Historic Property Preservation Credit	\$0.08	\$0.07	\$0.07	\$0.05	\$0.00	\$0.01
Infrastructure Users Fee Credit	\$1.30	\$0.20	\$0.01	\$0.11	\$0.01	\$0.35
Innovative Educational Program Credit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.27	\$1.09
Qualified Endowment Credit	\$3.60	\$4.31	\$3.51	\$4.93	\$4.52	\$4.22
Recycling Credit	\$0.33	\$0.20	\$0.45	\$0.76	\$0.53	\$0.52
Student Scholarship Organization Credit	\$0.01	\$0.00	\$0.01	\$0.01	\$0.75	\$2.10
Unlocking State Lands Credit	\$0.00	\$0.01	\$0.00	\$0.00	\$0.00	\$0.00
Media Production Credit	\$0.00	\$0.00	\$2.26	\$4.90	\$0.64	\$3.71
Trades Education and Training Credit	\$0.00	\$0.00	\$0.00	\$0.15	\$0.04	\$0.04
Job Growth Incentive Credit	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Corporate Tax Expenditures

The following is a list of expenditures that reduce tax liability for corporate income taxpayers. Many of these expenditures can also be claimed by small businesses, S Corporations, or Limited Liability Companies whose income is "passed through" to the owner, member, or partner and is taxed as individual income.

Water's Edge Election

Code: 15-31-322 through 324, MCA

Legislation: HB 703, 1987 Session

Montana requires corporations that have common ownership to file a combined report. The income of the members of the group of corporations under common ownership is apportioned to Montana based on the combined apportionment factors of the group. The purpose of the combined reporting is to make the apportionment of income to Montana independent of the financial arrangements between group members.

Under state law (15-31-324, MCA), corporations can choose to file as a water's edge corporation. In doing so, the corporation will pay a higher rate, 7 percent, instead of the normal corporate income tax rate of 6.75 percent, on income apportioned to Montana. Only its domestic (rather than worldwide) income and apportionment factors are included in the apportionment process, with certain exceptions. Under the water's edge election, foreign affiliates are generally excluded from the process of apportioning income to Montana. Prior to tax year 2023, countries included on a "tax haven" list had to be included in the combined report. The 2023 Legislature repealed the tax haven list, so all foreign income may now be excluded by corporations making the water's edge election.

If the water's edge election was eliminated completely, additional revenue based on prior audit research is estimated to be \$8 million to \$12 million. This estimate, which is based upon audit experience, may be conservative, as the number and tax liability of water's edge filers has almost doubled over the last six years. The number of corporations electing to file water's edge was 757 in Tax Year 2022 and 767 in Tax Year 2021.

Montana Deductions

Capital Gain Exclusion for Mobile Home Park (15-31-163, MCA)

A taxpayer may exclude a portion of the recognized gain from sale of a mobile home park from taxable corporate income or taxable individual income if the sale is to: a tenants' association or a mobile home park residents' association; a nonprofit organization that purchases a mobile home park on behalf of a tenants' association or mobile home park residents' association; a county housing authority; or a municipal housing authority. The exclusion of recognized capital gain is limited to 50 percent for mobile home parks with more than 50 lots; for mobile home parks with 50 lots or fewer, the excluded gain is 100 percent.

Usually, properties owned by municipal and county housing authorities are eligible for a property tax exemption; however, if the corporate tax exclusion is used for a mobile home park property, it is not eligible for the property tax exemption allowed under Title 15, Chapter 6, Part 2, while the property is used as a mobile home park. The exclusion was passed by the 2009 Legislature (HB 636) and applies to tax years beginning after December 31, 2008.

Deduction for Purchasing Montana-Produced Organic or Inorganic Fertilizer Produced (15-32-303, MCA)

In addition to the other allowed deductions from gross corporate income, a taxpayer may deduct expenditures for organic fertilizer and inorganic fertilizer produced as a byproduct if the fertilizer was made and used in Montana. The purpose of this deduction is to promote the use of inorganic byproducts and organic matter produced by Montana industries. The deduction was established in Tax Year 1981 with the passage of SB 322.

Deduction for Donation of Exploration Information (15-32-510, MCA)

A taxpayer may deduct expenses from the donation of mineral exploration information to the Montana Tech Foundation for placement in the Montana Tech research library. Montana Tech may limit what information is accepted and what deductions are granted. The documented expenses must be based on the cost of recreating the donated information. If the exploration incentive credit is also claimed by the taxpayer, then this deduction is limited to 20 percent of the actual value of the data.

The deduction was established in 1999 with the passage of SB 625 and is intended to encourage the sharing of mineral exploration information.

Energy-Conserving Investments Deduction (15-32-103, MCA)

A corporate taxpayer may deduct a portion of expenditures on capital investment in a building for an energy conservation purpose from gross corporate income. If the building is a residential building, the taxpayer may deduct 100 percent of the first \$1,000 expended, 50 percent of the next \$1,000 expended, 20 percent of the third \$1,000 expended, and 10 percent of the fourth \$1,000 expended.

For example, if a corporate taxpayer invested \$4,000 in approved energy conservation measures in a residential apartment building owned by the taxpayer, it would be able to deduct \$1,800 of the expenses (100 percent of \$1,000, plus 50 percent of \$1,000, plus 20 percent of \$1,000, plus 10 percent of \$1,000, or $\$1,000 + \$500 + \$200 + \100).

For non-residential buildings, the taxpayer may deduct 100 percent of the first \$2,000 spent on energy conservation capital investments, 50 percent of the second \$2,000 spent, 20 percent of the third \$2,000 spent, and 10 percent of the fourth \$2,000 spent. If a corporate taxpayer invested \$4,000 in approved energy conservation measures in a non-residential building owned by the taxpayer, it could deduct \$3,000 of the expenses (100 percent of \$2,000, plus 50 percent of \$2,000, or $\$2,000 + \$1,000$). If the taxpayer invested \$8,000 in approved energy conservation measures in the same building, it could deduct \$3,600 of the expenses (100 percent of \$2,000, plus 50 percent of \$2,000, plus 20 percent of \$2,000, plus 10 percent of \$2,000, or $\$2,000 + \$1,000 + \$400 + \200).

This deduction is subject to approval of the Department of Revenue and cannot be taken on expenditures financed by a state, federal, or private grant. The purpose of this deduction is to encourage energy-conserving investments in existing buildings.

The deduction was established in Tax Year 1975 with the passage of HB 663.

Recycled Material Qualifying for Deduction (15-32-609 and 610, MCA)

A taxpayer may deduct an additional 10 percent of expenditures for the purchase of recycled material that was otherwise deductible as a business-related expense. The Department of Revenue defines the types of recycled material that may be used to claim this deduction. The purpose of this deduction is to encourage the use of goods made from reclaimed materials, especially post-consumer materials. The deduction was set to expire at the end of calendar year 2011, but HB 21, passed by the 2009 Legislature, makes the additional 10 percent deduction permanent. The deduction originally began in 1991 with the passage of SB 111.

This deduction is the only one for which data is accessible. In the Tax Year 2022 database of corporate taxpayer returns, the total deductions claimed were \$21,813,840. At the general tax rate of 6.75 percent, this is a reduction in tax revenue of \$1,472,434.

Montana Corporate Tax Credits

Many of these credits are also available to individual income taxpayers as well as corporate income taxpayers. More thorough explanations of many of the credits and their history are available in the individual income tax section on tax expenditures.

There are differences between the tax periods for individual and corporate income taxes. The tax year for individual income tax returns is the calendar year, and data from the tax returns is presented on that basis. The corporate income tax year and filing requirements are based upon the corporation's fiscal year, which can vary from the calendar year.

There is another change in the tables presented in this section due to the availability of a more complete, updated dataset of corporate tax returns. The tables in this section show seven years of history unless the credit has not been in effect that long.

Apprenticeship Credit (15-30-2357 and 39-6-109, MCA)

Legislation: HB 308, 2017 Session

Individual and corporate income taxpayers are allowed a credit for employing an apprentice or veteran apprentice as a new employee in a state-registered apprenticeship training program. The credit is worth \$750 per approved apprentice or \$1,500 per approved veteran apprentice, and may only be claimed for five years per apprentice. This tax credit is effective for tax years beginning January 1, 2018, and thereafter.

The credit was established in Tax Year 2017 with the passage of HB 308.

Table 9.83 shows credits claimed on corporate tax returns for Tax Years 2017 through 2022.

Table 9.83 Apprenticeship Credit

Tax Year	Number of Credits Claimed	Total Credits Claimed
2017	0	\$0
2018	*	\$3,068
2019	0	\$0
2020	*	\$18,150
2021	10	\$47,356
2022	13	\$66,868

**Not disclosed due to confidentiality concerns.*

Charitable Endowment Credit (15-31-161 and 162, MCA)

Legislation: HB 434, 1997 Session

A qualified endowment is a permanent fund held by or on behalf of a 501(c)(3) charitable organization. A planned gift is one of nine types of arrangements specified in the IRS code that generally provide income to the donor for life or a set period, with the remainder going to the charity. Individual taxpayers are allowed a credit of 40 percent of the present value of a planned gift to a qualified charitable endowment.

Corporations are allowed a credit of 20 percent of a gift to a qualified endowment. The 2013 Legislature passed SB 108, which extends the credit through 2019. Among other changes, the legislation made the definition of a "permanent, irrevocable fund," which can accept donations eligible for the credit refer to the Uniform Prudent Management of Institutional Funds Act (Title 72, Chapter 30).

This credit was established in Tax Year 1997 with the passage of HB 434.

Table 9.84 shows credits claimed on corporate tax returns for Tax Years 2013 through 2022.

Table 9.84 Charitable Endowment Credit

Tax Year	Number of Credits Claimed	Total Credits Claimed
2015	15	\$31,436
2016	11	\$25,130
2017	11	\$26,225
2018	13	\$41,806
2019	*	\$23,756
2020	*	\$24,626
2021	8	\$19,176
2022	*	\$47,526

**Not disclosed due to confidentiality concerns.*

Contractor's Gross Receipts Credit (15-50-207, MCA)

Legislation: HB 530, 1967 Session

Contractors are required to pay a license fee equal to 1 percent of the gross receipts from government contracts during the year for which the license is issued. The agency or prime contractor withholds the 1 percent license fee from payments to the prime contractor or subcontractors. The agency or contractor is responsible for remitting the correct amount to the Department of Revenue, along with a form reporting who is to be credited with the license fee payment.

Contractors may use the amount of gross receipts tax paid as a credit against the contractor's corporation income tax liability or income tax liability, depending upon the type of tax the contractor must pay. The credit may be carried forward a maximum of 5 years.

The table 9.85 shows credits claimed on corporate tax returns for Tax Years 2013 through 2022.

Table 9.85 Contractor’s Gross Receipts Credit

Tax Year	Number of Credits Claimed	Total Credits Claimed
2015	91	\$644,922
2016	88	\$319,316
2017	83	\$940,774
2018	75	\$924,808
2019	78	\$729,854
2020	76	\$1,939,697
2021	60	\$656,217
2022	55	\$1,340,768

Innovative Educational Program Credit (15-31-158 and 159, MCA)

Legislation: SB 410, 2015 Session

The 2015 Legislature created a non-refundable individual and corporate income tax credit for donations made to the educational improvement account provided for in 20-9-905, MCA, for providing supplemental funding to public schools for innovative educational programs and technological deficiencies. This credit was limited to \$150 per taxpayer through Tax Year 2021 and increased to \$200,000 in Tax Year 2022. The aggregate amount of tax credits allowed is capped at \$1 million for Tax Year 2022 and \$2 million for Tax Year 2023. This credit cap is allowed to increase by 20% each year after TY 2023 if at least 80% of the available credits were claimed in the prior tax year.

The 2015 Legislature also created a non-refundable individual and corporate income tax credit for donations made to student scholarship organizations. The individual cap and total credits cap are the same as the educational improvement credit above.

This credit was claimed by corporate taxpayers for the first time in TY 2022 for a total of \$50,000.

Historic Property Preservation Credit (15-31-151, MCA)

Legislation: HB 601, 1997 Session

Corporate taxpayers may take a credit against corporation income tax for costs of rehabilitating a historic building in Montana. The credit is 25 percent of the federal credit allowed by 26 U.S.C. 47. The federal credit is 20 percent of the rehabilitation cost of a building certified as having historic significance, or 10 percent of the cost of rehabilitation of a building placed in service before 1936 that has not been certified.

The credit is not refundable if it exceeds the amount of taxes owed, but unused credits can be carried over to the seven succeeding tax years. If the corporation is a partnership or S Corporation, the credit must be attributed to the partners or shareholders in the same proportion used to report the partnership or corporation income or loss for Montana income tax purposes.

The credit was created in Tax Year 1997 with the passage of HB 601.

Table 9.86 shows credits claimed on corporate tax returns for Tax Years 2013 through 2022.

Table 9.86 Historic Property Preservation Credit

Tax Year	Number of Credits Claimed	Total Credits Claimed
2015	*	\$374,586
2016	*	\$39,653
2017	*	\$50
2018	*	\$50
2019	*	\$53
2020	*	\$50
2021	*	\$50
2022	*	\$88,638

**Not disclosed due to confidentiality concerns.*

Infrastructure Users Fee Credit (17-6-316, MCA)

Legislation: SB 100 & HB 602, 1995 Session

The Board of Investments may make loans to local governments to finance infrastructure to serve a new or relocated business that will result in 15 or more new full-time jobs. The infrastructure may serve as collateral for the loan, and the local government may charge fees to the users for extending the infrastructure. The business may claim a credit against income or corporation tax for the fee it pays.

The total credit claimed may not exceed the amount of the loan. The credit can be carried forward for seven years and used to reduce tax liability or carried back for three years.

The credit was created in Tax Year 1995 with the passage of SB 100 and HB 602.

Table 9.87 shows credits claimed on corporate tax returns for Tax Years 2013 through 2022.

Table 9.87 Infrastructure Users Fee Credit

Tax Year	Number of Credits Claimed	Total Credits Claimed
2015	*	\$1,676,702
2016	*	\$706,524
2017	*	\$276,976
2018	12	\$579,462
2019	12	\$264,738
2020	11	\$398,786
2021	*	\$244,790
2022	*	\$263,474

**Not disclosed due to confidentiality concerns.*

Job Growth Incentive Credit: 15-30-2361, MCA

Legislation: HB 629, 2021 Session

Beginning with Tax Year 2022, taxpayers have been able to claim an individual income tax credit for half the Federal Insurance Contributions Act (FICA) paid by an employer for qualified new employees.

To qualify for the credit, an employer must hire new qualifying employees that are associated with a project in the state that “encourages, promotes, and stimulates economic development in the sectors of construction, natural resources, mining, agriculture, forestry, manufacturing, transportation, utilities, or outdoor recreation.” The employer must also have net employee growth associated with the qualifying project.

The credit is non-refundable, but taxpayer can carryforward unused credit amounts for up to 10 years. The credit is currently set to expire in Tax Year 2028.

This credit has not been claimed by any corporate taxpayers.

Media Production Credit (15-31-1001 through 1012, MCA)

Legislation: HB 293, 2019 Session

The 2019 Legislature created the Montana Economic Development Industry Advancement Act, which provides a tax credit of up to 35 percent of total spending in Montana for media productions within the state. The total credit amount started at \$10 million per year in Tax Year 2019 and was increased to \$12 million per year by the 2021 Legislature. These transferable tax credits are sold by the productions to Montana taxpayers for 85 percent of the credit value.

Table 9.88 shows credits claimed on corporate tax returns for Tax Years 2019 through 2022.

Table 9.88 Media Production Credit

Tax Year	Number of Credits Claimed	Total Credits Claimed
2018	0	0
2019	0	0
2020	*	\$5,533,471
2021	*	\$7,899,298
2022	*	\$6,202,042

**Not disclosed due to confidentiality concerns.*

Recycling Credit (15-32-601-611, MCA)

Legislation: SB 111, 1991 Session

Taxpayers are allowed a credit against individual income tax or corporate income tax for a portion of the cost of investments in depreciable property used in collecting or processing reclaimable material or manufacturing a product from reclaimed material. The amount of the credit is equal to 25 percent of the cost of the first \$250,000 invested in property, 15 percent of the cost of the next \$250,000 invested in property, and 5 percent of the next \$500,000 of investment.

Therefore, if the taxpayer invests a total investment \$1,000,000 in property that qualifies for the credit, the taxpayer can claim a credit of \$125,000. If the taxpayer invests \$250,000 in property qualifying for the credit, the taxpayer can claim a credit of \$62,500. The credit was to end December 31, 2011, but the 2009 Legislature made the credit permanent (HB 21). An asterisk in the table indicates fewer than 10 corporate taxpayers claimed this credit.

The credit was originally established in Tax Year 1991 by SB 111.

Table 9.89 shows credits claimed on corporate tax returns for Tax Years 2013 through 2022.

Table 9.89 Recycling Credit

Tax Year	Number of Credits Claimed	Total Credits Claimed
2013	*	\$40,379
2014	*	\$114,755
2015	*	\$20,777
2016	*	\$7,605
2017	*	\$12,982
2018	*	\$38,176
2019	*	\$38,232
2020	*	\$132,349
2021	*	\$125,000
2022	*	\$88,538

**Not disclosed due to confidentiality concerns.*

Trades Education and Training Credit: 15-30-2359, MCA and 15-31-174, MCA

Legislation: HB 252, 2021 Session

Taxpayers are allowed a credit for training expenses paid by the taxpayer to an unrelated third-party for training of qualified employees in a vocational, technical, or trade profession.

The 2023 Legislature (HB 245) expanded the number of occupations that qualify for the credit and extended the termination date of the credit from Tax Year 2026 to Tax Year 2028.

The credit is equal to 50% of the costs incurred by the taxpayer on qualified expenses and is limited to \$2,000 per employee and \$25,000 per employer. The credit is non-refundable and cannot be carried forward or backward. This credit was first available in Tax Year 2021, and it set to expire after Tax Year 2028.

This credit has not been claimed by any corporate taxpayers.

Unlocking Public Lands Credit (15-30-2380, MCA)

Legislation: HB 444, 2013 Session

The 2013 Legislature created a refundable individual and corporate income tax credit for taxpayers that provide access to state land. The 2015 Legislature expanded the credit to those providing public access to any public land and increased the credit amount. The tax credit is equal to \$750 for each qualified access to public land that is provided. The maximum credit a taxpayer may claim in a year is \$3,000.

This credit has not been claimed by any corporate taxpayers.

Repealed Tax Credits

The table 9.90 includes tax credits that were repealed for Tax Year 2022 as part of SB 399 in the 2021 legislative session that were claimed on corporate income tax returns for TY 2021 and/or TY 2022. Some of these credits have carryforward provisions, allowing leftover credit amounts from prior years to be claimed on TY 2022 tax returns.

Table 9.90 Repealed Tax Credits

	Tax Year 2021		Tax Year 2022	
	Number of Credits	Total Credit Amounts	Number of Credits	Total Credit Amounts
Alternative Energy Production Credit	*	\$50	*	\$75,229
College Contribution Credit*	16	\$5,227	0	\$0
Dependent Care Assistance Credit*	*	\$17,325	0	\$0
Geothermal Heating System Credit*	*	\$302	*	\$258
Alternative Fuel Motor Vehicle Conversion Credit*	*	\$1,100	0	\$0
Mineral Exploration Credit*	*	\$25	0	\$0
Qualified Research Credit	0	\$0	*	\$284,123
Total Expenditure on Repealed Credits	22	\$24,029	*	\$359,610

*Some of the above credits are claimed on returns that have not been audited yet. The amount of credit claimed may change once these returns are audited. In addition, some of the above numbers represent a carryback of some credits claimed on amended returns received during the fiscal year. Credits claimed on less than 10 returns are indicated by a *.*

Corporate Tax Expenditures - Passive Expenditures

Passive Expenditures

Passive tax expenditures refer to the loss of Montana tax revenue due to federal tax laws. These tax expenditures are not due to actions taken by the Montana Legislature but by our adherence to the definitions of income, exemptions, and deductions set at the federal level. Montana's corporate income tax calculations rely to some extent on these definitions, so if there are changes at the federal level, the tax collected by the state can also be affected.

One example of these federal tax credits is the accelerated depreciation of machinery and equipment listed in the table below. Depreciation is an income tax deduction that allows a taxpayer an annual allowance for the wear and tear, deterioration, or obsolescence of the property.

The figures provided in table 9.91 below are an estimate of the impact that Montana's adherence to these definitions has on state income tax collections. The estimates are based on the federal tax expenditures estimated by the U.S. Treasury Department and included in the annual Executive Budget of the United States and are scaled down to Montana proportions. These passive tax expenditures are estimates based on other estimates and should be viewed as approximations. As with other tax expenditures, the figures shown do not necessarily equal the increase in tax revenues that would occur if the provision did not exist.

Table 9.91 Estimated Impact of Passive (Federal) Corporate Tax Expenditures on Montana Tax Revenue

	FY 2023	FY 2024
Exemptions		
Deferral of income from controlled foreign corporations (normal tax method)	\$14,774,889	\$15,799,173
Exclusion of interest on life insurance savings	\$5,446,589	\$5,743,306
Excess of percentage over cost depletion, fuels and nonfuel minerals	\$321,105	\$337,363
Exemption of certain mutuals' and cooperatives' income	\$40,646	\$40,646
Exemption of credit union income	\$882,022	\$955,185
Deferral of gain on sale of farm refiners	\$8,129	\$8,129
Deferral of tax on shipping companies	\$4,065	\$4,065
Deferral of gain on sale of farm refiners	\$2,427	\$2,427
Deferral of tax on shipping companies	\$1,618	\$1,618
Deductions		
Accelerated depreciation of machinery and equipment (normal tax method)	\$4,678,376	-\$1,036,478
Accelerated depreciation on rental housing (normal tax method)	\$1,849,402	\$1,959,146
Deductibility of charitable contributions (education)	\$2,239,605	\$2,365,608
Empowerment zones, Enterprise communities, and Renewal communities	\$40,646	\$44,711
Expensing of exploration and development costs, fuels	\$89,422	\$142,262
Expensing of certain multiperiod production costs for farmers	\$113,809	\$117,874
Expensing of certain small investments (normal tax method)	\$1,410,423	\$2,837,104
Expensing of exploration and development costs, nonfuel minerals	\$4,065	\$8,129
Expensing of multiperiod timber growing costs	\$89,422	\$97,551
Expensing research and experimentation expenditures (normal tax method)	-\$16,120,278	-\$11,657,326
Other		
Special alternative tax on small property and casualty insurance companies	\$491,819	\$504,013
Special ESOP rules	\$89,422	\$93,486
Special rules for certain film and TV production	\$40,646	\$73,163
Tax incentives for preservation of historic structures	\$272,329	\$329,234

Sources: Estimates of corporate tax expenditures are calculated by the U.S. Treasury and published annually as a part of the Executive Budget of the United States. The data is in the Analytical Perspectives section of the Executive Budget. The Montana estimates were developed using the ratio of total income subject to tax and total income tax before credits for Montana and federal taxes. Total income subject to tax and total income tax comes from www.irs.gov, SOI tax statistics, total returns of active corporations, and from Montana data.

Property Tax Expenditures

Property Tax Expenditures

Property tax expenditures are provisions in the property tax laws that reduce taxes for properties that meet certain criteria.

In general, local governments may levy a certain amount of budget dollars, regardless of the tax base available to them. For that reason, property tax expenditures mostly represent a shift onto other taxpayers, rather than a reduction in tax revenues. The major exception to this is the revenue losses from the fixed statewide mills. In this section, the tax expenditure is reported as the decrease of state revenue caused by each program and the tax shift to other taxpayers is reported as a tax shift.

There are several local option reductions in tax revenue available to local governments, with the largest being the New and Expanding Industry Abatement (15-24-1401). These expenditures are contemplated by local governments and school districts, but do not affect tax dollars levied by the state. For that reason, local abatements are not considered in this section, although they do have tax shifting effects.

Residential Property Tax Expenditures

There are three major property tax programs that target homeowners: The Property Tax Assistance Program (PTAP), the Montana Disabled Veterans (MDV) Program, and the Intangible Land Value Property Exemption.

The Elderly Homeowner/Renter Credit is a credit based on property taxes. However, it is administered through the income tax, so it is classified as an income tax expenditure.

Property Tax Assistance Program (PTAP): 15-6-305, MCA

Legislation: HB 398, 1979 Session

The Property Tax Assistance Program (PTAP) reduces property taxes for low-income households. The program works by reducing the Class 4 tax rate by 80 percent, 50 percent, or 30 percent, depending on the income of the owners. Table 9.92 displays income ranges for different levels of tax rate reduction.

Table 9.92 TY 2024 PTAP Income Levels

Single Min.	Single Max.	Married Min.	Married Max.	Reduction %
0	13,590	0	18,310	80%
13,591	18,580	18,311	27,667	50%
18,581	27,621	27,668	37,019	30%

Table 9.93 contains summary information about the PTAP program.

Table 9.93 Property Tax Assistance Program Tax Expenditure

Tax Year	Participants	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Tax Benefit to Participants	Average Tax Benefit
2015	20,397	\$20,491,472	\$2,082,193	\$10,828,944	\$12,911,136	\$633
2016	22,551	\$22,768,947	\$2,313,681	\$12,278,536	\$14,592,217	\$647
2017	22,381	\$24,404,373	\$2,479,756	\$13,622,589	\$16,102,346	\$719
2018	23,021	\$25,488,134	\$2,589,729	\$14,603,900	\$17,193,630	\$747
2019	23,479	\$27,615,293	\$2,805,878	\$15,482,499	\$18,288,377	\$779
2020	22,639	\$27,692,549	\$2,813,852	\$15,720,994	\$18,534,846	\$819
2021	22,474	\$29,075,913	\$2,954,368	\$15,604,819	\$18,559,187	\$826
2022	21,527	\$28,007,306	\$2,845,918	\$15,292,524	\$18,138,442	\$843
2023	21,505	\$32,423,139	\$3,294,382	\$14,897,922	\$18,192,304	\$846
2024	30,468	\$65,850,305	\$6,690,113	\$29,713,283	\$36,403,396	\$1,195

The reduced taxable value from PTAP applies to the first \$350,000 in market value of the property. This was increased from a previous cap of \$200,000 prior to Tax Year 2024 by HB 189 of the 2023 Legislature. By Tax Year 2023, more than half of properties enrolled in the program had a greater market value than the cap of \$200,000. This bill also increased income thresholds for qualification. These changes explain the increase in both average benefit and number of participants from TY 2023 to TY 2024. In addition, in TY 2024 the department utilized property tax rebate data for a targeted post card mailing informing potentially eligible property owners that they may qualify for PTAP. Table 9.94 summarizes the program by tier of exemption percent in Tax Year 2024.

Table 9.94 Property Tax Assistance Program by Exemption Tier

PTAP Reduction Level	Properties	TV Reduction	Properties Over Value Cap	Loss in State Revenue	Tax Shifts	Total Benefit	Average Benefit
30%	4,577	\$4,850,387	40%	\$492,995	\$2,237,844	\$2,730,839	\$597
50%	4,152	\$7,357,573	41%	\$747,737	\$3,345,147	\$4,092,884	\$986
80%	21,739	\$53,642,345	30%	\$5,449,382	\$24,130,292	\$29,579,673	\$1,361
Total	30,468	\$65,850,305	33%	\$6,690,113	\$29,713,283	\$36,403,396	\$1,195

Montana Disabled Veterans (MDV) Program: 15-6-311, MCA

Legislation: HB 213, 1979 Session

The Montana Disabled Veterans (MDV) Program reduces property taxes for disabled veterans. It reduces the residential Class 4 tax rate by 100 percent, 80 percent, 70 percent, or 50 percent, depending on the level of income of qualified veterans. To qualify, the property must be the primary residence of a veteran who was honorably discharged and paid at the 100 percent disabled rate by the Department of Veterans Affairs for a service-connected disability. The spouse of a veteran killed while on active duty or who died from a service-connected disability qualifies for MDV benefits as well. Table 9.95 displays income ranges for different levels of tax rate reduction.

Table 9.95 TY 2024 MDV Income Levels

Single Min.	Single Max.	Married Min.	Married Max.	Surviving Sp. Min.	Surviving Sp. Max.	Reduction %
0	45,803	0	54,963	0	38,169	100%
45,804	50,384	54,964	59,544	38,170	42,750	80%
50,385	54,963	59,545	64,124	42,751	47,330	70%
54,964	59,544	64,125	68,705	47,331	51,911	50%

Table 9.96 contains summary information for the last ten years of the MDV program. Unlike PTAP, there is no cap on tax benefit for MDV. The more generous rate reductions and lack of value cap mean the average benefit to MDV properties is significantly higher than PTAP properties. However, there are only a tenth of the PTAP participants enrolled in MDV due to the qualifications.

Table 9.96 Montana Disabled Veteran Program Tax Expenditure

Tax Year	Participants	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Tax Benefit to Participants	Average Tax Benefit
2015	2,103	\$4,916,616	\$499,854	\$2,495,371	\$2,995,225	\$1,424
2016	2,383	\$5,324,319	\$541,332	\$2,764,896	\$3,306,227	\$1,387
2017	2,427	\$5,920,080	\$601,769	\$3,176,103	\$3,777,872	\$1,557
2018	2,567	\$6,370,030	\$647,417	\$3,528,561	\$4,175,978	\$1,627
2019	2,660	\$7,266,634	\$738,592	\$3,937,860	\$4,676,452	\$1,758
2020	2,824	\$7,944,119	\$807,196	\$4,315,708	\$5,122,904	\$1,814
2021	2,960	\$9,361,039	\$950,985	\$4,778,511	\$5,729,496	\$1,936
2022	3,028	\$9,573,247	\$972,630	\$4,970,760	\$5,943,390	\$1,963
2023	3,243	\$14,177,406	\$1,440,173	\$6,137,639	\$7,577,813	\$2,337
2024	3,455	\$15,139,389	\$1,538,225	\$6,529,965	\$8,068,190	\$2,335

Intangible Land Value Property Exemption: 15-6-240, MCA

Legislation: SB 94, 2017 Session

The Land Value Property Tax Assistance Program helps residential property owners if the value of their land is disproportionately higher than the value of their home or other buildings on their land, and the land has been in their family for at least 30 years. The benefit applies to the portion of the property owner's land value that is more than 150 percent of the department's appraised market value of the home and other improvements located on the land, effectively capping the value of the property owners land to 150 percent of the Improvement value. The benefit applies to a maximum of five acres. There is no value cap for the benefit, nor is there an income qualification.

Table 9.97 contains summary information of annual tax expenditures associated with this program since Tax Year 2018, which was the first year the program could be utilized.

Table 9.97 Intangible Land Value Property Exemption Tax Expenditure

Tax Year	Participants	Exempted Taxable Value	Loss in State Revenue	Tax Shift	Benefit to Participants	Average Benefit
2018	104	\$592,904	\$59,909	\$291,587	\$351,496	\$3,380
2019	120	\$594,461	\$60,072	\$285,401	\$345,473	\$2,879
2020	152	\$690,142	\$69,748	\$328,471	\$398,219	\$2,620
2021	151	\$663,594	\$67,081	\$281,932	\$349,013	\$2,311
2022	166	\$703,290	\$71,092	\$294,711	\$365,803	\$2,204
2023	197	\$1,463,532	\$147,903	\$448,612	\$596,515	\$3,028
2024	231	\$1,627,932	\$164,538	\$510,303	\$674,840	\$2,921

There is considerable variance in property value benefits under this program. Table 9.98 contains summary statistics of total tax benefit by property enrolled in the program.

Table 9.98 Summary Statistics for Intangible Land Value Exemption

Tax Year	Total Market Value of Properties			Associated Tax Savings		
	Min	Median	Max	Min	Median	Max
2018	\$61,422	\$798,175	\$3,753,800	\$114	\$2,326	\$17,621
2019	\$58,346	\$756,390	\$3,349,040	\$37	\$1,975	\$15,243
2020	\$58,346	\$756,390	\$3,197,290	\$37	\$1,756	\$14,891
2021	\$91,929	\$766,610	\$3,372,100	\$16	\$1,564	\$15,386
2022	\$70,485	\$723,138	\$3,372,100	\$19	\$1,540	\$14,832
2023	\$110,797	\$1,076,590	\$4,933,140	\$45	\$2,154	\$15,271
2024	\$105,304	\$1,022,200	\$4,933,140	\$77	\$2,149	\$15,669

Economic Development Tax Expenditures

In addition to the residential property tax exemptions, there are tax expenditures in statute that encourage economic development by reducing the taxable value of properties or by creating a Tax Increment Finance district. These expenditures are described below.

Energy Production or Development Tax Abatement: 15-24-3111, MCA

Legislation: HB 3, May 2007 Special Session

The energy production or development tax abatement provides a 50 percent rate reduction on a qualified energy production or development facility and equipment. The tax rate reduction may be in effect during the construction period and for the first 15 years after the facility begins operation, up to a total of 19 years. Currently, the properties that may take advantage of this abatement are Class 14 and Class 15, both of which are normally taxed at 3 percent. Class 15 property that qualifies under this program instead has a statutory tax rate of 1.5%, meaning that for class 15 property that qualifies under this program, it represents a 75% rate reduction. This program changes the tax rate to 1.5 percent for Class 14 property and 0.75% for Class 15 property.

Table 9.99 Energy Production or Development Tax Abatement Expenditure

Tax Year	Market Value	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Tax Benefit to Participants
2015	\$292,397,489	\$4,252,907	\$429,985	\$1,450,428	\$1,880,413
2016	\$265,608,525	\$3,984,127	\$402,829	\$1,532,755	\$1,935,584
2017	\$311,476,994	\$4,352,038	\$439,978	\$1,640,662	\$2,080,640
2018	\$270,122,970	\$3,793,800	\$383,588	\$1,491,228	\$1,874,816
2019	\$264,778,742	\$3,652,952	\$369,352	\$1,445,350	\$1,814,703
2020	\$168,989,059	\$2,214,106	\$223,714	\$763,197	\$986,911
2021	\$163,009,772	\$2,148,898	\$217,171	\$774,672	\$991,843
2022	\$236,551,136	\$3,274,652	\$330,900	\$1,015,684	\$1,346,584
2023	\$236,928,247	\$3,870,740	\$391,017	\$1,110,752	\$1,501,769
2024	\$225,424,801	\$3,672,445	\$370,990	\$1,093,394	\$1,464,384

New Fiber Optic and Coaxial Cable Exemption: 15-6-135, MCA; 15-6-156, MCA; 15-6-219, MCA

Legislation: SB 51, 2021 Session

Certain new fiber optic and coaxial cables are exempt from property taxation for the first five years; taxation will then phase in at 20 percent a year for the next five years until they are taxed at the normal rate in year ten. To receive and maintain the exemption, the company must reinvest the tax savings from the exemption into the installation of new fiber optic or coaxial cable within two years, and not use federal funds received pursuant to the federal American Rescue Plan Act. There is an annual reporting requirement with the Department of Revenue for companies claiming this exemption.

The fiscal impact of exempting new fiber optic and coaxial cables is estimated by calculating the reduction in taxable value resulting from the exemption. The Table 9.100 contains the market value of exempt cable, the associated decrease in taxable value, the loss in state revenue, and the estimated amount shifted to local taxpayers. Tax Year 2022 is the first year impacted by this tax expenditure.

Table 9.100 New Fiber Optic and Coaxial Cable Exemption

Tax Year	Exempt Market Value	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Tax Benefit
2022	\$20,159,589	\$604,788	\$61,180	\$299,022	\$360,202
2023	\$47,899,458	\$1,633,542	\$165,501	\$746,518	\$912,019
2024	\$113,359,539	\$4,270,178	\$432,642	\$1,788,646	\$2,221,288

New Manufacturing Machinery, Fixtures, and Equipment: 15-6-138, MCA;

Legislation: SB 530, 2023 Session

Manufacturing machinery, fixtures, and equipment installed and placed after December 31, 2022 are fully or partially exempt from taxation for five years, and then the normal tax-rate is phased in at 20 percent per year until the tenth year after placement when the property becomes fully taxable. This exemption is unique because it is modeled in part off the new and expanding industry local abatement, where companies must apply to the county commissioners of the jurisdiction the property is placed in. The commissioners may approve either a 90% or 100% abatement of the new manufacturing property, or at a minimum 80%. The unique aspect of this exemption is that it also applies to the state mills, unlike the new and expanding industry abatement.

The fiscal impact of exempting this property is calculated by applying the normal class 8 tax rate to the exempted property and then applying the relevant mills. The first year this program is applicable to is Tax Year 2024. Table 9.101 shows the amount of exempted taxable value, the forgone state mill revenue, and the local tax shifts associated with the exemption.

Table 9.101 New Manufacturing Machinery, Fixtures, and Equipment Exemption

Tax Year	Properties	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Tax Benefit
2024	11	2,199,141	225,369	1,073,014	1,298,384

Tax Increment Finance Districts: 7-15-4282, MCA

Legislation: HB 193, 1974 Session

Tax increment financing (TIF) provides for the segregation of the taxable value, in a qualified district, into base and increment values. Tax increment financing may be used to pay for a variety of development activities within the TIF district, including land acquisition, demolition and removal of structures, relocation of occupants, infrastructure costs, construction of publicly owned buildings and improvements, administration of urban renewal activities, and paying bonds that were issued to fund appropriate costs. To learn more about TIF districts, please refer to the property tax chapter of this report.

The TIF increment value is the amount of taxable value increase of the TIF district after its creation. The normal mills are applied against property in the district, and tax revenue levied against the increment is segregated for the purposes of the TIF district. There is different treatment for which mills are applied to the increment based on the type of district and its creation date. In general, all mills except the 6 university and 1.5 vo-tech school mills are levied against the incremental taxable value to generate revenue for the TIF.

Unlike the other property tax expenditures, there are no tax savings to taxpayers. Instead, the district diverts normal tax dollars for its purposes. Since TIF districts reduces state revenue collections from the equalization mills, it is included in this section, but it should be noted that the beneficiaries of TIF districts are projects that receive TIF funds, not taxpayers within the TIF district. Jurisdictions set mills by subtracting out TIF incremental value within their boundaries, which means that mills are higher than they would otherwise be for these jurisdictions if the TIF did not exist. Apart from the true expenditure of the statewide mills, the other mill categories represent tax increases due to the TIFs existence.

Table 9.102 TIF Expenditure

Tax Year	Increment	Revenue From Statewide Mills	Revenue From County Mills	Revenue From School Mills	Revenue From City Mills	Revenue From Misc. Mills	Total From All Mills
2015	\$50,785,821	\$4,871,444	\$9,031,894	\$12,909,760	\$5,823,421	\$1,498,020	\$34,134,539
2016	\$52,929,104	\$5,069,499	\$10,221,322	\$13,090,100	\$5,369,837	\$1,618,956	\$35,369,714
2017	\$58,171,093	\$5,571,918	\$10,688,524	\$14,728,273	\$6,639,817	\$2,245,574	\$39,874,104
2018	\$54,926,982	\$5,258,806	\$10,385,468	\$15,769,712	\$6,436,009	\$1,561,221	\$39,411,215
2019	\$72,989,242	\$6,993,062	\$13,560,838	\$20,471,046	\$8,999,505	\$2,408,196	\$52,432,647
2020	\$58,056,977	\$5,571,216	\$11,589,572	\$16,410,663	\$8,042,248	\$1,354,510	\$42,968,208
2021	\$67,214,436	\$6,859,036	\$12,563,265	\$17,320,044	\$9,522,703	\$1,793,353	\$48,058,402
2022	\$68,492,578	\$6,988,183	\$12,563,179	\$18,112,880	\$11,371,706	\$1,969,117	\$51,005,064
2023	\$99,816,016	\$9,526,262	\$13,165,924	\$22,368,499	\$15,353,542	\$2,499,083	\$62,913,309
2024	\$100,622,560	\$9,537,470	\$13,917,469	\$21,459,739	\$16,853,905	\$2,612,904	\$64,381,487

Centrally Assessed Tax Expenditures

Centrally Assessed Properties have the advantage of a unique exemption not available to locally assessed properties.

Intangible Personal Property (IPP) Exemption Legislation: SB 111, 1999 Session

Montana is a unit value state, which means a total unit value of a centrally assessed company is determined, and the relevant portion of the total value is allocated to Montana, using an apportionment formula for property tax purposes. The Montana unit value includes both tangible and Intangible Personal Property (IPP). Since centrally assessed companies are valued as a whole unit and not as a sum of each individual part, the value of IPP must be excluded from the unit value.

The concept of IPP is not easily grasped as it lacks a physical presence and cannot be seen or touched. IPP is statutorily defined in 15- 6-218, MCA. In some instances, the statute very clearly defines IPP. Certificates of stock, bonds, promissory notes, licenses, copyrights, patents, trademarks, contracts, software, and franchises are all specifically defined as IPP. However, IPP is also defined as the following more nebulous descriptions: goodwill, property that “has no intrinsic value but is representative of value,” or property that “lacks a physical presence.”

The department excludes IPP by automatically granting each company a percentage reduction to account for the inclusion of IPP in the unit value. However, a company may claim a larger reduction if it can prove that the value of IPP is greater than the default percentage provided by rule.

The fiscal impact of exempting intangible personal property is estimated by applying the appropriate tax rate to the exempted IPP value and applying the relevant mills.

Table 9.103 Intangible Personal Property Exemption

Tax Year	Exempt Market Value	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Tax Benefit
2015	\$1,864,874,318	\$116,341,728	\$11,818,446	\$53,397,311	\$65,215,756
2016	\$1,738,771,588	\$111,478,545	\$11,322,582	\$51,124,671	\$62,447,253
2017	\$2,445,472,074	\$154,291,592	\$15,680,073	\$77,326,355	\$93,006,427
2018	\$2,447,543,291	\$153,466,984	\$15,595,004	\$80,224,603	\$95,819,607
2019	\$2,390,922,811	\$151,032,836	\$15,346,013	\$76,664,770	\$92,010,783
2020	\$2,485,862,974	\$157,320,301	\$15,984,335	\$80,955,489	\$96,939,825
2021	\$2,753,790,896	\$172,465,976	\$17,530,867	\$90,403,847	\$107,934,714
2022	\$2,891,328,678	\$180,922,800	\$18,386,332	\$89,960,419	\$108,346,751
2023	\$2,438,106,034	\$150,770,681	\$15,318,564	\$63,960,386	\$79,278,950
2024	\$2,580,618,389	\$155,575,423	\$15,807,532	\$70,848,968	\$86,656,501

Generally Exempt Property

There are many types of property that are exempt from taxation. Article VIII, Section 5 of the Montana Constitution establishes the right of the legislature to exempt certain property from property taxation. Some of these exemptions are contained explicitly within the definitions of the classes of property, and some are contained in standalone code sections. An example of an exemption contained within a class definition is Pollution Control Equipment. The definition of class 5 property in 15-6-135 (3)(b)(i) states that “Air and water pollution control and carbon capture equipment placed in service after January 1, 2014 and that satisfies the criteria in subsection (2)(d) is exempt from taxation.” On the other hand, the Agricultural Processing Facilities Exemption is contained in a standalone code section 15-6-220. Some of the previous expenditures listed in this report fit into this category of expenditures as well. Table 9.104 contains a list of exempt property types and descriptive information about the exemptions. This table is partially sourced from Legislative Audit Division.

Table 9.104 Montana’s Exempt Property Type Descriptions

Exemption Type	Statutory Reference (MCA)	Year Enacted	Purpose When Enacted
Pollution Control and Carbon Capture	15-6-135(3)(b)(i)	2015	Exempt equipment mandated by current and future Clean Air and Environmental regulatory acts to promote compliance and public health
Renewable Small Electric Generation	15-6-225	2001	No Documented Purpose
Governmental Exemptions	15-6-201 (1) (a)	1891, 1977, 1993, 2009	No Documented Purpose
Religious Exemptions	15-6-201 (1) (b)	1891	No Documented Purpose
Agricultural and Horticultural Societies	15-6-201 (1) (d)	1891	No Documented Purpose
Educational Exemptions	15-6-201 (1) (e)	1891	No Documented Purpose
Nonprofit Healthcare	15-6-201 (1) (f)	1891	No Documented Purpose
Cemeteries, Mausoleums, Crematories	15-6-201 (1) (h)	1891	No Documented Purpose
Charitable Exemptions	15-6-201 (1) (i)	1891	No Documented Purpose
Art Galleries/Observatories/Zoos/Museums	15-6-201 (1) (k)	1911	No Documented Purpose
Nonprofit Water Association	15-6-201 (1) (l)	1987	No Documented Purpose
Developmentally Disabled Org/ Mentally Impaired	15-6-201 (1) (n) (i)	1983	No Documented Purpose
Retired/Aged/Chronically Ill	15-6-201 (1) (n) (ii)	1991	No Documented Purpose
Nonprofit International Athletic Facility	15-6-201 (1) (o)	1987	No Documented Purpose
Veteran's Clubhouse	15-6-203	1931	No Documented Purpose
Farm Buildings Less Than \$500	15-6-207 (3)	2005	No Documented Purpose
Community Service Building/ Fraternal	15-6-209	1977	No Documented Purpose
Low Income Housing	15-6-221	1999	No Documented Purpose
Transmission Line Right-of-Way Easement	15-6-229	2007	No Documented Purpose

Table 9.104 Montana’s Exempt Property Type Descriptions (continued)

Exemption Type	Statutory Reference (MCA)	Year Enacted	Purpose When Enacted
Temporary Tribal	15-6-230	2011	No Documented Purpose
Abandoned Mobile Homes	15-6-242	2019	No Documented Purpose
Exempt Mobile Homes	15-6-241	2019	No Documented Purpose
Natural Disaster	15-16-611	1979	No Documented Purpose
Navigable River	15-24-1208	1993	Exempt the portion of land which have rivers or streams deemed navigable which were proclaimed state owned as the result of court action
Deeded Exempt Right of Way	15-24-1208	1993	Exempt the portion of land deeded away to government entities for public right-of-ways
Designated Open Space	76-6-104	1969	Preserve open spaces to protect environmental life support systems from degradation and for the general health and welfare of the citizens of the state
The following exemptions are not utilized or entities that do utilize them qualify under a different program			
Property of Incompetent Veterans Held by a Guardian	15-6-203 (2)	1891	No documented purpose.
State Water Conservation Projects	15-6-205	1937	No documented purpose.
Irrigation and Drainage Facilities	15-6-206	1965	No documented purpose.
Property Rented or Leased to a Taxing Unit for Less Than \$100 a Year and Used for Public Park, Recreation, or Landscape Beautification Purposes	15-6-201 (1) (p)	2015	Exempt green space in Thompson Falls owned by the railroad and leased to the city for use as open space/a park.
Property Used in the Manufacture of Ammunition Components (Terminates December 31, 2024)	15-24-1410	2015	"The legislature intends to encourage the manufacture of smokeless propellant, small arms, primers, and cartridge cases within the borders of Montana to ensure availability of small arms ammunition for the people of Montana and to fully implement the right to bear arms that the people have reserved for themselves."
Business Incubator	15-24-1802	1989	Encourage the establishment of business incubator organizations, which assist startup companies in their first years by providing shared services such as secretarial telephone, fax, copy, computer, meeting facilities and consulting services.

Table 9.104 Montana's Exempt Property Type Descriptions (continued)

Exemption Type	Statutory Reference (MCA)	Year Enacted	Purpose When Enacted
Industrial Trade Park	15-24-1902	1989	Assist in local development by facilitating the establishment of industrial parks owned by local economic development organizations, which encourages industry to move into the state, thereby promoting job creation and increasing revenue for local governments.
Land and Buildings of a Local Economic Development Organization	15-24-2002	1991	Allow for vacant, rundown buildings to be sold or donated to an economic development organization to help reduce local deteriorating infrastructure and encourage economic development.

Table 9.105 shows the tax impact of some of the property tax exemptions that could be estimated in the property tax database. However, this is an underestimate, as the tax impact cannot be estimated for all types of exempt property. In particular, values on government property are not quality checked with the same diligence as normal property since they will not be taxed. Some designations categories overlap. For example, most right-of-way lands are owned by government entities. Entity level exemptions take precedent in this summary over property level exemptions.

Table 9.105 Montana's Exempt Property Tax Expenditures

Exemption Type	Properties	Exempted Market Value	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Benefit
Governmental Exemptions	119,406	16,402,626,884	211,195,209	21,471,890	101,359,190	122,831,081
Pollution Control and Carbon Capture	19	2,351,410,706	70,542,321	7,229,986	27,836,296	35,066,282
Non-Profit Health Care	473	2,702,451,290	51,040,831	5,191,530	26,895,783	32,087,312
Religious Exemptions	2,665	2,114,170,334	39,107,672	3,974,481	19,593,012	23,567,493
Charitable Exemptions	1,352	1,220,619,858	23,925,406	2,438,167	11,372,644	13,810,811
Low Income Housing	260	855,515,764	15,914,160	1,620,642	8,832,569	10,453,211
Educational Exemptions	239	890,606,523	16,730,863	1,701,283	8,029,100	9,730,383
Developmentally Disabled Org/ Mentally Impaired	361	202,822,325	3,553,685	361,752	1,953,925	2,315,677
Retired/Aged/ Chronically Ill	52	173,065,755	3,257,698	331,585	1,830,799	2,162,384
Community Service Building/Fraternal	349	155,320,925	2,912,749	295,810	1,489,824	1,785,634
Designed Open Space	968	226,307,304	4,232,930	428,434	1,253,981	1,682,415

Table 9.105 Montana's Exempt Property Tax Expenditures (continued)

Exemption Type	Properties	Exempted Market Value	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Benefit
Agriculture Processing Facility Exemption	19	85,466,545	2,135,056	218,107	1,141,344	1,359,451
Art Galleries/ Observatories/Zoos/ Museums	115	110,204,759	2,054,186	208,919	948,093	1,157,013
Exempt Mobile Home	10,471	66,225,683	894,047	90,699	400,274	490,974
Veteran's Clubhouse	98	34,637,666	631,193	64,010	315,650	379,659
Cemetery, Mausoleums, Crematories	155	24,433,901	447,489	45,634	235,208	280,843
Non-Profit Water Association	92	14,726,614	263,575	26,817	111,891	138,708
Temporary Tribal Tax Exemptions (15-6-230, MCA)	85	6,380,371	114,419	11,556	53,972	65,528
Natural Disaster	68	6,255,822	101,259	10,258	51,153	61,411
Horticulture/ Agricultural Societies	5	5,159,101	95,763	9,672	40,130	49,802
Transmission Line Right-of-Way	433	4,169,402	90,059	9,107	38,600	47,707
Unknown	88	4,372,811	71,696	7,278	38,333	45,611
Deeded Exempt Right of Way	75	4,373,499	82,659	8,353	34,855	43,207
Farm Buildings Less Than \$500	18,612	5,788,024	78,138	7,904	30,393	38,297
Renewable Small Electric Generation	2	497,730	29,864	3,061	20,980	24,041
Property on RR Land Leased to Non-Profit Org.	2	1,199,874	22,678	2,324	12,848	15,173
Navigable River	141	1,228,783	23,224	2,353	8,604	10,957
Non-Profit International Athletic Facility	1	379,254	7,168	724	3,636	4,360
Abandoned Mobile Home (15-6-242, MCA)	22	152,980	2,065	209	685	894
Total	156,628	27,670,570,487	449,558,062	45,772,545	213,933,772	259,706,319

In addition to the exemptions above, some personal property is also specifically exempt from property taxation including:

- the first \$1,00,000 of Class 8 business equipment
- freeport merchandise and business inventories
- agricultural irrigation systems livestock and the unprocessed products of livestock
- livestock that is subject to a per capita fee
- producer-held grain in storage; unprocessed agricultural products
- poultry and the unprocessed products of poultry
- bees and the unprocessed products of bees
- biological control insects
- some sugar beet equipment
- agricultural implements and machinery worth less than \$100
- down-hole equipment in oil and gas wells
- certain motion picture and television property
- intangible personal property, including software
- harness, saddles, and other tack
- the first \$15,000 or less of handheld tools
- household goods and furniture
- bicycles or mopeds used for personal transportation
- personal property intended for rent or lease if it meets specific conditions
- space vehicles and all associated equipment
- title plane owned by a title insurer
- business equipment used in the manufacture of ammunition components
- property subject to registration fees

These exemptions do not have a quantifiable tax expenditure because of the reporting nature of personal property. For example, if the legislature wanted to remove the exemption for household goods and furniture and require every citizen in Montana to report the value of their furniture, the department would not have a way to reliably estimate the revenue that would generate because there is no current reporting requirement. Similarly, the \$1 million exemption of business equipment results in hundreds of businesses with personal property less than the exemption threshold. They have no filing requirement as a result, so their property values are not contained in the property tax system. Therefore, no estimate of the tax expenditure associated with these personal property exemptions is given.

Natural Resource Tax Expenditures

Oil and Gas Tax Expenditures

There are many tax rates for production from oil and natural gas wells, depending on the type of well, when it was drilled, and whether the production is owned by working interest or royalty owners.

The following tax expenditures only apply to working interest owners; the tax rate on royalties is always 15.1 percent. When this section refers to the “regular rate” for oil, that implies a tax rate of 9.3 percent for post-1999 oil wells, or 12.8 percent for pre-1999 oil wells. The “regular rate” for natural gas is 9.3 percent for post-99 gas wells, or 15.1 percent for pre-1999 gas wells.

Estimated expenditures are summarized in a table at the end of this section.

Reduced Rates for “New” Oil and Gas Production

Code: 15-36-304, MCA

Legislation: HB 553, 1977 Session

Oil and gas produced from a well that qualifies as “new” production are taxed at a reduced rate of 0.8 percent. This reduced rate applies for the first 12 months of production from a conventional vertical well and the first 18 months of production from a horizontally completed well.

New production includes production from new wells, as well as from existing wells that have not produced oil or gas during the previous 60 months. This reduced rate is intended to provide an incentive for the exploration, development, and production of oil and gas.

Reduced Rate for Horizontally Recompleted Oil Wells

Code: 15-36-304, MCA

Legislation: SB 18, 1993 Session

The first 18 months of incremental production from a horizontally recompleted well is taxed at 5.8 percent. After this period, the tax rate reverts to the regular rate.

There had been no production reported from horizontally recompleted oil wells until the first quarter of Calendar Year 2024.

Reduced Rates for Incremental Oil Production from Enhanced Recovery Projects

Code: 15-36-304, MCA

Legislation: HB 636, 1985 Session; SB 28, 2019 Session

Incremental production (excess production generated by an enhanced recovery project) receives preferential tax rates. In any quarter when the average price of West Texas Intermediate (WTI) crude oil is less than \$54 per barrel, incremental production from secondary recovery projects is taxed at 8.8 percent. Otherwise, these wells are taxed at the regular rate.

Incremental production from tertiary recovery projects is always taxed at 6.1 percent. See 15-36-303, MCA, for the definitions and differences between secondary and tertiary recovery projects. These reduced rates provide incentive to keep existing wells open by subsidizing the cost of increasing their productive capacity.

Reduced Rates for Stripper Exemption and Stripper Oil Wells

Code: 15-36-304, MCA

Legislation: HB 661, 1999 Session; HB 658, 1999 Session

In any quarter when the average price received by the well operator is less than \$54 per barrel of crude oil, oil from wells on leases that produce less than 3 barrels per well per day is taxed at 0.8 percent (stripper exemption). If the price received is equal to or greater than \$54 per barrel, this oil is taxed at 5.3 percent.

In any quarter that the average price received by the producer is less than \$30 per barrel, wells drilled on or after January 1, 1999 that produce between 3 and 15 barrels per well per day are classified as stripper wells and are taxed at 5.3 percent on the first 10 barrels. If applicable, barrels 11 through 15 are taxed at the regular rate. If the average price received by the producer is at least \$30 per barrel, post-1999 stripper wells are taxed at the regular rate.

For wells drilled before 1999, the criteria for stripper well classification differs slightly. Pre-1999 oil wells that produce between 3 and 10 barrels per well per day, regardless of the average price received, are classified as stripper wells and are taxed at 9.3 percent. The reduced rates on stripper exemption and stripper oil provide an incentive to keep low-volume wells in production.

Reduced Rates for Pre-1999 “Stripper” Gas Wells

Code: 15-36-304, MCA

Legislation: SB 530, 1999 Session

Gas wells drilled prior to January 1, 1999, that produced less than 60,000 cubic feet of natural gas a day during the previous year (stripper wells) receive a preferential tax rate of 11.3 percent. The reduced rate for stripper gas wells provides an incentive to keep low-volume wells in production.

Oil and Natural Gas Severance Tax Expenditures

Table 9.106 Natural Gas: New Production Tax Holiday

Fiscal Year	Working Interest Value	Actual Tax Rate	Tax Revenue	Normal Tax Rate	Normal Tax Revenue	Tax Expenditure
2020	\$2,737,083	0.800%	\$21,897	9.300%	\$143,462	\$232,652
2021	\$1,978,144	0.800%	\$15,825	9.300%	\$476,536	\$168,142
2022	\$7,457,276	0.800%	\$59,658	9.300%	\$254,498	\$633,868
2023	\$19,597,106	0.800%	\$156,777	9.300%	\$183,967	\$1,665,754
2024	\$23,743,035	0.800%	\$189,944	9.300%	\$404,557	\$2,018,158

Table 9.107 Natural Gas: Drilled Before 1999 and Average < 60 MCF/Day in Prior CY

Fiscal Year	Working Interest Value	Actual Tax Rate	Tax Revenue	Normal Tax Rate	Normal Tax Revenue	Tax Expenditure
2020	\$7,415,138	11.300%	\$837,911	15.100%	\$1,058,500	\$266,377
2021	\$12,001,544	11.300%	\$1,356,175	15.100%	\$1,811,220	\$455,803
2022	\$24,048,802	11.300%	\$2,717,515	15.100%	\$2,287,125	\$575,567
2023	\$18,781,087	11.300%	\$2,122,263	15.100%	\$2,835,944	\$713,681
2024	\$6,901,939	11.300%	\$779,919	15.100%	\$1,017,169	\$255,976

Table 9.108 Oil: New Production Tax Holiday

Fiscal Year	Working Interest Value	Actual Tax Rate	Tax Revenue	Normal Tax Rate	Normal Tax Revenue	Tax Expenditure
2020	\$150,619,408	0.800%	\$1,204,955	9.300%	\$14,007,605	\$12,802,650
2021	\$84,792,857	0.800%	\$678,343	9.300%	\$7,885,736	\$7,207,393
2022	\$240,572,715	0.800%	\$1,924,582	9.300%	\$22,373,262	\$20,448,681
2023	\$377,860,866	0.800%	\$3,022,887	9.300%	\$35,141,061	\$32,118,174
2024	\$460,507,785	0.800%	\$3,684,062	9.300%	\$42,827,224	\$39,143,162

Table 9.109 Oil: Incremental Production

Fiscal Year	Working Interest Value	Actual Tax Rate	Tax Revenue	Normal Tax Rate	Normal Tax Revenue	Tax Expenditure
2020	\$18,870,988	6.100%	\$1,151,130	9.300%	\$1,755,002	\$603,872
2021	\$21,288,739	6.100%	\$1,298,613	9.300%	\$1,979,853	\$681,240
2022	\$0	6.100%	\$0	9.300%	\$0	\$0
2023	\$0	6.100%	\$0	9.300%	\$0	0
2024	\$0	6.100%	\$0	9.300%	\$0	\$0

Table 9.110 Oil: Stripper Well Production

Fiscal Year	Working Interest Value	Actual Tax Rate	Tax Revenue	Normal Tax Rate	Normal Tax Revenue	Tax Expenditure
2020	\$19,611,737	0.807%	\$158,206	9.300%	\$1,823,892	\$1,665,686
2021	\$21,423,237	2.788%	\$597,225	9.300%	\$1,992,361	\$1,395,136
2022	\$45,882,981	5.828%	\$2,673,843	9.300%	\$4,267,117	\$1,593,274
2023	\$42,833,421	5.554%	\$2,378,763	9.300%	\$3,983,508	\$1,604,746
2024	\$30,653,977	5.327%	\$1,632,854	9.300%	\$2,850,820	\$1,217,966

Table 9.111 Sum of Expenditures

Fiscal Year	Natural Gas Expenditures	Oil Tax Expenditures	Oil and Natural Gas Tax
2020	\$499,029	\$15,072,208	\$15,571,237
2021	\$623,945	\$9,283,769	\$9,907,714
2022	\$1,209,435	\$22,041,955	\$23,251,390
2023	\$2,379,435	\$33,722,407	\$36,101,842
2024	\$2,274,134	\$40,436,891	\$42,711,025

Shared Revenue

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Overview

The Department of Revenue allocates certain revenue from the state to local governments. This includes revenue from natural resources and the Entitlement Share Payment.

Table 10.1 describes the distributions.

Table 10.1 FY 2023-2024 Shared Revenue Distribution Amounts By Source

Revenue Source	Share Provision	Share Cycle	FY 2023 Shared Amount	FY 2024 Shared Amount
Oil and Natural Gas Production Tax (15-36-332, MCA)	Local governments receive approximately half of all oil and natural gas production tax received by the state. The percentage for each county is based on the allocations under the pre-2003 mill-based system. The county share of the revenue is distributed between elementary retirement funds, high school retirement funds, countywide transportation funds, school districts, community colleges, and county governments.	August 1, November 1, February 1, May 1	\$65,979,810	\$61,866,511
Federal Mineral Royalties (17-3-240, MCA)	Twenty-five percent of the money received by the state for federal mineral royalties is allocated to local governments. Distribution to eligible counties is based on the proportion that the total amount of revenue generated by mineral extraction in an eligible county bears to the total amount of money received by the state.	August 15,	\$11,923,593	\$5,357,555
Coal Gross Proceeds Tax (15-23-703, MCA)	The revenue is proportionally distributed to the taxing jurisdictions in which production occurred, based on the total number of mills levied in fiscal year 1990.	May 31, November 30	\$11,623,664	\$20,942,169
Bentonite Tax (15-39-110, MCA)	The tax is distributed according to a statutory formula that distributes the tax among state and local entities.	October 1, April 1	\$701,341	\$859,914
Metalliferous Mines License Tax (15-37-117, MCA)	Metalliferous mines license tax is distributed to various entities, including 25 percent to the counties in which the mine is located or to a county experiencing fiscal impacts from the mine, as indicated by an economic impact study.	60 days following August 15 and March 31	\$5,437,086	\$5,160,002
Entitlement Share Payment (15-1-121, MCA)	Local governments receive an annual payment from the state as a reimbursement due to permanent reductions in local revenue.	September, December, March, June	\$153,414,372	\$161,172,491

In the past, most natural resource taxation was a property tax, where state and local taxing jurisdictions taxed mineral production based on the number of mills levied at the location of production activity. Since differences in tax bases leads to different mill rates, the same resource extraction could end up with wildly different tax rates based on location.

Over time, the legislature has changed this system to where almost all resource extraction taxes are now the responsibility of the Department of Revenue to collect at a fixed tax rate. Revenue is then shared in fixed proportions with the local jurisdictions where production occurred.

Table 10.2 and 10.3 show total combined revenue distributed to the counties. This revenue is shared with schools, cities, and towns.

Table 10.2 Shared Revenue by County - FY 2023

County	Oil and Natural Gas Tax	Oil and Gas Resource Account	Coal Gross Proceeds Tax	Federal Mineral Royalties	Bentonite Tax	Metalliferous Mines License Tax	Entitlement Share Payments	Total Shared Revenue
Beaverhead	\$0	\$0	\$0	\$531	\$0	\$0	\$1,380,428	\$1,380,959
Big Horn	\$53,475	\$1,533	\$4,536,800	\$2,390,007	\$0	\$0	\$1,238,261	\$8,220,076
Blaine	\$1,148,588	\$15,589	\$0	\$40,736	\$0	\$0	\$1,008,048	\$2,212,962
Broadwater	\$0	\$0	\$0	\$0	\$0	\$0	\$947,170	\$947,170
Carbon	\$1,111,801	\$10,206	\$0	\$195,923	\$292,891	\$0	\$1,554,212	\$3,165,033
Carter	\$28,252	\$339	\$0	\$11,707	\$408,450	\$0	\$366,247	\$814,994
Cascade	\$0	\$0	\$0	\$0	\$0	\$0	\$11,736,510	\$11,736,510
Chouteau	\$62,121	\$1,282	\$0	\$3,770	\$0	\$0	\$1,594,510	\$1,661,683
Custer	\$0	\$0	\$0	\$273	\$0	\$0	\$2,274,304	\$2,274,576
Daniels	\$36,799	\$375	\$0	\$0	\$0	\$0	\$782,728	\$819,902
Dawson	\$1,618,075	\$15,357	\$0	\$159,132	\$0	\$0	\$2,511,389	\$4,303,953
Deer Lodge	\$0	\$0	\$0	\$0	\$0	\$0	\$1,722,535	\$1,722,535
Fallon	\$9,786,098	\$112,055	\$0	\$1,023,673	\$0	\$0	\$939,414	\$11,861,240
Fergus	\$836	\$18	\$0	\$408	\$0	\$0	\$1,946,549	\$1,947,811
Flathead	\$0	\$0	\$0	\$0	\$0	\$0	\$11,221,219	\$11,221,219
Gallatin	\$0	\$0	\$0	\$0	\$0	\$0	\$10,961,006	\$10,961,006
Garfield	\$9,451	\$141	\$0	\$2,260	\$0	\$0	\$436,830	\$448,681
Glacier	\$771,357	\$10,781	\$0	\$3,163	\$0	\$0	\$1,629,382	\$2,414,683
Golden Valley	\$0	\$0	\$0	\$0	\$0	\$0	\$135,894	\$135,894
Granite	\$0	\$0	\$0	\$0	\$0	\$0	\$661,785	\$661,785
Hill	\$245,976	\$5,050	\$0	\$4,062	\$0	\$0	\$2,889,077	\$3,144,164
Jefferson	\$0	\$0	\$0	\$0	\$0	\$0	\$1,496,928	\$1,496,928
Judith Basin	\$0	\$0	\$0	\$0	\$0	\$0	\$546,846	\$546,846
Lake	\$0	\$0	\$0	\$0	\$0	\$0	\$2,622,972	\$2,622,972
Lewis & Clark	\$0	\$0	\$0	\$0	\$0	\$0	\$8,351,674	\$8,351,674

Table 10.2 Shared Revenue by County - FY 2023 (continued)

County	Oil and Natural Gas Tax	Oil and Gas Resource Account	Coal Gross Proceeds Tax	Federal Mineral Royalties	Bentonite Tax	Metalliferous Mines License Tax	Entitlement Share Payments	Total Shared Revenue
Liberty	\$289,587	\$6,563	\$0	\$11,765	\$0	\$0	\$801,463	\$1,109,378
Lincoln	\$0	\$0	\$0	\$0	\$0	\$0	\$2,178,778	\$2,178,778
Madison	\$0	\$0	\$0	\$0	\$0	\$0	\$1,292,613	\$1,292,613
McCone	\$4,795	\$70	\$0	\$231	\$0	\$0	\$701,031	\$706,127
Meagher	\$0	\$0	\$0	\$0	\$0	\$454	\$395,619	\$396,073
Mineral	\$0	\$0	\$0	\$0	\$0	\$0	\$718,808	\$718,808
Missoula	\$0	\$0	\$0	\$0	\$0	\$0	\$17,054,188	\$17,054,188
Musselshell	\$252,192	\$2,696	\$3,696,323	\$3,883,054	\$0	\$0	\$682,100	\$8,516,364
Park	\$0	\$0	\$0	\$0	\$0	\$127,832	\$2,361,769	\$2,489,601
Petroleum	\$22,883	\$439	\$0	\$9,333	\$0	\$0	\$144,122	\$176,777
Phillips	\$1,033,169	\$16,238	\$0	\$386,574	\$0	\$0	\$823,745	\$2,259,726
Pondera	\$197,035	\$2,587	\$0	\$1,036	\$0	\$0	\$1,306,854	\$1,507,512
Powder River	\$7,414,191	\$60,468	\$0	\$617,829	\$0	\$0	\$635,362	\$8,727,851
Powell	\$0	\$0	\$0	\$0	\$0	\$0	\$821,984	\$872,008
Prairie	\$77,082	\$175	\$0	\$27,686	\$0	\$0	\$372,578	\$523,346
Ravalli	\$0	\$0	\$0	\$0	\$0	\$0	\$3,456,286	\$3,639,800
Richland	\$30,676,651	\$63,432	\$205,054	\$217,126	\$0	\$0	\$1,977,903	\$33,988,149
Roosevelt	\$6,436,371	\$14,378	\$0	\$92,068	\$0	\$0	\$1,681,961	\$8,829,029
Rosebud	\$327,173	\$642	\$3,370,721	\$1,727,247	\$0	\$0	\$4,203,433	\$8,756,068
Sheridan	\$1,776,685	\$15,789	\$0	\$15,934	\$0	\$0	\$1,455,426	\$3,263,834
Silver Bow	\$0	\$0	\$0	\$0	\$0	\$2,408,306	\$5,709,896	\$8,118,202
Stillwater	\$84,569	\$1,171	\$0	\$5,170	\$0	\$1,874,325	\$1,646,666	\$3,611,902
Sweet Grass	\$409	\$2	\$0	\$0	\$0	\$1,026,169	\$712,591	\$1,739,171
Teton	\$104,661	\$1,658	\$0	\$0	\$0	\$0	\$1,155,356	\$1,261,675
Toole	\$853,608	\$13,226	\$0	\$40,854	\$0	\$0	\$1,583,453	\$2,491,141
Treasure	\$0	\$0	\$0	\$233,274	\$0	\$0	\$211,384	\$444,658

Table 10.2 Shared Revenue by County - FY 2023 (continued)

County	Oil and Natural Gas Tax	Oil and Gas Resource Account	Coal Gross Proceeds Tax	Federal Mineral Royalties	Bentonite Tax	Metalliferous Mines License Tax	Entitlement Share Payments	Total Shared Revenue
Valley	\$241,039	\$3,052	\$0	\$466,807	\$0	\$0	\$1,208,516	\$1,919,414
Wheatland	\$0	\$0	\$0	\$0	\$0	\$0	\$433,991	\$433,991
Wibaux	\$1,284,894	\$11,696	\$0	\$184,928	\$0	\$0	\$502,962	\$1,984,481
Yellowstone	\$29,988	\$411	\$342,242	\$0	\$0	\$0	\$23,526,893	\$23,899,534
Total	\$65,979,810	\$897,388	\$11,623,664	\$11,923,593	\$701,341	\$5,437,086	\$153,414,372	\$249,977,255

Table 10.3 Shared Revenue by County - FY 2024

County	Oil and Natural Gas Tax	Oil and Gas Resource Account	Coal Gross Proceeds Tax	Federal Mineral Royalties	Bentonite Tax	Metalliferous Mines License Tax	Entitlement Share Payments	Total Shared Revenue
Beaverhead	\$0	\$0	\$0	\$542	\$0	\$0	\$1,441,519	\$1,442,061
Big Horn	\$55,475	\$1,730	\$4,276,684	\$1,971,061	\$0	\$0	\$1,344,286	\$7,649,235
Blaine	\$985,445	\$13,157	\$0	\$43,193	\$0	\$0	\$1,106,865	\$2,148,660
Broadwater	\$0	\$0	\$0	\$0	\$0	\$0	\$991,104	\$991,104
Carbon	\$950,263	\$10,052	\$0	\$168,939	\$142,232	\$0	\$1,607,104	\$2,878,589
Carter	\$9,548	\$146	\$0	\$3,836	\$717,682	\$0	\$378,321	\$1,109,533
Cascade	\$0	\$0	\$0	\$0	\$0	\$0	\$12,337,711	\$12,337,711
Chouteau	\$24,178	\$625	\$0	\$4,810	\$0	\$0	\$1,722,754	\$1,752,367
Custer	\$0	\$0	\$0	\$354	\$0	\$0	\$2,380,060	\$2,380,414
Daniels	\$4,801	\$48	\$0	\$0	\$0	\$0	\$822,925	\$827,774
Dawson	\$1,348,613	\$18,755	\$0	\$118,076	\$0	\$0	\$2,620,170	\$4,105,614
Deer Lodge	\$0	\$0	\$0	\$0	\$0	\$0	\$1,797,876	\$1,797,876
Fallon	\$8,427,592	\$113,932	\$0	\$746,405	\$0	\$0	\$970,843	\$10,258,771
Fergus	\$334	\$10	\$0	\$1,135	\$0	\$0	\$2,067,945	\$2,069,424
Flathead	\$0	\$0	\$0	\$0	\$0	\$0	\$11,717,976	\$11,717,976
Gallatin	\$0	\$0	\$0	\$0	\$0	\$0	\$11,664,617	\$11,664,617
Garfield	\$7,083	\$118	\$0	\$1,423	\$0	\$0	\$461,687	\$470,310
Glacier	\$704,601	\$10,239	\$0	\$3,138	\$0	\$0	\$1,726,318	\$2,444,296
Golden Valley	\$0	\$0	\$0	\$0	\$0	\$0	\$142,274	\$142,274
Granite	\$0	\$0	\$0	\$0	\$0	\$2,956	\$684,919	\$687,876
Hill	\$100,198	\$2,834	\$0	\$3,030	\$0	\$0	\$3,063,703	\$3,169,765
Jefferson	\$0	\$0	\$0	\$0	\$0	\$0	\$1,588,462	\$1,588,462
Judith Basin	\$0	\$0	\$0	\$0	\$0	\$0	\$573,449	\$573,449
Lake	\$0	\$0	\$0	\$0	\$0	\$0	\$2,729,950	\$2,729,950
Lewis & Clark	\$0	\$0	\$0	\$0	\$0	\$0	\$8,719,007	\$8,719,007
Liberty	\$203,408	\$3,244	\$0	\$3,990	\$0	\$0	\$875,148	\$1,085,790

Table 10.3 Shared Revenue by County - FY 2024 (continued)

County	Oil and Natural Gas Tax	Oil and Gas Resource Account	Coal Gross Proceeds Tax	Federal Mineral Royalties	Bentonite Tax	Metalliferous Mines License Tax	Entitlement Share Payments	Total Shared Revenue
Lincoln	\$0	\$0	\$0	\$0	\$0	\$0	\$2,259,059	\$2,259,059
Madison	\$0	\$0	\$0	\$0	\$0	\$0	\$1,344,339	\$1,344,339
McCone	\$2,146	\$33	\$0	\$236	\$0	\$0	\$755,880	\$758,296
Meagher	\$0	\$0	\$0	\$0	\$0	\$1,327	\$418,566	\$419,893
Mineral	\$0	\$0	\$0	\$0	\$0	\$0	\$748,146	\$748,146
Missoula	\$0	\$0	\$0	\$0	\$0	\$0	\$17,886,799	\$17,886,799
Musselshell	\$245,003	\$2,961	\$9,212,167	\$3,696	\$0	\$0	\$714,226	\$10,178,054
Park	\$0	\$0	\$0	\$0	\$0	\$212,293	\$2,442,588	\$2,654,881
Petroleum	\$25,800	\$587	\$0	\$8,128	\$0	\$0	\$158,163	\$192,678
Phillips	\$307,475	\$9,098	\$0	\$69,651	\$0	\$0	\$872,383	\$2,034,024
Pondera	\$172,499	\$2,746	\$0	\$1,022	\$0	\$0	\$1,404,955	\$1,561,589
Powder River	\$5,710,029	\$54,086	\$0	\$427,827	\$0	\$0	\$650,727	\$10,051,817
Powell	\$0	\$0	\$0	\$0	\$0	\$0	\$841,291	\$841,291
Prairie	\$66,955	\$965	\$0	\$18,177	\$0	\$0	\$387,191	\$477,345
Ravalli	\$0	\$0	\$0	\$0	\$0	\$0	\$3,535,083	\$3,535,083
Richland	\$29,769,790	\$411,279	\$234,790	\$221,363	\$0	\$0	\$2,057,776	\$34,932,653
Roosevelt	\$8,336,027	\$97,465	\$0	\$102,453	\$0	\$0	\$1,734,525	\$10,245,674
Rosebud	\$296,357	\$7,373	\$2,285,730	\$721,343	\$0	\$0	\$4,251,429	\$7,708,322
Sanders	\$0	\$0	\$0	\$0	\$0	\$0	\$2,053,982	\$2,053,982
Sheridan	\$1,566,906	\$15,295	\$0	\$13,733	\$0	\$0	\$1,624,289	\$3,220,223
Silver Bow	\$0	\$0	\$0	\$0	\$0	\$2,450,327	\$5,944,012	\$8,394,339
Stillwater	\$77,735	\$1,193	\$0	\$5,039	\$0	\$1,695,856	\$1,694,590	\$3,474,414
Sweet Grass	\$0	\$0	\$0	\$0	\$0	\$797,242	\$736,670	\$1,533,912
Teton	\$107,485	\$2,062	\$0	\$0	\$0	\$0	\$1,214,137	\$1,323,684
Toole	\$660,618	\$10,997	\$0	\$32,812	\$0	\$0	\$1,719,617	\$2,424,043
Treasure	\$0	\$0	\$0	\$134,350	\$0	\$0	\$225,135	\$359,485

Table 10.3 Shared Revenue by County - FY 2024 (continued)

County	Oil and Natural Gas Tax	Oil and Gas Resource Account	Coal Gross Proceeds Tax	Federal Mineral Royalties	Bentonite Tax	Metalliferous Mines License Tax	Entitlement Share Payments	Total Shared Revenue
Valley	\$173,418	\$2,592	\$0	\$14,388	\$0	\$0	\$1,286,001	\$1,476,400
Wheatland	\$0	\$0	\$0	\$0	\$0	\$0	\$457,419	\$457,419
Wibaux	\$1,125,608	\$11,998	\$0	\$134,925	\$0	\$0	\$519,041	\$1,791,572
Yellowstone	\$25,304	\$389	\$3,617,151	\$0	\$0	\$0	\$24,680,534	\$28,323,378
Total	\$61,490,692	\$1,066,295	\$20,942,169	\$5,357,555	\$859,914	\$5,160,002	\$161,172,491	\$256,424,936

Bentonite Tax

Bentonite Revenue

Revenue is distributed according to a statutory formula (15-39-110, MCA). Two counties produce bentonite: Carbon and Carter.

Table 10.4 Bentonite Distribution

County	FY 2021	FY 2022	FY 2023	FY 2024
Carbon	\$96,070	\$126,983	\$292,891	\$320,409
Carter	\$362,019	\$338,238	\$408,450	\$1,391,842
Total	\$458,089	\$465,221	\$701,341	\$1,712,250

Coal Gross Proceeds

Unlike the other revenue sources in this section, coal gross proceeds are collected by the counties. The Department of Revenue certifies the gross proceeds of the mine, and the county collects the tax and remits part of this revenue back to the state. Revenue from coal gross proceeds is distributed to taxing authorities in the same proportion as it was in Fiscal Year 1990 (15-23-703, MCA). Coal gross proceeds are currently allocated in five counties.

Table 10.5 Coal Gross Proceeds Distribution

County	FY 2021	FY 2022	FY 2023	FY 2024
Big Horn	\$4,292,678	\$3,349,375	\$4,536,800	\$4,276,684
Musselshell	\$3,068,908	\$1,154,750	\$3,696,323	\$9,212,167
Richland	\$205,054	\$234,790	\$98,768	\$21,791
Rosebud	\$3,370,721	\$2,285,730	\$2,949,531	\$3,814,376
Yellowstone	\$725,710	\$1,481,610	\$342,242	\$3,617,151
Total	\$11,663,072	\$8,505,255	\$11,623,664	\$20,942,169

Federal Mineral Royalties

Twenty-five percent of the revenue received by the state for federal mineral royalties is allocated to local governments. It is distributed based on mineral production in each county. (17-3-240, MCA)

Table 10.6 Federal Mineral Royalties Distribution

County	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Beaverhead	\$494	\$494	\$0	\$991	\$531	\$542
Big Horn	\$2,953,182	\$2,172,795	\$1,892,598	\$1,224,079	\$2,390,007	\$1,971,061
Blaine	\$34,603	\$35,369	\$38,557	\$21,659	\$40,736	\$43,193
Broadwater	\$0	\$0	\$0	\$0	\$195,923	\$168,939
Carbon	\$139,042	\$167,674	\$124,510	\$65,405	\$11,707	\$3,836
Carter	\$10,490	\$10,667	\$9,522	\$6,107	\$3,770	\$4,810
Cascade	\$0	\$0	\$0	\$0	\$273	\$354
Chouteau	\$3,292	\$3,227	\$4,405	\$1,145	\$0	\$0
Custer	\$13,750	\$370	\$190	\$191	\$159,132	\$118,076
Daniels	\$479	\$554	\$459	\$407	\$1,023,673	\$746,405
Dawson	\$133,708	\$172,981	\$206,261	\$82,046	\$408	\$1,135
Deer Lodge	\$0	\$0	\$0	\$0	\$0	\$0
Fallon	\$636,332	\$1,004,898	\$574,838	\$483,667	\$2,260	\$1,423
Fergus	\$729	\$741	\$1,057	\$653	\$3,163	\$3,138
Flathead	\$0	\$0	\$0	\$0	\$0	\$0
Gallatin	\$63	\$63	\$63	\$0	\$4,062	\$3,030
Garfield	\$6,763	\$1,429	\$1,111	\$622	\$11,765	\$3,990
Glacier	\$3,341	\$8,157	\$3,034	\$821	\$231	\$236
Golden Valley	\$74.81	\$0	\$0	\$0	\$0	\$0
Granite	\$0	\$0	\$0	\$0	\$3,883,054	\$3,696
Hill	\$3,593	\$2,910	\$3,613	\$3,001	\$0	\$0
Jefferson	\$0	\$0	\$0	\$0	\$9,333	\$8,128
Judith Basin	\$0	\$0	\$0	\$0	\$386,574	\$69,651
Lake	\$0	\$0	\$0	\$0	\$531	\$542
Lewis & Clark	\$0	\$0	\$0	\$0	\$2,390,007	\$1,971,061
Liberty	\$4,560	\$65,495	\$0	\$3,087	\$40,736	\$43,193
Lincoln	\$0	\$0	\$0	\$0	\$195,923	\$168,939
Madison	\$0	\$0	\$0	\$0	\$11,707	\$3,836
McCone	\$1,645	\$1,358	\$1,159	\$1,068	\$3,770	\$4,810
Meagher	\$0	\$0	\$56.02	\$0	\$273	\$354
Mineral	\$0	\$0	\$0	\$0	\$0	\$0
Missoula	\$0	\$0	\$0	\$0	\$159,132	\$118,076

Table 10.6 Federal Mineral Royalties Distribution (continued)

County	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Missoula	\$0	\$0	\$0	\$0	\$159,132	\$118,076
Musselshell	\$13,969	\$214,463	\$294,973	\$201,598	\$1,023,673	\$746,405
Park	\$268	\$115	\$408	\$0	\$408	\$1,135
Petroleum	\$3,285	\$5,274	\$4,763	\$4,882	\$0	\$0
Phillips	\$494	\$494	\$0	\$991	\$2,260	\$1,423
Pondera	\$3,426	\$0	\$1,414	\$1,164	\$1,059	\$1,022
Powder River	\$220,202	\$271,395	\$366,237	\$467,987	\$456,963	\$427,827
Powell	\$3	\$3	\$0	\$0	\$0	\$34,165
Prairie	\$30,896	\$32,306	\$33,962	\$37,067	\$27,686	\$293,696
Ravalli	\$0	\$0	\$0	\$0	\$0	\$242,526
Richland	\$266,541	\$229,860	\$182,925	\$248,659	\$217,126	\$871,432
Roosevelt	\$0	\$163,390	\$77,291	\$152,715	\$92,068	\$13,733
Rosebud	\$1,638,466	\$1,823,378	\$1,379,457	\$1,532,661	\$1,727,247	\$5,039
Sanders	\$0	\$0	\$0	\$0	\$0	\$0
Sheridan	\$7,373	\$10,632	\$9,633	\$10,106	\$8,343	\$32,812
Silver Bow	\$157	\$151	\$0	\$0	\$0	\$134,350
Stillwater	\$2,488	\$401	\$784	\$384	\$1,983	\$14,388
Sweet Grass	\$4	\$0.55	\$155	\$452	\$0	\$0
Teton	\$265	\$26	\$0	\$0	\$0	\$134,925
Toole	\$28,243	\$33,853	\$31,974	\$41,599	\$59,600	\$1,022
Treasure	\$103,242	\$23,841	\$399	\$324	\$322	\$427,827
Valley	\$4,435	\$734	\$14,224	\$27,184	\$9,050	\$34,165
Wheatland	\$27	\$28	\$98	\$98	\$98	\$293,696
Wibaux	\$122,851	\$123,967	\$138,655	\$140,998	\$107,549	\$242,526
Yellowstone	\$53	\$58	\$52	\$52	\$43	\$871,432
Total	\$5,474,714	\$5,489,000	\$6,491,282	\$6,731,148	\$11,923,593	\$5,357,555

Metalliferous Mines License Tax

Of this revenue, 35 percent is distributed to the counties in which the mine is located or that is experiencing fiscal impacts from the mine, as indicated by an economic impact study (15-37-117, MCA). See the metalliferous mines license tax section of the Natural Resources chapter for more information.

Table 10.7 Metalliferous Mines Distribution

County	FY 2019	FY 2020	FY 2021	FY 2022
Broadwater	\$18	\$18	\$0	\$0
Silver Bow	\$0	\$1,142	\$0	\$2,956
Granite	\$2,449	\$1,784	\$454	\$0
Jefferson	\$978	\$0	\$348	\$1,327
Meagher	\$639,981	\$476,667	\$302,396	\$212,293
Park	\$2,059,490	\$2,285,457	\$2,408,306	\$2,450,327
Stillwater	\$4,427,344	\$3,504,598	\$1,874,325	\$1,695,856
Sweet Grass	\$2,066,386	\$1,740,608	\$1,026,169	\$797,242
Total	\$8,882,303	\$5,724,816	\$5,437,086	\$5,160,002

Oil and Natural Gas Production

Each county receives a fixed percentage of tax revenue from oil and natural gas production in that county. The percentage is based on the allocation under the pre-2003 system, which distributed revenue based on mill levies. In Fiscal Year 2024, counties received 48 percent of total oil and natural gas tax revenue.

Within each county, revenue is allocated to school districts, county-wide school funds, and the county in proportions based on pre-2003 distributions. Recent legislatures have made changes to how the school portion of this tax revenue is distributed; see the Oil and Gas Tax section of the Natural Resources chapter for further information.

Most of Montana's oil and gas production occurs in the eastern counties, which provides them larger distributions. Richland County alone traditionally receives almost half of total oil and natural gas county distributions.

Oil and Natural Gas Resource Distribution Account

In addition to production tax revenue from oil and gas production, cities and towns receive revenue from the Oil and Gas Natural Resource Distribution Account. This tax rate is the difference between 0.3 percent of total oil and gas revenue and the rate set by the Board of Oil and Gas Conservation to fund its operations, up to 0.08 percent. The account distributes money to the counties where production occurred, and the counties are responsible for distributing money to their incorporated cities based on relative population size. There have been periods in recent years when the Board of Oil and Gas Conservation uses the full 0.3 percent for its operations, meaning there is no revenue to be distributed for the Oil and Gas Natural Resource Distribution Account during these time periods.

Table 10.8 and 10.9 show the distribution of oil and gas production revenue by county and the distribution of the Oil and Gas Natural Resource Distribution Account by county over the past four years.

Table 10.8 Oil and Natural Gas Distribution

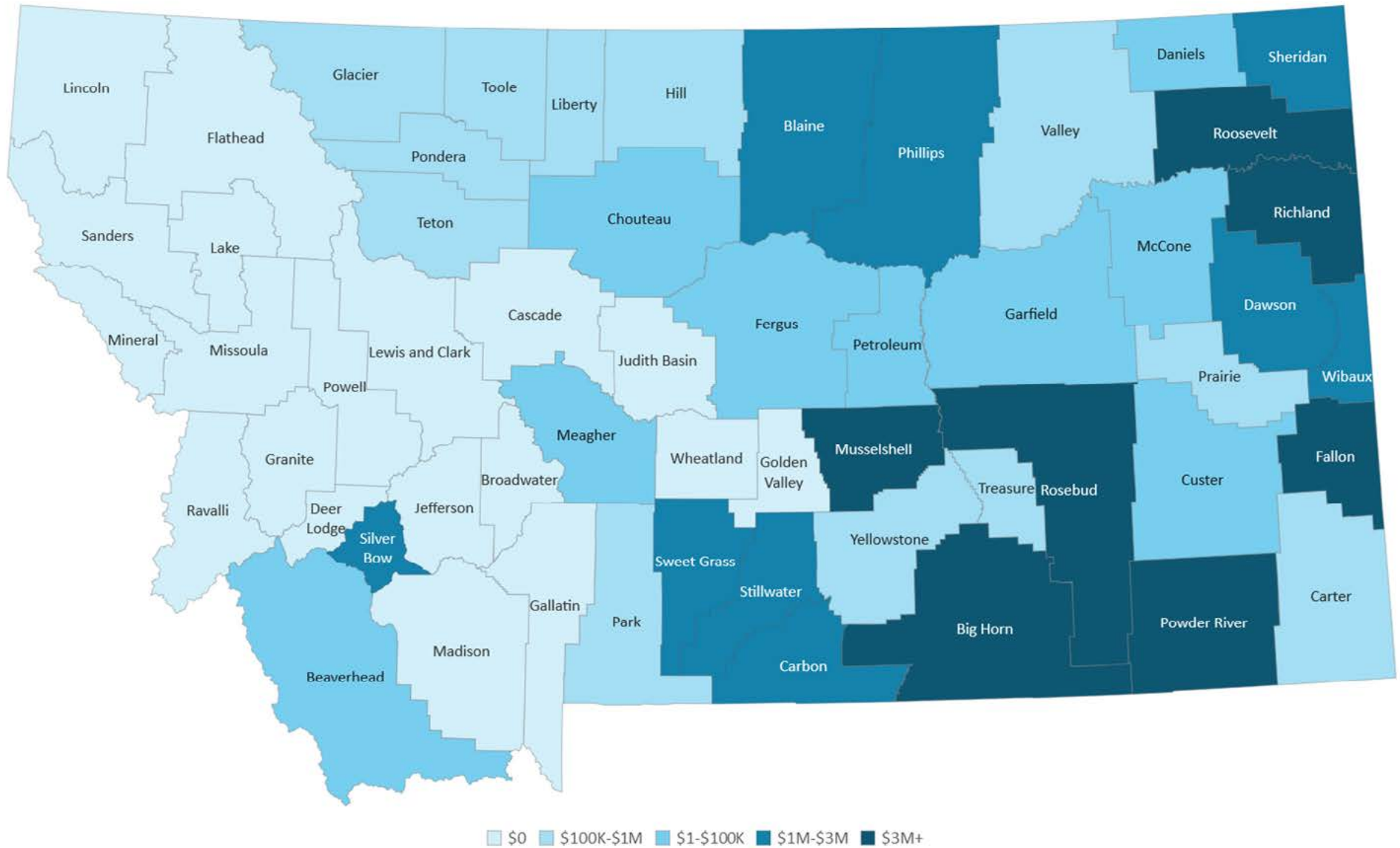
County	FY 2019	FY 2020	FY 2021	FY 2022
Big Horn	\$27,196	\$79,876	\$53,475	\$55,475
Blaine	\$723,070	\$1,420,223	\$1,148,588	\$985,445
Carbon	\$736,106	\$1,400,426	\$1,111,801	\$950,263
Carter	\$22,358	\$38,995	\$28,252	\$9,548
Chouteau	\$44,766	\$98,739	\$62,121	\$24,178
Custer	\$0	\$0	\$0	\$0
Daniels	\$11,656	\$22,456	\$36,799	\$4,801
Dawson	\$933,980	\$1,707,554	\$1,618,075	\$1,348,613
Fallon	\$6,445,455	\$11,339,303	\$9,786,098	\$8,427,592
Fergus	\$580	\$1,363	\$836	\$334
Garfield	\$9,943	\$24,443	\$9,451	\$7,083
Glacier	\$464,366	\$1,047,648	\$771,357	\$704,601
Golden Valley	\$4,987	\$3,370	\$0	\$0
Hill	\$181,722	\$393,763	\$245,976	\$100,198
Liberty	\$180,158	\$383,734	\$289,587	\$203,408
McCone	\$519	\$3,459	\$4,795	\$2,146
Musselshell	\$207,836	\$365,208	\$252,192	\$245,003
Petroleum	\$10,358	\$34,639	\$22,883	\$25,800
Phillips	\$730,727	\$1,044,613	\$1,033,169	\$307,475
Pondera	\$68,686	\$279,672	\$197,035	\$172,499
Powder River	\$5,233,452	\$9,008,525	\$7,414,191	\$5,710,029
Prairie	\$41,742	\$71,012	\$77,082	\$66,955
Richland	\$17,315,153	\$32,007,446	\$30,676,651	\$29,769,790
Roosevelt	\$4,393,527	\$8,311,232	\$6,436,371	\$8,336,027
Rosebud	\$177,400	\$442,447	\$327,173	\$296,357
Sheridan	\$1,216,907	\$2,218,269	\$1,776,685	\$1,566,906
Stillwater	\$48,972	\$102,458	\$84,569	\$77,735
Sweet Grass	\$349	\$924	\$409	\$0
Teton	\$59,464	\$131,875	\$104,661	\$107,485
Toole	\$377,988	\$949,941	\$853,608	\$660,618
Valley	\$105,621	\$240,206	\$241,039	\$173,418
Wibaux	\$747,897	\$1,365,192	\$1,284,894	\$1,125,608
Yellowstone	\$8,110	\$30,767	\$29,988	\$25,304
Total	\$40,531,049	\$74,569,778	\$65,979,810	\$61,490,692

Table 10.9 Oil and Natural Gas Resource Distribution Account

County	FY 2019	FY 2020	FY 2021	FY 2022
Big Horn	\$958	\$1,749	\$1,533	\$1,730
Blaine	\$2,784	\$17,312	\$15,589	\$13,157
Carbon	\$124	\$11,267	\$10,206	\$10,052
Carter	\$81	\$477	\$339	\$146
Chouteau	\$286	\$1,451	\$1,282	\$625
Custer	\$0	\$0	\$0	\$0
Daniels	\$32	\$499	\$375	\$48
Dawson	\$2,762	\$18,009	\$15,357	\$18,755
Fallon	\$20,851	\$129,333	\$112,055	\$113,932
Fergus	\$4	\$20	\$18	\$10
Garfield	\$29	\$299	\$141	\$118
Glacier	\$1,332	\$12,414	\$10,781	\$10,239
Hill	\$1,184	\$5,953	\$5,050	\$2,834
Liberty	\$627	\$4,853	\$6,563	\$3,244
McCone	\$0	\$47	\$70	\$33
Musselshell	\$550	\$3,330	\$2,696	\$2,961
Petroleum	\$103	\$606	\$439	\$587
Phillips	\$3,413	\$18,417	\$16,238	\$9,098
Pondera	\$404	\$3,365	\$2,587	\$2,746
Powder River	\$12,101	\$75,782	\$60,468	\$54,086
Prairie	\$175	\$965	\$1,129	\$1,169
Richland	\$63,432	\$411,279	\$497,165	\$606,704
Roosevelt	\$14,378	\$97,465	\$85,330	\$165,875
Rosebud	\$642	\$7,373	\$4,973	\$3,621
Sheridan	\$2,990	\$19,832	\$15,789	\$15,295
Stillwater	\$193	\$1,260	\$1,171	\$1,193
Sweet Grass	\$1	\$5	\$2	\$0
Teton	\$288	\$1,876	\$1,658	\$2,062
Toole	\$2,134	\$13,500	\$13,226	\$10,997
Valley	\$567	\$3,448	\$3,052	\$2,592
Wibaux	\$1,937	\$12,741	\$11,696	\$11,998
Yellowstone	\$12	\$448	\$411	\$389
Yellowstone	\$8,110	\$30,767	\$29,988	\$30,767
Total	\$134,369	\$875,374	\$897,388	\$1,066,295

Figure 10.1 shows total natural resource revenue shared with local governments for Fiscal Year 2024.

Figure 10.1 FY 2024 Total Natural Resource Shared Revenue by County



Entitlement Share Payments

The Entitlement Share Payment is an annual payment from the state to local governments to provide funding for loss of revenue due to legislative action. It was enacted with HB 124 (2001). As described in law:

15-1-121(1), MCA – “each local government is entitled to an annual amount that is the replacement for revenue received by local governments for diminishment of property tax base and various earmarked fees and other revenue that [...] were consolidated to provide aggregation of certain reimbursements, fees, tax collections, and other revenue in the state treasury with each local government’s share.”

Prior to Fiscal Year 2002, revenue from motor vehicle fees, gaming, taxes on alcohol, the financial institutions tax, and a variety of other revenue sources were collected by or shared with local governments. After Fiscal Year 2002, this revenue was distributed to the state. The state also assumed the full costs of public assistance and district courts. Prior to this, local governments shared in this cost. The sum of the gain and loss to each specific local government was the basis of their Entitlement Share Payment.

A growth factor is applied to the Entitlement Share Payments every year. This is calculated using the formula described in 15-1-121(4), MCA, and is based on three years of revenue from:

- vehicle, boat, and aircraft fees
- gaming revenue
- beer, wine, and liquor revenue
- individual income tax
- corporate income tax

The maximum growth factor is 1.03 (or a rate of 3 percent) for counties, 1.0325 for consolidated local governments, and 1.035 for cities and towns. Growth factors are not applied to payments to Tax Increment Finance districts.

The growth factors are not applied to each local government’s individual Entitlement Share Payment. Instead, the county growth factor is applied to the sum of all the counties’ Entitlement Share Payments; the city/town growth factor applies to the sum of all the cities’ and towns’ Entitlement Share Payments; and the consolidated local governments’ growth factor applies to the sum of all the consolidated local government Entitlement Share Payments.

Half of the total growth is then distributed to each individual local government, based on population, and the other half is distributed based on the previous year’s Entitlement Share Payment.

The functional outcome of this formula is to shift payment growth towards areas experiencing higher population growth while also carrying forward previous payment growth amounts.

Legislation has also changed the amount distributed to Entitlement Share Payments.

2011-2013 The legislature reduced tax rates on Class 8 property (business equipment) and increased the Entitlement Share Payments to compensate for reduced local property taxable value.

2015 The legislature reduced the pool of money to be grown by \$1,049,904 for the Fiscal Year 2016 calculation.

2017 The legislature prescribed a growth factor of 1.005 for Fiscal Year 2018 and 1.0187 for 2019, with the stipulation that the entitlement share for Fiscal Year 2020 would be calculated as if normal growth factors have been applied in Fiscal Years 2018 and 2019 (HB 565 in 2017). This legislative session also changed the entitlement share growth factor calculation for the Class 8 reimbursement to half the rate of inflation of the prior three years.

2021 The legislature increased the exemption for Class 8 business equipment from \$100,000 to \$300,000 and increased the Entitlement Share Payments to compensate for reduced local property tax revenue (HB 303). This legislation

2023 The legislature mimics HB 303 from 2021, further increased the exemption for Class 8 business equipment from \$300,000 to \$1,000,000 and increased the Entitlement Share Payments to compensate for reduced local property tax revenue (HB 212) and increased the school funding formula to compensate local school districts. These reimbursements do not grow over time.

In the current year, Fiscal Year 2025, total Entitlement Share Payments are \$166,656,387. The following tables show four years of payments.

Table 10.10 Oil and Natural Gas Resource Distribution Account

County	FY 2022	FY 2023	FY 2024	FY 2025
Beaverhead	\$649,893	\$675,452	\$708,230	\$743,430
Big Horn	\$306,918	\$345,804	\$421,784	\$492,355
Blaine	\$556,800	\$567,272	\$652,833	\$667,995
Broadwater	\$611,329	\$625,032	\$658,569	\$680,245
Carbon	\$782,143	\$806,074	\$835,139	\$863,568
Carter	\$283,276	\$292,821	\$302,613	\$311,903
Cascade	\$1,831,633	\$1,909,085	\$2,116,115	\$2,223,527
Chouteau	\$1,231,309	\$1,251,351	\$1,366,958	\$1,395,325
Custer	\$774,073	\$800,787	\$854,820	\$889,426
Daniels	\$581,694	\$617,018	\$651,661	\$728,813
Dawson	\$1,602,800	\$1,657,328	\$1,733,860	\$1,806,455
Fallon	\$599,745	\$625,180	\$645,357	\$665,730
Fergus	\$764,559	\$780,183	\$859,629	\$881,925
Flathead	\$5,407,188	\$5,560,657	\$5,818,504	\$5,999,940
Gallatin	\$3,825,849	\$3,963,467	\$4,262,649	\$4,429,014
Garfield	\$369,675	\$385,834	\$408,935	\$422,773
Glacier	\$907,712	\$932,136	\$1,008,272	\$1,033,258
Golden Valley	\$90,854	\$94,627	\$99,297	\$105,110
Granite	\$459,046	\$473,758	\$490,136	\$509,395
Hill	\$1,138,848	\$1,163,211	\$1,274,311	\$1,305,820
Jefferson	\$1,071,168	\$1,100,216	\$1,137,374	\$1,171,965
Judith Basin	\$441,195	\$448,388	\$471,689	\$480,666
Lake	\$1,348,813	\$1,395,210	\$1,456,578	\$1,513,676
Lewis & Clark	\$2,691,923	\$2,777,226	\$2,928,388	\$3,032,522
Liberty	\$659,390	\$669,727	\$738,404	\$754,626
Lincoln	\$1,163,266	\$1,193,251	\$1,242,098	\$1,278,019
Madison	\$954,530	\$979,972	\$1,019,889	\$1,051,195
McCone	\$570,839	\$599,249	\$649,483	\$698,927
Meagher	\$227,737	\$231,903	\$249,189	\$254,621
Mineral	\$438,758	\$449,065	\$469,859	\$483,110
Missoula	\$5,943,449	\$6,115,742	\$6,471,518	\$6,683,997
Musselshell	\$344,735	\$353,917	\$375,475	\$386,136
Park	\$887,563	\$915,992	\$949,586	\$981,400
Petroleum	\$106,711	\$113,986	\$127,010	\$131,191
Phillips	\$423,482	\$451,852	\$488,229	\$535,238
Pondera	\$832,319	\$846,741	\$927,678	\$948,721

Table 10.10 Oil and Natural Gas Resource Distribution Account (continued)

County	FY 2022	FY 2023	FY 2024	FY 2025
Powder River	\$525,906	\$548,994	\$561,527	\$587,584
Powell	\$342,187	\$357,597	\$374,560	\$393,720
Prairie	\$289,695	\$298,521	\$321,491	\$333,837
Ravalli	\$1,909,702	\$1,965,468	\$2,059,327	\$2,123,735
Richland	\$997,476	\$1,048,017	\$1,149,840	\$1,220,809
Roosevelt	\$962,571	\$1,028,818	\$1,138,404	\$1,223,376
Rosebud	\$2,905,259	\$2,958,812	\$3,026,122	\$3,084,742
Sanders	\$1,267,602	\$1,296,498	\$1,337,277	\$1,370,372
Sheridan	\$996,479	\$1,066,761	\$1,223,102	\$1,348,805
Stillwater	\$1,112,189	\$1,140,027	\$1,173,373	\$1,205,140
Sweet Grass	\$444,284	\$460,510	\$475,759	\$493,860
Teton	\$757,734	\$772,345	\$817,151	\$837,388
Toole	\$919,690	\$937,079	\$1,044,242	\$1,066,965
Treasure	\$166,157	\$172,363	\$184,685	\$194,149
Valley	\$486,598	\$517,742	\$567,748	\$616,853
Wheatland	\$230,368	\$236,743	\$253,694	\$260,501
Wibaux	\$377,269	\$388,350	\$401,265	\$414,196
Yellowstone	\$5,091,154	\$5,285,108	\$5,671,317	\$5,934,189
Total	\$60,663,540	\$62,649,266	\$66,653,002	\$69,252,238

Table 10.11 City/Town Entitlement Share Payment

County	City/Town	FY 2022	FY 2023	FY 2024	FY 2025
Beaverhead	Dillon	\$653,827	\$675,831	\$703,043	\$726,201
Beaverhead	Lima	\$28,121	\$29,146	\$30,247	\$31,296
Big Horn	Hardin	\$829,923	\$853,200	\$881,586	\$906,921
Big Horn	Lodge Grass	\$32,407	\$34,017	\$35,675	\$37,300
Blaine	Chinook	\$263,479	\$270,955	\$278,691	\$286,421
Blaine	Harlem	\$165,121	\$169,821	\$175,341	\$180,280
Broadwater	Townsend	\$311,473	\$322,138	\$332,536	\$343,688
Carbon	Bearcreek	\$6,530	\$6,848	\$7,196	\$7,580
Carbon	Bridger	\$194,717	\$200,055	\$205,498	\$211,179
Carbon	Fromberg	\$41,483	\$43,316	\$45,079	\$46,871
Carbon	Joliet	\$57,169	\$59,733	\$62,276	\$64,843
Carbon	Red Lodge	\$425,184	\$438,185	\$451,915	\$466,400
Carter	Ekalaka	\$71,335	\$73,426	\$75,708	\$77,987
Cascade	Belt	\$121,134	\$124,570	\$128,031	\$131,543
Cascade	Cascade	\$94,950	\$98,209	\$101,382	\$170,904
Cascade	Great Falls	\$9,242,059	\$9,541,810	\$9,929,128	\$10,264,301
Cascade	Neihart	\$6,298	\$6,522	\$6,740	\$6,961
Chouteau	Big Sandy	\$80,059	\$82,768	\$86,318	\$89,261
Chouteau	Fort Benton	\$221,470	\$229,185	\$237,047	\$246,067
Chouteau	Geraldine	\$23,999	\$25,007	\$25,948	\$26,901
Custer	Ismay	\$1,717	\$1,791	\$1,870	\$1,952
Custer	Miles City	\$1,416,447	\$1,459,968	\$1,511,612	\$1,558,756
Daniels	Flaxville	\$8,280	\$8,577	\$8,876	\$9,173
Daniels	Scobey	\$152,052	\$157,133	\$162,388	\$167,822
Dawson	Glendive	\$811,013	\$836,784	\$868,315	\$896,497
Dawson	Richey	\$16,598	\$17,276	\$17,994	\$18,709
Fallon	Baker	\$285,353	\$296,252	\$306,772	\$316,586
Fallon	Plevna	\$17,349	\$17,983	\$18,714	\$19,454
Fergus	Denton	\$36,719	\$37,896	\$39,447	\$40,641
Fergus	Grass Range	\$12,498	\$12,963	\$13,473	\$13,982
Fergus	Lewistown	\$1,031,027	\$1,062,655	\$1,096,727	\$1,130,717
Fergus	Moore	\$22,962	\$23,853	\$26,530	\$27,490
Fergus	Winifred	\$17,149	\$17,907	\$18,649	\$19,393
Flathead	Columbia Falls	\$786,515	\$814,713	\$842,387	\$871,068
Flathead	Kalispell	\$3,459,413	\$3,577,959	\$3,734,232	\$3,873,784
Flathead	Whitefish	\$942,821	\$979,667	\$1,019,352	\$1,059,767
Gallatin	Belgrade	\$891,086	\$931,100	\$983,339	\$1,030,217

Table 10.11 City/Town Entitlement Share Payment (continued)

County	City/Town	FY 2022	FY 2023	FY 2024	FY 2025
Gallatin	Bozeman	\$5,021,986	\$5,228,938	\$5,535,506	\$5,777,410
Gallatin	West Yellowstone	\$313,373	\$321,972	\$331,342	\$340,129
Garfield	Jordan	\$49,020	\$50,997	\$52,751	\$54,703
Glacier	Browning	\$678,445	\$697,247	\$718,046	\$737,946
Glacier	Cut Bank	\$12,045	\$12,696	\$13,293	\$13,994
Golden Valley	Lavina	\$27,537	\$28,571	\$29,683	\$30,725
Golden Valley	Ryegate	\$46,217	\$47,793	\$49,638	\$51,205
Granite	Drummond	\$135,749	\$140,233	\$145,145	\$149,909
Granite	Philipsburg	\$1,661,072	\$1,712,557	\$1,774,935	\$1,827,787
Hill	Havre	\$12,822	\$13,309	\$14,457	\$14,999
Hill	Hingham	\$185,528	\$191,944	\$198,451	\$205,099
Jefferson	Boulder	\$198,585	\$204,767	\$210,857	\$217,170
Jefferson	Whitehall	\$31,965	\$33,062	\$34,106	\$35,152
Judith Basin	Hobson	\$63,384	\$65,396	\$67,654	\$69,827
Judith Basin	Stanford	\$732,015	\$757,453	\$785,744	\$813,518
Lake	Polson	\$369,527	\$381,343	\$395,166	\$408,988
Lake	Ronan	\$67,325	\$70,749	\$74,247	\$77,531
Lake	St. Ignatius	\$640,124	\$657,556	\$674,485	\$694,682
Lewis & Clark	East Helena	\$4,708,994	\$4,869,178	\$5,068,421	\$5,243,168
Lewis & Clark	Helena	\$127,469	\$131,736	\$136,744	\$141,184
Liberty	Chester	\$143,742	\$149,628	\$155,748	\$162,267
Lincoln	Eureka	\$602,656	\$619,913	\$638,845	\$658,143
Lincoln	Libby	\$20,135	\$20,868	\$21,426	\$22,015
Lincoln	Rexford	\$180,195	\$185,681	\$191,505	\$197,167
Lincoln	Troy	\$313,373	\$321,972	\$331,342	\$340,129
Madison	Ennis	\$155,303	\$160,585	\$166,309	\$171,716
Madison	Sheridan	\$69,561	\$72,585	\$75,685	\$85,474
Madison	Twin Bridges	\$46,807	\$48,640	\$50,531	\$52,339
Madison	Virginia City	\$29,778	\$30,832	\$31,924	\$33,058
McCone	Circle	\$98,367	\$101,782	\$106,397	\$111,692
Meagher	White Sulphur Springs	\$158,812	\$163,716	\$169,376	\$174,583
Mineral	Alberton	\$71,107	\$73,443	\$75,973	\$78,600
Mineral	Superior	\$190,888	\$196,300	\$202,314	\$208,142
Missoula	Missoula	\$9,588,884	\$9,937,429	\$10,401,892	\$10,586,963
Musselshell	Melstone	\$14,425	\$14,913	\$15,644	\$16,280
Musselshell	Roundup	\$303,467	\$313,270	\$323,108	\$333,629

Table 10.11 City/Town Entitlement Share Payment (continued)

County	City/Town	FY 2022	FY 2023	FY 2024	FY 2025
Park	Clyde Park	\$46,160	\$47,705	\$49,363	\$51,056
Park	Livingston	\$1,292,759	\$1,333,632	\$1,379,199	\$1,425,607
Petroleum	Winnett	\$29,211	\$30,136	\$31,153	\$32,202
Phillips	Dodson	\$17,278	\$17,853	\$18,503	\$19,133
Phillips	Malta	\$317,261	\$327,780	\$338,539	\$349,681
Phillips	Saco	\$25,390	\$26,261	\$27,113	\$27,979
Pondera	Conrad	\$389,794	\$402,421	\$416,425	\$430,264
Pondera	Valier	\$55,655	\$57,691	\$60,853	\$63,339
Powder River	Broadus	\$83,824	\$86,369	\$89,200	\$91,907
Powell	Deer Lodge	\$499,104	\$514,410	\$531,134	\$547,912
Prairie	Terry	\$97,496	\$100,697	\$104,055	\$107,607
Ravalli	Darby	\$171,960	\$176,906	\$182,129	\$187,418
Ravalli	Hamilton	\$1,163,255	\$1,195,132	\$1,230,212	\$1,264,896
Ravalli	Pinesdale	\$47,750	\$51,025	\$53,943	\$56,981
Ravalli	Stevensville	\$220,706	\$229,559	\$238,711	\$248,380
Richland	Fairview	\$148,726	\$153,505	\$158,491	\$164,114
Richland	Sidney	\$911,574	\$944,996	\$978,797	\$1,012,812
Roosevelt	Bainville	\$54,495	\$56,188	\$57,895	\$59,524
Roosevelt	Culbertson	\$121,959	\$127,222	\$132,015	\$137,681
Roosevelt	Froid	\$26,462	\$27,441	\$28,456	\$29,535
Roosevelt	Poplar	\$148,097	\$152,812	\$157,589	\$162,725
Roosevelt	Wolf Point	\$420,942	\$435,258	\$451,895	\$467,877
Rosebud	Colstrip	\$985,683	\$1,008,151	\$1,031,895	\$1,054,747
Rosebud	Forsyth	\$360,487	\$370,819	\$381,453	\$392,065
Sanders	Hot Springs	\$55,513	\$57,958	\$60,475	\$63,106
Sanders	Plains	\$251,872	\$259,037	\$266,714	\$274,631
Sanders	Thompson Falls	\$368,456	\$378,308	\$389,517	\$400,034
Sheridan	Medicine Lake	\$28,242	\$29,246	\$30,377	\$31,517
Sheridan	Outlook	\$5,475	\$5,678	\$5,977	\$6,283
Sheridan	Plentywood	\$315,189	\$326,275	\$336,462	\$348,845
Sheridan	Westby	\$26,209	\$27,466	\$28,371	\$29,270
Silver Bow	Walkerville	\$43,140	\$45,584	\$47,929	\$50,344
Stillwater	Columbus	\$492,419	\$506,640	\$521,217	\$537,910
Sweet Grass	Big Timber	\$242,628	\$252,082	\$260,911	\$271,061
Teton	Choteau	\$204,432	\$212,104	\$220,138	\$228,347
Teton	Dutton	\$54,869	\$56,589	\$58,507	\$60,309

Table 10.11 City/Town Entitlement Share Payment (continued)

County	City/Town	FY 2022	FY 2023	FY 2024	FY 2025
Teton	Fairfield	\$110,353	\$114,318	\$118,341	\$122,333
Toole	Kevin	\$23,942	\$24,675	\$25,572	\$26,379
Toole	Shelby	\$564,934	\$581,583	\$606,840	\$625,436
Toole	Sunburst	\$38,674	\$40,115	\$41,858	\$43,362
Treasure	Hysham	\$37,125	\$39,020	\$40,450	\$42,594
Valley	Fort Peck	\$18,718	\$19,605	\$20,525	\$21,444
Valley	Glasgow	\$597,202	\$616,406	\$641,055	\$662,355
Valley	Nashua	\$39,327	\$40,752	\$42,197	\$43,828
Valley	Opheim	\$13,558	\$14,009	\$14,477	\$15,004
Wheatland	Harlowton	\$175,282	\$180,761	\$186,664	\$191,803
Wheatland	Judith Gap	\$15,912	\$16,487	\$17,061	\$17,590
Wibaux	Wibaux	\$111,318	\$114,612	\$117,777	\$123,160
Yellowstone	Billings	\$15,773,178	\$16,307,418	\$17,036,369	\$17,650,786
Yellowstone	Broadview	\$31,218	\$32,191	\$33,105	\$34,019
Yellowstone	Laurel	\$1,042,438	\$1,076,742	\$1,114,309	\$1,153,039
Total		\$78,246,400	\$80,904,609	\$84,249,015	\$87,084,237

Table 10.12 Consolidated Government Entitlement Share Payment

Consolidated Government	FY 2022	FY 2023	FY 2024	FY 2025
Deer Lodge	\$1,673,742	\$1,722,535	\$1,794,741	\$1,799,665
Silver Bow	\$5,438,325	\$5,614,160	\$5,845,931	\$5,890,445
Total	\$7,112,067	\$7,336,696	\$7,640,672	\$7,690,110

Table 10.13 City/Town Entitlement Share Payment

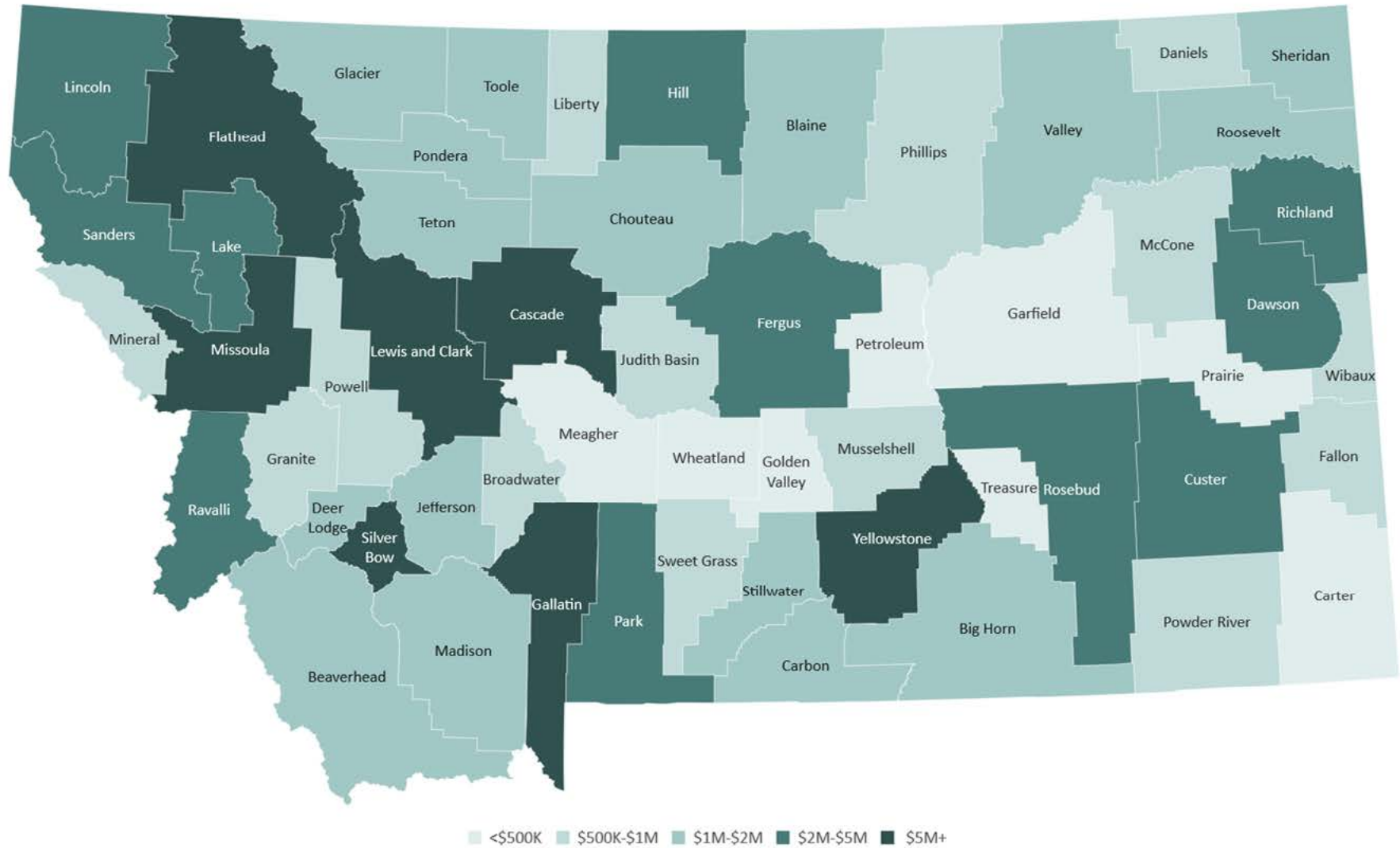
County	City/Town	FY 2022	FY 2023	FY 2024	FY 2025
Big Horn	Hardin Industrial	\$313,373	\$321,972	\$331,342	\$340,129
Broadwater	Wheatland TEDD	\$49,020	\$50,997	\$52,751	\$54,703
Carbon	Red Lodge N. Community Entrance	\$678,445	\$697,247	\$718,046	\$737,946
Cascade	East Industrial Park	\$12,045	\$12,696	\$13,293	\$13,994
Cascade	GF DT Urban Renewal	\$27,537	\$28,571	\$29,683	\$30,725
Cascade	Airport TID	\$46,217	\$47,793	\$49,638	\$51,205
Cascade	Manchester Exit Industrial	\$135,749	\$140,233	\$145,145	\$149,909
Cascade	Montana Milling Industrial	\$1,661,072	\$1,712,557	\$1,774,935	\$1,827,787
Cascade	Int'l Malting TID	\$12,822	\$13,309	\$14,457	\$14,999
Cascade	GF West Bank	\$185,528	\$191,944	\$198,451	\$205,099
Chouteau	Fort Benton	\$198,585	\$204,767	\$210,857	\$217,170
Chouteau	Fort Benton Industrial	\$31,965	\$33,062	\$34,106	\$35,152
Custer	Miles City Downtown	\$63,384	\$65,396	\$67,654	\$69,827
Deer Lodge	Ana - Downtown	\$732,015	\$757,453	\$785,744	\$813,518
Fallon	Baker Urban Renewal	\$369,527	\$381,343	\$395,166	\$408,988
Fergus	Lewistown TEDD	\$67,325	\$70,749	\$74,247	\$77,531
Fergus	Lewistown Urban	\$640,124	\$657,556	\$674,485	\$694,682
Flathead	Columbia Falls Industrial Park TEDD	\$4,708,994	\$4,869,178	\$5,068,421	\$5,243,168
Flathead	Columbia Falls URD	\$127,469	\$131,736	\$136,744	\$141,184
Flathead	Columbia Rising TEDD	\$143,742	\$149,628	\$155,748	\$162,267
Flathead	Glacier Rail Park TEDD	\$602,656	\$619,913	\$638,845	\$658,143
Flathead	Kalispell C (amended 2011)	\$20,135	\$20,868	\$21,426	\$22,015
Flathead	Downtown Kalispell	\$180,195	\$185,681	\$191,505	\$197,167
Flathead	Kalispell G	\$313,373	\$321,972	\$331,342	\$340,129
Gallatin	Belgrade Urban Renewal	\$155,303	\$160,585	\$166,309	\$171,716
Gallatin	Bozeman Downtown	\$69,561	\$72,585	\$75,685	\$85,474
Gallatin	Bozeman Midtown URD	\$46,807	\$48,640	\$50,531	\$52,339
Gallatin	NE Urban Renewal	\$29,778	\$30,832	\$31,924	\$33,058
Gallatin	North Park URD	\$98,367	\$101,782	\$106,397	\$111,692
Gallatin	Pole Yard Urban Renewal District	\$158,812	\$163,716	\$169,376	\$174,583
Jefferson	North Jefferson Co Industrial	\$71,107	\$73,443	\$75,973	\$78,600
Jefferson	Sunlight Industrial (4FT)	\$190,888	\$196,300	\$202,314	\$208,142
Jefferson	Whitehall Urban Renewal	\$9,588,884	\$9,937,429	\$10,401,892	\$10,586,963

Table 10.13 City/Town Entitlement Share Payment (continued)

County	City/Town	FY 2022	FY 2023	FY 2024	FY 2025
Lake	Polson	\$14,425	\$14,913	\$15,644	\$16,280
Lewis & Clark	Capital Hill	\$303,467	\$313,270	\$323,108	\$333,629
Lewis & Clark	Helena Urban Renewal District	\$46,160	\$47,705	\$49,363	\$51,056
Lewis & Clark	Railroad District Urban Renewal	\$1,292,759	\$1,333,632	\$1,379,199	\$1,425,607
Lincoln	Riverside	\$29,211	\$30,136	\$31,153	\$32,202
Missoula	Bonner W Log Yard TEDD	\$17,278	\$17,853	\$18,503	\$19,133
Missoula	Front St URD	\$317,261	\$327,780	\$338,539	\$349,681
Missoula	Hellgate URD	\$6,707	\$12,371	\$19,674	\$27,967
Missoula	River Front URD	\$14,874	\$16,378	\$24,935	\$28,940
Missoula	Technology District	\$15,583	\$15,642	\$16,160	\$16,160
Missoula	URD III	\$349,156	\$349,420	\$474,482	\$474,994
Missoula	The WYE	\$21,176	\$21,200	\$48,833	\$48,857
Missoula	N. Reserve Scott St. URD	\$20,235	\$22,806	\$40,386	\$63,347
Missoula	URD II (1-1C)	\$440,146	\$440,149	\$500,300	\$500,302
Missoula	URD II (4-1C)	\$45,998	\$45,998	\$45,998	\$45,998
Park	Livingston Urban Renewal	\$45,380	\$49,425	\$51,799	\$53,141
Park	West End Industrial	\$15,016	\$15,016	\$20,862	\$20,862
Ravalli	Hamilton Airport	\$1,425	\$1,425	\$1,425	\$1,425
Ravalli	North Hamilton Urban Renewal	\$8,569	\$12,636	\$26,359	\$37,515
Ravalli	N Stevensville Industrial	\$21,710	\$21,710	\$26,002	\$26,002
Ravalli	Ravalli County TEDD	\$53	\$53	\$53	\$53
Silver Bow	South Butte TEDD	\$2,744	\$9,904	\$19,696	\$26,334
Silver Bow	Butte Uptown URD	\$11,054	\$11,217	\$24,315	\$24,847
Silver Bow	BSB Harrison Ave S	\$23,824	\$29,031	\$62,895	\$68,786
Silver Bow	Ramsey TIFD	\$151,306	\$0	\$0	\$0
Toole	Shelby Industrial	\$1,105	\$1,105	\$1,105	\$1,105
Yellowstone	East Billings	\$171,479	\$171,479	\$211,630	\$211,630
Yellowstone	Laurel	\$83,439	\$84,059	\$110,864	\$112,743
Yellowstone	Lockwood TEDD	\$10,259	\$10,512	\$37,539	\$38,330
Yellowstone	2008 Expanded N 27th St	\$259,374	\$266,797	\$316,783	\$330,801
Yellowstone	South Billings Blvd	\$287,861	\$292,587	\$342,607	\$355,360
Total		\$2,712,860	\$2,629,802	\$3,442,860	\$3,665,914

Figure 10.2 shows total entitlement shared revenue with local governments for Fiscal Year 2024.

Figure 10.2 FY 2024 Entitlement Shared Revenue by County



Glossary and Acronyms

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*We serve Montana by
providing high quality services,
ensuring equity and fairness, and
constantly improving efficiency.*

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Glossary

Terms	Description
Ad Valorem Tax	A tax based on the value of property, such as real estate or a particular good.
Adult-Use Cannabis	Marijuana or marijuana products that may be purchased from a dispensary by a person at least 21 years of age, without needing to be a medical cardholder.
Arms-Length Transaction	A transaction in which the buyer and seller are not related and act independently in their own self-interest, not subject to each other's influence.
British Thermal Unit (BTU)	The amount of energy needed to raise the temperature of one pound of water by one degree Fahrenheit. This is the standard for measuring the energy content of fuels.
Capital Gain	The profit an investor gains from selling an investment (property, stocks, bonds, mutual funds, etc.) that has increased in value over its purchase price.
Carryback	An accounting technique with which a company retroactively applies net operating losses to a preceding year's income to reduce tax liabilities present in that year.
Carryforward	To adjust an amount against succeeding amounts, or to transfer it to the next period.
Carryover	See Carryforward.
C Corporation	Any corporation that is, in general, taxed separately from its shareholders.
Centrally Assessed Properties	Large utilities, pipelines, airlines, and railroads, operating in more than one county or state, valued by the department.
Coal Severance Tax	State tax on coal extracted (or severed) from the earth, based on its value. Tax rate varies with the heat content of the coal and the type of mine (open pit or underground).
Comprehensive Environmental Response, Compensation, And Liability Act (CERCLA)	Commonly known as Superfund, a law that provided a tax on the chemical and petroleum industries and provided broad federal authority to clean up releases of hazardous substances.
Decedent	A person who has died.
Decile	A method of dividing a set of values or statistics into 10 equally large groups.
Empowerment Zone	A financially distressed area that receives tax credits, grants, and other advantages to help revitalize the area.
Estate Tax	A tax on the net value of the estate of a deceased person before transfer to person's heirs.
Excise Tax	A tax on the use or consumption of a certain products, such as gasoline, cigarettes, or alcohol.
Horizontal Well	A drilling method in which the drill turns and runs horizontally once it reaches the source of energy to be extracted, be it gas or oil.

Terms	Description
Inpatient Bed Day	A day of care provided to a patient in a hospital. A day begins at midnight and ends 24 hours later. Part of a day, including day of admission, counts as a full day. Day of discharge or death does not. If admission and discharge or death occur on the same day, that day is counted as one bed day.
License Tax	A fee paid to the government for the privilege of holding a license to conduct a certain trade, such as sell alcohol or practice medicine.
Limited Liability Company (LLC)	A hybrid company structure combining characteristics of both a corporation and a sole proprietorship (or partnership). Members of the company cannot be held personally liable for the company's debts or liabilities.
Market Value	The value at which property would change hands between a willing buyer and a willing seller.
Medical Cannabis	Marijuana or marijuana products that are purchased from a dispensary by registered cardholder.
Millage Rate	Tax per dollar of assessed value of property, where the rate is referred to in "mills. Ten mills is equal to 1%.
Mills	See Millage Rate.
Montana Disable Veterans Program (MDV)	Property tax relief program for 100% disabled veteran property owners who meet certain qualifications.
Net Operating Loss	Occurs when a company's allowable tax deductions are greater than its taxable income.
Offset	To hold a tax refund amount, or part of the amount, if an individual owes money to the State of Montana because of a delinquent debt. The department can offset that individual's state payment, or withhold part of a tax refund to satisfy the debt.
Orphan Share	Part of the liability of a Superfund site that belongs to insolvent or defunct parties that cannot pay their fair share of a site's cleanup cost.
Progressive	A tax is progressive if the average rate of taxation increases as incomes increase.
Proof Gallon	A gallon of spirits that is 50 percent alcohol by volume.
Property Tax Assistance Program (PTAP)	Property tax relief program for property owners who meet certain qualifications.
Pass-Through Entity	An entity that passes its income, loss, deductions or credits to its owners, who may include partners, shareholders, beneficiaries, and investors.
Regressive	A tax is regressive if the average rate of taxation decreases as incomes increase
State General Fund	The primary fund of the state, composed mainly of revenue from taxes and used to budget for state operations.
Sub-Jobber	An entity or a person who purchases tobacco products from a Montana licensed wholesaler with the cigarette tax insignia affixed, and sells or offers to sell those products to a licensed retailer or tobacco product vendor.
Resident Bed Day	Each 24-hour period that a resident in an intermediate care facility is present in the facility and receiving care or that a resident is on leave but a bed is being held for him or her.

Terms	Description
S Corporation	Any corporation that, in general, does not pay any federal income tax, but rather divides its income and losses among its shareholders, who are then subject to taxation.
Simplified Employee Pension (SEP) Plan	A Simplified Employee Pension plan. A SEP provides employers a simplified method to make contributions toward their employees' retirement and their own retirement. Contributions are made directly to an IRA set up for each employee (a SEP-IRA).
Savings Incentive Match Plan For Employees (SIMPLE) Plan	Savings Incentive Match Plan for Employees. It gives small employers a simplified method to make contributions toward their employees' retirement and their own retirement. Under a SIMPLE IRA plan, employees may choose to make salary reduction contributions and the employer makes matching or non-elective contributions. All contributions are made directly to an IRA set up for each employee (a SIMPLE-IRA).
Special Jurisdiction Or Special Taxing District	Single purpose jurisdictions—such as a school district, fire district, water district, etc.—that exist separately from local governments and are funded by special taxes outside of the normal mill-based tax system, such as a lighting district that charges each property a set, flat amount.
Stripper Well	An oil or gas well nearing the end of its economically useful life.
Statute	A written law passed by the legislature.
Suits Index	A measure of tax progressiveness.
Taxable Income	The income factored in calculating how much tax an individual or company owes, usually the gross income minus any deductions, exemptions, or other adjustments.
Taxable Value (Property Taxation)	A property's market value multiplied by the classification tax rate as provided for in statute.
Tax Expenditures	Any reduction in government revenue through provisions in tax laws, such as deductions, exclusions, deferrals, exemptions, and preferential tax rates.
Tax Gap	The difference between total amounts of taxes owed to the government and the amount it actually receives.
Tax Increment Financing (TIF)	A method of public financing used to encourage development and redevelopment in financially distressed areas.
Tax Liability	The total amount of tax an individual or entity owes the government after credits and advance payments (such as withholding and estimated payments).
Tax Rate (Property Taxation)	In Montana, the percentage of a property's market value subject to taxation, equal to taxable value divided by market value. What Montana statute refers to as a tax rate is commonly referred to as an assessment rate in other states.
Treasure State Endowment Program And Fund (TSEP And TSEF)	State program that awards matching grants to local governments for the construction of local infrastructure projects. TSEF is fed by the coal severance tax, the interest on which helps pay for the TSEP projects.
Valuation	The process of determining the current value of an asset, such as a home.
West Texas Intermediate (WTI)	A grade of crude oil used as a benchmark in oil pricing.

Acronyms

Acronyms	Description
ARM	Administrative Rules of the State of Montana
BBL	Barrel of oil, equal to 42 gallons
BTU	British Thermal Unit
CERCLA	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
CTAB	County Tax Appeal Board
DOR	Department of Revenue
DPHHS	Department of Public Health and Human Services
FERC	Federal Energy Regulatory Commission
MCA	Montana Code Annotated
MCF	1,000 Cubic Feet of natural gas
MDV	Montana Disabled Veteran Property Tax Relief Program
MMHNCC	Montana Mental Health Nursing Care Center
MTAB	Montana Tax Appeal Board
NCSL	National Conference of State Legislatures
NOL	Net Operating Loss
PSC	Public Service Commission
PTAP	Property Tax Assistance Program
RIGWAT	Resource Indemnity and Groundwater Assessment Tax (also Know as RIT)
RIT	Resource Indemnity Tax (also know as RIGWAT)
TDD	Telecommunications Device for the Deaf
TIF	Tax Increment Financing
TSEF	Treasure State Endowment Fund
TSEP	Treasure State Endowment Program
WTI	West Texas Intermediate