

# Montana Department of Revenue Biennial Report

July 1, 2020 - June 30, 2022



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GOVERNOR GREG GIANFORTE  
DIRECTOR BRENDAN BEATTY

**Letter of Transmittal**

December 15, 2022

Governor Greg Gianforte  
Members of the 68th Montana Legislature

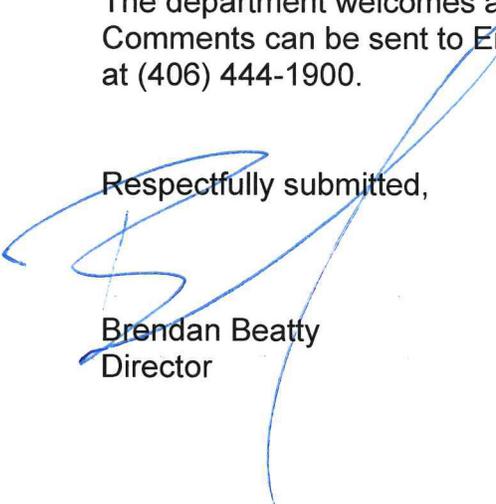
As required by §15-1-205, MCA, I hereby transmit the Biennial Report of the Department of Revenue for the period July 1, 2020, through June 30, 2022.

The Biennial Report has five primary sections. The first section focuses on an overview and makeup of Montana's tax system and how it generally compares to other states. The second section provides a detailed review of each tax type the department administers. The detail includes a brief description and history of each tax, tax rates, revenue generated, and how that revenue is distributed. The third section discusses the department's oversight of both Montana's alcoholic beverage system and Montana's adult use cannabis system. The fourth section provides a detailed description of tax expenditures. The final section discusses state revenue transfers to local governments.

The Montana Department of Revenue's employees are the reason that Montana's tax system is successful. Please join me in expressing our appreciation of their incredible efforts working for Montana's citizens.

The department welcomes any comments that you or the public may wish to provide. Comments can be sent to Eric Dale at [EDale@mt.gov](mailto:EDale@mt.gov) or by calling the Director's Office at (406) 444-1900.

Respectfully submitted,

  
Brendan Beatty  
Director

# About the Agency



# About the Agency

What is the Department of Revenue?

The Department of Revenue is a department with many parts.

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

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

Today, the department:

- Administers more than 40 state taxes and fees, including individual income taxes, natural resource taxes, corporation taxes, and miscellaneous taxes.
- Determines values for all taxable property, including agricultural land, residential real estate, commercial real estate, forest land, business equipment, railroads, and public utilities.
- Administers agency liquor store franchise agreements; manages the state's wholesale alcoholic beverage operations; and administers laws governing the sale, taxation, and licensing of alcoholic beverages.
- Returns unclaimed property to its rightful owners.
- Oversees all aspects of the newly-created Cannabis Control Division.

A description of the department's organizational structure and responsibilities can be found in the Administrative Rules of Montana (ARM).

# 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 shows a breakdown of spending by state and local governments, including school districts, showing the sources of funds for that spending. Next, it summarizes all the taxes the Department of Revenue collects or administers. A history of tax collections follows this, with taxes combined into four broad groups. The section ends with information comparing 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 characteristics of the taxpayer, such as the taxpayer's income or the value of the taxpayer's property. 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.

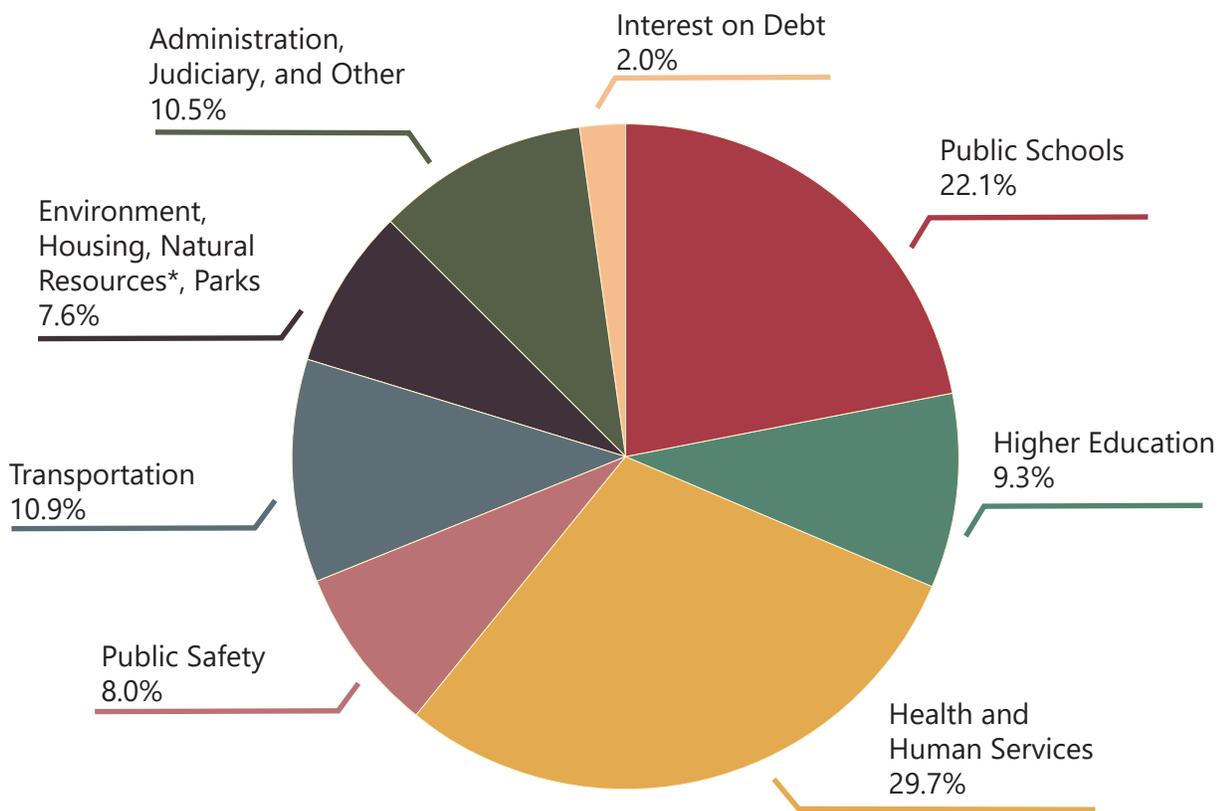
State and local governments receive intergovernmental transfers from the federal government, while local governments also receive transfers from state governments. These transfers include federal payments to states for Medicaid and state support for local school districts. In Montana, transfers include 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, 2020<sup>1</sup>. 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.

### Detailed State and Local Spending in Montana - FY 2020



*\*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.*

<sup>1</sup> 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 2020. Information on Montana state and local tax collections through FY 2022 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. The table below shows the breakdown for FY 2020. 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.

## State and Local Government Direct Expenditures on Government Services\* - FY 2020

	\$ million	% of Total
State Direct Expenditures (excludes Transfers to Local Governments and School Districts)	\$6,016	59%
Local Expenditures	\$4,134	41%
<b>Total</b>	<b>\$10,150</b>	<b>100%</b>

*\*Excludes local government utilities and state liquor enterprise.*

The two charts on the following page show state and local spending separately. The first chart shows state spending, including transfers to local governments and school districts, as well as direct spending. The second chart shows local spending.

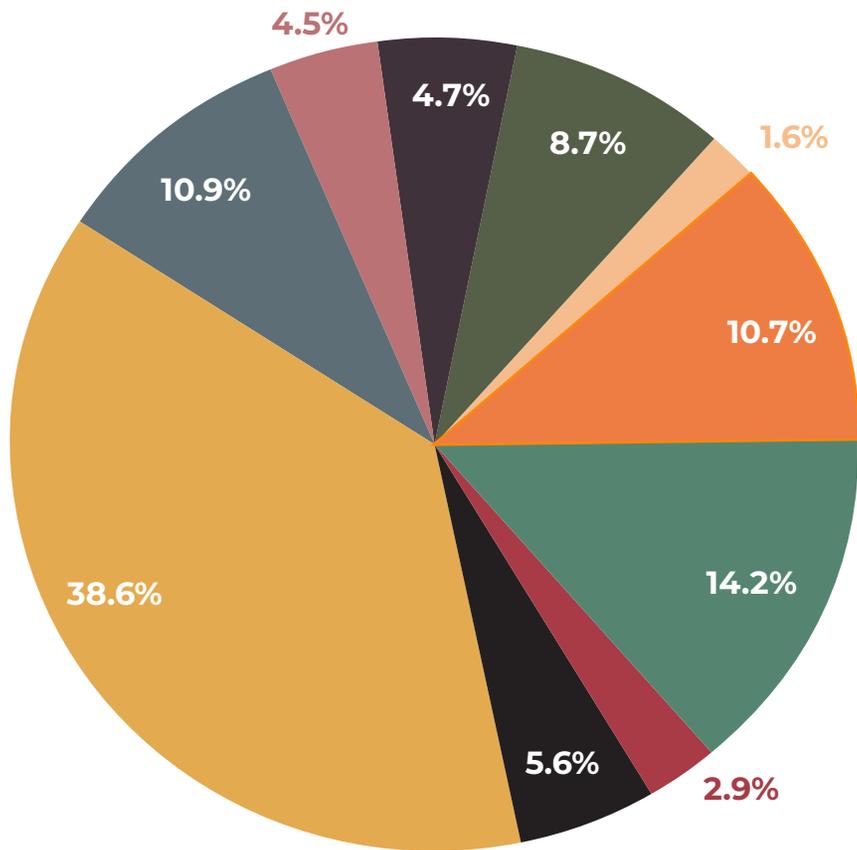
Nearly 20 percent of state spending is comprised of transfers to local governments, school districts, and public schools.

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 almost of these taxes and fees to the state and replaced the local revenue collection activity with formula-based Entitlement Share payments.

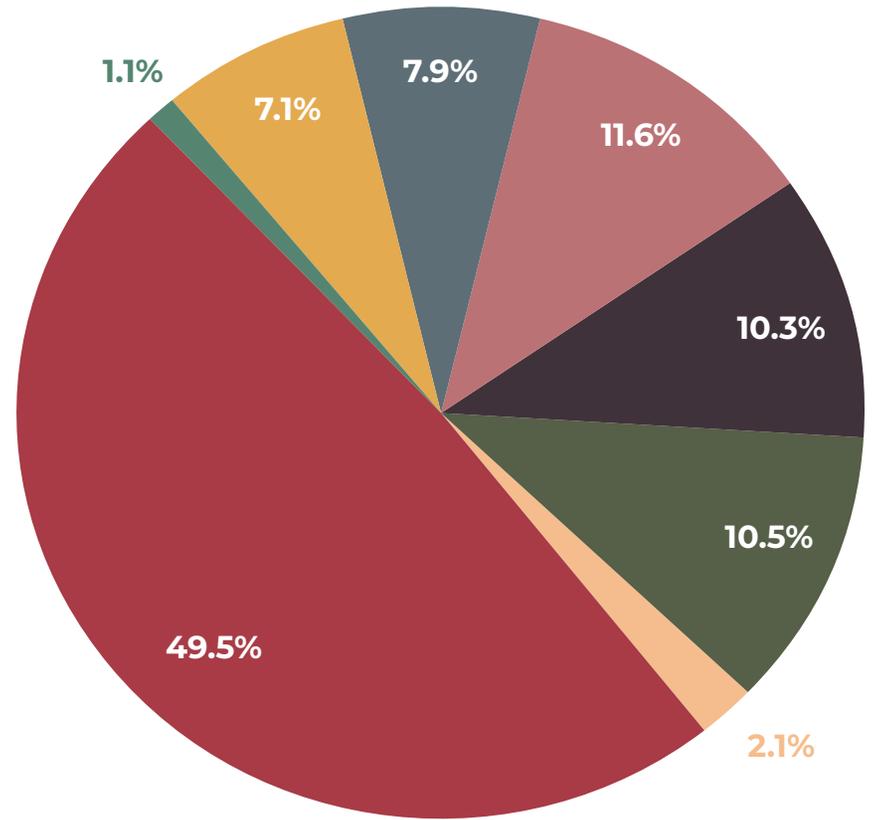
The transfers to school districts include direct state payments for education, along with school districts' shares of state-collected taxes and Entitlement Share payments.

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 about 13 percent of state spending. Health and human services spending is significant at both the state and local level, accounting for 38.6 percent of state spending and 7.1 percent of local spending. Spending for other functions also occurs at both levels. This includes transportation, public safety, and general government administration.

**State Spending in Montana  
FY 2020**

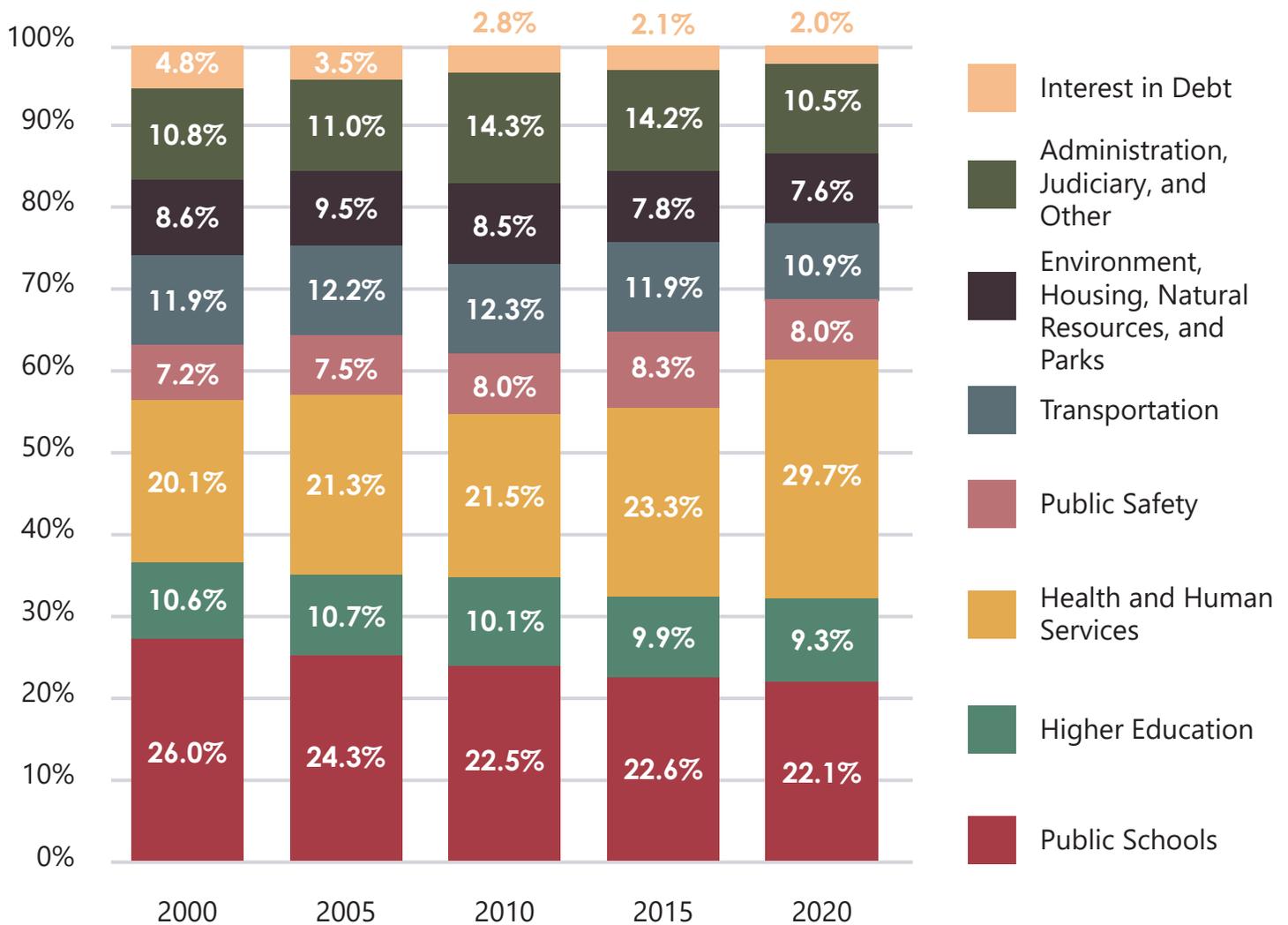


**Local Spending in Montana  
FY 2020**



- |   |  |  |   |
|---|--|--|---|
|  Public Safety                 |  Transportation                                 |  Public Schools   |  Health and Human Services     |
|  Transfers to School Districts |  Environment, Housing, Natural Resources, Parks |  Higher Education |  Transfers to Local Government |
|  Interest on Debt              |  Administration, Judiciary, and Other           |  |   |

## Trends in Types of State and Local Spending in Montana FY 2000-2020



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 26 percent in FY 2000 to 22.5 percent in FY 2010 and to 22.1 percent in FY 2020. At the same time, the share of state and local government spending on public safety and health and human services has increased, from 27.3 percent in FY 2000 to 37.7 percent in FY 2020. The chart above shows the percentage of state and local spending in Montana for each of the eight general spending categories for FYs 2000, 2005, 2010, 2015, and 2020.

# State and Local Revenue

The charts on the following page show the sources of funds to pay for state and local spending. The top left-hand chart shows state government revenue. The bottom left-hand chart shows revenue for local governments and school districts.

Transfers from the federal government are the largest source of state revenue, making up 47 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. State-collected taxes are the next largest source of state revenue, at 41 percent of the total.

Charges and fees make up 7 percent of state revenue. Of the 8 percent in charges and fees, approximately 81.5 percent of the charges and fees are university system tuition and fees. This category also includes income from state lands.

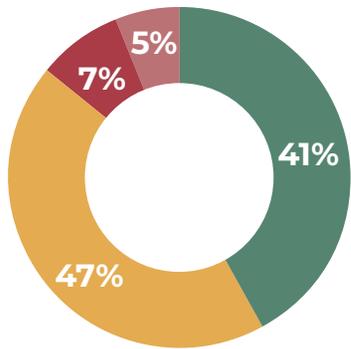
The remaining 6 percent comprises two sources: interest earnings on trust funds and other state accounts, totaling about 2 percent of state revenue, and 3 percent from miscellaneous sources.

All additional transfers from the state government and local taxes make up 32 percent and 38 percent of local revenue, respectively. Charges for local services make up 16 percent of local revenue. Transfers from the federal government and revenue from miscellaneous sources each account for 7 percent.

The remaining four charts 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. The chart at the top middle of the page shows that revenue is almost evenly split between taxes and all other sources. The chart below shows total revenues, with taxes broken down into five types, and other revenue sources, broken down into three types.

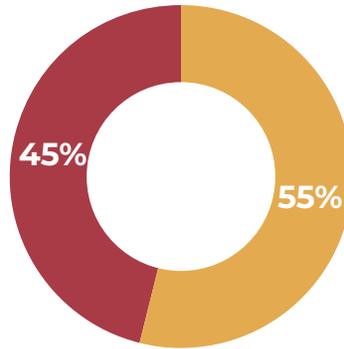
The charts on the right-hand side of the page show non-tax revenue on the top chart, and state and local tax revenue on the bottom chart.

**FY 2020 State Revenue**



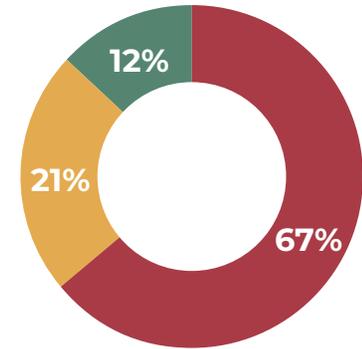
- State-Collected Taxes
- Charges for Tuition, Non-Utility Services
- Transfers from Federal Gov.
- Interest and Misc.

**FY 2020 Tax and Nontax State and Local Revenue**



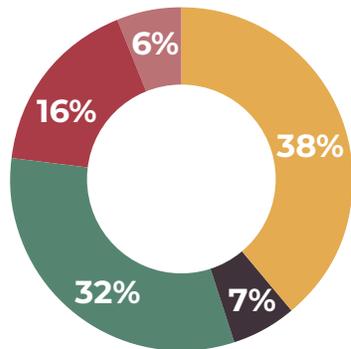
- Nontax Revenue
- Tax Revenue

**FY 2020 State and Local Nontax Revenue**



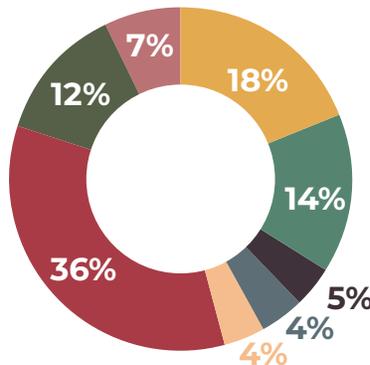
- Transfers from Federal Gov.
- Interest and Misc.
- Charges for Tuition, Utilities, and Other Services

**FY 2020 Local Revenue**



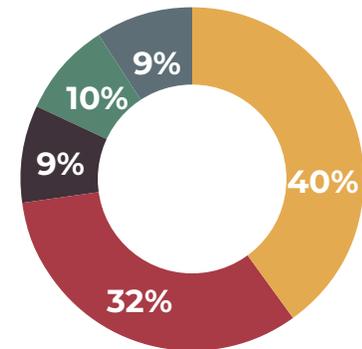
- Local Taxes
- Transfers from Federal Gov.
- Transfers from State Gov. and Local Share of State Taxes
- Charges for Tuition, Non-Util. Services
- Interest and Misc.

**FY 2020 Detailed State and Local Revenue**



- Property Tax
- Motor Fuel Taxes and Vehicle Registrations
- Individ. and Corp. Income Tax
- Charges for Tuition, Non-Util. Services
- Severance and Other Taxes
- Transfers from Federal Gov.
- Sales and Excise Taxes
- Interest and Misc.

**FY 2020 State and Local Tax Revenue**

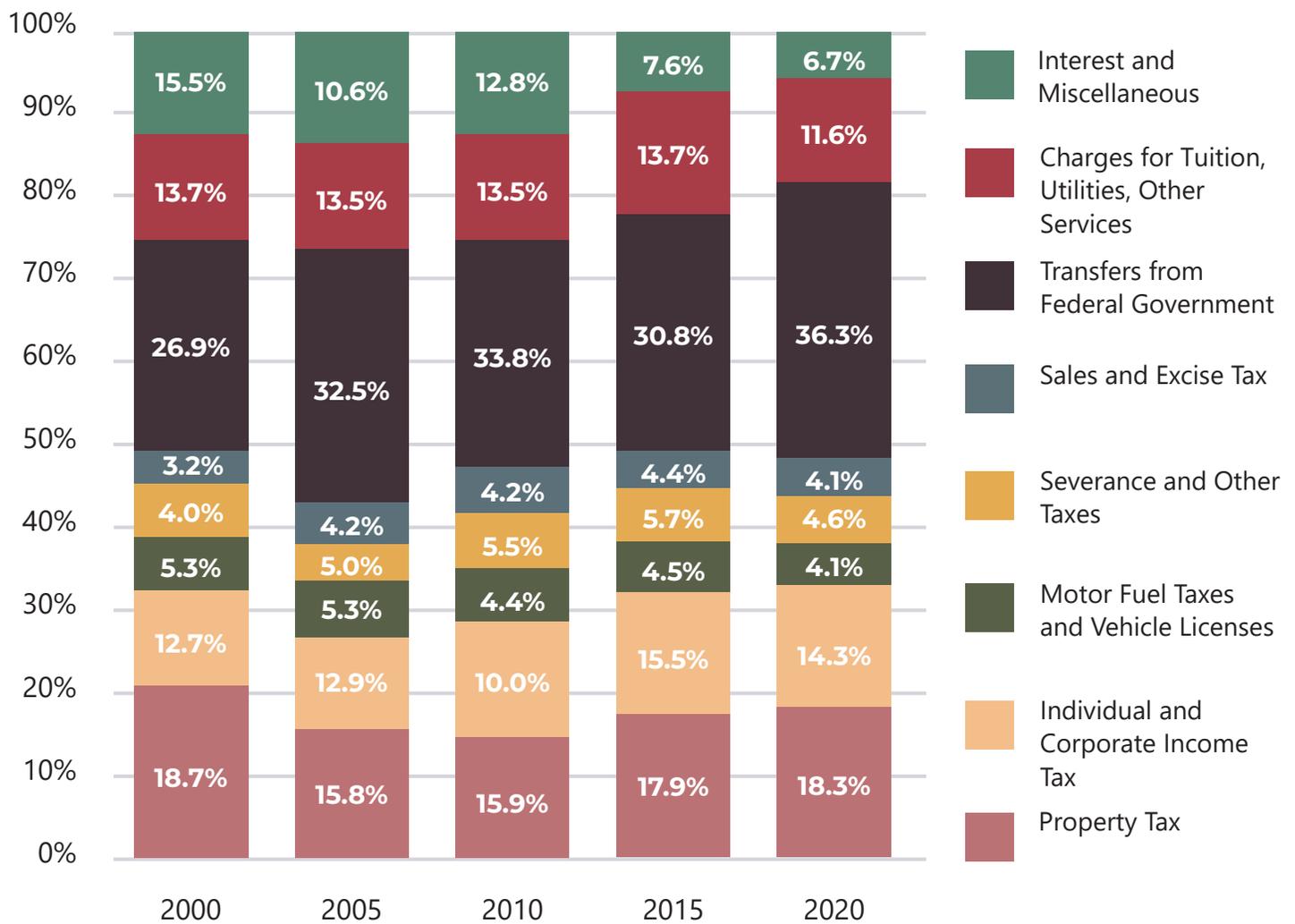


- Property Tax
- Severance and Other Taxes
- Individ. and Corp. Income Tax
- Motor Fuel Taxes and Vehicle Registrations
- Sales and Excise Taxes

The sources of state and local revenue have changed in relative importance, as illustrated in the following graph. 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 2000 and 2020, the share of state and local revenue coming from the federal government has increased from 26.9 percent to 36.3 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 1998 and 2018, due in part to new taxes on lodging and rental cars.

## Trends in State and Local Revenue Sources FY 2000-2020



# Department of Revenue Tax Collections

## State and Local Taxes

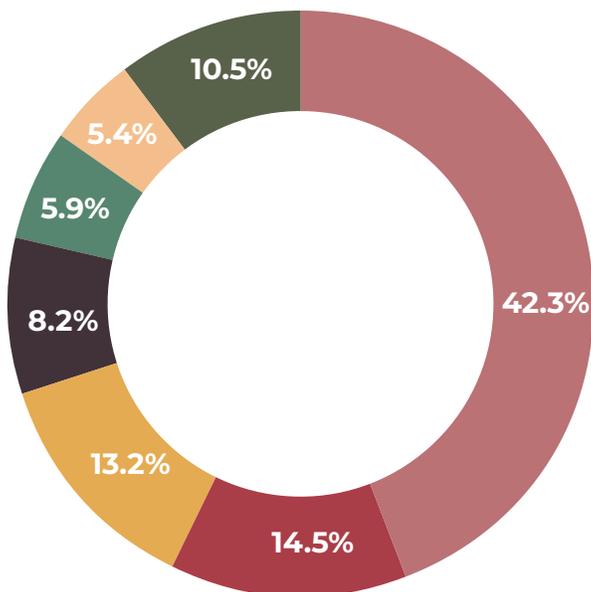
The two figures below show state and local tax revenue.

The state collects a wide variety of taxes. The largest source of state tax revenue is the individual income tax. In FY 2020, severance and other taxes made up the second largest category, generating more than 14.5 percent of state tax revenue. The share of state taxes generated by sales and excise taxes increased from 12.8 percent in 2018 to 13.2 percent in 2020.

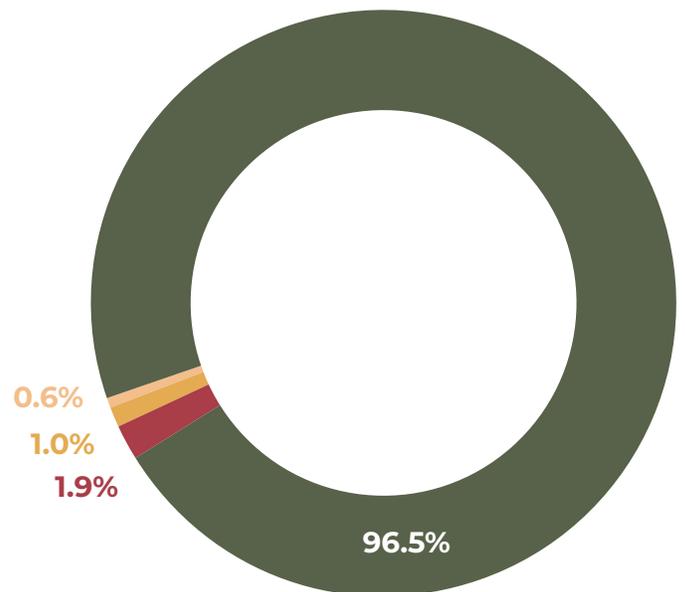
Statewide property taxes, which comprised 10.5 percent of revenue in 2020, are earmarked for public schools and the university system. Revenue from the 95 mills levied for schools (see the State Mill Rates section in the Property Tax chapter of this report) is deposited in the state general fund, where it provides about one-third of state funds transferred to school districts. 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 percent and 0.6 percent of local tax collections.

**State Taxes in Montana  
FY 2020**



**Local Taxes in Montana  
FY 2020**



The following table shows how each type of tax was allocated between state and local governments in the FY ending June 30, 2022. 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 2022.

For taxes collected by the state, the table details the share distributed to local governments and school districts. However, the table does not reflect the fact that half of revenue going into the state general fund is distributed to local governments and school districts.

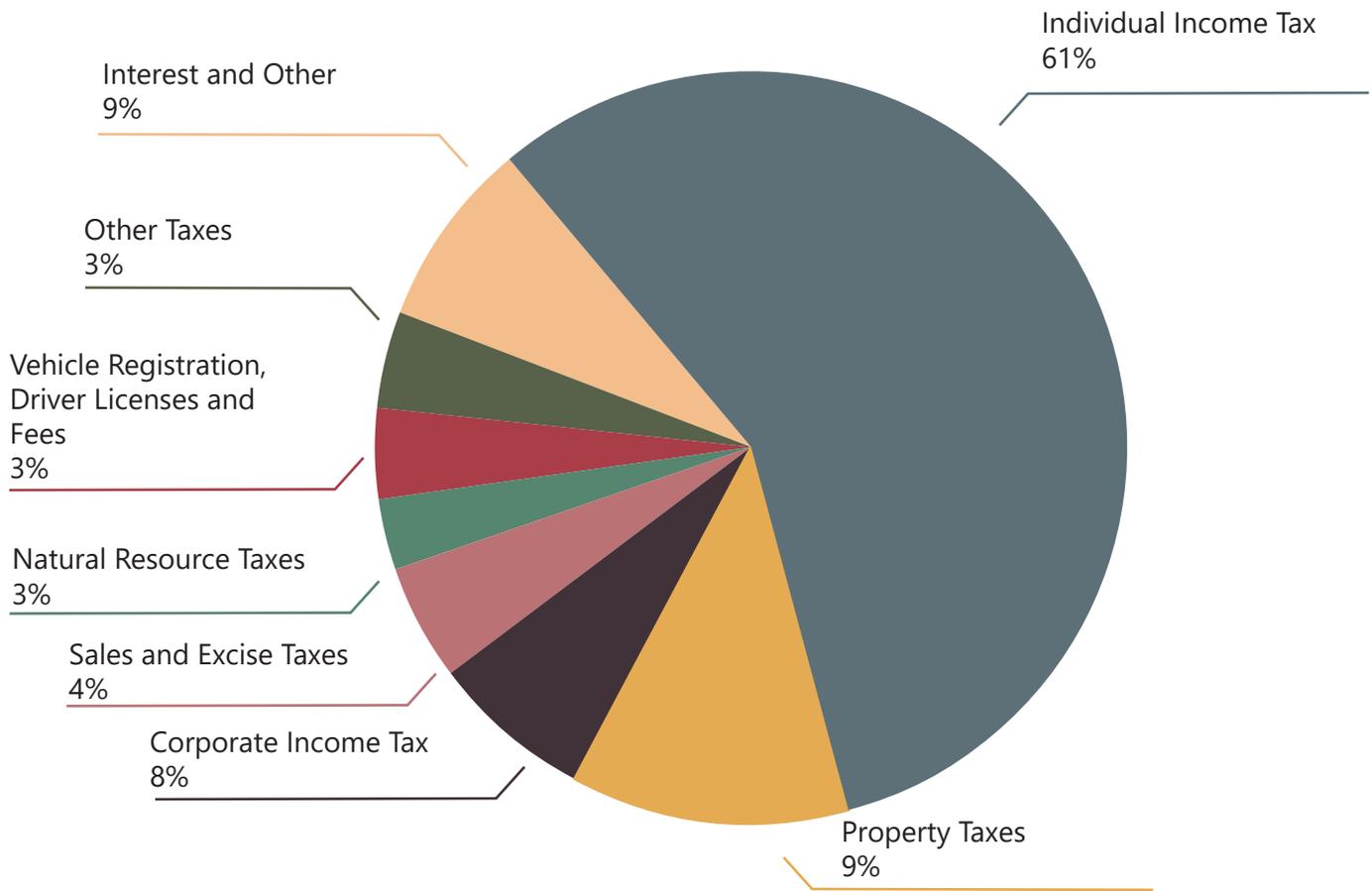
## Allocation of Montana State and Local Taxes - FY 2022

	Property Tax	Individual Income Tax	Severance and Other Taxes	Sales and Excise Taxes	Motor Fuel Taxes	Corporate Income Tax	Motor Vehicle Licenses
<b>Local</b>							
Governments and Special Districts	42.51%	-	16.49%	0.53%	-	-	-
Schools	39.46%	-	17.72%	-	-	-	-
<b>State</b>							
General Fund	16.93%	100.00%	39.21%	39.17%	-	100.00%	68.08%
University System	1.10%	-	0.81%	0.77%	-	-	-
Health and Human Services	-	-	-	18.90%	-	-	-
Regulation and Agency Operations	-	-	1.58%	23.39%	-	-	4.83%
Public Safety	-	-	1.88%	0.34%	0.05%	-	-
Transportation	-	-	-	0.40%	95.77%	-	23.78%
Environment	-	-	5.41%	0.25%	4.17%	-	-
State Buildings	-	-	3.17%	0.19%	-	-	-
Trust Funds (including Retirement)	-	-	13.72%	0.26%	-	-	0.12%
Parks, Recreation, Tourism	-	-	-	16.07%	-	-	3.19%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>% of Total from Each Tax</b>	<b>32.99%</b>	<b>39.24%</b>	<b>3.75%</b>	<b>13.18%</b>	<b>3.12%</b>	<b>4.85%</b>	<b>2.87%</b>
<b>Total From Each Tax (\$ millions)</b>	<b>\$1,995.859</b>	<b>\$2,373.690</b>	<b>\$226.728</b>	<b>\$797.468</b>	<b>\$188.545</b>	<b>\$293.108</b>	<b>\$173.720</b>

The graph below shows the breakdown of general fund revenue for the FY ending June 30, 2022, 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 source of general fund revenue is property tax from the 95 mills statewide school equalization levy, accounting for 8.7 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 about 90 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).

**State General Fund Revenue (FY 2022)**  
**Total = \$3.891 Billion**



The following table shows Department of Revenue collections of state taxes for FY 2016 through 2022. 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.

## Department of Revenue State Collections - FY 2016-2022

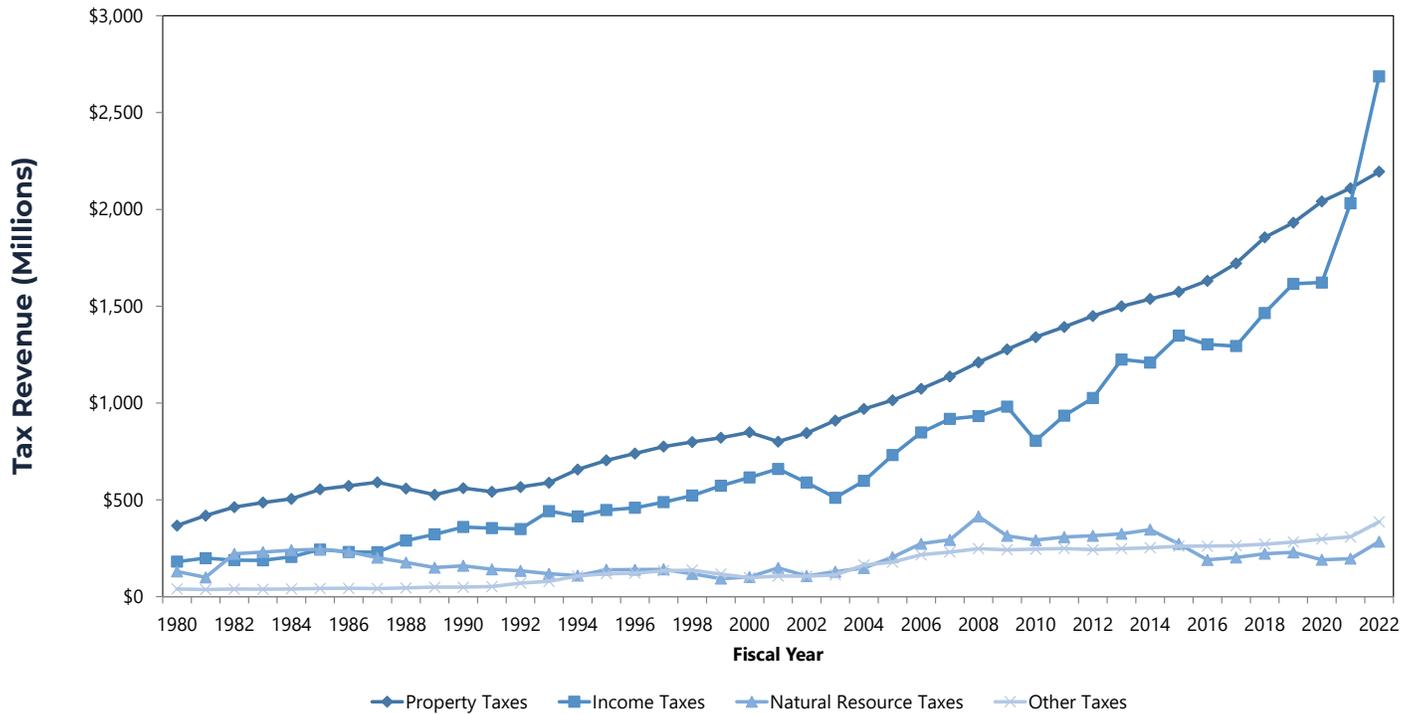
Individual Income Tax	2016	2017	2018	2019	2020	2021	2022
Income Tax Withheld	\$904,652,951	\$941,987,699	\$998,390,078	\$1,063,441,499	\$1,122,338,145	\$1,245,358,454	\$1,416,500,565
Income Tax All Other	280,174,810	226,236,943	299,386,508	365,568,934	312,901,852	520,059,783	977,306,889
<b>Subtotal</b>	<b>1,184,827,762</b>	<b>1,168,224,644</b>	<b>1,297,776,586</b>	<b>1,429,010,433</b>	<b>1,435,239,997</b>	<b>1,765,418,237</b>	<b>2,393,807,454</b>
<b>Corporation Income Tax</b>	118,386,603	125,991,635	167,099,816	186,535,598	187,358,214	266,517,177	293,695,432
<b>Property Tax</b>	266,347,130	269,659,548	282,963,084	299,376,892	319,479,315	322,166,368	348,549,263
<b>Natural Resources Taxes (State Portion)</b>							
Bentonite Tax	286,081	266,623	291,255	261,049	180,636	103,183	173,986
Coal Severance Tax	60,358,548	58,808,035	60,097,399	60,028,161	46,754,498	43,256,347	65,338,834
Oil and Gas Production Tax	45,537,806	54,846,008	65,514,847	66,044,561	46,407,318	46,302,343	83,798,223
Resource Indemnity Trust Tax	2,335,153	2,622,658	2,531,336	2,923,403	2,269,192	1,870,702	2,470,720
Metalliferous Mines License Tax	5,691,074	6,698,782	8,700,599	9,551,676	12,065,538	16,783,517	16,885,939
<b>Subtotal</b>	<b>114,208,662</b>	<b>123,242,105</b>	<b>137,135,436</b>	<b>138,808,850</b>	<b>107,677,182</b>	<b>108,316,092</b>	<b>168,667,703</b>
<b>Other Taxes, Licenses and Services</b>							
Cigarette Tax	73,219,123	71,872,218	65,495,811	64,496,884	63,447,053	65,291,417	65,508,116
Telecommunications Excise Tax	16,774,868	15,602,798	13,725,924	13,223,885	11,788,418	8,814,228	8,570,714
Lodging Facility Use Tax	27,910,664	29,539,381	32,805,856	36,297,514	33,679,511	35,058,060	61,624,239
Inheritance/Estate Tax (Net)	62	-	-	-	735	24	-
Sales Tax - Accommodations	21,492,606	21,780,133	24,091,089	26,703,268	28,110,048	36,045,092	63,138,857
Nursing Facility Bed Tax	13,232,878	13,109,763	16,959,437	23,200,576	22,088,780	17,800,928	18,061,814
Hospital Utilization Fee	22,667,834	22,282,214	22,619,596	22,578,403	32,681,387	31,937,500	35,016,050
Emergency Telephone 911 System	13,120,489	13,020,367	13,003,639	13,558,898	13,752,387	14,140,568	14,408,215
Electrical Energy Production Tax	4,536,484	4,313,577	4,301,551	4,184,978	3,910,294	3,298,244	3,929,711
Abandoned Property	9,554,713	12,068,348	13,868,626	11,775,074	14,316,177	17,058,760	17,362,872
Tobacco Products Tax	13,131,013	13,268,717	12,864,522	12,702,208	12,185,252	11,882,493	11,768,474
Wholesale Energy Transaction Tax	3,516,131	3,463,834	3,628,180	3,490,244	3,350,982	2,981,105	3,352,254
Public Service Commission Tax	2,897,229	4,745,981	3,936,916	2,460,333	5,239,599	5,331,686	4,056,719
Sales Tax - Rental Vehicles Tax	4,269,438	4,536,234	4,958,598	5,907,633	5,572,444	5,455,846	9,529,671
Contractor's Gross Receipts Tax	2,397,493	3,078,111	4,266,687	3,597,205	6,728,555	3,897,240	2,840,073
Rail Car Tax	3,594,460	3,790,195	3,648,993	3,593,860	4,293,652	5,186,537	4,019,546
Consumer Counsel Tax	1,002,553	1,365,518	919,347	768,265	1,736,461	1,093,101	1,170,580
TDD Telecommunications Service Fee	1,334,146	1,352,174	1,365,782	1,386,037	1,421,675	1,502,526	1,541,544
Intermediate Care Utilization Fee	1,036,982	743,617	614,244	397,440	323,293	311,860	313,407
Other Taxes and Licenses	160,547	152,789	225,566	178,154	154,938	180,150	254,275
<b>Subtotal</b>	<b>235,849,713</b>	<b>240,085,969</b>	<b>243,300,363</b>	<b>250,500,859</b>	<b>264,781,641</b>	<b>267,267,365</b>	<b>326,467,131</b>
<b>Cannabis Taxes</b>							
Medical Cannabis Tax	-	-	1,836,085	1,626,805	3,871,936	6,319,828	5,595,671
Cannabis Licensing Fees	-	-	-	-	-	-	3,062,171
Adult Use Cannabis Tax	-	-	-	-	-	-	18,816,673
<b>Subtotal</b>	<b>-</b>	<b>-</b>	<b>1,836,085</b>	<b>1,626,805</b>	<b>3,871,936</b>	<b>6,319,828</b>	<b>27,474,515</b>
<b>Liquor Taxes, Profits, and Licenses</b>							
Liquor Profits and License Fees (to GF)	11,373,175	12,034,865	12,459,988	13,492,341	18,079,825	13,255,804	14,208,948
Liquor, Beer, and Wine Taxes	34,706,138	35,545,414	36,450,544	37,829,198	40,543,368	46,547,190	48,206,735
<b>Subtotal</b>	<b>46,079,313</b>	<b>47,580,279</b>	<b>48,910,532</b>	<b>51,321,540</b>	<b>58,623,194</b>	<b>59,802,994</b>	<b>62,415,683</b>
<b>Total Collections</b>	<b>\$1,965,699,183</b>	<b>\$1,974,784,180</b>	<b>\$2,177,185,818</b>	<b>\$2,355,554,171</b>	<b>\$2,373,159,543</b>	<b>\$2,789,488,232</b>	<b>\$3,593,602,666</b>

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

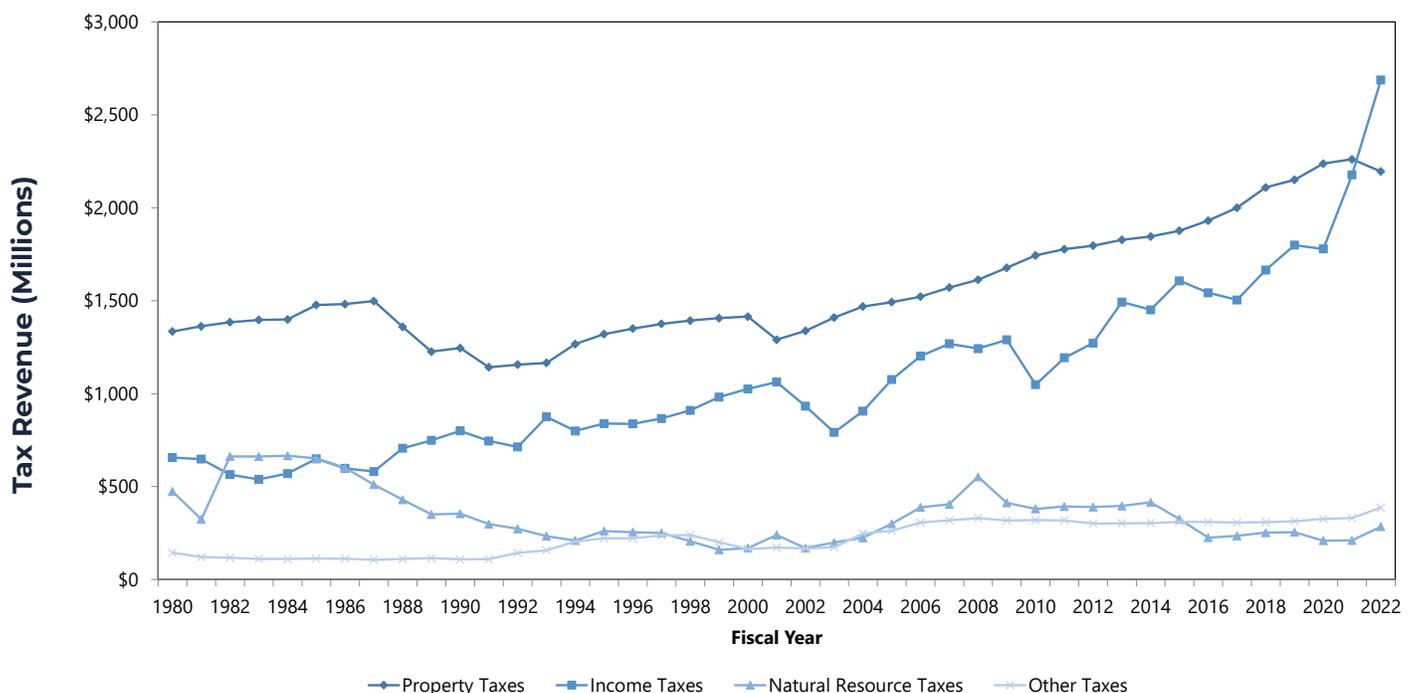
# Montana Tax Trends

The two graphs below show total collections of taxes, divided into four categories, for FY 1980 through 2022. The first graph shows the actual amount of collections each year. The second shows collections adjusted for inflation, with each year's collections shown in terms of their value in 2022.

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

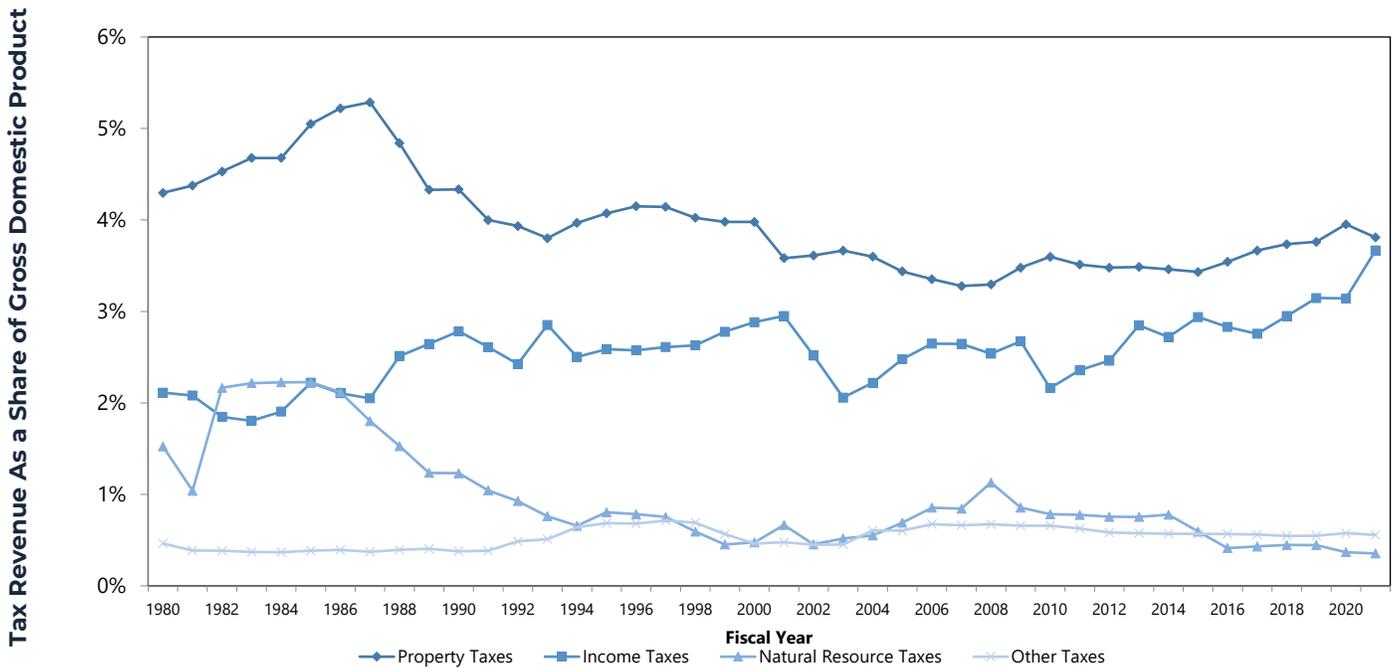


## DOR State and Local Taxes in Montana (FY 1980-2022) Four Types of Taxes Reported Separately (Adjusted for Inflation)

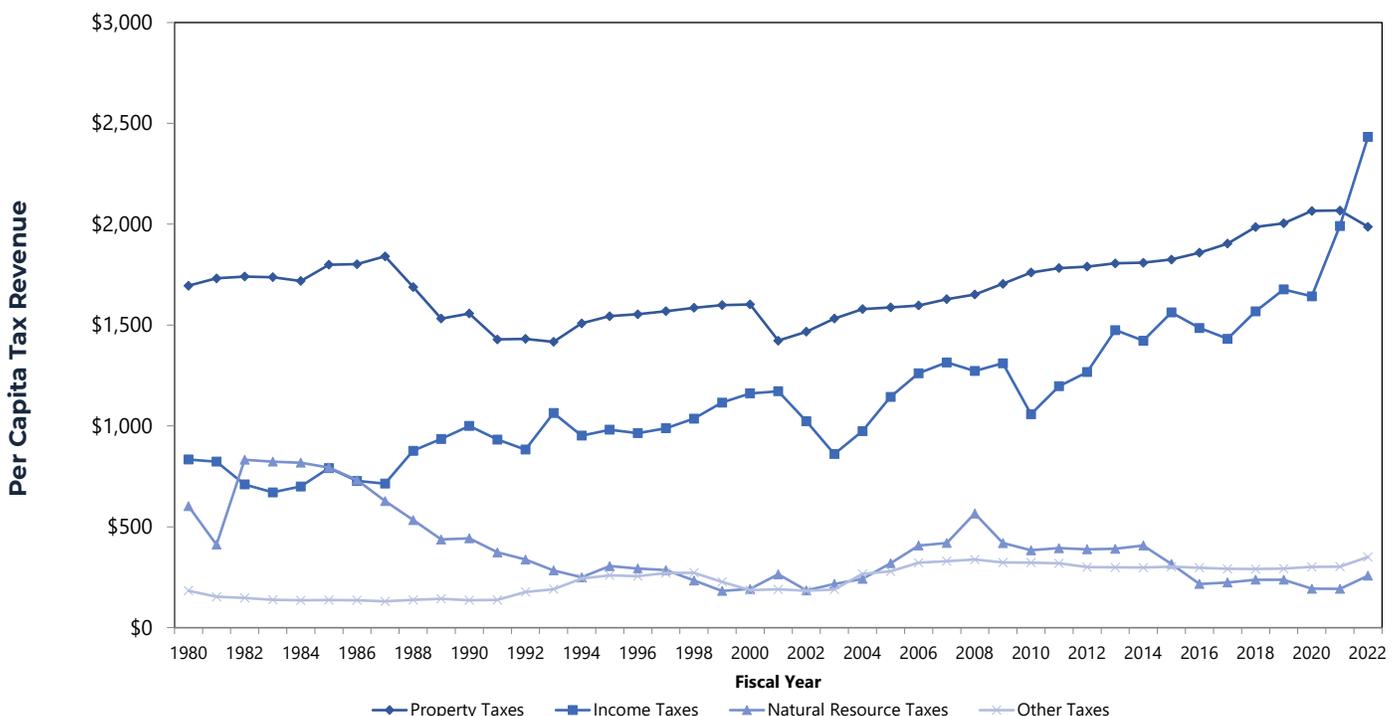


The two graphs below show the total collection of taxes in Montana, divided into the same four categories, for FY 1980 through 2022. The first graph shows the amount of collections for each tax type as a share of Montana's gross domestic product for the same period. The second shows the amount of revenue collected on a per capita basis. The second chart is also adjusted for inflation, with each year's collections shown in terms of their 2022 value.

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



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



# Taxes and Spending in Montana and Other States

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

<b>Property Tax</b>	<b>Income Taxes</b>
Taxes Based on Mill Levies	Individual Income Taxes
Special Improvement Districts (SID)	Corporate Income Taxes
Rural Improvement Districts (RID)	
Other Fees	

<b>Natural Resource Taxes</b>	
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	

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

The charts on the next page show the mix of taxes in FY 2020 for Montana, for the average of all 50 states, and for Idaho, North Dakota, South Dakota, and Wyoming. The charts on the following page show the mix of state and local spending for the same states.

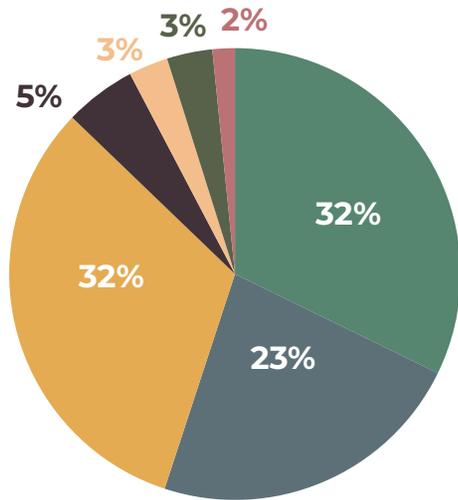
The chart in the upper left corner of the next page shows the average percentage of tax revenue from each tax type for all states. Property taxes, sales taxes, and individual income taxes together account for 87 percent of state and local tax revenue. This combination of taxes is often referred to as 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 38 percent of total collections in FY 2020. 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.

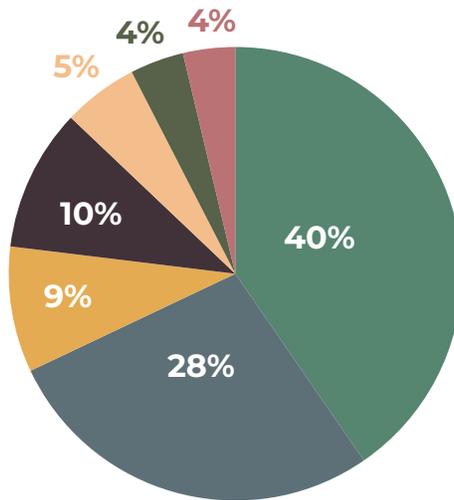
The mix of spending shows much smaller differences between states. All the states in the region devote an average share of spending to public schools. Montana, Idaho, and Wyoming devote the same proportion to higher education as the average state, while the proportion is slightly higher in North Dakota and South 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 average in all the states in the region.

# State and Local Taxes in FY 2020

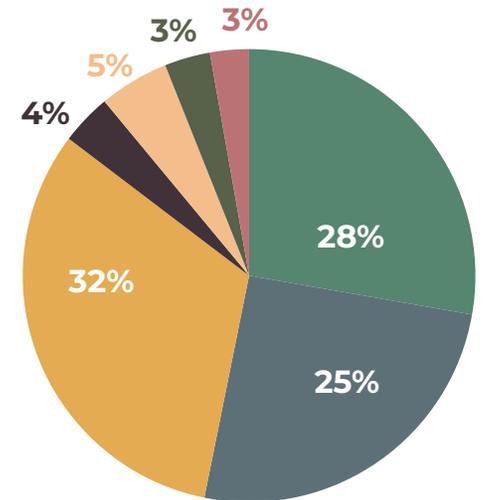
## Average of all Fifty States



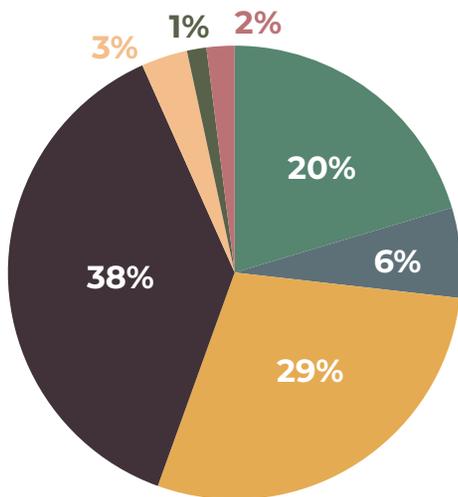
## Montana



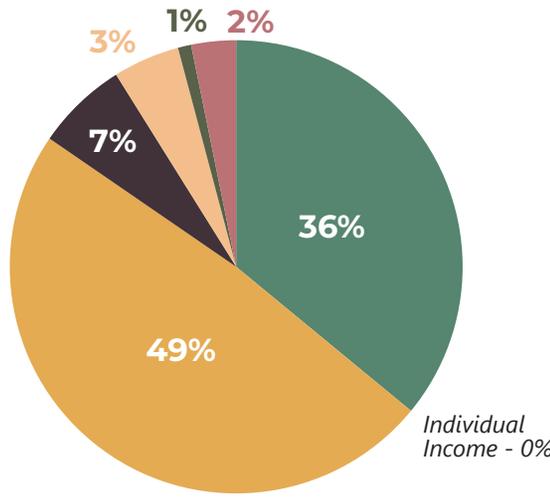
## Idaho



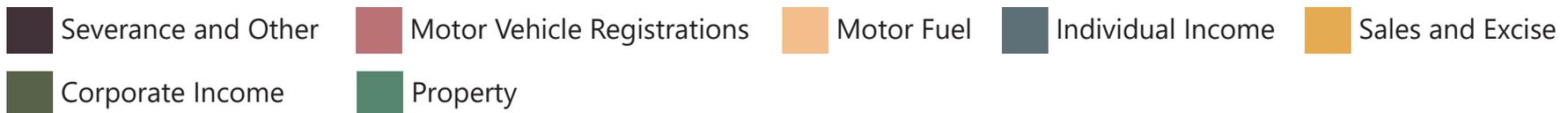
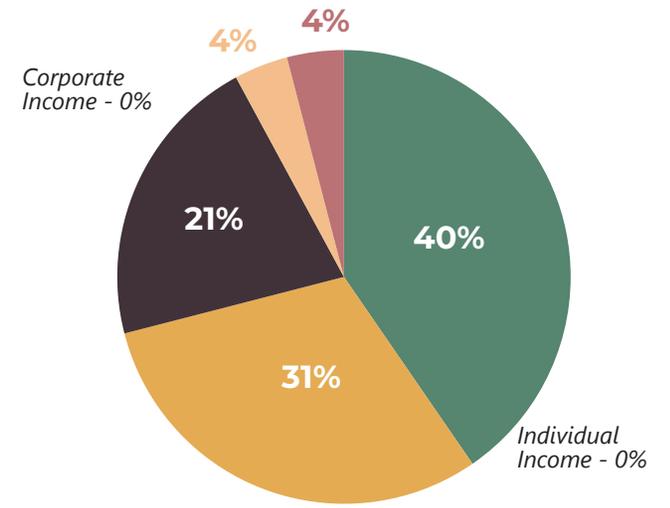
## North Dakota



## South Dakota

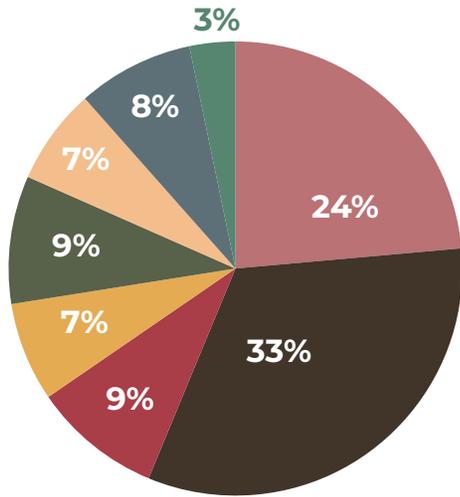


## Wyoming

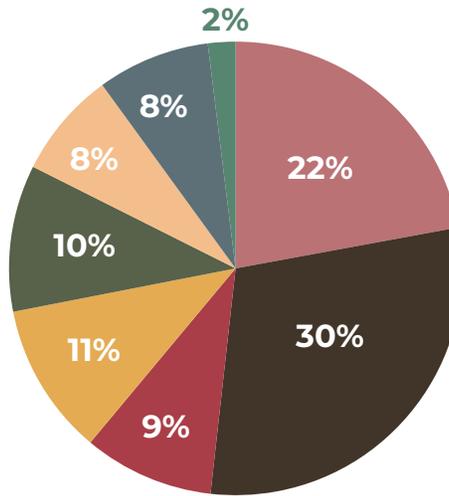


# State and Local Spending in FY 2020

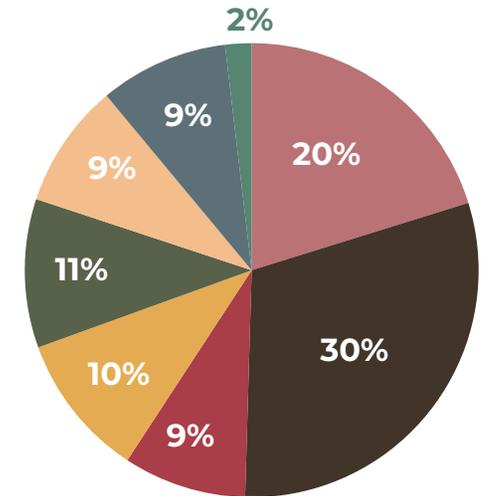
## Average of all Fifty States



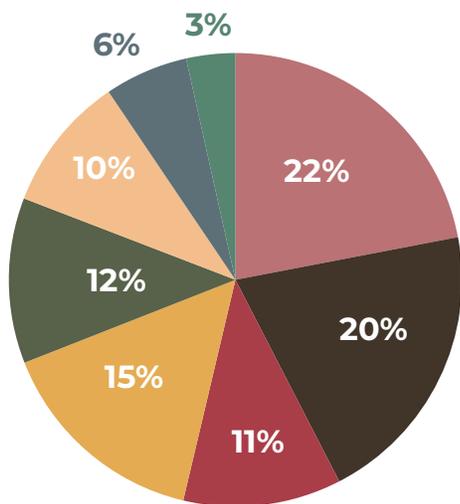
## Montana



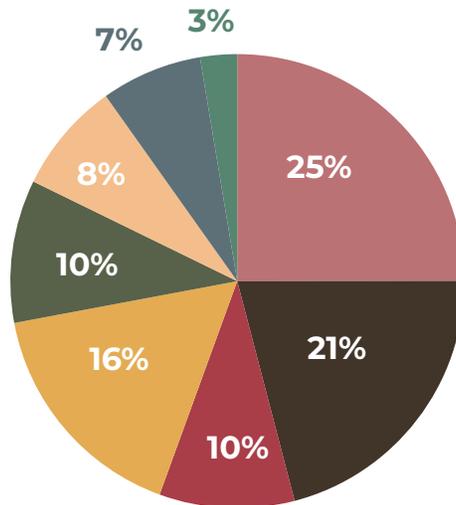
## Idaho



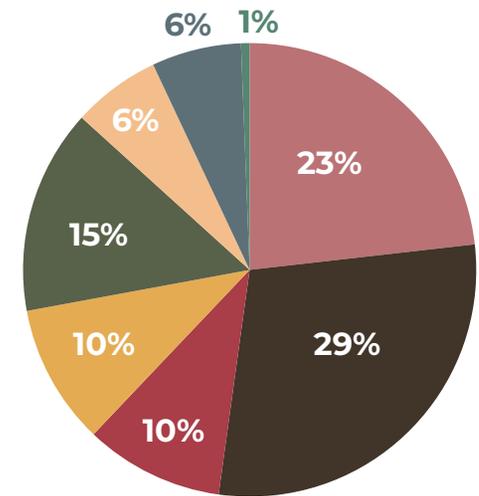
## North Dakota



## South Dakota



## Wyoming



- Public Safety
- Transportation
- Environment, Housing, Natural Resources, Parks
- Health and Human Services
- Public Schools
- Interest on Debt
- Higher Education
- Administration, Judiciary, and Other

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

There are many ways to evaluate state and local revenue systems. People and businesses 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 examines Montana's tax structure utilizing the 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 specific groups of taxpayers.
- 9** The tax system should minimize its impacts on taxpayer decisions and state budgeting decisions; and 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; and 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 on 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, a local option gasoline tax, and a local option vehicle registration fee.

## Reliable

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

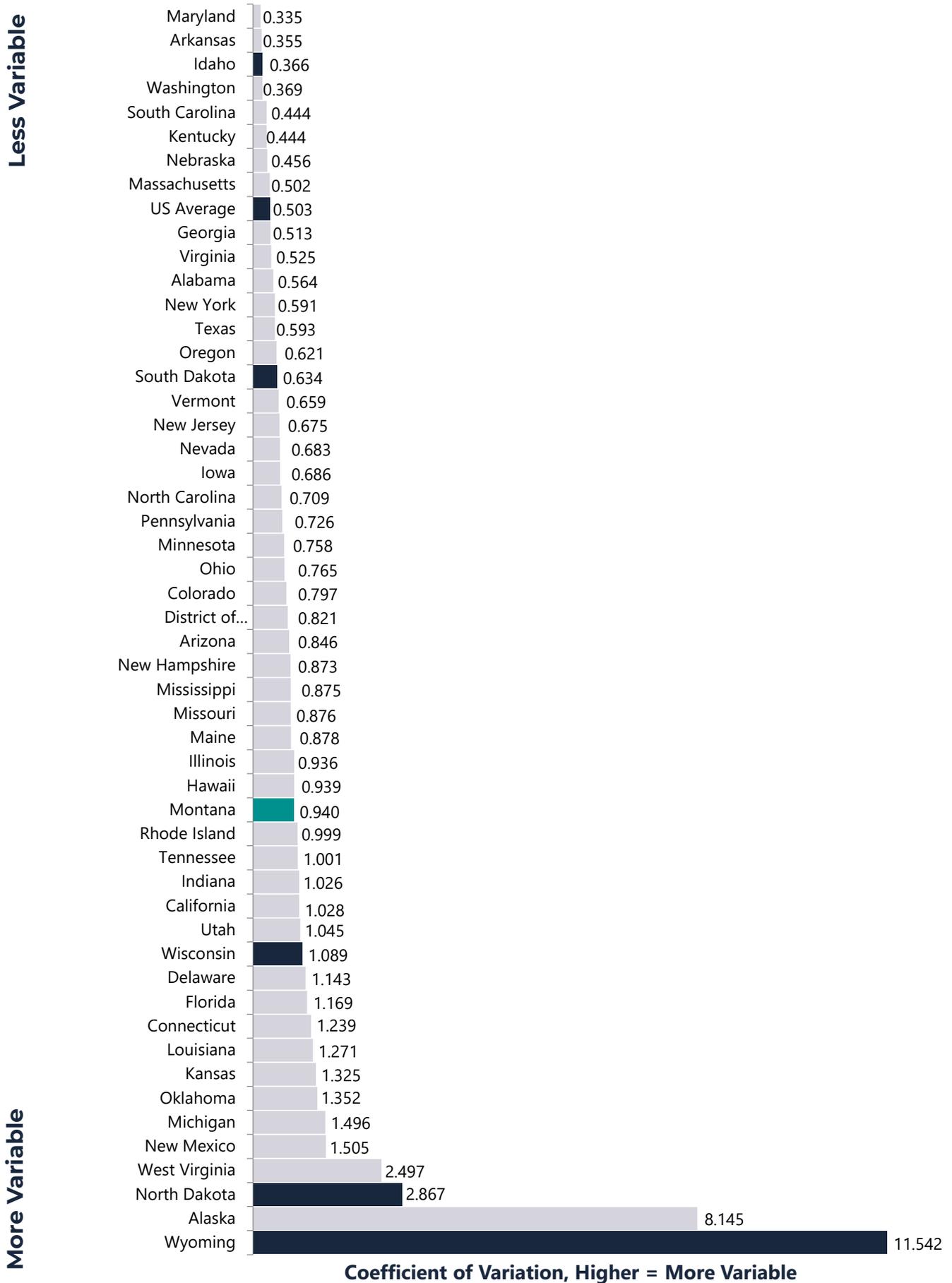
The next graph compares states on the variability of state and local tax revenue. It shows all states, including the District of Columbia, ranked by a measure of the relative variability<sup>2</sup> of revenue growth over the period 2011 to 2020. Montana is highlighted in teal, and the four surrounding states and the U.S. average<sup>3</sup> are dark blue.

Montana ranks 34th, 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.

<sup>2</sup> 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.

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

# Variability of Revenue Growth (2011 - 2020)

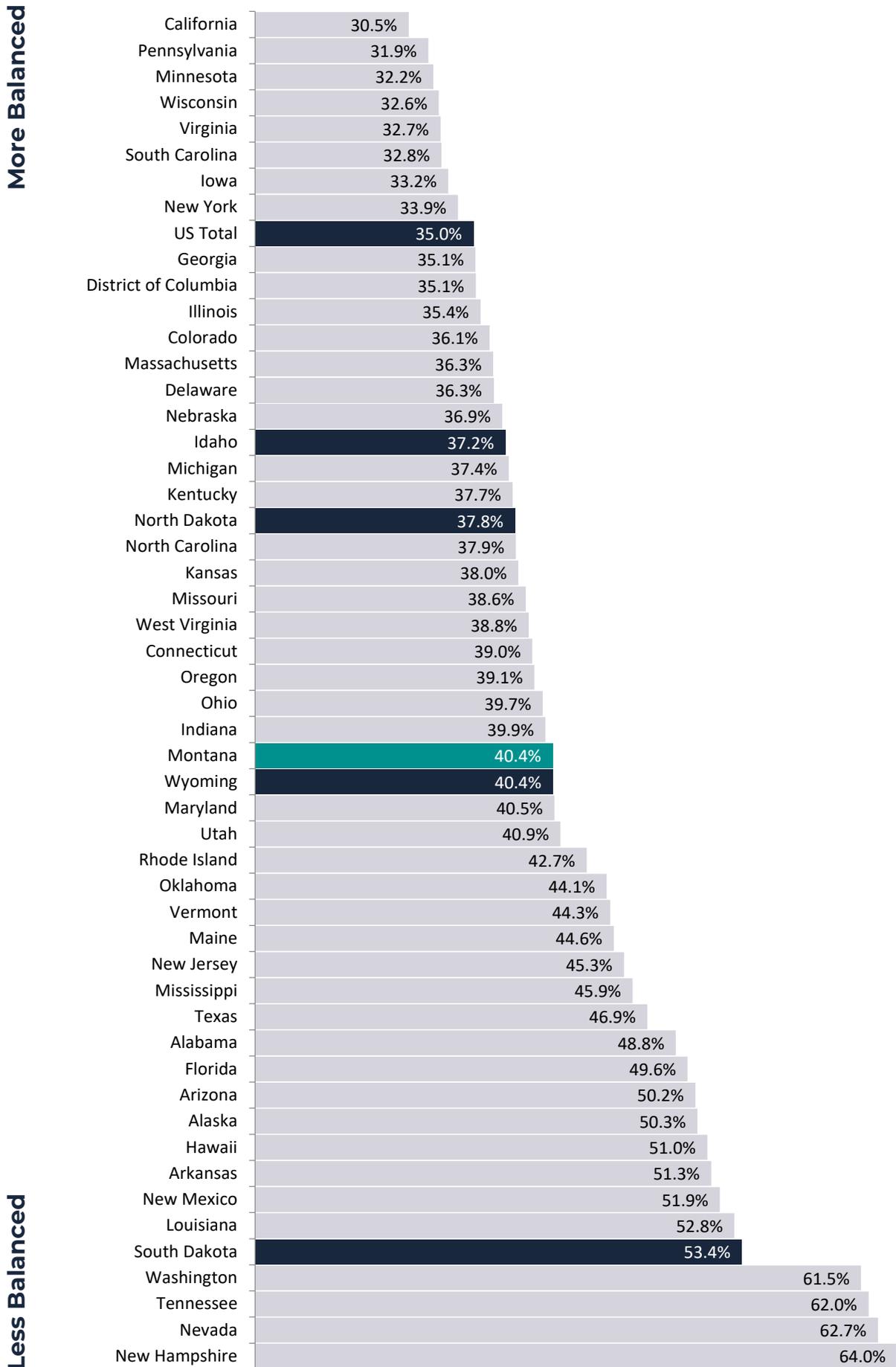


## Balance

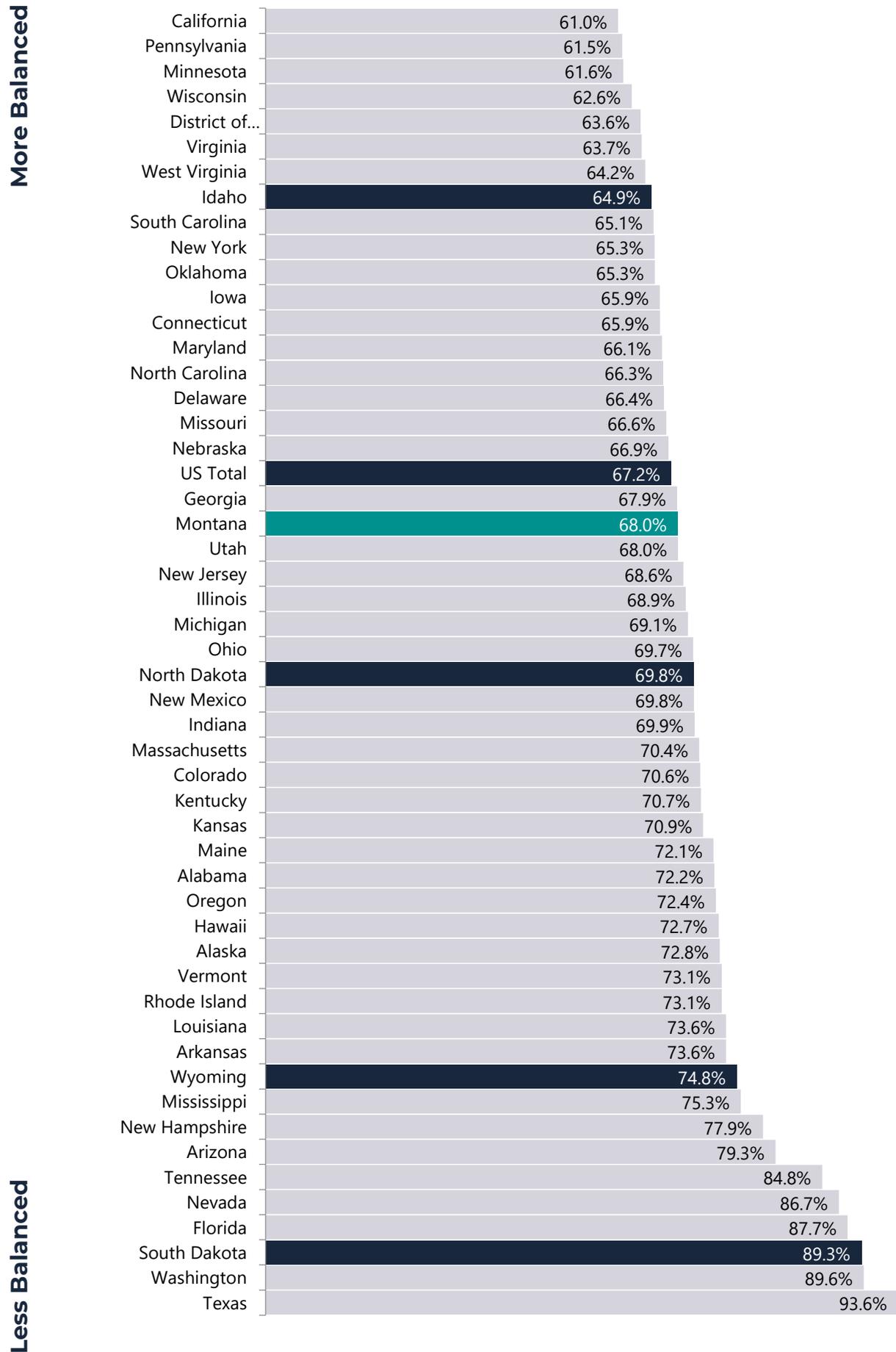
A balanced tax structure would generate revenue from multiple sources, so that the weakness of each tax can be balanced against the strengths of the other taxes. This balancing should reduce revenue volatility and minimize the economic distortions caused by each tax. An unbalanced tax system relies on one or two taxes for most of its revenue. The next two graphs 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 40.4 percent from one tax and 68 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.

# Percent of Revenue From One Tax



## 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.

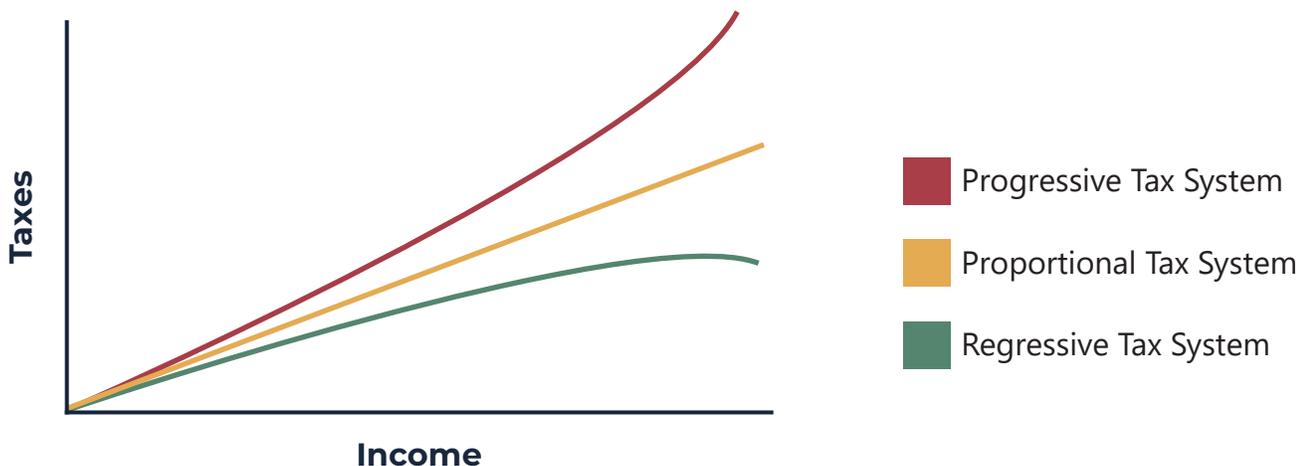
In general, the Montana property tax system is designed so that similar properties will have similar taxable values, and any differences in taxes will be due to differences in local mills. Sometimes, differences in local mills reflect differences in local services. For example, if residents of one town 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 below 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.



The graph on the next page shows the measure of progressivity or regressivity, 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.<sup>4</sup>

As the graph 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 all states except for Delaware and Oregon.

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.

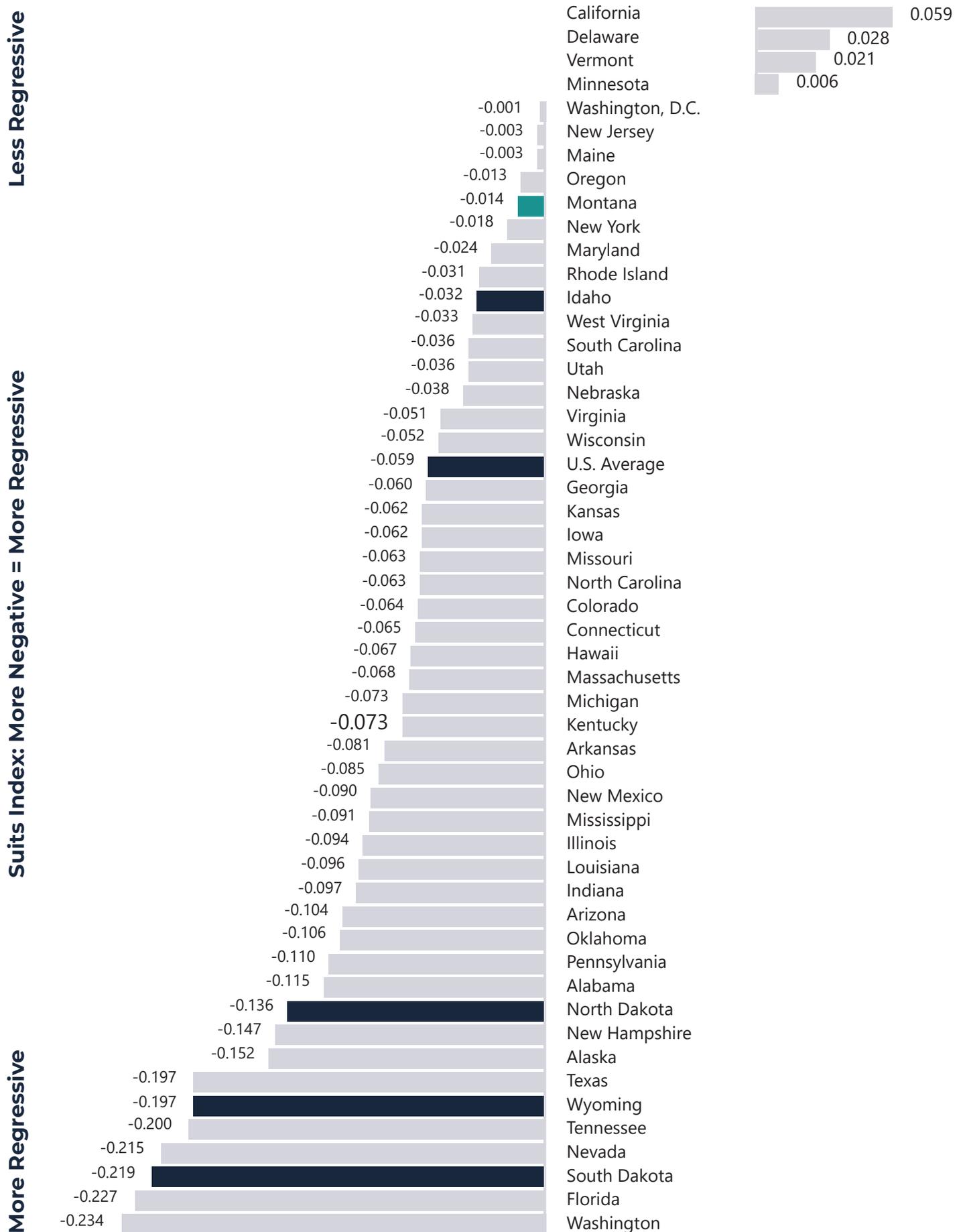
Sales taxes generally are regressive because (1) services and other non-taxable purchases make up a larger percentage of higher-income taxpayers' spending, and (2) higher-income taxpayers typically spend a smaller fraction of their income. Higher-income taxpayers are more likely to be accumulating wealth 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 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 1.29. There are nine states where the ratio is 1 or less.

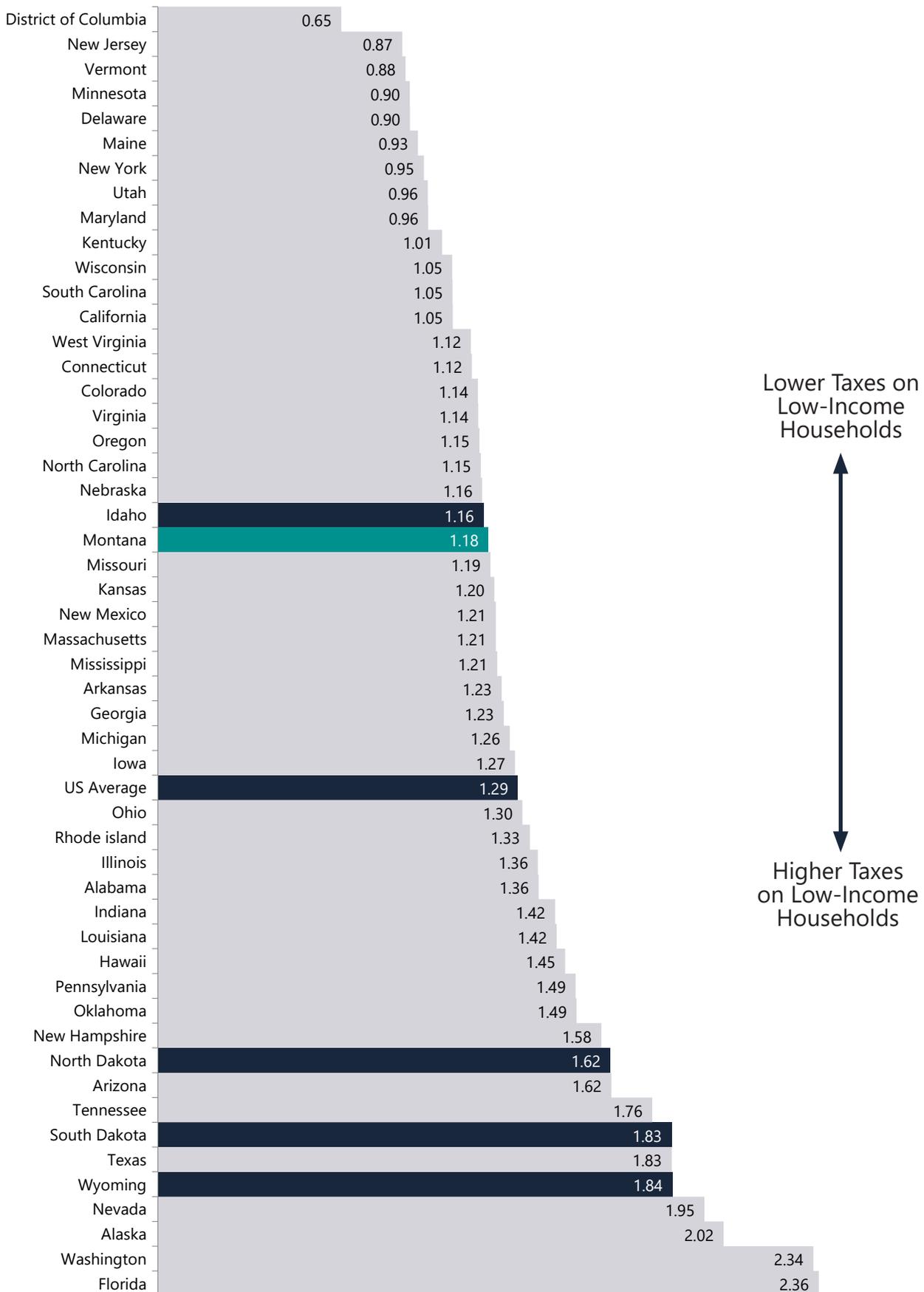
<sup>4</sup> *Suits Indices in the graph are calculated from information in Meg Wiehe, Aidan Davis, Carl Davis, Matthew Gardner, Lisa Christensen Gee, and Dylan Grundman's, Who Pays: A Distributional Analysis of the Tax Systems in All 50 States, 6th ed, Institute on Taxation and Economic Policy, 2018.*

# Regressivity of State Tax Systems



# Taxes as Percent of Income

## Low-Income Households Compared to All Households



## Easy to Understand and Comply

Ideally, paying for public services would be as 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, requiring 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, itemize deductions, or claim a credit, there is a greater need to keep records; completing a return will 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. Montana has more differences from federal law than its surrounding states.

One significant difference is that Montana is one of a few states that do not require married couples to make the same choice between a joint return and separate returns they made for the federal income tax returns. Federal law provides different rate tables for joint and separate returns, and almost all married couples have lower federal tax liability if they file a joint return.

Montana has one rate table for all taxpayers. Most married couples with two incomes have lower state tax liability if they file separate returns, while married couples with one income generally have lower state tax liability if they file a joint return. Many couples file a joint federal return and separate state returns, making the process slightly more complex. In addition, many couples often calculate their state tax both ways before filing because it is not immediately obvious which choice will result in lower tax liability. This can significantly increase the time and effort required to file a state return. 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 the following table shows, Montana has more differences than its surrounding states.

## State Income Tax Components (Tax Year 2021)

	<b>Idaho</b>	<b>Montana</b>	<b>North Dakota</b>	<b>South Dakota</b>	<b>Wyoming</b>
Federal Income Type Used	Federal Taxable Income	Federal Adjusted Gross Income	Federal Taxable Income	No Income Tax	No Income Tax
Additions to Federal Income	6	14	3		
Subtractions from Federal Income	23	36	17		
Itemized Deductions	Federal Itemized Deductions	Additional Deductions Allowed	Federal Itemized Deductions		
Credits	15	32	24		

*\*Information from table based on income tax returns for each state in tax year 2021.*

Taxpayers who itemize deductions must keep track of deductible expenditures and fill out additional schedules on their tax returns. States that either allow the same itemized deductions as federal law or do not allow any itemized deductions impose the smallest costs for additional recordkeeping and filing returns. Most of the states that allow itemized deductions have at least one difference from federal law: they do not allow the itemized deduction for state income tax that federal law allows. Some states have more differences from federal law, either allowing additional deductions or not allowing some federal deductions. As the previous table shows, Montana has more differences from federal itemized deductions than its surrounding states.

Montana law also provides for a smaller standard deduction than federal law, which results in more taxpayers itemizing deductions on their state returns than on their federal returns. Forty-nine percent of Montana income tax returns itemize deductions while only 9 percent of federal returns filed from Montana itemize.

Tax credits reduce taxes for eligible taxpayers but require them to keep track of expenditures that are the basis of a credit and to fill out additional schedules. As the previous table shows, Montana has more credits than the other states. The additional work can vary between credits. Only a subset of taxpayers can claim any one credit, so the number of credits measures only one aspect of the additional compliance cost from tax credits.

For taxpayers who do not use them, these provisions do not make complying with the income tax more difficult. However, a majority of Montana taxpayers are affected by one or more of the differences from federal law. More than half of Montana married couples file separate returns on the same form, though 95 percent of these same married couples file joint federal returns. More than half of Montana returns are subject to at least one of the state additions to or subtractions from Federal Adjusted Gross Income. Fifty-one percent of Montana tax returns itemize deductions, while 22 percent claim at least one tax credit.

## 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 2 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 multi-state 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.

The ease of self-assessing one's tax obligation can be partly determined by the fraction of returns with problems. For taxes where returns are filed by a business, the amount of returns with math errors or other inconsistencies ranges from about one in 10 to almost one in two. For comparison, the error rate on individual income tax returns is about one in four.

## Ease of Verifying Tax Bills

### Property Tax

Property taxpayers receive a statement every time there is a change in value showing the valuation of their property and an annual bill showing the calculation of property tax. To verify the valuation, the taxpayer generally needs to contact the department and talk with an appraiser.

The tax on a property is calculated by multiplying the taxable value by state and local mill levies and adding any local fees. Few taxpayers understand the local budgeting processes that determine mill levies. This often leads taxpayers to expect a change in their property taxes based on their assessment notice, which turns out to be quite different from any change that they see on their annual tax bills.

To verify that the correct mill levies and fees have been applied to the taxable value, the taxpayer needs to contact their county treasurer's office.

## Selective Sales and Excise Taxes

These taxes are billed to the taxpayer at a transaction's point-of-sale and itemized separately on a bill, statement, or receipt showing taxed goods and services. If the tax applies to the entire amount of the sale, it will be simple for the taxpayer to verify that the rate was applied correctly. If part of the sale is taxable and part is exempt, it may be difficult for a taxpayer to check whether the rate was applied only to taxable transactions.

## Ease of Payment

### Property Tax

Property tax payments are due 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.

### 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 the few 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 has become 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. Montana is one of 11 states with state-wide property taxes. In these states, 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 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.

### State with Uniform and Nonuniform Taxation of Property Classes\*

One Assessment Ratio and Uniform Mills	16
One Assessment Ratio and Nonuniform Mills	12
Multiple Assessment Ratios and Uniform Mills	20 - includes Montana
Multiple Assessment Ratios and Nonuniform Mills	3

\*Includes District of Columbia

<https://www.lincolnst.edu/research-data/data-toolkits/significant-features-property-tax/access-property-tax-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 but uniform millage rates. Montana has the largest number of different assessment ratios at 16, including two for business equipment that depend on how much the taxpayer owns. Six states have uniform assessment ratios, but have at least one situation where a property class pays a different millage rate. 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 recordkeeping and additional steps in the tax calculation that are not required in Montana. States can also have limits on tax rates or levies.

### 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	16	30 - includes Montana	46
States without Limits on Tax Rates or Levies	2	3	5
<b>Total</b>	<b>18</b>	<b>33</b>	<b>51</b>

\*Includes District of Columbia

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

## 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 require considerable extra work when the system is upgraded and somewhat increase 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, create more line items on returns that must be verified and may need to be audited to ensure high compliance. The table 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 2021. Additional information on each of the tax expenditures listed on the next two pages, as well as tax expenditure information for other tax types, can be found in the Tax Expenditure section of this report.

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 90 percent in 2021.

### Income Tax Returns File in Montana

<b>Tax Year</b>	<b>Total</b>	<b>Paper</b>	<b>E-file</b>	<b>% E-file</b>
2007	511,235	230,490	280,745	54.90%
2008	542,625	219,182	323,443	59.60%
2009	533,161	193,843	339,318	63.60%
2010	522,381	165,237	357,144	68.40%
2011	526,902	123,179	403,723	76.60%
2012	535,682	109,058	426,624	79.60%
2013	547,558	103,101	444,457	81.20%
2014	552,189	93,924	458,265	83.00%
2015	562,647	88,524	474,123	84.30%
2016	571,114	81,333	489,781	85.80%
2017	568,961	78,196	490,765	86.30%
2018	579,865	81,938	496,180	85.60%
2019	584,897	72,643	510,141	87.20%
2020	596,344	67,191	525,865	88.20%
2021	607,404	57,550	547,810	90.20%

## Individual Income Tax Expenditures - 2021

	Number	\$
Capital Gains Credit	93,649	\$142,659,750
Credit for Other States' Taxes	16,339	\$80,816,438
Federal Income Tax Deduction	220,833	\$68,620,386
Charitable Contributions	131,650	\$60,413,912
Home Mortgage Interest	136,905	\$55,873,206
State and Local Tax Deduction	203,536	\$37,622,771
Medical Insurance Premium Deduction	102,380	\$25,880,868
Unemployment Compensation Deduction	34,489	\$15,724,305
Exempt Military Salary	4,955	\$11,851,890
Medical and Dental Expenses Deduction	47,090	\$11,546,979
Elderly Homeowner/Renter Credit	13,052	\$7,049,440
Exempt Tips	22,069	\$5,710,835
Earned Income Tax Credit	89,015	\$4,936,275
Partial Pension Exemption	44,793	\$4,420,373
Energy Conservation Credit	7,111	\$4,085,936
Qualified Endowment Credit	654	\$3,356,828
Media Production Credit	18	\$3,338,049
Tier II Railroad Retirement	2,876	\$1,951,187
Partial Interest Exclusion for Elderly Taxpayers	73,706	\$1,674,247
Long Term Care Insurance Premium Deduction	9,069	\$1,639,725
Montana Medical Care Savings Account Deduction	5,175	\$1,395,302
Family Education Savings Account Deduction	5,494	\$1,259,674
Alternative Energy Systems Credit	875	\$652,907
Other Deductible Taxes	5,648	\$540,083
Recycling Credit	105	\$517,006
Light Vehicle Registration Fee Deduction	30,214	\$475,037
Apprenticeship Credit	325	\$430,530
Expenses Incurred by Medical Marijuana Providers	71	\$369,000
College Contribution Credit	2,165	\$310,062
Adoption Credit	126	\$133,395
Trades Education and Training Credit	182	\$101,409
Geothermal Heating System Credit	71	\$86,401
Third-Party Repayment of Health Care Professional's Student Loans Deduction	350	\$79,415
Infrastructure Users Fee Credit	*	\$77,182
First Time Homebuyer Account Deduction	251	\$57,683
Worker's Compensation Deduction	179	\$50,807
Political Contribution Deduction	5,264	\$41,181
Small Business Investment Company Dividend Deduction	19	\$35,130
Health Benefits Limited to Highly-Compensated Employees Deduction	115	\$34,664

## Individual Income Tax Expenditures - 2021

	Number	\$
Historic Property Preservation Credit	13	\$32,062
Business Purchases of Recycled Material Deduction	91	\$27,579
Alternative Energy Production Credit	20	\$27,466
Health Insurance for Uninsured Montanans Credit	39	\$26,504
Dependent Care Assistance Credit	14	\$23,399
ABLE Account Deduction	164	\$23,227
Elderly Care Credit	31	\$22,040
Casualty and Theft Losses	305	\$13,621
Educator Student Loan Repayment	71	\$11,045
Research Credit	*	\$7,558
Student Scholarship Organization Credit	40	\$6,544
Alternative Fuel Credit	10	\$5,247
Sales of Land to Beginning Farmers	*	\$3,505
Per Capita Livestock Fee Deduction	493	\$3,379
Child and Dependent Care Expenses Deduction	271	\$3,294
Innovative Education Credit	*	\$1,650
Unlocking State Lands Credit	*	\$1,500
Exempt Disability Retirement Income Deduction	18	\$945
National Guard Life Insurance Premiums Deduction	*	\$321
Capital Gain Exclusion From Sale of Mobile Home Park	0	\$0
Biodiesel Credits	0	\$0
Temporary Emergency Lodging Credit	0	\$0
Empowerment Zone Credit	0	\$0
Mineral Exploration 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 much 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 cutting services. Governments can compete by giving special treatment to favored groups at the cost of higher taxes or fewer services for everyone 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 taxpayer 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 FY ending June 30, 2020. Both 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. Several organizations publish comparisons that attempt to adjust for these differences. The Tax Foundation<sup>5</sup> attempts to adjust for taxes each state receives from out-of-state taxpayers. Washington, D.C.<sup>6</sup> compares taxes for hypothetical families in each state. The Institute on Taxation and Economic Policy<sup>7</sup> estimates taxes as a percent of income for income groups in each state.

## 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 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.

<sup>5</sup> <http://www.taxfoundation.org>

<sup>6</sup> <http://cfo.dc.gov>

<sup>7</sup> <http://www.itep.org/>

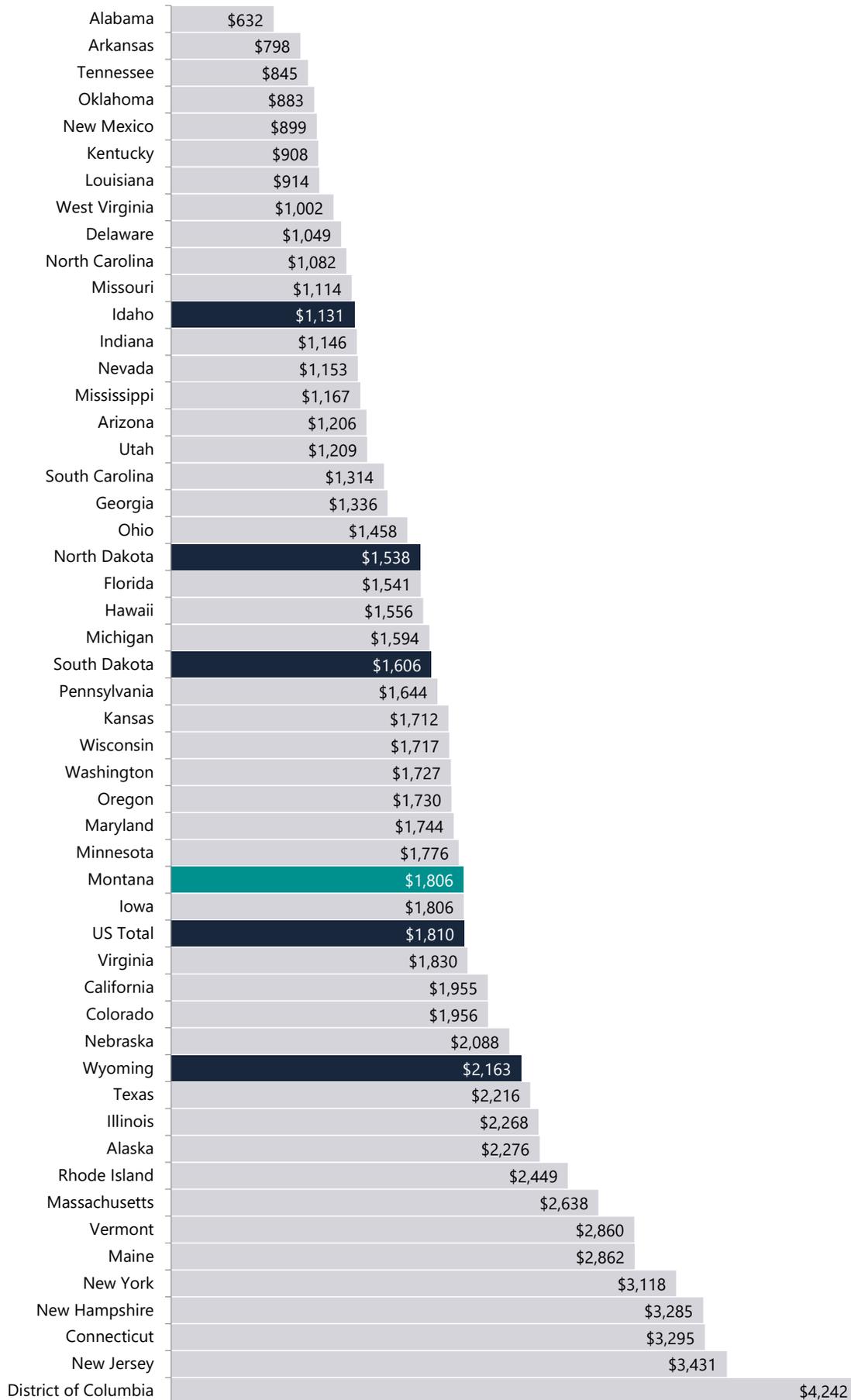
## Taxes Per Person - FY 2020

State	Property Tax		Sales and Gross Receipts		Individual and Corporate Income Tax		Other Taxes		Total	
	\$	Rank	\$	Rank	\$	Rank	\$	Rank	\$	Rank
Average of All States	\$1,810		\$1,964		\$1,464		\$378		\$5,616	
Alabama	\$632	51	\$1,834	26	\$1,028	36	\$261	36	\$3,756	50
Alaska	\$2,276	10	\$931	47	\$222	45	\$1,094	4	\$4,523	32
Arizona	\$1,206	36	\$2,075	16	\$704	40	\$151	50	\$4,136	43
Arkansas	\$798	50	\$2,223	12	\$1,123	32	\$192	46	\$4,336	37
California	\$1,955	16	\$2,135	14	\$2,386	6	\$526	11	\$7,001	8
Colorado	\$1,956	15	\$2,044	18	\$1,424	21	\$244	38	\$5,668	17
Connecticut	\$3,295	3	\$2,074	17	\$2,844	4	\$235	39	\$8,448	3
Delaware	\$1,049	43	\$610	51	\$2,013	10	\$2,185	2	\$5,859	15
District of Columbia	\$4,242	1	\$2,335	8	\$4,499	1	\$1,002	5	\$12,077	1
Florida	\$1,541	30	\$2,009	19	\$115	46	\$382	22	\$4,047	47
Georgia	\$1,336	33	\$1,430	43	\$1,183	29	\$125	51	\$4,075	44
Hawaii	\$1,556	29	\$3,814	1	\$1,655	14	\$455	16	\$7,480	6
<b>Idaho</b>	<b>\$1,131</b>	<b>40</b>	<b>\$1,514</b>	<b>41</b>	<b>\$1,169</b>	<b>31</b>	<b>\$261</b>	<b>37</b>	<b>\$4,074</b>	<b>45</b>
Illinois	\$2,268	11	\$2,141	13	\$1,678	13	\$313	30	\$6,400	13
Indiana	\$1,146	39	\$1,878	22	\$1,525	17	\$158	49	\$4,707	31
Iowa	\$1,806	18	\$1,773	29	\$1,473	19	\$382	23	\$5,434	21
Kansas	\$1,712	25	\$1,982	20	\$1,300	25	\$216	43	\$5,210	24
Kentucky	\$908	46	\$1,630	37	\$1,607	16	\$183	47	\$4,329	38
Louisiana	\$914	45	\$2,330	9	\$939	37	\$226	41	\$4,410	36
Maine	\$2,862	6	\$1,768	32	\$1,512	18	\$278	34	\$6,420	12
Maryland	\$1,744	21	\$1,682	35	\$2,974	3	\$409	21	\$6,810	9
Massachusetts	\$2,638	8	\$1,414	44	\$2,841	5	\$372	24	\$7,265	7
Michigan	\$1,594	28	\$1,353	45	\$1,034	35	\$282	32	\$4,263	40
Minnesota	\$1,776	20	\$2,096	15	\$2,195	8	\$440	18	\$6,507	10
Mississippi	\$1,167	37	\$1,821	28	\$772	39	\$209	45	\$3,970	48
Missouri	\$1,114	41	\$1,529	40	\$1,101	33	\$222	42	\$3,967	49
<b>Montana</b>	<b>\$1,806</b>	<b>19</b>	<b>\$641</b>	<b>49</b>	<b>\$1,404</b>	<b>23</b>	<b>\$620</b>	<b>9</b>	<b>\$4,471</b>	<b>33</b>
Nebraska	\$2,088	14	\$1,692	34	\$1,446	20	\$426	20	\$5,652	18
Nevada	\$1,153	38	\$3,009	3	\$0	48	\$638	8	\$4,800	29
New Hampshire	\$3,285	4	\$711	48	\$656	41	\$480	14	\$5,131	26
New Jersey	\$3,431	2	\$1,769	31	\$2,045	9	\$333	27	\$7,578	4
New Mexico	\$899	47	\$2,591	4	\$625	42	\$882	6	\$4,997	27
New York	\$3,118	5	\$2,419	5	\$3,933	2	\$475	15	\$9,945	2
North Carolina	\$1,082	42	\$1,594	38	\$1,259	26	\$274	35	\$4,209	41
<b>North Dakota</b>	<b>\$1,538</b>	<b>31</b>	<b>\$2,415</b>	<b>6</b>	<b>\$588</b>	<b>43</b>	<b>\$3,004</b>	<b>1</b>	<b>\$7,545</b>	<b>5</b>
Ohio	\$1,458	32	\$1,929	21	\$1,236	28	\$234	40	\$4,857	28
Oklahoma	\$883	48	\$1,837	25	\$925	38	\$520	12	\$4,165	42

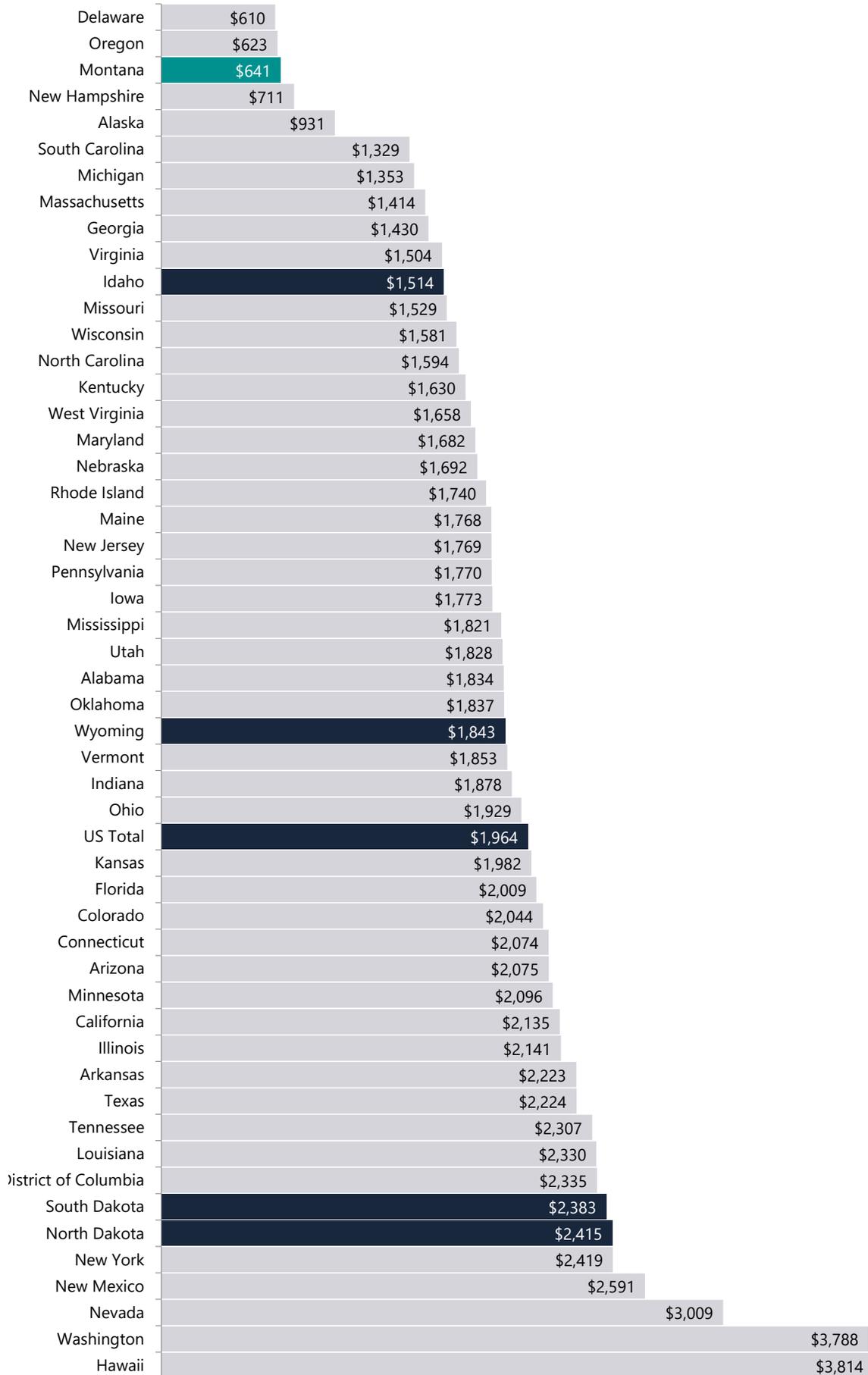
## Taxes Per Person - FY 2020

State	Property Tax		Sales and Gross Receipts		Individual and Corporate Income Tax		Other Taxes		Total	
	\$	Rank	\$	Rank	\$	Rank	\$	Rank	\$	Rank
Oregon	\$1,730	22	\$623	50	\$2,271	7	\$578	10	\$5,202	25
Pennsylvania	\$1,644	26	\$1,770	30	\$1,647	15	\$492	13	\$5,554	20
Rhode Island	\$2,449	9	\$1,740	33	\$1,327	24	\$215	44	\$5,732	16
South Carolina	\$1,314	34	\$1,329	46	\$1,092	34	\$323	29	\$4,057	46
<b>South Dakota</b>	<b>\$1,606</b>	<b>27</b>	<b>\$2,383</b>	<b>7</b>	<b>\$42</b>	<b>47</b>	<b>\$434</b>	<b>19</b>	<b>\$4,466</b>	<b>35</b>
Tennessee	\$845	49	\$2,307	10	\$226	44	\$341	26	\$3,719	51
Texas	\$2,216	12	\$2,224	11	\$0	48	\$304	31	\$4,744	30
Utah	\$1,209	35	\$1,828	27	\$1,248	27	\$182	48	\$4,467	34
Vermont	\$2,860	7	\$1,853	23	\$1,407	22	\$330	28	\$6,450	11
Virginia	\$1,830	17	\$1,504	42	\$1,895	11	\$368	25	\$5,597	19
Washington	\$1,727	23	\$3,788	2	\$0	48	\$641	7	\$6,155	14
West Virginia	\$1,002	44	\$1,658	36	\$1,173	30	\$444	17	\$4,278	39
Wisconsin	\$1,717	24	\$1,581	39	\$1,690	12	\$281	33	\$5,269	23
<b>Wyoming</b>	<b>\$2,163</b>	<b>13</b>	<b>\$1,843</b>	<b>24</b>	<b>\$0</b>	<b>48</b>	<b>\$1,347</b>	<b>3</b>	<b>\$5,353</b>	<b>22</b>

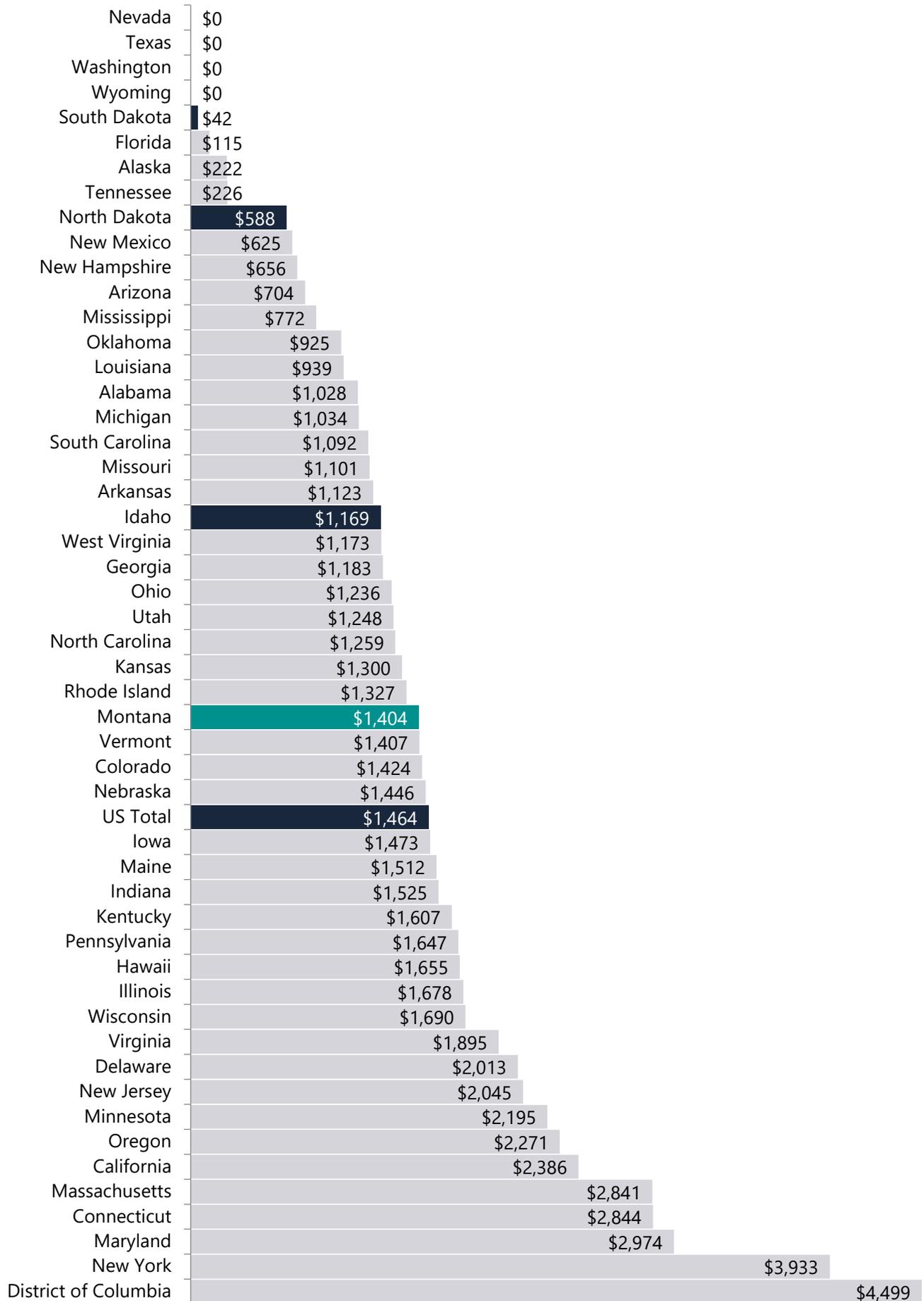
## Property Taxes Per Person - FY 2020



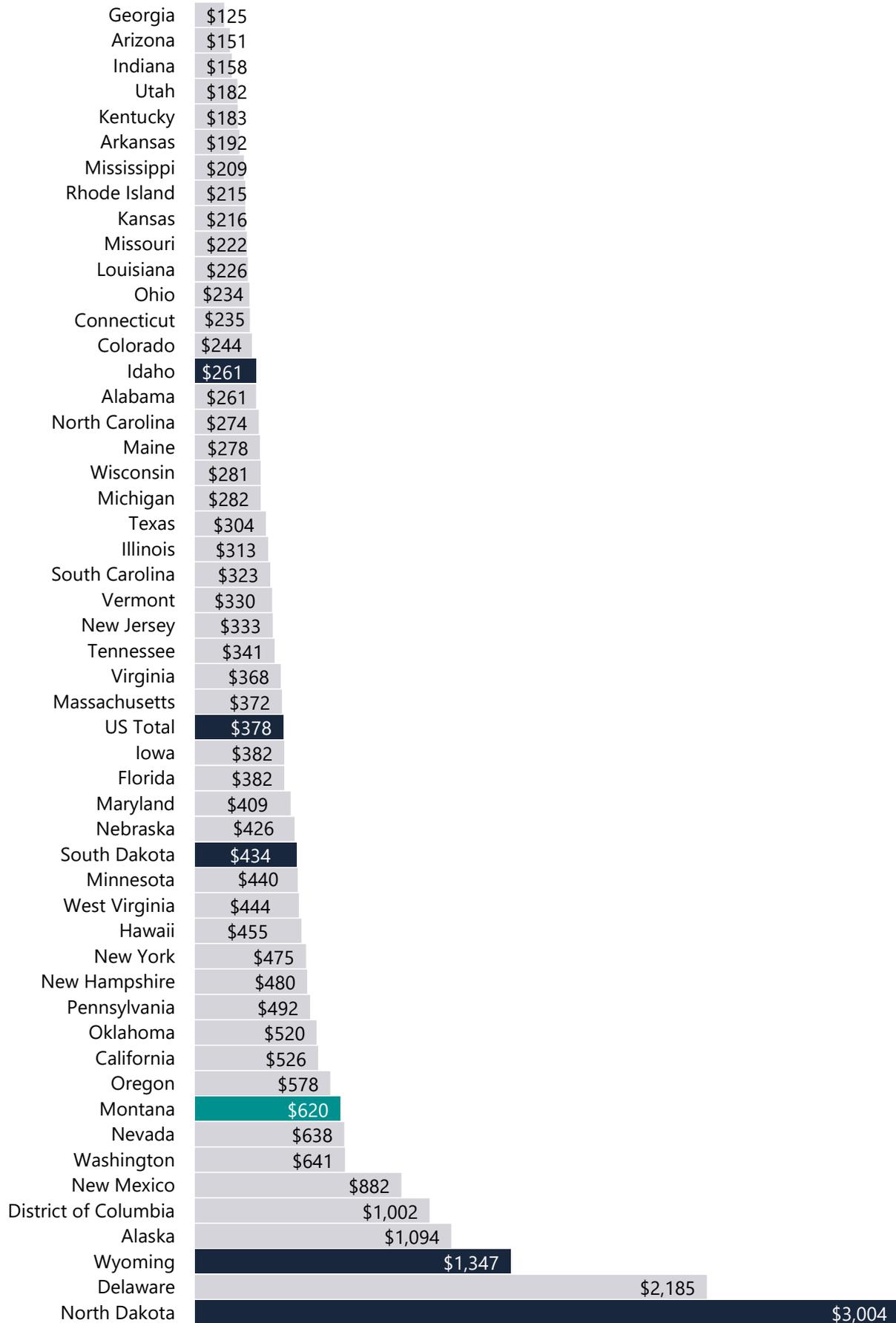
## Sales and Gross Receipts Taxes Per Person - FY 2020



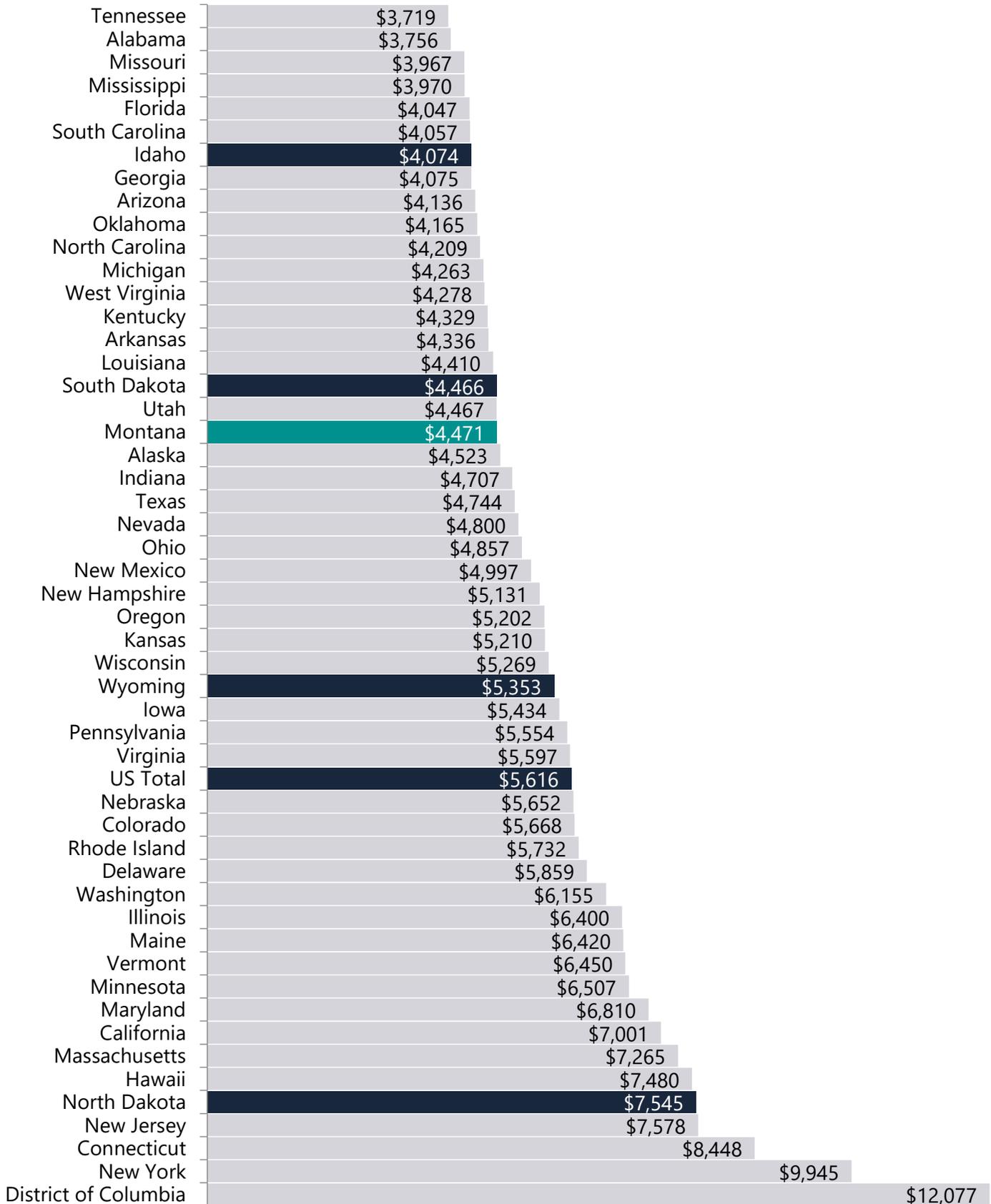
## Individual and Corporate Income Taxes Per Person - FY 2020



## Natural Resource and Other Taxes Per Person - FY 2020



## Total State and Local Taxes Per Person - FY 2020

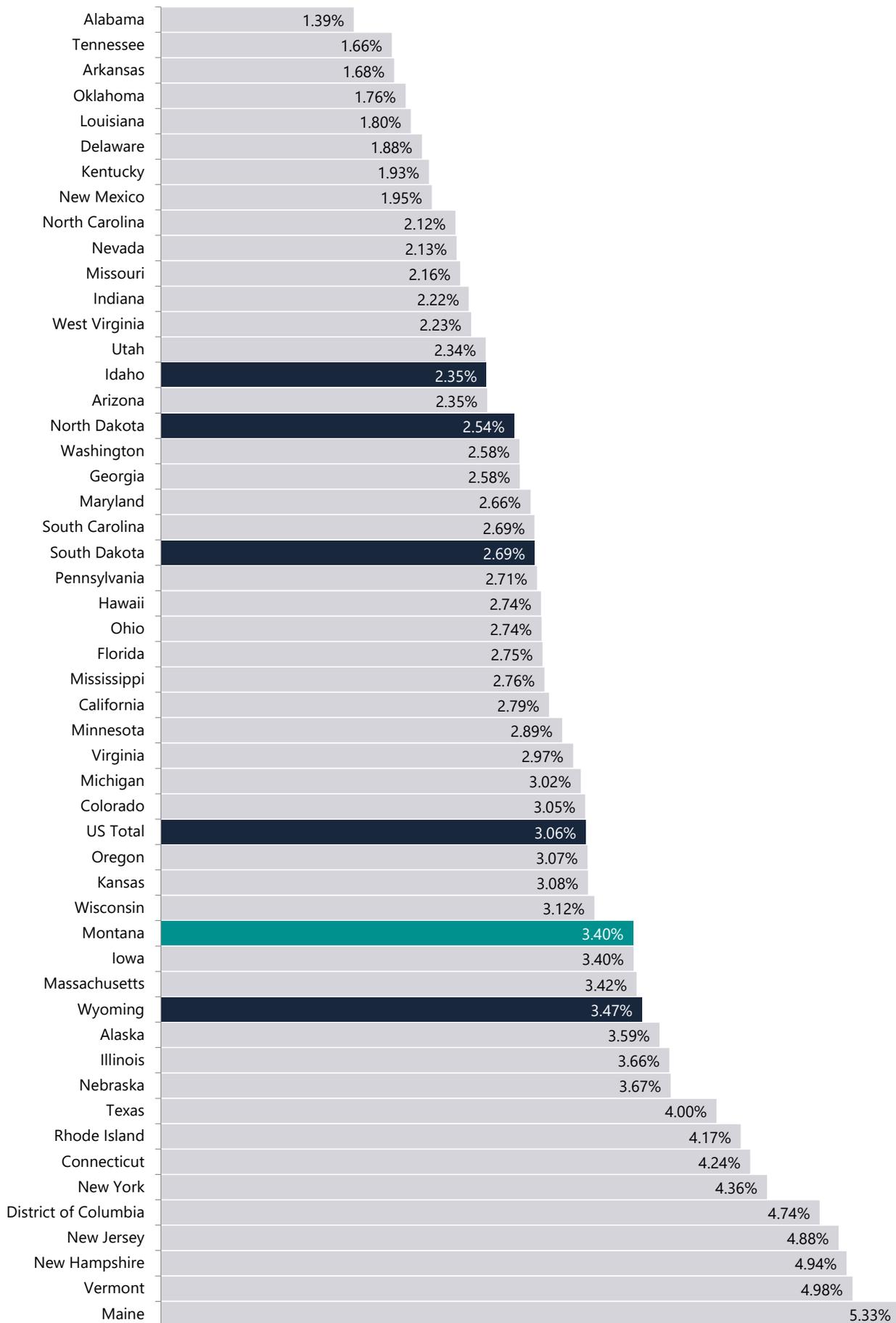


## Taxes as a Percent of Personal Income - FY 2020

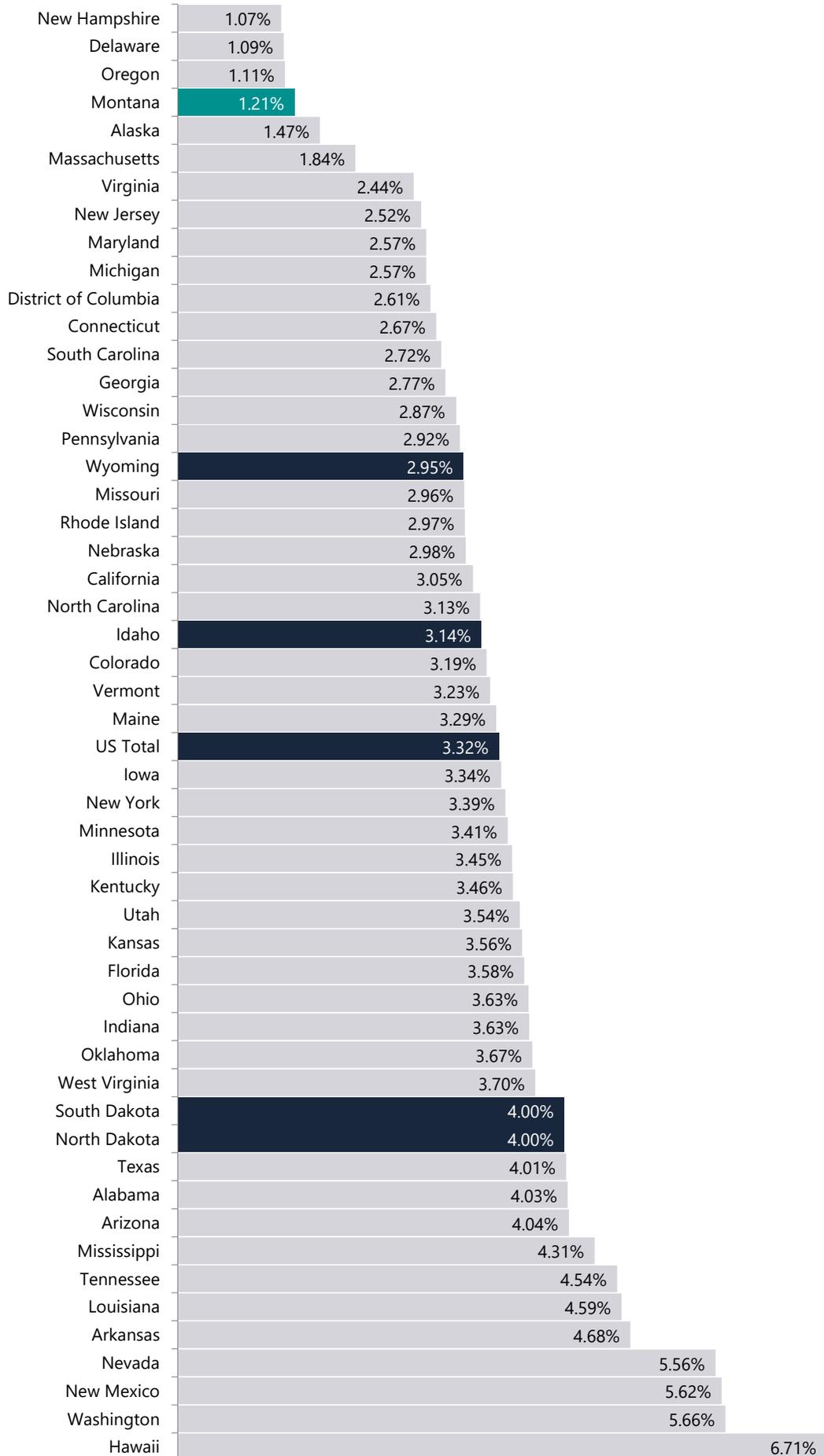
State	Property Tax		Sales and Gross Receipts		Individual and Corporate Income Tax		Other Taxes		Total	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
<b>Average of All States</b>	<b>3.06%</b>		<b>3.32%</b>		<b>2.48%</b>		<b>0.64%</b>		<b>9.49%</b>	
Alabama	1.39%	51	4.03%	10	2.26%	32	0.57%	28	8.25%	42
Alaska	3.59%	12	1.47%	47	0.35%	45	1.73%	5	7.13%	51
Arizona	2.35%	36	4.04%	9	1.37%	40	0.29%	50	8.06%	44
Arkansas	1.68%	49	4.68%	5	2.36%	27	0.40%	42	9.12%	28
California	2.79%	24	3.05%	31	3.41%	10	0.75%	15	10.01%	15
Colorado	3.05%	20	3.19%	28	2.22%	34	0.38%	45	8.85%	32
Connecticut	4.24%	7	2.67%	40	3.66%	6	0.30%	49	10.88%	7
Delaware	1.88%	46	1.09%	50	3.61%	7	3.92%	2	10.50%	11
District of Columbia	4.74%	5	2.61%	41	5.03%	2	1.12%	8	13.51%	2
Florida	2.75%	26	3.58%	18	0.21%	46	0.68%	21	7.21%	50
Georgia	2.58%	33	2.77%	38	2.29%	30	0.24%	51	7.88%	45
Hawaii	2.74%	28	6.71%	1	2.91%	14	0.80%	14	13.16%	3
<b>Idaho</b>	<b>2.35%</b>	<b>37</b>	<b>3.14%</b>	<b>29</b>	<b>2.42%</b>	<b>25</b>	<b>0.54%</b>	<b>30</b>	<b>8.45%</b>	<b>37</b>
Illinois	3.66%	11	3.45%	22	2.71%	19	0.51%	35	10.33%	13
Indiana	2.22%	40	3.63%	16	2.95%	13	0.31%	48	9.11%	29
Iowa	3.40%	15	3.34%	25	2.78%	17	0.72%	19	10.24%	14
Kansas	3.08%	18	3.56%	19	2.33%	28	0.39%	44	9.36%	22
Kentucky	1.93%	45	3.46%	21	3.42%	9	0.39%	43	9.20%	25
Louisiana	1.80%	47	4.59%	6	1.85%	37	0.45%	39	8.68%	33
Maine	5.33%	1	3.29%	26	2.81%	16	0.52%	33	11.95%	5
Maryland	2.66%	32	2.57%	43	4.54%	3	0.62%	25	10.39%	12
Massachusetts	3.42%	14	1.84%	46	3.69%	5	0.48%	37	9.43%	20
Michigan	3.02%	21	2.57%	42	1.96%	36	0.53%	32	8.08%	43
Minnesota	2.89%	23	3.41%	23	3.57%	8	0.72%	20	10.59%	10
Mississippi	2.76%	25	4.31%	8	1.83%	39	0.50%	36	9.39%	21
Missouri	2.16%	41	2.96%	34	2.13%	35	0.43%	41	7.68%	47
<b>Montana</b>	<b>3.40%</b>	<b>16</b>	<b>1.21%</b>	<b>48</b>	<b>2.64%</b>	<b>20</b>	<b>1.17%</b>	<b>7</b>	<b>8.42%</b>	<b>38</b>
Nebraska	3.67%	10	2.98%	32	2.54%	22	0.75%	16	9.94%	16
Nevada	2.13%	42	5.56%	4	0.00%	48	1.18%	6	8.87%	31
New Hampshire	4.94%	3	1.07%	51	0.99%	42	0.72%	18	7.71%	46
New Jersey	4.88%	4	2.52%	44	2.91%	15	0.47%	38	10.78%	9
New Mexico	1.95%	44	5.62%	3	1.36%	41	1.91%	4	10.84%	8
New York	4.36%	6	3.39%	24	5.51%	1	0.66%	23	13.92%	1
North Carolina	2.12%	43	3.13%	30	2.47%	23	0.54%	31	8.25%	41
<b>North Dakota</b>	<b>2.54%</b>	<b>35</b>	<b>4.00%</b>	<b>12</b>	<b>0.97%</b>	<b>43</b>	<b>4.97%</b>	<b>1</b>	<b>12.48%</b>	<b>4</b>
Ohio	2.74%	27	3.63%	17	2.32%	29	0.44%	40	9.13%	27
Oklahoma	1.76%	48	3.67%	15	1.85%	38	1.04%	9	8.31%	39

State	Property Tax		Sales and Gross Receipts		Individual and Corporate Income Tax		Other Taxes		Total	
	%	Rank	%	Rank	%	Rank	%	Rank	%	Rank
Oregon	3.07%	19	1.11%	49	4.03%	4	1.03%	10	9.24%	23
Pennsylvania	2.71%	29	2.92%	36	2.71%	18	0.81%	13	9.15%	26
Rhode Island	4.17%	8	2.97%	33	2.26%	31	0.37%	46	9.77%	17
South Carolina	2.69%	31	2.72%	39	2.24%	33	0.66%	24	8.31%	40
<b>South Dakota</b>	<b>2.69%</b>	<b>30</b>	<b>4.00%</b>	<b>13</b>	<b>0.07%</b>	<b>47</b>	<b>0.73%</b>	<b>17</b>	<b>7.49%</b>	<b>48</b>
Tennessee	1.66%	50	4.54%	7	0.44%	44	0.67%	22	7.32%	49
Texas	4.00%	9	4.01%	11	0.00%	48	0.55%	29	8.56%	36
Utah	2.34%	38	3.54%	20	2.41%	26	0.35%	47	8.64%	34
Vermont	4.98%	2	3.23%	27	2.45%	24	0.57%	27	11.23%	6
Virginia	2.97%	22	2.44%	45	3.07%	11	0.60%	26	9.08%	30
Washington	2.58%	34	5.66%	2	0.00%	48	0.96%	12	9.20%	24
West Virginia	2.23%	39	3.70%	14	2.61%	21	0.99%	11	9.53%	19
Wisconsin	3.12%	17	2.87%	37	3.07%	12	0.51%	34	9.57%	18
<b>Wyoming</b>	<b>3.47%</b>	<b>13</b>	<b>2.95%</b>	<b>35</b>	<b>0.00%</b>	<b>48</b>	<b>2.16%</b>	<b>3</b>	<b>8.58%</b>	<b>35</b>

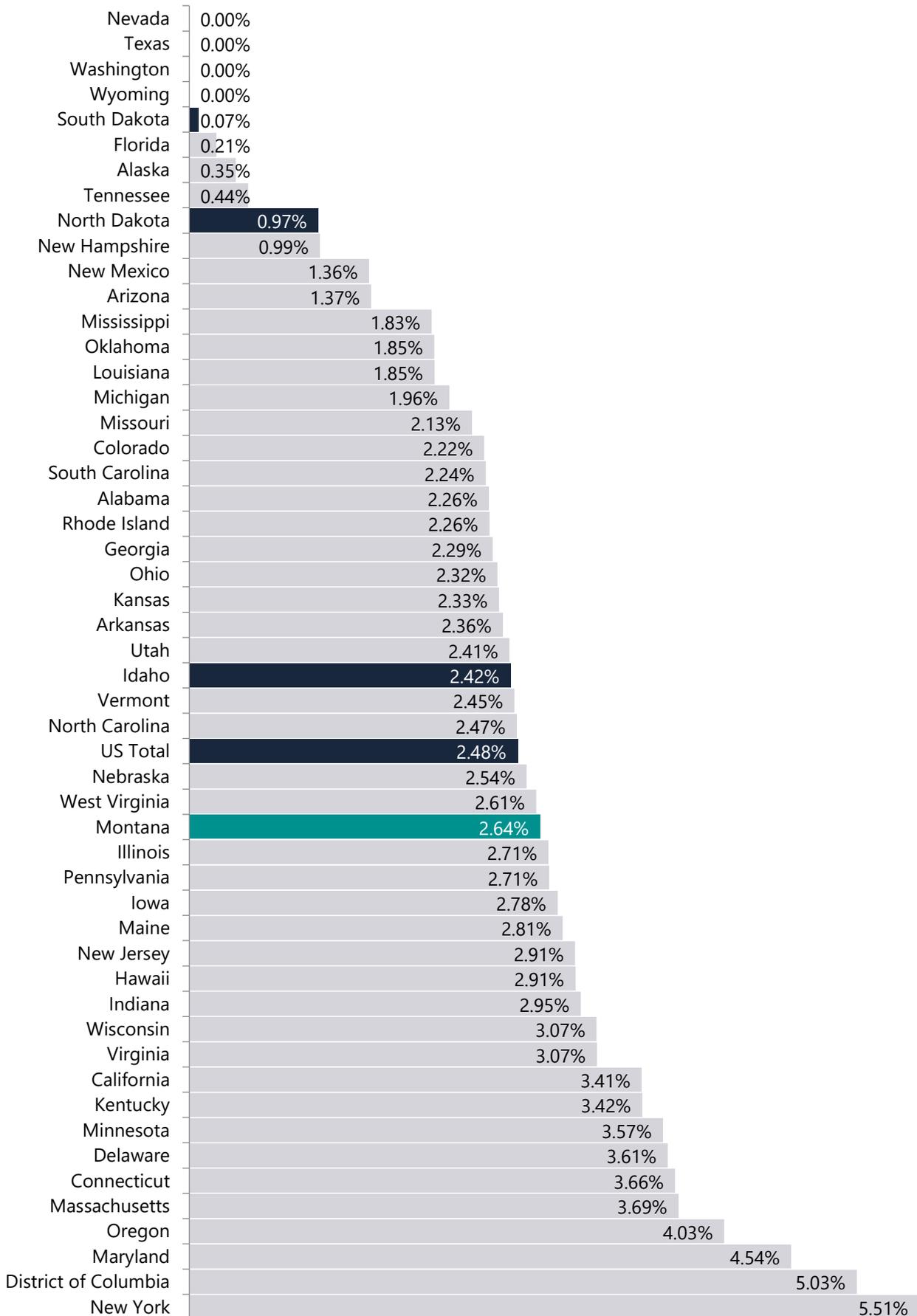
## Property Taxes as a Percent of Personal Income - FY 2020



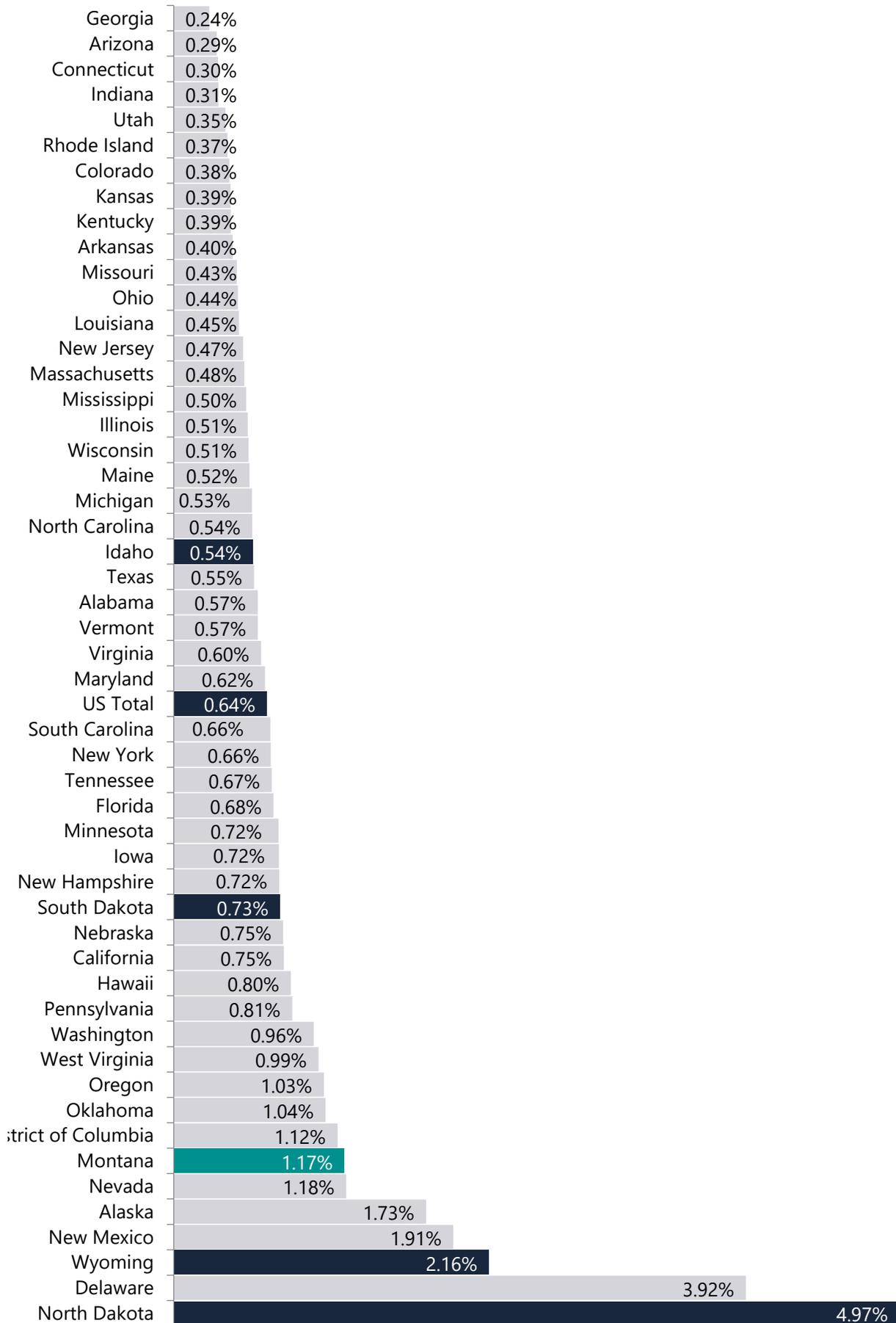
## State and Gross Receipts Taxes as a Percent of Personal Income - FY 2020



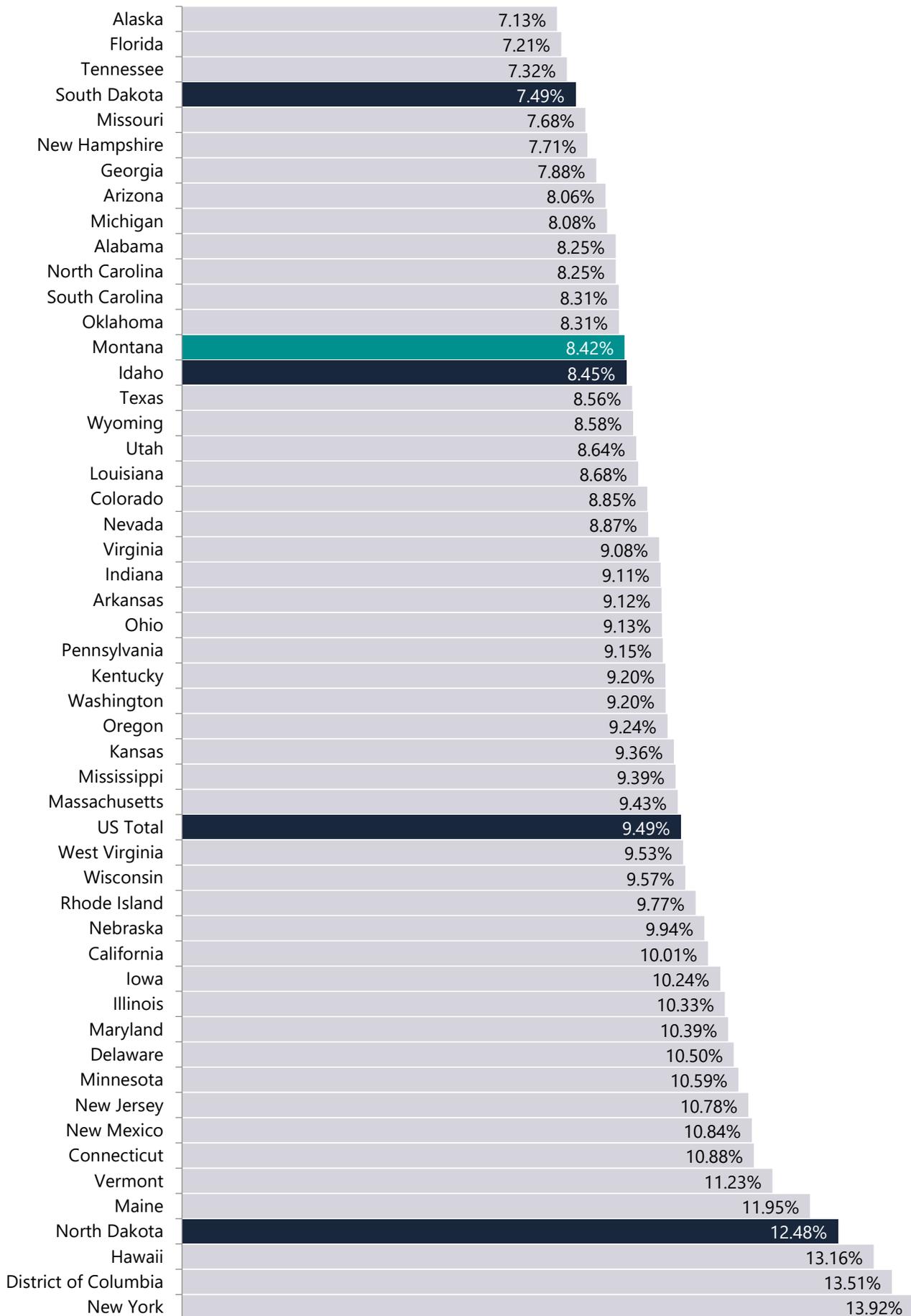
## Individual and Corporate Income Taxes as a Percent of Personal Income - FY 2020



## Natural Resource and Other Taxes as a Percent of Personal Income - FY 2020



## State and Local Taxes as a Percent of Personal Income - FY 2020



# Individual and Corporate Income Tax

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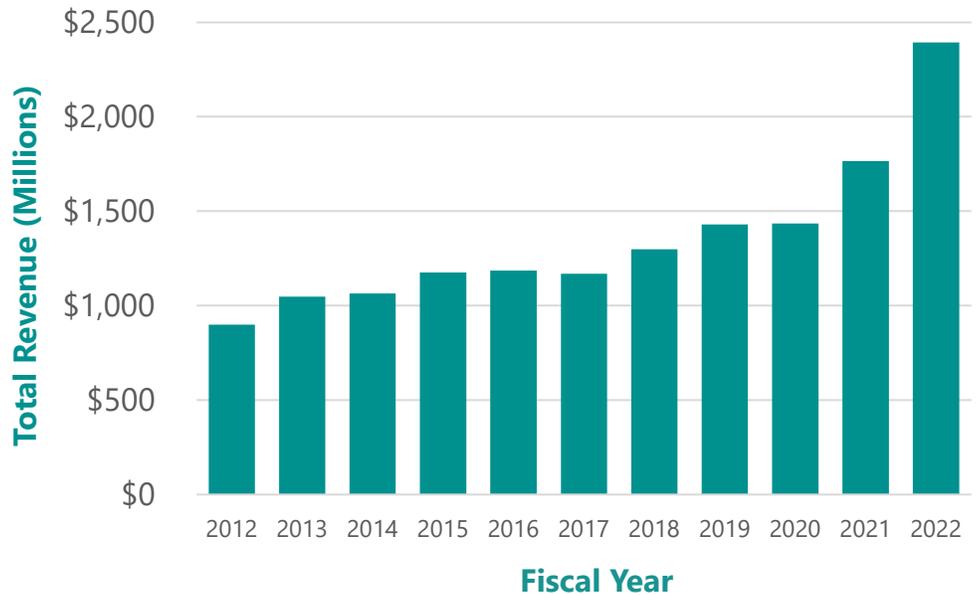


# Introduction

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 61.5 percent of general fund revenue for Fiscal Year (FY) 2022. 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.

## Individual Income Tax Collections

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



## Income Tax Returns and Refunds - Timely Filed Current Year Returns

Tax 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

*\*The way refunds were reported on returns changed in Tax Year (Tax Year) 2018. In previous tax years, returns by married couples filing separately on the same form had their refund amounts combined and counted as a single return. Starting in Tax Year 2018, the refunds on these returns were separated and counted as two separate returns.*

# Individual Income Tax Overview

The Legislature enacted the state income tax in 1933 and has made major changes infrequently. The latest change was enacted in 2003 (effective Tax Year (Tax Year) 2005). This change reduced the number of rates, lowered the top rate, capped the itemized deduction for federal taxes, and provided preferential treatment for capital gains income.

Most differences between the federal and Montana income tax structure reflect the legislative decisions to allow married couples to file separately in Montana when they file 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 is one of only five states that does not have at least one of these provisions. Because of this, most two-income married couples discover that their tax obligation is reduced if they file a joint federal return and separate Montana returns. This occurs because when they file separately, the spouses can apply the lower brackets of the tax table twice on their combined income, instead of only once when they file jointly.

Montana is one of only six states that allows a deduction for federal income taxes. Montana and two other states have a cap on the deduction, while the deduction is uncapped in three states. Most states do not allow this deduction because not having it allows lower rates. To raise the same revenue, a state that allows the deduction must have higher rates to compensate for the smaller tax base. The 2003 Legislature partially offset the revenue reduction from lower rates by capping the deduction for federal taxes.

The 2021 Legislature made several significant changes to Montana's personal income tax in Senate Bill 399.

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 will move from basing Montana taxable income on Federal adjusted gross income to Federal taxable income. This change eliminates the state's standard and itemized deductions and personal exemption. It also eliminates most additions and subtractions that are currently used to modify Federal adjusted gross income to determine Montana adjusted gross income.

Taxpayers will also be 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 will be allowed for taxpayers who are at least 65 years old.

Montana taxable income will not include the federal Qualified Business Income deduction, which will need to be added back into a taxpayer's Montana income. In addition, the state's 2 percent capital gains income tax credit will be replaced with an income deduction equal to 30 percent of the taxpayer's net long-term capital gains income.

The number of tax brackets that apply to Montana taxable income is also reduced from the current seven brackets to two brackets, which can vary, depending upon the filing status of the taxpayers. The new rates for each bracket are 4.7 percent and 6.5 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 rate brackets, standard deductions, personal exemptions, and the partial exemption for pension income for inflation. This prevents increases in individual tax liabilities that are due simply 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.

## Recent Legislative Changes to Individual Income Tax

The following bills passed by the 2019 Legislature affected the individual income tax:

- HB 88** Allowed income to be deducted for contributions to Achieving a Better Life Experience (ABLE) accounts that are held out-of-state.
- HB 211** Allowed taxpayers who receive loan repayment assistance from the Quality Educator Loan Assistance Program to subtract the assistance from their adjusted gross income.
- HB 293** Created the Montana Economic Development Industry Advancement (MEDIA) credit for film and other production. Credit is based on total base investment within the state, production expenditures, and post-production wages. The credit also increased for expenditures in underserved areas. Credit is capped at \$10 million total each calendar year.

- HB 320** Provided an exemption from claims or creditors for assets held in, or distributed from, a Family Education Savings Account or an ABLE account.
- SB 111** Extended the termination date of the Qualified Endowment Tax Credit from Tax Year 2019 to the end of Tax Year 2025.
- SB 207** Allowed taxpayers to deposit an income tax refund into an education savings or ABLE account on their income tax return.
- SB 337** Expanded the facilities that can claim the Alternative Energy Production Credit to include at least 1 megawatt of electrical energy installed on dams that would otherwise would not produce power.

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 percent 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 397** Created an income tax credit that is equal to 50 percent of the federal low-income housing tax credit, available to corporations, pass-through entities, and individual taxpayers.
- 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.

# Calculation of Individual Income Tax

Calculation of Montana individual income tax begins with the taxpayer’s Federal Adjusted Gross Income. Several adjustments are made to determine Montana Adjusted Gross Income:

- 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 savings accounts are subtracted.
- Taxable withdrawals from Montana tax-advantaged savings accounts are added.
- Net adjustments from filing a joint federal return and separate state returns are added.
- Recoveries of costs deducted in previous years (primarily refunds of federal taxes previously deducted) are added.

The values of the taxpayer’s exemptions, and itemized or standard deductions, are subtracted from Montana Adjusted Gross Income to determine Montana taxable income. The state’s standard deduction amount is 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 are adjusted for inflation each year.

## Personal Income Tax Exemptions and Deductions

Tax Year	Exemption Amount	Single and Separate Returns		Joint Returns	
		Min. Standard Deduction	Max. Standard Deduction	Min. Standard Deduction	Max. Standard Deduction
2018	\$2,440	\$2,030	\$4,580	\$4,060	\$9,160
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

# 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 yearly for inflation. The following tables 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.

## Marginal Tax Rate Income Limits

Tax Year	2018	2019	2020	2021	2022*
1.0%	\$3,000	\$3,100	\$3,100	\$3,100	\$3,300
2.0%	\$5,200	\$5,400	\$5,500	\$5,550	\$5,800
3.0%	\$8,000	\$8,200	\$8,400	\$8,400	\$8,900
4.0%	\$10,800	\$11,100	\$11,300	\$11,400	\$12,000
5.0%	\$13,900	\$14,300	\$14,500	\$14,600	\$15,400
6.0%	\$17,900	\$18,400	\$18,700	\$18,800	\$19,800
6.9%	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited

\*The top rate was reduced to 6.75 percent from 6.9 percent, starting in 2022.

## Tax Year 2019 Full-Year Resident Returns

Tax Rate	Primary Return	Spouse Return	Total	% Total
0.0%	82,306	9,136	91,442	15.5%
1.0%	26,288	3,534	29,822	5.0%
2.0%	18,523	3,315	21,838	3.7%
3.0%	23,600	4,480	28,080	4.7%
4.0%	23,044	5,025	28,069	4.7%
5.0%	24,529	5,563	30,092	5.1%
6.0%	29,524	7,518	37,042	6.3%
6.9%	256,244	68,638	324,882	54.9%
<b>Total</b>	<b>484,058</b>	<b>107,209</b>	<b>591,267</b>	<b>100.0%</b>

Any credits the taxpayer may claim are subtracted from the 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. Taxpayers with capital gains income are allowed a non-refundable credit equal to 2 percent of their capital gains. In effect, this credit reduces the taxes on capital gains to a maximum rate of 4.9 percent, compared to the maximum rate of 6.9 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 show information about individual line items on timely-filed, full-year residents' income tax returns for Tax Years 2020 and 2021. 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 late-filed returns.

## Montana Individual Income Tax Income Reported on Full-Year Residents' Returns - Tax Year 2020 and

Income Items	Tax Year 2020		Tax Year 2021	
	Count	Total	Count	Total
Wage and salary income	451,075	\$19,543,049,550	452,198	\$21,415,879,013
Taxable interest income	195,082	\$362,962,195	194,514	\$306,748,053
Ordinary dividend income	126,636	\$971,623,904	132,764	\$1,093,004,054
Taxable refunds of state/local income taxes	16,436	\$15,671,916	14,487	\$14,150,960
Alimony received	495	\$12,639,709	412	\$10,754,044
Business income (Schedule C)	81,048	\$818,374,531	84,943	\$1,175,958,679
Capital gains income	126,931	\$3,087,949,380	144,617	\$6,226,899,514
Ordinary income gains	15,562	\$196,232,834	15,802	\$242,808,025
IRA income - Taxable amount	52,943	\$944,137,435	66,745	\$1,301,546,894
Pension and annuity income - Taxable amount	110,691	\$2,632,809,138	112,505	\$2,808,826,126
Rent, royalty, partnership, etc. income	98,512	\$3,283,545,532	99,487	\$4,228,358,591
Farm income	17,470	-\$243,221,944	17,081	-\$322,808,803
Unemployment compensation	83,734	\$887,376,585	35,100	\$302,584,760
Taxable social security benefits	105,604	\$1,320,903,523	112,312	\$1,495,527,083
Other income	71,937	-\$1,093,903,614	34,483	-\$295,992,173
<b>Total Income</b>	<b>587,128</b>	<b>\$32,740,150,674</b>	<b>595,042</b>	<b>\$40,004,244,820</b>

Federal Adjustments to Income	2020		2021	
	Count	Total	Count	Total
Educator expenses	9,583	\$2,290,651	8,757	\$2,117,428
Certain business expenses of qualified individuals	566	\$1,614,350	542	\$1,555,649
Health savings account deduction	13,138	\$45,569,798	13,006	\$46,892,804
Moving expenses for members of the Armed Forces	234	\$427,850	219	\$465,615
One-half self-employment tax	64,894	\$99,987,176	70,035	\$114,394,252
Self-employed SEP, SIMPLE, and qual. plans	2,662	\$55,866,698	2,883	\$65,102,113
Self-employed health insurance deduction	22,174	\$138,780,789	22,403	\$143,629,871
Penalty on early withdrawal of savings	1,169	\$347,010	983	\$256,632
Alimony paid	786	\$15,582,070	667	\$14,249,786
IRA deduction	13,736	\$65,218,041	13,199	\$64,537,851
Student loan interest deduction	39,630	\$24,835,659	18,083	\$12,688,481
Tuition and fee deduction	3,756	\$8,977,256	0	\$0
Archer MSA deduction	N/A	N/A	21	\$31,841
Other deductions	N/A	N/A	1,162	\$6,535,185
Non-Itemized Charitable Deduction	172,540	\$35,447,854	N/A	N/A
<b>Total adjustments to income</b>	<b>259,134</b>	<b>\$502,518,160</b>	<b>118,171</b>	<b>\$472,457,508</b>
<b>Federal Adjusted Gross Income</b>	<b>587,835</b>	<b>\$32,237,632,514</b>	<b>595,044</b>	

**Montana Individual Income Tax  
Additions Reported on Full-Year Residents' Returns -  
Tax Year (TY) 2020 and 2021**

Montana Additions to Federal Adjusted Gross Income	TY 2020		TY 2021	
	Count	Total	Count	Total
Taxable federal refunds	38,083	\$52,173,195	35,860	\$48,764,723
Recoveries of amounts deducted in earlier years	143	\$308,254	181	\$323,395
Interest on other states' municipal bonds	20,195	\$99,720,315	20,909	\$89,982,624
Dividends not included in federal adjusted gross income	850	\$602,738	952	\$912,495
Adjustment for smaller federal estate and trust taxable distributions	229	\$653,292	219	\$563,497
Medical savings account nonqualified withdrawals	256	\$520,415	219	\$476,861
First-time homebuyer's account nonqualified withdrawals	16	\$90,090	25	\$70,200
Allocation of compensation to spouse	303	\$5,610,746	251	\$4,769,718
Federal net operating loss carryover	7,816	\$861,641,550	5,451	\$544,015,741
Dependent care assistance credit adjustment	52	\$153,663	52	\$119,072
Farm and ranch risk management account taxable distributions	*	\$2,394	*	\$46,804
Federal taxes paid by your S. corporation	267	\$2,183,943	350	\$2,498,764
Title plant depreciation and amortization	*	\$28,476	*	\$1,940
Other additions	39,582	\$304,823,739	2,030	\$18,725,940
Addition to taxable social security benefits	12,624	\$19,197,754	10,015	\$19,393,615
<b>Total Montana Additions</b>	<b>108,639</b>	<b>\$1,347,629,694</b>	<b>67,738</b>	<b>\$730,622,096</b>

*\*Not disclosed due to confidentiality concerns*

## Montana Individual Income Tax Subtractions Reported on Full-Year Residents' Returns - TY 2020 and 2021

Montana Subtractions from Federal Adjusted Gross Income	TY 2020		TY 2021	
	Count	Total	Count	Total
State tax refunds included in Federal Adjusted Gross Income	16,288	\$15,531,326	14,391	\$14,066,657
Federal bonds exempt interest	24,309	\$32,425,710	23,087	\$27,050,136
Elderly interest exclusion	87,047	\$38,240,518	86,636	\$32,290,033
Larger federal estate and trust taxable distributions	411	\$1,997,191	399	\$2,080,051
Exempt income of child taxed to parent	142	\$504,492	146	\$434,401
Recoveries of amounts deducted in earlier years	22	\$146,830	29	\$486,621
Exempt unemployment compensation	83,734	\$887,376,585	35,100	\$302,584,760
Exempt tribal income	5,680	\$436,859,218	5,466	\$224,169,249
Exempt tip income	20,627	\$70,780,085	22,266	\$105,418,886
Exempt worker's comp benefits	285	\$2,433,726	180	\$1,354,321
Exempt health insurance premiums taxed to employee	149	\$694,294	126	\$568,229
Student loan repayments taxed to health care professional	453	\$1,278,535	351	\$1,116,534
Student loan repayments taxed to educator	86	\$190,483	59	\$181,644
Exempt active duty military salary	4,942	\$212,067,156	5,050	\$223,462,683
Exempt life insurance premiums reimbursement (National Guard)	26	\$194,456	*	\$4,822
Medical care savings account exempt deposits	6,924	\$22,743,005	6,980	\$23,986,330
First-time homebuyer exempt savings account deposits	304	\$1,000,174	292	\$962,219
Family education savings account exempt deposits	6,462	\$15,524,119	7,713	\$18,807,708
ABLE account exempt deposits	158	\$365,139	196	\$442,144
Subtraction for spouse filing joint return: capital loss adjustment	356	\$1,994,639	352	\$2,300,501
Subtraction for spouse filing joint return: passive loss carryover	168	\$2,170,858	165	\$3,021,707
Allocation of compensation to spouse	303	\$5,610,746	251	\$4,769,718
Montana net operating loss carryover	5,868	\$691,555,781	4,686	\$422,790,806
Business expense of recycled material	116	\$483,000	99	\$640,035
Wage deduction reduced by federal targeted jobs credit	368	\$5,252,743	417	\$22,718,479
Medical marijuana provider expenses	67	\$4,344,305	73	\$5,757,939
Sales of land to beginning farmers	0	\$0	*	\$77,990
Capital gains from small business investment companies	23	\$1,335,337	20	\$529,940
Certain gains recognized by liquidating corporation	*	\$3,239	*	\$389
Farm and ranch risk management accounts exempt deposits	0	\$0	0	\$0
Donation of mineral exploration information	*	\$2,880	*	\$280
Gain on eligible sale of mobile home park	0	\$0	0	\$0
Passthrough Subtractions Reported on K-1	732	\$22,058,759	790	\$21,705,430
Exempt retirement disability income (under age 65)	28	\$118,893	18	\$79,046
Subtraction for federal taxable Tier II railroad retirement	3,170	\$53,655,007	3,198	\$54,408,208
Exempt pension income	48,269	\$185,146,420	47,084	\$184,243,909
Subtraction to federal taxable social security/Tier 1 railroad retirement	48,871	\$259,822,308	48,044	\$257,478,838
<b>Total Montana Subtractions</b>	<b>248,903</b>	<b>\$2,973,907,957</b>	<b>211,383</b>	<b>\$1,959,990,643</b>

*\*Not disclosed due to confidentiality concerns*

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

## Montana Individual Income Tax Deductions Reported on Full-Year Residents' Returns - TY 2020 and 2021

Deductions	TY 2020		TY 2021	
	Count	Total	Count	Total
Deductible medical expenses	49,160	\$275,452,616	48,516	\$285,501,631
Medical insurance premiums not deducted elsewhere	117,091	\$509,733,715	121,410	\$565,919,725
Long-term care insurance premiums	11,477	\$28,951,256	11,444	\$29,135,526
<b>Federal Income Tax</b>				
Federal income tax withheld*	251,567	\$1,964,050,075	268,703	\$2,366,280,511
Federal income tax estimated payments*	47,301	\$826,397,903	51,925	\$1,097,505,319
Last year's federal income tax paid (e.g. with return)*	64,841	\$619,228,520	63,549	\$788,944,020
Federal income tax from previous years*	1,606	\$5,581,356	1,749	\$8,369,922
Total federal income tax deduction	279,266	\$1,164,299,664	296,413	\$1,259,672,196
State or local sales tax	395	\$309,578	468	\$400,610
Local income taxes	477	\$269,916	519	\$248,428
Real estate taxes	214,033	\$592,473,828	220,014	\$634,679,374
Personal property taxes	141,977	\$60,000,299	143,226	\$58,038,755
Combined State and Local Tax Deduction	231,372	\$594,090,801	238,552	\$622,718,879
Montana light vehicle registration fee	35,999	\$8,290,227	34,356	\$7,711,508
Per capita livetock fee	566	\$76,631	525	\$64,548
Other deductible taxes	6,506	\$2,617,365	6,286	\$3,037,712
Home mortgage interest	155,493	\$979,405,589	158,322	\$921,441,130
Investment interest	6,274	\$36,610,936	6,253	\$37,681,774
Contributions by cash or check	116,987	\$474,658,056	150,424	\$630,240,590
Contributions other than cash or check	53,078	\$104,422,201	54,558	\$181,278,076
Carryover of contributions from previous years	2,166	\$33,893,069	3,146	\$53,647,324
Child and dependent care expenses	303	\$681,098	281	\$679,465
Casualty and theft losses	483	\$2,825,353	310	\$1,777,231
Political contributions	11,709	\$1,166,306	7,027	\$675,348
Gambling losses	1,011	\$12,070,137	1,612	\$25,911,450
Other miscellaneous deductions	1,620	\$5,398,606	1,703	\$8,297,398
<b>Total itemized deductions</b>	<b>314,010</b>	<b>\$4,234,643,626</b>	<b>327,577</b>	<b>\$4,635,391,511</b>
<b>Standard deductions</b>	<b>255,389</b>	<b>\$1,169,452,585</b>	<b>248,675</b>	<b>\$1,175,658,425</b>

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

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

## Montana Individual Income Tax Exemptions, Taxable Income, Tax, and Payments Reported on Full-Year Residents' Returns - TY 2020 and 2021

	TY 2020		TY 2021	
Exemptions*	Count	Total	Count	Total
Self Exemption		\$595,053		\$600,961
Self 65 and Over Exemption		\$136,632		\$141,966
Self Blind Exemption		\$1,031		\$989
Total Taxpayer Exemptions	595,053	\$732,716	600,961	\$743,916
Spouse Exemption		\$83,964		\$79,769
Spouse 65 and Over Exemption		\$27,572		\$26,045
Spouse Blind Exemption		\$183		\$161
Total Spouse Exemptions	83,964	\$111,719	79,769	\$105,975
Dependent Exemptions	128,281	\$231,701	129,002	\$233,621
<b>Total Exemptions</b>	<b>595,053</b>	<b>\$1,076,136</b>	<b>600,961</b>	<b>\$1,083,512</b>
<b>Value of Exemptions</b>		<b>\$2,754,908,160</b>		<b>\$2,795,458,380</b>
<b>Taxable Income</b>				
Federal Adjusted Gross Income	587,835	\$32,237,632,514	595,044	\$39,531,794,315
+Montana Additions	108,639	\$1,347,629,694	67,738	\$730,622,096
-Montana Subtractions	248,903	\$2,973,907,957	211,383	\$1,959,990,643
-Deductions	590,314	\$5,404,096,211	596,365	\$5,811,049,936
-Value of Exemptions	595,053	\$2,754,908,160	600,960	\$2,795,458,380
Montana Taxable Income	595,031	\$22,452,349,880	600,939	\$29,695,910,449
Tax Liability Before Credits				
Tax from Tax Table	491,028	\$1,419,595,519	511,220	\$1,851,648,255
Tax on Lump Sum Distributions	*	\$980	27	\$2,181
Recapture of Credits Claimed Previously	23	\$24,567	*	\$2,806
<b>Total Tax</b>		<b>\$1,419,621,066</b>		<b>\$1,851,653,242</b>
<b>Payments</b>				
Montana income tax withheld from wages	469,208	\$1,022,011,217	476,329	\$1,142,404,509
Estimated tax payments	45,564	\$237,835,161	47,188	\$296,581,179
Overpayment applied from previous tax year	21,664	\$52,087,484	23,404	\$58,019,689
Withholding from pass-through entities	1,011	\$4,686,168	1,034	\$5,574,698
<b>Other payments</b>	<b>11,119</b>	<b>\$64,751,014</b>	<b>13,524</b>	<b>\$133,553,798</b>
<b>Total Payments</b>	<b>525,977</b>	<b>\$1,390,333,755</b>	<b>537,985</b>	<b>\$1,644,426,493</b>

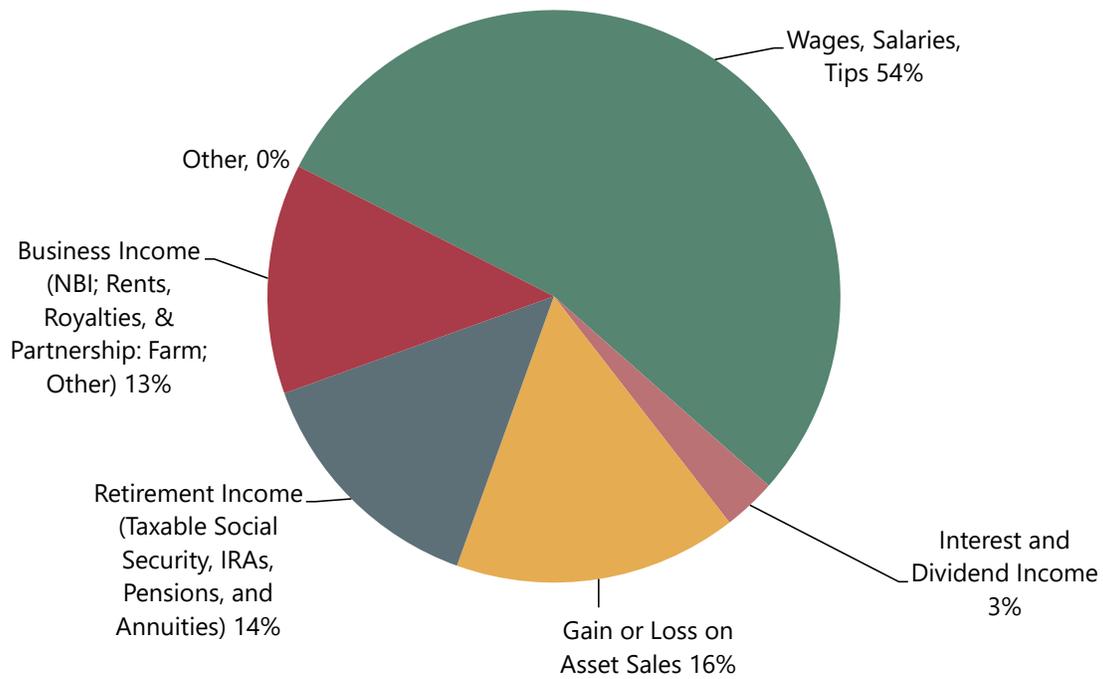
\* Taxpayers claim exemptions for themselves and their spouses by checking boxes on the return. The counts for exemptions show the number of returns where the taxpayer claimed at least one exemption for themselves, their spouse, or dependents. The totals column shows the number and type of exemptions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

## Montana Individual Income Tax Credits Reported on Full-Year Residents' Returns - TY 2020 and 2021

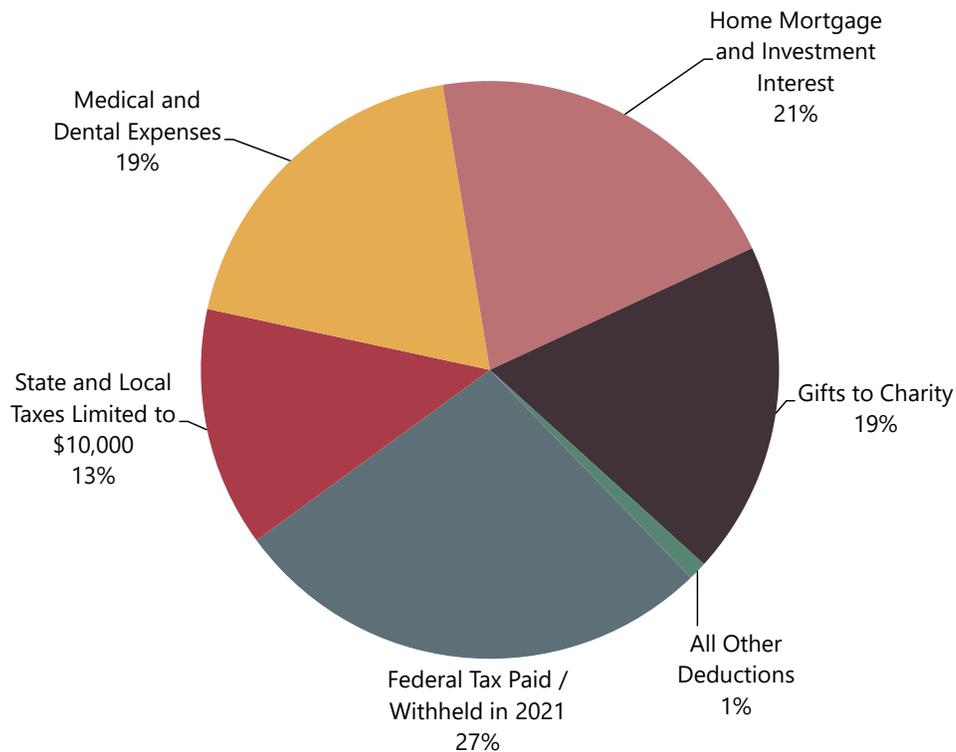
Credits Non-Refundable and No Carryover	TY 2020		TY 2021	
	Count	Total	Count	Total
Capital gains income tax credit	89,830	\$62,915,567	114,722	\$125,399,235
Other states' income tax credit	15,194	\$53,792,718	17,217	\$77,470,924
College contribution tax credit	2,569	\$285,980	2,546	\$321,724
Qualified endowment tax credit	697	\$2,676,780	764	\$3,577,812
Energy conservation tax credit	9,363	\$4,063,380	9,800	\$4,453,959
Alternative fuel tax credit	17	\$10,605	11	\$5,955
Insurance for uninsured Montanan's credit	67	\$51,224	45	\$48,318
Elderly care tax credit	51	\$71,757	32	\$55,051
Recycling tax credit	125	\$508,351	113	\$884,053
Innovation Education credit	15	\$2,450	*	\$1,500
Student Scholarship Organization credit	39	\$5,690	48	\$6,639
Apprenticeship credit	338	\$392,943	376	\$466,256
Trades education and training credit	0	\$0	169	\$236,789
<b>Non-Refundable but with Carryover</b>				
Biodiesel blending/storage tank credit	*	\$2,500	0	\$0
Contractor's gross receipts tax credit	685	\$7,299,809	607	\$6,727,526
Geothermal systems tax credit	73	\$77,910	93	\$108,756
Alternative energy systems credit	682	\$371,721	826	\$462,894
Biomass alternative energy systems credit	353	\$199,464	435	\$250,004
Alternative energy production tax credit	10	\$67,413	22	\$75,248
Dependent care assistance credit	18	\$69,634	15	\$54,320
Historic property preservation tax credit	16	\$41,494	16	\$42,749
Infrastructure user fee credit	*	\$4,665,962	*	\$4,682,999
Empowerment zone credit	0	\$0	0	\$0
Research activities tax credit	*	\$2,676	*	\$5,775
Mineral exploration tax credit	*	\$9	0	\$0
Adoption credit	144	\$148,946	161	\$153,283
Media credit	15	\$1,723,316	20	\$3,991,438
<b>Total Non-Refundable Credits</b>	<b>109,599</b>	<b>\$139,448,299</b>	<b>133,902</b>	<b>\$229,483,207</b>
<b>Refundable Credits</b>				
Earned Income Tax Credit	63,844	\$3,867,675	90,119	\$4,756,086
Elderly homeowner/renter tax credit	14,615	\$7,837,867	13,052	\$7,038,801
Emergency lodging credit	*	\$150	0	\$0
Unlocking state lands credit	*	\$2,413	*	\$1,500
Total Refundable Credits	*	\$11,708,105	*	\$11,796,387
<b>Total Credits</b>		<b>\$151,156,404</b>		<b>\$241,279,594</b>

\*Not disclosed due to confidentiality concerns

## Breakdown of Income Sources - Tax Year 2021



## Breakdown of Itemized Deductions - Tax Year 2021



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.

## Deciles of Montana Adjusted Gross Income: Full-Year Residents: Tax Years 2020 and 2021

	TY 2020				TY 2021			
Decile Group	Returns	Income Range	Montana Adjusted Gross Income		Returns	Income Range	Montana Adjusted Gross Income	
			\$ million	% of total			\$ million	% of total
1	59,505	less than \$3,232	- \$1,021.9	-3%	60,096	less than \$4,610	- \$318.1	-1%
2	59,505	\$3,232 to \$10,008	\$394.30	1%	60,096	\$4,610 to \$12,182	\$506.4	1%
3	59,505	\$10,009 to \$17,192	\$803.5	3%	60,096	\$12,183 to \$20,214	\$967.7	3%
4	59,506	\$17,193 to \$25,186	\$1,258.9	4%	60,096	\$20,215 to \$28,735	\$1,473.2	4%
5	59,505	\$25,187 to \$33,511	\$1,743.3	6%	60,096	\$28,736 to \$37,586	\$1,989.1	5%
6	59,505	\$33,512 to \$42,807	\$2,268.7	7%	60,096	\$37,587 to \$47,210	\$2,541.0	7%
7	59,506	\$42,808 to \$53,791	\$2,862.2	9%	60,096	\$47,211 to \$59,033	\$3,178.0	8%
8	59,505	\$53,792 to \$68,781	\$3,616.6	12%	60,096	\$59,034 to \$75,652	\$4,009.4	10%
9	59,505	\$68,782 to \$97,689	\$4,819.0	16%	60,096	\$75,653 to \$11,225	\$5,412.4	14%
10	59,506	more than \$97,689	\$13,866.80	45%	60,097	more than \$11,225	\$18,543.4	48%
<b>All</b>	<b>595,053</b>		<b>\$30,611.4</b>		<b>600,961</b>		<b>\$38,302.4</b>	

## Deductions by Decile Group - Full-Year Residents - Tax Years 2020 and 2021

Decile Group	TY 2020					TY 2021				
	% Returns Itemize	Itemized Deductions		Standard Deductions		% Returns Itemize	Itemized Deductions		Standard Deductions	
		\$ million	average	\$ million	average		\$ million	average	\$ million	average
1	32%	\$161.50	\$8,497	\$103.60	\$2,559	32%	\$145.70	\$7,505	\$105.30	\$2,588
2	27%	\$114.20	\$6,980	\$106.50	\$2,469	30%	\$123.50	\$6,951	\$106.20	\$2,510
3	34%	\$152.40	\$7,592	\$118.80	\$3,013	34%	\$158.70	\$7,841	\$136.50	\$3,424
4	35%	\$181.00	\$8,708	\$165.00	\$4,263	34%	\$185.70	\$9,098	\$186.80	\$4,706
5	37%	\$197.80	\$9,093	\$189.70	\$5,025	37%	\$196.20	\$8,879	\$198.20	\$5,215
6	47%	\$269.30	\$9,657	\$174.40	\$5,516	52%	\$313.70	\$10,052	\$166.60	\$5,768
7	64%	\$423.80	\$11,136	\$135.70	\$6,326	70%	\$465.60	\$11,063	\$118.90	\$6,602
8	80%	\$595.20	\$12,501	\$86.00	\$7,233	83%	\$630.40	\$12,699	\$76.10	\$7,279
9	86%	\$767.10	\$14,932	\$62.10	\$7,637	88%	\$827.80	\$15,714	\$56.20	\$7,577
10	94%	\$1,372.30	\$24,580	\$27.50	\$7,487	94%	\$1,588.20	\$28,038	\$24.80	\$7,183
<b>All</b>	<b>54%</b>	<b>\$4,234.60</b>	<b>\$11,788</b>	<b>\$1,169.50</b>	<b>\$4,232</b>	<b>55%</b>	<b>\$4,635.40</b>	<b>\$12,432</b>	<b>\$1,175.70</b>	<b>\$4,374</b>

## Deductions as Percent of Montana Adjusted Gross Income Full-Year Residents - Tax Years 2020 and 2021

Decile Group	TY 2020			TY 2021		
	Itemized Deductions	Standard Deductions	All	Itemized Deductions	Standard Deductions	All
1	-31%	-21%	-26%	-78%	-80%	-79%
2	102%	38%	56%	81%	30%	45%
3	56%	22%	34%	49%	21%	31%
4	41%	20%	27%	37%	19%	25%
5	31%	17%	22%	27%	16%	20%
6	25%	15%	20%	24%	14%	19%
7	23%	13%	20%	21%	13%	18%
8	21%	12%	19%	19%	11%	18%
9	18%	10%	17%	17%	9%	16%
10	10%	5%	10%	9%	4%	9%
<b>All</b>	<b>17%</b>	<b>18%</b>	<b>18%</b>	<b>15%</b>	<b>16%</b>	<b>15%</b>

## Taxable Income and Tax - Full-Year Residents - Tax Years 2020 and 2021

	TY 2020						TY 2021					
Decile Group	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	\$0.00	\$0	0%	- \$3.00	- \$50	0%	\$0.30	\$5	0%	- \$1.30	- \$22	0%
2	\$78.40	\$1,318	0%	\$0.60	\$10	0%	\$142.60	\$2,373	0%	\$1.20	\$21	0%
3	\$341.00	\$5,730	1%	\$6.10	\$103	0%	\$459.90	\$7,653	1%	\$9.70	\$161	1%
4	\$684.70	\$11,506	3%	\$19.20	\$322	1%	\$866.20	\$14,414	3%	\$27.90	\$464	2%
5	\$1,117.40	\$18,778	5%	\$43.20	\$726	3%	\$1,352.90	\$22,512	4%	\$57.40	\$956	3%
6	\$1,575.00	\$26,468	6%	\$73.00	\$1,226	5%	\$1,805.40	\$30,041	6%	\$87.50	\$1,456	5%
7	\$2,038.00	\$34,249	8%	\$104.10	\$1,749	8%	\$2,320.00	\$38,605	8%	\$122.10	\$2,032	7%
8	\$2,659.30	\$44,690	11%	\$146.10	\$2,456	11%	\$3,019.70	\$50,248	10%	\$169.10	\$2,814	10%
9	\$3,691.30	\$62,033	15%	\$215.70	\$3,625	16%	\$4,253.30	\$70,775	14%	\$250.80	\$4,173	15%
10	\$12,126.00	\$203,777	50%	\$751.70	\$12,632	55%	\$16,584.70	\$275,966	54%	\$1,001.80	\$16,670	58%
<b>All</b>	<b>\$24,311.00</b>	<b>\$40,855</b>		<b>\$1,356.70</b>	<b>\$2,280</b>		<b>\$30,805.10</b>	<b>\$51,260</b>		<b>\$1,726.20</b>	<b>\$2,872</b>	

**Tax as Percent of Montana Adjusted Gross Income  
Full-Year Residents - Tax Years 2020 and 2021**

Decile Group	Montana Adjusted Gross Income	TY 2020		Montana Adjusted Gross Income	TY 2021	
		Tax Liability	Tax / Income		Tax Liability	Tax / Income
	\$ million	\$ million	%	\$ million	\$ million	%
1	- \$1,021.90	- \$3.00	0.30%	- \$318.10	- \$1.30	0.40%
2	\$394.30	\$0.60	0.20%	\$506.40	\$1.20	0.20%
3	\$803.50	\$6.10	0.80%	\$967.70	\$9.70	1.00%
4	\$1,258.90	\$19.20	1.50%	\$1,473.20	\$27.90	1.90%
5	\$1,743.30	\$43.20	2.50%	\$1,989.10	\$57.40	2.90%
6	\$2,268.70	\$73.00	3.20%	\$2,541.00	\$87.50	3.40%
7	\$2,862.20	\$104.10	3.60%	\$3,178.00	\$122.10	3.80%
8	\$3,616.60	\$146.10	4.00%	\$4,009.40	\$169.10	4.20%
9	\$4,819.00	\$215.70	4.50%	\$5,412.40	\$250.80	4.60%
10	\$13,866.80	\$751.70	5.40%	\$18,543.40	\$1,001.80	5.40%
<b>All</b>	<b>\$30,611.40</b>	<b>\$1,356.70</b>	<b>4.40%</b>	<b>\$38,302.40</b>	<b>\$1,726.20</b>	<b>4.50%</b>

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.

### Tax Year 2021 Returns by Montana Adjusted Gross Income

Montana Adjusted Gross Income	Primary Return	Spouse Return	Total	% Total
Less Than \$0	20,866	3,512	24,378	4.10%
Between \$0 and \$50,000	288,588	63,122	351,710	58.50%
Between \$50,000 and \$100,000	121,097	31,540	152,637	25.40%
Between \$100,000 and \$150,000	32,061	5,934	37,995	6.30%
Between \$150,000 and \$200,000	10,881	1,891	12,772	2.10%
Between \$200,000 and \$250,000	5,197	963	6,160	1.00%
Between \$250,000 and \$300,000	3,141	581	3,722	0.60%
Between \$300,000 and \$350,000	2,174	354	2,528	0.40%
Between \$350,000 and \$400,000	1,448	230	1,678	0.30%
Between \$400,000 and \$450,000	1,064	170	1,234	0.20%
Between \$450,000 and \$500,000	800	127	927	0.20%
More than \$500,000	4,587	633	5,220	0.90%
<b>Total</b>	<b>491,904</b>	<b>109,057</b>	<b>600,961</b>	<b>100.00%</b>

# 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.

The table on the next two pages shows the characteristics of businesses falling into each of the four business tax categories.

## Business Structure and Taxation

	<b>Sole Proprietor</b>	<b>Pass-Through Entity (S Corporation or Partnership)</b>	<b>C Corporation</b>	<b>Disregarded Entity</b>
<b>Legal Business Organization</b>	Informal	Partnership, Limited Liability Company (LLC), Corporation, Limited Partnership, etc.	Corporation	Single Member LLC, etc.
<b>May Be Owned By</b>	Individual or Married Couple	Individuals or Other Business Entities	Individuals or Other Business Entities	Individuals or Other Business Entities
<b>Business Income and Owner's Income</b>	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.
<b>Distribution of Income to Owners</b>	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.
<b>Taxation</b>	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.
<b>Reporting</b>	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 or another business.

# 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. <sup>1</sup>

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 income <sup>2</sup> to attribute to operations in the state. Montana uses the double-weighted sales, three-factor apportionment formula where the apportionment factor is a weighted average of the proportions of a company's property, payroll, and sales in a state. Other states use a range of formulas, from equal-weighted, three-factor apportionment, to single sales apportionment. The trend around the country is moving towards single sales apportionment, in conjunction with market based sourcing.

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.

<sup>1</sup> *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.*

<sup>2</sup> *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.*

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.

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 lumber yard 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.

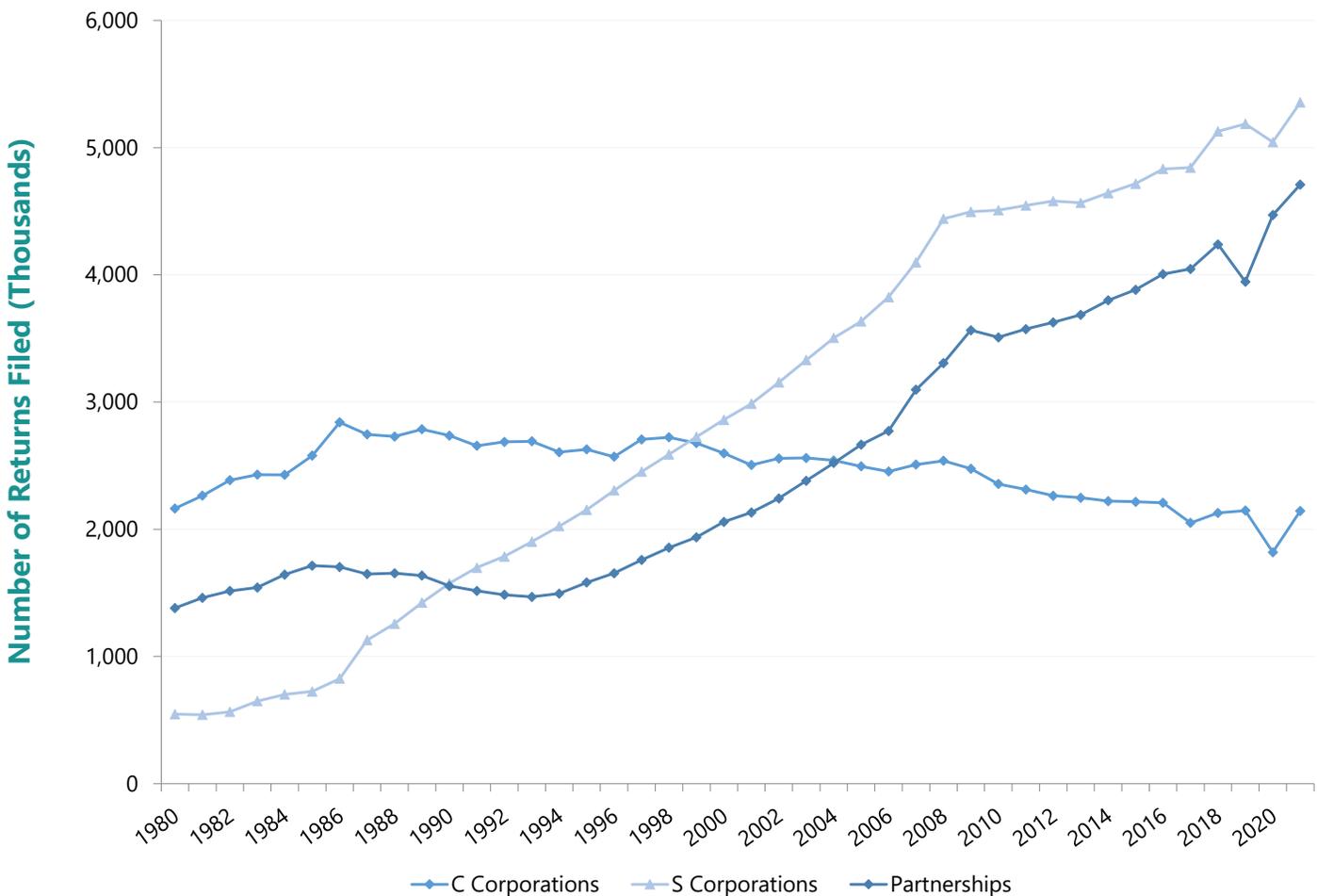
# Pass-Through Entities

## 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

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 has declined slightly over the past decades from a peak of 2.84 million returns in 1986 to 2.14 million in 2021. 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 5.3 million returns in 2021. Partnerships have also grown significantly, from 1.4 million in 1980 to 4.7 million in 2021.

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 1.73 million in 2019. 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 27.8 million in 2019.

## 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

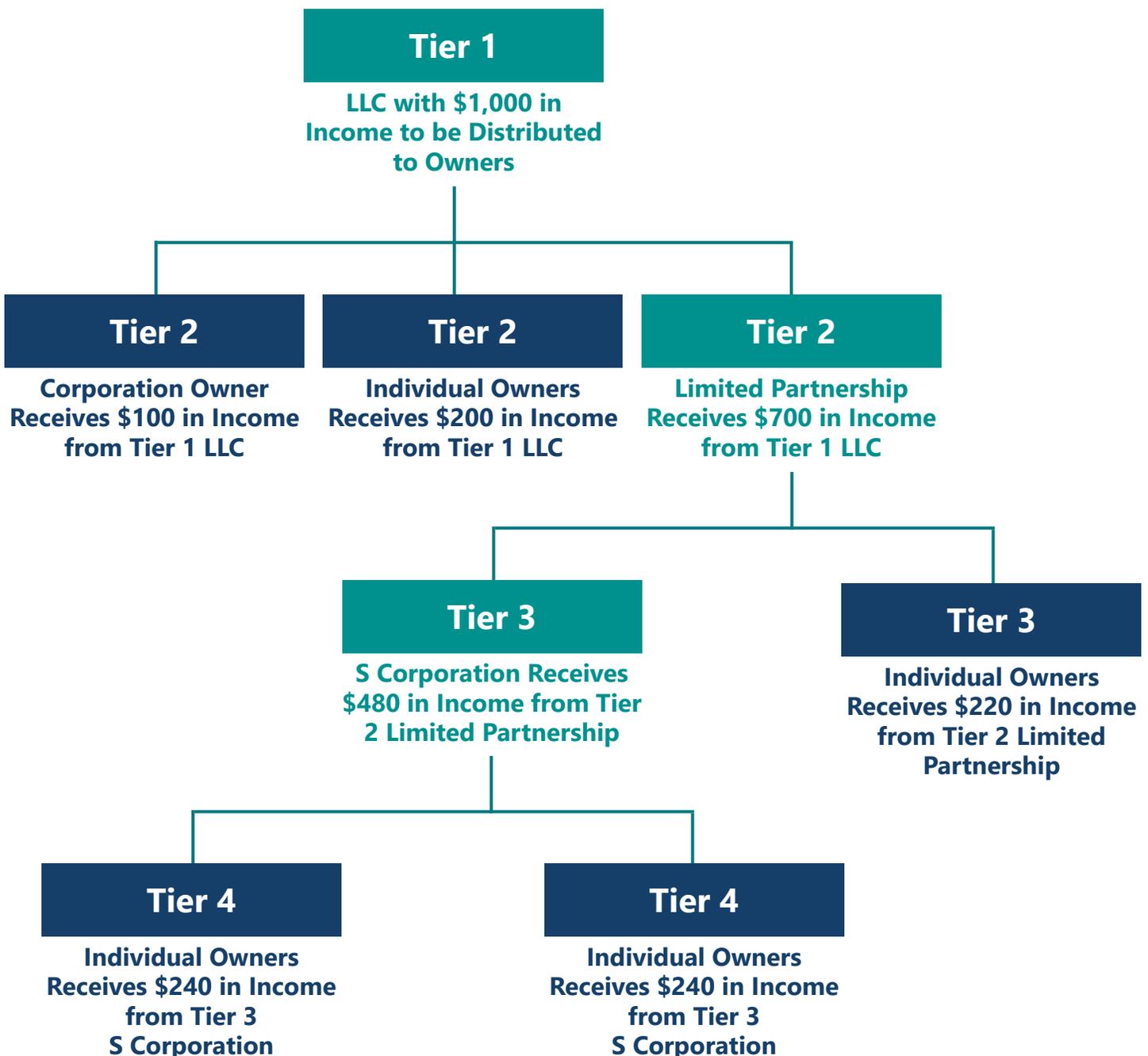
Partnerships are an old, familiar business entity, but S corporations are less well known. The S corporation rules were enacted in 1958; they permit a corporation and its shareholders to elect to be taxed at one level.

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. The diagram on the following page shows how complex ownership, or partnership, relationships can become.



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 68,369 Montana Tax Year 2020 pass-through returns by resident and nonresident.

### Shares of Pass-Through Owners by Residency Status

Type of Owner	Number	%
Resident Individuals	93,720	18%
Nonresident Individuals	269,386	53%
Montana Business Entities	6,279	1%
Non-Montana Business Entities	140,559	28%
<b>Total</b>	<b>509,944</b>	<b>100%</b>

Overall, individuals comprised 71 percent of the owners associated with Montana's pass-throughs, a slight decrease from the 73 percent in 2018.

The table on the next page shows the number of owners, by resident and non-resident, reported on the 68,369 Montana Tax Year 2020 pass-through returns.

## Montana Pass-Through Owners by Residency Status and Pass-through Type

	S Corporations				Partnerships			
	Montana		Multi-State		Montana		Multi-State	
Type of Owner	Owners	%	Owners	%	Owners	%	Owners	%
Resident Individuals	39,799	92%	3,518	10%	43,365	70%	7,038	2%
Nonresident Individuals	3,042	7%	28,294	79%	11,326	18%	226,724	62%
Montana Business Entities	424	1%	80	0%	4,494	7%	1,281	0%
Non-Montana Business Entities	189	0%	4,143	11%	3,173	5%	133,054	36%
<b>Total</b>	<b>43,454</b>	<b>100%</b>	<b>36,035</b>	<b>100%</b>	<b>62,358</b>	<b>100%</b>	<b>368,097</b>	<b>100%</b>

The next table shows the number of returns, types of income, Montana adjustments to income, and deductions that were reported on Tax Year 2020 pass-through informational returns.

## Montana-Source Income Passed Through to Owners – Tax Year 2020

Returns	S Corporations		Partnerships	
	Montana	Multi-State	Montana	Multi-State
<b>Income Items</b>	26,279	9,054	21,371	11,665
Salaries and Other Fixed Payments to Owners	\$305,814	\$1,353	\$139,227,202	\$59,830,446
Ordinary Business Income	\$2,072,732,921	\$1,151,703,259	\$528,502,997	\$752,243,802
Real Estate	\$34,378,641	\$7,063,476	\$77,103,336	(\$114,966,167)
Other Rental Income	(\$5,004,838)	\$16,891,971	\$4,894,610	\$15,368,495
Interest	\$25,336,695	\$13,793,522	\$30,781,959	\$49,366,896
Dividends	\$9,447,697	\$7,241,194	\$17,009,104	\$13,213,980
Royalties	\$5,493,361	\$6,407,868	\$25,431,471	\$48,784,463
Capital Gains	\$53,402,599	\$32,937,294	\$132,312,275	\$135,955,168
Gains Taxed as Ordinary Income	\$308,279,867	\$79,320,185	\$335,849,375	\$134,402,070
Other Income	\$3,441,587	\$6,604,023	\$22,957,090	\$21,881,169
<b>Total Income</b>	<b>\$2,507,814,344</b>	<b>\$1,321,964,145</b>	<b>\$1,314,069,419</b>	<b>\$1,116,080,322</b>
<b>Montana Additions to Federal Income</b>	<b>\$3,988,775</b>	<b>\$10,217,317</b>	<b>\$2,877,376</b>	<b>\$13,025,223</b>
<b>Montana Subtractions from Federal Income</b>	<b>\$27,380,349</b>	<b>\$17,195,758</b>	<b>\$8,139,956</b>	<b>\$1,230,480</b>
<b>Deductions</b>				
§179 Expense Deduction	\$67,923,307	\$18,147,366	\$18,130,695	\$5,914,641
Other Expense Deductions	\$1,229,631	\$20,565,499	\$64,957,089	\$284,375,919
<b>Total Deductions</b>	<b>\$69,152,938</b>	<b>\$38,712,865</b>	<b>\$83,087,784</b>	<b>\$290,290,560</b>
<b>Total Montana Source Income</b>	<b>\$2,415,269,832</b>	<b>\$1,276,272,839</b>	<b>\$1,225,719,055</b>	<b>\$837,584,505</b>

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. The table 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 2016 through 2020.

### Montana Source Income Before and After Second-Tier Income is Removed

<b>Tax Year</b>	<b>Montana Source Income</b>	<b>Tier 2 Income</b>	<b>Net Montana Source Income</b>
2016	\$3,179,714,842	\$265,782,912	\$2,913,931,930
2017	\$3,601,564,076	\$721,374,374	\$2,880,189,702
2018	\$4,024,862,213	\$1,058,422,949	\$2,966,439,264
2019	\$4,318,592,965	\$719,356,906	\$3,599,236,059
2020	\$5,669,967,534	\$1,250,898,708	\$4,419,068,826

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. However, sometimes owners may not be able to claim a credit that is allocated to them. For example, some credit types can only be claimed by individuals. A corporation that owns part of a pass-through entity would not be able to claim those credits.

Some credits can only reduce the current year's tax liability. Owners with no taxable income in the current year would not be able to claim these credits. Because of this, the credits claimed on owners' tax returns can be less than the credits reported on pass-through returns.

The next table shows credits reported on Tax Year 2020 pass-through entity returns. Credits claimed by owners are included in the credits claimed against individual income tax and corporation income tax.

## Tax Credits Passed Through to Owners - Tax Year 2020

Credit	S Corporations		Partnerships	
	Montana	Multi-State	Montana	Multi-State
Dependent Care Credit	\$0	\$1	\$15	\$1,201,666
College Contribution Credit	\$8,862	\$1,609	\$1,565	\$3
Insurance for Uninsured Montanans Credit	\$43,285	\$2,700	\$3,556	\$1,200
Credit for Investment in Recycling Equipment	\$314,229	\$33,500	\$173,609	\$64,113
Alternative Energy Production Credit	\$0	\$3,680	\$0	\$0
Contractor's Gross Receipts Credit	\$5,306,377	\$2,716,085	\$263,580	\$341,362
Alternative Fuel Credit	\$0	\$4	\$0	\$0
Infrastructure Users Fee Credit	\$8,197	\$37,817	\$0	\$122,399
Historic Building Preservation Credit	\$0	\$0	\$0	\$64,463
Mineral Exploration Credit	\$9	\$0	\$0	\$0
Empowerment Zone Credit	\$0	\$0	\$0	\$0
Biodiesel Blending Credit	\$5	\$0	\$0	\$0
Oilseed Credit	\$8	\$1	\$0	\$0
Innovative Education Program Credit	\$0	\$0	\$0	\$0
Student Scholarship Organization Credit	\$0	\$7	\$1	\$0
Emergency Lodging Credit	\$0	\$0	\$0	\$0
Unlocking Public Lands Credit	\$13	\$0	\$1,500	\$0
Apprenticeship Credit	\$387,751	\$64,938	\$7,500	\$5,250
Media Credit	\$0	\$16,279	\$0	\$0
<b>Total</b>	<b>\$6,068,736</b>	<b>\$2,860,342</b>	<b>\$451,326</b>	<b>\$1,800,456</b>

# Pass-through Distributions and Credits 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. The next table provides a list of the Montana source income that was distributed by Montana's S corporations in Tax Year 2020, 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 Trade, Transportation, & Utilities sector generated the largest amount of combined Montana source income for their owners, distributing approximately \$920 million in Tax Year 2020. The Professional and Business Services sector and the Construction sector also provided a significant amount of income to their owners, passing through \$687 million and \$814 million in income, respectively.

Montana-Source Income Passed Through to Owners - S Corporations - Tax Year 2020 (Thousands of Dollars)

<b>S Corporations</b>											
	<b>Natural Resources &amp; Mining</b>	<b>Construction</b>	<b>Manufacturing</b>	<b>Trade, Transportation &amp; Utilities</b>	<b>Information</b>	<b>Financial Activities</b>	<b>Professional &amp; Business Services</b>	<b>Education &amp; Health Services</b>	<b>Leisure &amp; Hospitality</b>	<b>Other Services</b>	<b>Unknown /Public Admin</b>
<b>Returns</b>	<b>3,233</b>	<b>6,777</b>	<b>1,331</b>	<b>5,133</b>	<b>435</b>	<b>4,807</b>	<b>6,705</b>	<b>2,268</b>	<b>2,569</b>	<b>1,936</b>	<b>139</b>
<b>Income Items</b>											
Salaries and Other Fixed Payments to Owners	\$0	\$0	\$0	\$15	\$0	\$1	\$0	\$290	\$0	\$0	\$0
Ordinary Business Income	\$92,260	\$773,191	\$148,920	\$829,441	\$34,612	\$333,418	\$623,987	\$207,399	\$104,396	\$74,931	\$1,881
Real Estate Income	\$10,010	-\$828	\$831	\$6,791	\$50	\$19,219	\$1,826	\$775	\$2,333	\$364	\$72
Other Rental Income	-\$1,897	-\$4,756	\$6,452	\$11,403	\$31	\$287	\$177	\$17	\$143	\$31	\$0
Interest	\$6,833	\$7,707	\$1,871	\$10,334	\$210	\$4,685	\$3,472	\$1,280	\$2,246	\$491	\$1
Dividends	\$1,879	\$1,960	\$5,336	\$4,046	\$264	\$1,476	\$877	\$367	\$281	\$204	\$0
Royalties	\$7,439	\$518	\$12	\$278	\$167	\$2,528	\$308	\$341	\$298	\$12	\$0
Capital Gains	\$338	\$11,505	\$2,617	\$12,027	\$1,079	\$26,887	\$18,696	\$3,086	\$7,734	\$2,370	\$0
Gains Taxed as Ordinary Income	\$157,468	\$24,607	\$11,862	\$46,219	\$365	\$68,559	\$30,255	\$21,958	\$24,385	\$1,973	-\$53
Other Income	\$1,081	\$435	\$471	-\$336	\$26	\$355	\$7,021	\$330	\$539	\$124	\$0
<b>Total Income</b>	<b>\$275,410</b>	<b>\$814,340</b>	<b>\$178,373</b>	<b>\$920,219</b>	<b>\$36,804</b>	<b>\$457,416</b>	<b>\$686,619</b>	<b>\$235,843</b>	<b>\$142,354</b>	<b>\$80,501</b>	<b>\$1,901</b>
<b>Montana Additions to Federal Income</b>	<b>\$1,633</b>	<b>\$1,965</b>	<b>\$832</b>	<b>\$1,171</b>	<b>\$1,309</b>	<b>\$699</b>	<b>\$5,884</b>	<b>\$178</b>	<b>\$400</b>	<b>\$21</b>	<b>\$115</b>
<b>Montana Subtractions from Federal Income</b>	<b>\$1,145</b>	<b>\$1,191</b>	<b>\$3,848</b>	<b>\$11,646</b>	<b>\$336</b>	<b>\$302</b>	<b>\$11,263</b>	<b>\$1,207</b>	<b>\$13,283</b>	<b>\$364</b>	<b>-\$8</b>
<b>Deductions</b>											
\$179 Expense Deduction	\$15,985	\$26,749	\$4,053	\$15,551	\$244	\$3,805	\$8,596	\$3,285	\$4,102	\$3,577	\$123
Other Expense Deductions	\$11,089	\$1,375	\$1,569	\$3,502	\$266	\$925	\$2,369	\$91	\$585	\$25	\$0
<b>Total Deductions</b>	<b>\$27,074</b>	<b>\$28,124</b>	<b>\$5,621</b>	<b>\$19,053</b>	<b>\$511</b>	<b>\$4,730</b>	<b>\$10,965</b>	<b>\$3,376</b>	<b>\$4,687</b>	<b>\$3,601</b>	<b>\$124</b>
<b>Total Net Montana Source Income</b>	<b>\$248,824</b>	<b>\$786,990</b>	<b>\$169,736</b>	<b>\$890,692</b>	<b>\$37,265</b>	<b>\$453,083</b>	<b>\$670,276</b>	<b>\$231,437</b>	<b>\$124,783</b>	<b>\$76,556</b>	<b>\$1,901</b>

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

As the table on the next page shows, the amount of pass-through income also varies significantly for Montana's pass-through partnerships. In Tax Year 2020, Financial Activity partnerships generated more than \$1.3 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 Leisure and Hospitality sector as a whole reported a loss of just under \$5 million for Tax Year 2020.

Montana-Source Income Passed Through to Owners - Partnerships - Tax Year 2020 (Thousands of Dollars)

<b>Partnerships</b>											
	<b>Natural Resources &amp; Mining</b>	<b>Construction</b>	<b>Manufacturing</b>	<b>Trade, Transportation &amp; Utilities</b>	<b>Information</b>	<b>Financial Activities</b>	<b>Professional &amp; Business Services</b>	<b>Education &amp; Health Services</b>	<b>Leisure &amp; Hospitality</b>	<b>Other Services</b>	<b>Unknown / Public Admin</b>
<b>Returns</b>	<b>4,123</b>	<b>1,512</b>	<b>651</b>	<b>2,051</b>	<b>345</b>	<b>18,713</b>	<b>2,606</b>	<b>533</b>	<b>1,615</b>	<b>710</b>	<b>177</b>
<b>Income Items</b>											
Salaries and Other Fixed Payments to Owners	\$16,028	\$16,574	\$9,352	\$15,971	\$3,361	\$48,667	\$42,806	\$32,438	\$9,930	\$3,779	\$152
Ordinary Business Income	-\$16,890	\$108,150	\$7,077	\$43,409	\$115,715	\$655,721	\$179,258	\$191,118	-\$19,036	\$11,219	\$5,006
Real Estate	\$14,271	\$681	\$1,100	-\$2,934	-\$330	-\$52,072	-\$2,701	\$538	\$2,023	\$1,504	\$58
Other Rental Income	\$3,455	\$667	\$1,400	\$1,377	\$5,267	\$6,850	\$1,258	\$192	\$933	\$14	-\$1,151
Interest	\$4,764	\$1,382	\$1,265	\$3,710	\$8,246	\$42,624	\$12,512	\$3,858	\$843	\$536	\$409
Dividends	\$1,330	\$58	\$270	\$990	\$12	\$17,989	\$9,037	\$30	\$108	\$378	\$21
Royalties	\$56,700	\$517	\$1,203	\$58	\$247	\$13,617	\$924	\$270	\$158	\$499	\$23
Capital Gains	\$13,361	\$5,723	\$134	\$3,269	\$83	\$192,026	\$58,597	\$3,758	-\$9,061	\$368	\$9
Gains Taxed as Ordinary Income	\$94,032	\$6,229	\$22,339	\$5,116	-\$69,635	\$386,439	\$12,507	\$3,389	\$8,423	\$1,095	\$318
Other Income	\$6,437	\$158	\$4,717	\$2,986	\$1,360	\$22,157	\$11,398	-\$5,291	\$796	\$119	\$1
<b>Total Income</b>	<b>\$193,489</b>	<b>\$140,140</b>	<b>\$48,857</b>	<b>\$73,953</b>	<b>\$64,323</b>	<b>\$1,334,019</b>	<b>\$325,595</b>	<b>\$230,300</b>	<b>-\$4,883</b>	<b>\$19,511</b>	<b>\$4,846</b>
<b>Montana Additions to Federal Income</b>	<b>\$1,942</b>	<b>\$79</b>	<b>\$37</b>	<b>\$132</b>	<b>\$964</b>	<b>\$10,213</b>	<b>\$2,182</b>	<b>\$270</b>	<b>-\$100</b>	<b>\$165</b>	<b>\$19</b>
<b>Montana Subtractions from Federal Income</b>	<b>\$194</b>	<b>\$43</b>	<b>\$615</b>	<b>\$465</b>	<b>\$5</b>	<b>\$1,141</b>	<b>\$138</b>	<b>\$2,856</b>	<b>\$3,906</b>	<b>\$5</b>	<b>\$1</b>
<b>Deductions</b>											
\$179 Expense Deduction	\$10,023	\$3,070	\$1,569	\$3,706	\$203	\$2,625	\$1,380	\$286	\$856	\$278	\$49
Other Expense Deductions	\$92,673	\$2,111	\$3,858	\$45,097	\$30,900	\$95,303	\$62,613	\$2,666	\$13,776	\$157	\$178
<b>Total Deductions</b>	<b>\$102,696</b>	<b>\$5,181</b>	<b>\$5,427</b>	<b>\$48,803</b>	<b>\$31,103</b>	<b>\$97,927</b>	<b>\$63,993</b>	<b>\$2,952</b>	<b>\$14,632</b>	<b>\$436</b>	<b>\$227</b>
<b>Total Net Montana Source Income</b>	<b>\$92,541</b>	<b>\$134,994</b>	<b>\$42,852</b>	<b>\$24,816</b>	<b>\$34,179</b>	<b>\$1,245,164</b>	<b>\$263,646</b>	<b>\$224,762</b>	<b>-\$23,520</b>	<b>\$19,234</b>	<b>\$4,637</b>

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

## Pass-through Entities by Size - Number of Owners - Tax Year 2020

Pass-through entities can vary greatly in size. Approximately 53 percent of S corporation pass-throughs reported a single owner, while 69 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 2020 had more than three reported owners, while more than 20 percent of multi-state S corporations had at least four owners. During this same time, 26.5 percent of Montana's multi-state partnership pass-throughs had more than eight owners, which is more than 10 times larger than the 2.4 percent of Montana-only partnerships with at least nine reported owners.

Number of Reported Owners	S Corporations				Partnerships			
	Montana		Multi-State		Montana		Multi-State	
	Number	%	Number	%	Number	%	Number	%
1	14,755	56.90%	4,171	44.00%	37	0.20%	63	0.50%
2 to 3	9,881	38.10%	3,348	35.30%	16,981	80.90%	5,931	48.70%
4 to 8	1,183	4.60%	1,310	13.80%	3,466	16.50%	2,956	24.30%
9 to 20	114	0.40%	408	4.30%	426	2.00%	1,224	10.00%
Over 20	21	0.10%	235	2.50%	83	0.40%	2,014	16.50%
<b>Total</b>	<b>25,954</b>	<b>100.00%</b>	<b>9,472</b>	<b>100.00%</b>	<b>20,993</b>	<b>100.00%</b>	<b>12,188</b>	<b>100.00%</b>

## Pass-through Entities by Size - Montana Source Income - Tax Year 2020

The following table shows the number and percentages of pass-through entities in six groups based on the entity's Montana source income. As the following table shows, many S corporations and approximately 48 percent of all 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. Sixty-four S corporations and 86 partnerships reported more than \$5 million in Montana source income.

Montana - Source Income	S Corporations				Partnerships			
	Montana		Multi-State		Montana		Multi-State	
	Number	%	Number	%	Number	%	Number	%
\$0 or Negative	7,152	27.50%	5,097	52.80%	8,584	40.80%	7,444	60.20%
\$1 to \$10,000	3,114	12.00%	2,383	24.70%	3,376	16.00%	2,596	21.00%
\$10,001 to \$100,000	10,469	40.20%	1,400	14.50%	6,353	30.20%	1,417	11.50%
\$100,001 to \$1,000,000	4,950	19.00%	642	6.70%	2,420	11.50%	714	5.80%
\$1,000,001 to \$5,000,000	309	1.20%	106	1.10%	278	1.30%	141	1.10%
Over \$5,000,000	38	0.10%	26	0.30%	38	0.20%	48	0.40%
<b>Total</b>	<b>26,032</b>	<b>100.00%</b>	<b>9,654</b>	<b>100.00%</b>	<b>21,049</b>	<b>100.00%</b>	<b>12,360</b>	<b>100.00%</b>

The next table 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 \$948 million in Tax Year 2020, 29 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 \$1.6 billion in Montana Tax Year 2020 source income.

Montana - Source Income	S Corporations				Partnerships			
	Montana		Multi-State		Montana		Multi-State	
	\$ million	%	\$ million	%	\$ million	%	\$ million	%
\$0 or Negative	-\$381	-16.10%	-\$110	-12.20%	-\$848	-72.00%	-\$916	-131.70%
\$1 to \$10,000	\$14	0.60%	\$6	0.70%	\$14	1.20%	\$6	0.90%
\$10,001 to \$100,000	\$449	19.00%	\$51	5.60%	\$250	21.20%	\$54	7.70%
\$100,001 to \$1,000,000	\$1,267	53.70%	\$201	22.40%	\$649	55.10%	\$218	31.30%
\$1,000,001 to \$5,000,000	\$583	24.70%	\$231	25.70%	\$548	46.50%	\$290	41.60%
Over \$5,000,000	\$429	18.20%	\$519	57.80%	\$564	48.00%	\$1,045	150.20%
<b>Total</b>	<b>\$2,361</b>	<b>100.00%</b>	<b>\$898</b>	<b>100.00%</b>	<b>\$1,177</b>	<b>100.00%</b>	<b>\$695</b>	<b>100.00%</b>

# 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 2020 may have ended any time between December 31, 2020, and December 30, 2021. 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, 2020 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 2019 and 2020.

<b>Types of Estates and Trusts</b>	<b>TY 2019</b>	<b>TY 2020</b>
Simple Trust	2,301	2,162
Complex Trust	4,800	4,811
Decedent's Estate	1,571	1,485
Grantor Trust	841	896
Electing Small Business Trust	10	*
Qualified Disability Trust	111	130
Bankruptcy Estate (Chapter 7)	*	15
Bankruptcy Estate (Chapter 11)	*	*
Qualified Funeral Trust	5,327	4,947
Pooled Income Fund	*	*
Other	396	381
<b>Total</b>	<b>15,353</b>	<b>14,829</b>

*\*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.

### Income Reported on Estate and Trust Returns (\$ million)

Type of Income	TY 2019		TY 2020	
	Resident	Nonresident and Part-Year	Resident	Nonresident and Part-Year
Interest	\$16.612	\$370.435	\$14.044	\$196.281
Dividends	\$62.668	\$796.368	\$64.275	\$322.008
Sole Proprietor Business Income	- \$2.130	\$18.334	\$2.323	- \$33.234
Pass-Through Business, Rents, Royalties	\$40.371	\$629.947	\$42.118	\$680.843
<b>Gain or Loss on Asset Sales</b>				
Taxed as Capital Gains	\$121.520	\$1,763.099	\$116.601	\$2,586.275
Taxed as Ordinary Income	- \$3.412	\$30.963	- \$2.379	\$33.065
Other	\$20.031	\$20.108	\$19.595	\$8.171
<b>Total</b>	<b>\$255.659</b>	<b>\$3,629.254</b>	<b>\$256.577</b>	<b>\$3,793.410</b>
Average Resident Ratio for Nonresident and Part-Year Resident Estates and Trusts		0.62%		1.49%

## 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.

	TY 2019		TY 2020	
	Entities with Deduction	\$ million	Entities with Deduction	\$ million
<b>Charitable Contributions</b>				
Resident Estates and Trusts	230	\$5.48	191	\$4.37
Nonresident and Part-Year	466	\$209.80	423	\$96.79
<b>Distributions from Income</b>				
Resident Estates and Trusts	3,424	\$141.85	3,271	\$142.08
Nonresident and Part-Year	1,098	\$910.73	986	\$348.45

## Tax Paid by Estates and Trusts

Trusts and estates directly paid about \$3.9 million in Tax Year 2019 and \$5.6 million in Tax Year 2020. The following table shows tax paid by type of trust or estate. Categories with few returns are combined to protect taxpayer confidentiality.

## Tax After Capital Gains Credit and Apportionment (\$ million)

Entity Type	TY 2019	TY 2020
Bankruptcy Estates	\$0.000	\$0.005
<b>Decedent Estates</b>		
Resident	\$0.673	\$0.581
Nonresident and Part-Year	\$0.032	\$0.019
<b>Electing Small Business Trusts</b>		
Resident	\$0.000	\$0.000
Nonresident and Part-Year	\$0.000	\$0.000
Grantor Trusts	\$0.005	\$0.000
<b>Simple Trusts</b>		
Resident	\$0.798	\$0.561
Nonresident and Part-Year	\$0.042	\$0.085
Disability, Funeral, Pooled Income, and Other	\$0.013	\$0.053
<b>Complex Trust Not in Another Category</b>		
Resident	\$1.972	\$2.428
Nonresident and Part-Year	\$0.371	\$1.834
<b>All Estates and Trusts</b>	<b>\$3.905</b>	<b>\$5.566</b>

# Corporate Income Tax Overview

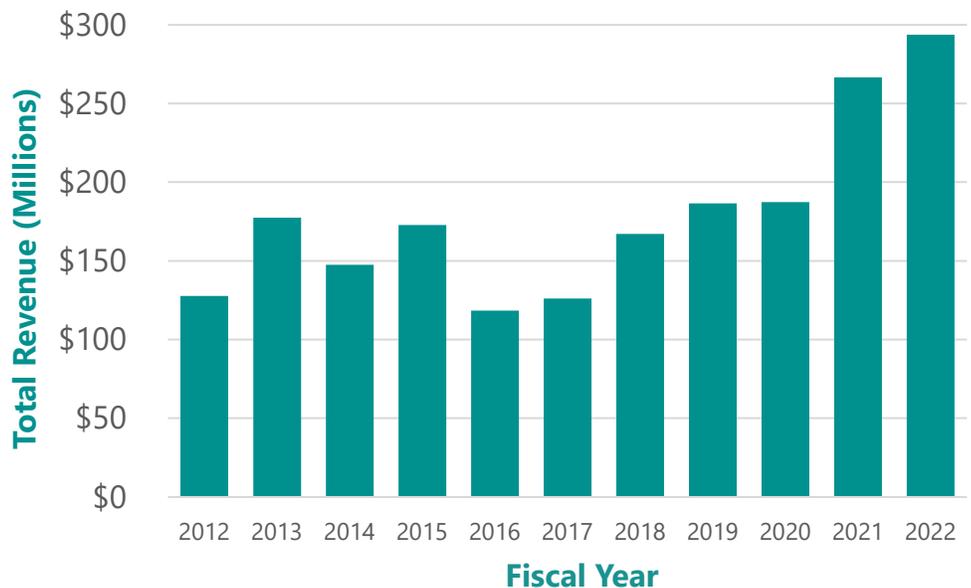
Montana’s corporate income tax is a tax levied on C corporations for the “privilege of carrying on business in this state for the tax year in which the income was earned.” (15-31-101(3), MCA). A corporation includes:

- 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).

The table below shows total corporate income tax collections for FYs 2012 through 2022. As a rule, corporate income tax collection trends in Montana mirror the general national economy. FY 2021 and 2022 corporate tax revenues were \$266.5 million and \$293.7 million, respectively. Corporate income taxes are deposited in the state general fund.

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



The following table 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.

## Corporate Income Tax Collections and Refunds - General Fund

Fiscal Year	Payments With Returns	Estimated Payments	Audits, Penalties, and Interest	Refunds	Total Collections
2016	\$29,079,903	\$108,541,034	\$13,308,491	-\$31,390,463	\$119,538,965
2017	\$31,668,677	\$107,111,190	\$12,318,708	-\$25,851,754	\$125,246,820
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
<b>Average</b>	<b>\$50,004,132</b>	<b>\$150,554,196</b>	<b>\$16,050,846</b>	<b>-\$23,635,422</b>	<b>\$192,973,753</b>

Average estimated payments over the past seven years were \$150.6 million. Average annual revenue for payments with returns over the same period was \$50.0 million. The seven-year average of revenue from audits, penalties, and interest was \$16.1 million. Total refunds averaged about \$23.6 million per year.

Over the past seven years, total corporate tax collections averaged about \$193.0 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 non profit 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.

Returns Filed for Tax Year 2019		Returns Filed for Tax Year 2020	
Total C Corporations	16,678	Total C Corporations	20,551
S Corporations	66,573	S Corporations	69,095
<b>Total Corporations</b>	<b>83,251</b>	<b>Total Corporations</b>	<b>89,646</b>
C Corporations Paying Minimum Tax*	10,587	C Corporations Paying Minimum Tax*	14,080
C Corporations Paying More Than Minimum Tax	6,091	C Corporations Paying More Than Minimum Tax	6,471
<b>Total C Corporations</b>	<b>16,678</b>	<b>Total C Corporations</b>	<b>20,551</b>

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

## Distribution of Corporate Income Taxes

The following table shows the Montana tax liability distribution of the 20,551 corporate returns with a Montana tax liability filed in calendar years 2021 and 2022, reporting on Tax Year 2020. 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.

### Tax Year 2020 Distribution of Montana Tax Liability

Regular Corporation Returns	Number	Tax Liability	Percent of Total Liability	Cumulative Percent of Total Liability
Top 100 returns	100	\$152,319,476	67%	67%
Second 100 returns	100	\$20,182,728	9%	75%
Third 100 returns	100	\$11,861,987	5%	81%
Fourth 100 returns	100	\$8,250,368	4%	84%
Fifth 100 returns	100	\$6,062,186	3%	87%
All other returns	20,051	\$30,146,217	13%	100%
<b>Total</b>	<b>20,551</b>	<b>\$228,822,962</b>	<b>100%</b>	<b>N/A</b>

\*Includes refunds as negative revenue.

The top 100 returns make up about 67 percent of total tax liability of all corporate taxpayers. The top 500 returns accounted for 87 percent of total Montana tax liability for the group. The other 20,051 returns represented only 13 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. The following table shows the distribution of corporate income taxes for the largest sectors.

The largest sector of Tax Year 2020 tax liability was the management of companies and enterprises. This category includes banks and other holding companies and corporate or regional headquarters; it also accounted for about 36 percent of all the corporate income tax liability.

Manufacturing was the second largest sector, with almost 13 percent of all corporate income taxes in Tax Year 2020. 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 retail trade paid 12 percent of corporate income taxes; finance and insurance paid 9.6 percent; information paid 4.5 percent; and wholesale trade paid 4.4 percent. All other sectors (including mining, quarrying, and oil and gas extraction, transportation and warehousing, and construction) made up the remaining 21 percent.

## Distribution of Corporate Income Taxes

Sector	Tax Liability	Percent of Tax Liability
Management of Companies and Enterprises	\$81,228,301	35.50%
Manufacturing	\$30,121,838	13.20%
Retail Trade	\$27,867,365	12.20%
Finance and Insurance	\$21,919,545	9.60%
Information	\$10,394,091	4.50%
Wholesale Trade	\$10,043,757	4.40%
Real Estate and Rental and Leasing	\$7,187,829	3.10%
Agriculture, Forestry, Fishing and Hunting	\$6,217,044	2.70%
Transportation and Warehousing	\$5,831,748	2.50%
Construction	\$4,894,077	2.10%
Other (<2% per sector)	\$23,117,367	10.10%

In the above chart, 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 a three-factor apportionment formula.

### Example of Apportionment Factor Calculation for Multi-State Corporation

<b>Payroll in Montana</b>		<b>Total Payroll</b>		<b>Payroll Factor</b>
\$1,000,000	÷	\$10,000,000	=	0.100
<b>Property In Montana</b>		<b>Total Property</b>		<b>Property Factor</b>
\$2,000,000	÷	\$125,000,000	=	0.016
<b>Receipts In Montana</b>		<b>Total Receipts</b>		<b>Receipts Factor</b>
\$8,000,000	÷	\$100,000,000	=	0.080
<b>Apportionment Factor (Avg.)</b>				<b>0.069</b>

Receipts, property, and payroll comprise the three factors used in the apportionment formula. As of July 1, 2021, the apportionment formula is double-weighted sales, where the receipts factor is weighted double relative to the property and payroll factors.

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:

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

That 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, 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 ( $\$10 \text{ million} \times 0.069 = \$690,000$ ) and its state income tax is \$46,575 before credits ( $\$690,000 \times 6.75$  percent).

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 2020, 69 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. All states limit the number of years a corporation can carry forward losses. Some states, including Montana, allow carryback of net operating losses.

Beginning in Tax Year 2018, the 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. Prior to Tax Year 2018, losses could be carried back three years and forward seven years without any limitation on the carryback amount.

The table on the next page provides a comparison of Montana's treatment of net operating loss deductions with other states' treatment.

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.

Nineteen 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.

California temporarily suspended NOL carryforward deductions for Tax Years 2020 and 2021 for individuals and corporations with more than \$1 million in income.

## States with Corporate Income Taxes

### Allowed Carryback and Carryforward Periods for Net Operating Loss

#### Allowed years of carryforward

Allowed years of carryback	Allowed years of carryforward						
	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 Handbook. 2017. CHS; Montana Department of Revenue. 2018.

## 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 to \$52.50 from \$202.50.

### Montana Corporation Tax Credits

Credit	Tax Year 2019		Tax Year 2020	
	Number of Credits	Total Credit Amounts	Number of Credits	Total Credit Amounts
Alternative Energy Production Credit	0	\$0	0	\$0
Alternative Fuel Motor Vehicle Conversion Credit	0	\$0	0	\$0
Apprenticeship Tax Credit	0	\$0	*	\$18,150
Biodiesel Blending and Storage Tax Credit	0	\$0	0	\$0
Charitable Endowment Credit	*	23,756	*	\$24,626
College Contribution Credit	18	\$5,325	15	\$4,971
Contractor's Gross Receipts Credit	78	\$729,854	76	\$1,939,697
Dependent Care Assistance Credit	*	\$22,111	*	\$42,525
Empowerment Zone New Employees Tax Credit	0	\$0	0	\$0
Geothermal Heating System Credit	*	\$50	*	\$50
Health Insurance for Uninsured Montanans Credit	*	\$900	*	\$2,810
Historic Property Preservation Credit	*	\$53	*	\$50
Infrastructure Users Fee Credit	12	\$264,738	11	\$398,786
MEDIA credit	0	\$0	*	\$5,533,471
Mineral Exploration Credit	*	\$25	*	\$25
New/Expanded Industry Credit	*	\$2,447	0	\$0
Oilseed Crushing and Biodiesel Production Facility Credit	0	\$0	0	\$0
Qualified Research Credit	*	\$100	0	\$0
Recycling Credit	*	\$38,232	*	\$132,349
Short-term Temporary Lodging Credit	0	\$0	0	\$0

*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 \*.*

# 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 the table in this section, three-fourths of corporate taxpayers (76 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 2020 would be have a Tax Year 2020 return due date of May 15, 2021, 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 2020 return for a taxpayer whose fiscal year runs from July 1, 2020 to June 30, 2021, is due November 15, 2021. The taxpayer would then have until May 15, 2022, 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.

## Corporate Income Tax - Tax Year 2020

Tax Year Period Ending	Number of Taxpayers	Percent
12/31/2020	15,597	76%
1/31/2021	377	2%
2/28/2021	218	1%
3/31/2021	762	4%
4/30/2021	206	1%
5/31/2021	219	1%
6/30/2021	849	4%
7/31/2021	183	1%
8/31/2021	210	1%
9/30/2021	742	4%
10/31/2021	758	4%
11/30/2021	430	2%
<b>Total</b>	<b>20,551</b>	<b>100%</b>

## 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, 2020, through December 31, 2020, the rate is 8 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. The comparison table in this section uses data from the Federation of Tax Administrators (as of January 2020) to show the maximum rates for states having a corporate tax. The rates vary from 2.5 percent to 11.5 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.

## Maximum Corporate Tax Rate by State

Rank	State	Maximum Tax Rate
1	New Jersey	11.50%
2	Pennsylvania	9.99%
3	Iowa*	9.80%
3	Minnesota	9.80%
5	Illinois	9.50%
6	Alaska*	9.40%
7	Maine *	8.93%
8	California	8.84%
9	Delaware	8.70%
10	Vermont *	8.50%
11	District of Columbia	8.25%
11	Maryland	8.25%
13	Massachusetts	8.00%
14	Wisconsin	7.90%
15	New Hampshire	7.60%
15	Oregon	7.60%
17	Connecticut	7.50%
17	Louisiana *	7.50%
17	Nebraska *	7.50%
20	Kansas	7.00%
20	Rhode Island	7.00%
22	Montana	6.75%
23	Alabama	6.50%
23	Idaho	6.50%
23	New York	6.50%
23	Tennessee	6.50%
23	West Virginia	6.50%
28	Hawaii *	6.40%
29	Michigan	6.00%
29	Virginia	6.00%
31	Arkansas *	5.90%
31	New Mexico*	5.90%
33	Georgia	5.75%
34	Florida	5.50%
35	Kentucky *	5.00%
35	Mississippi *	5.00%

<b>Rank</b>	<b>State</b>	<b>Maximum Tax Rate</b>
35	South Carolina	5.00%
38	Utah	4.95%
39	Arizona	4.90%
39	Indiana	4.90%
41	Colorado	4.55%
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, 2022, Federation of Tax Administrators

# Select History of Montana's Corporate Income Tax

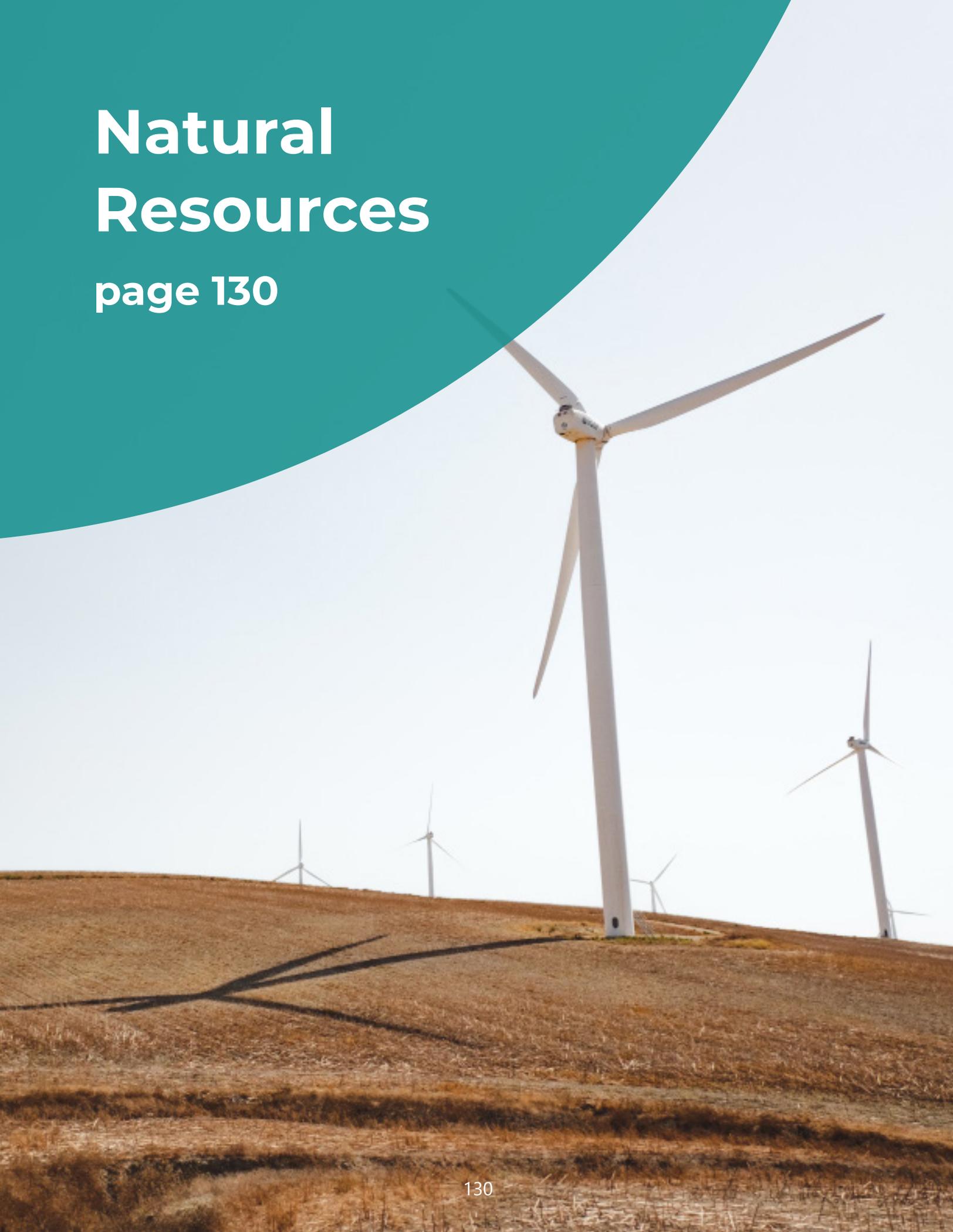
- 1917** Montana’s corporate license tax was established. The tax rate was set at 1 percent with no minimum tax amount.
- 1933** The corporate income tax rate was raised to 2 percent and established a minimum tax of \$5.
- 1937** The rate was raised to 3 percent, while the minimum tax remained \$5.
- 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.

## 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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# Natural Resources Overview

Historically, Montana has relied on its natural resources as a primary source of tax revenue. This section covers the natural resource taxes levied in Montana.

Generally, natural resource taxes are categorized as either severance or license taxes, or some form of ad valorem (property) taxes.

Information provided in this section includes tax rates, filing requirements, disposition of the tax, production tax incentives, recent revenue collections, and recent legislative changes.

## Natural Resource Tax Collections - FY 2019 through FY 2022

State Natural Resource Tax Revenue	FY 2019	FY 2020	FY 2021	FY 2022
Bentonite Production Tax	\$261,049	\$180,636	\$103,183	\$173,986
Cement and Gypsum Tax	\$144,057	\$134,493	\$154,070	\$145,300
Coal Gross Proceeds*	\$9,122,686	\$10,091,830	\$9,179,832	\$6,603,416
Coal Severance Tax	\$56,546,528	\$44,042,737	\$40,747,479	\$61,549,181
Metal Mines Gross Proceeds*	\$2,260,404	\$2,634,938	\$3,211,922	\$4,233,476
Metalliferous Mines License Tax	\$9,551,676	\$12,065,538	\$16,783,517	\$16,885,939
Misc. Mines Net Proceeds*	\$484,257	\$564,027	\$546,333	\$450,478
Oil and Natural Gas Production	\$60,050,917	\$42,540,475	\$43,826,280	\$78,153,444
Oil and Natural Gas Production (Privilege and License Tax)	\$3,794,479	\$2,629,715	\$2,299,829	\$4,085,298
Resource Indemnity and Ground Water Assessment Tax	\$2,923,403	\$2,269,192	\$1,870,702	\$2,470,720
U.S. Mineral Royalties	\$21,570,177	\$18,527,036	\$12,081,725	\$19,464,224
<b>Total State Collections</b>	<b>\$166,709,632</b>	<b>\$135,680,617</b>	<b>\$130,804,871</b>	<b>\$194,215,462</b>

Local Natural Resource Tax Revenue	FY 2019	FY 2020	FY 2021	FY 2022
Bentonite Production Tax	\$922,846	\$638,626	\$364,715	\$615,068
Coal Gross Proceeds*	\$11,142,748	\$13,201,062	\$11,663,072	\$8,506,255
Coal Severance Tax	\$3,481,633	\$2,711,761	\$2,508,868	\$3,789,652
Metal Mines Gross Proceeds*	\$10,786,936	\$12,606,228	\$14,365,858	\$17,152,807
Metalliferous Mines License Tax	\$5,143,210	\$6,496,828	\$9,037,278	\$9,092,429
Misc. Mines Net Proceeds*	\$1,443,651	\$1,606,191	\$1,176,785	\$944,311
Oil and Natural Gas Production	\$55,010,644	\$39,263,577	\$40,765,364	\$72,763,421
Oil and Natural Gas Resource Account	\$0	\$177,640	\$459,404	\$816,920
U.S. Mineral Royalties	\$7,190,059	\$6,175,679	\$4,027,242	\$6,488,075
<b>Total Local Government Collections</b>	<b>\$95,121,728</b>	<b>\$82,877,592</b>	<b>\$84,368,586</b>	<b>\$120,168,938</b>

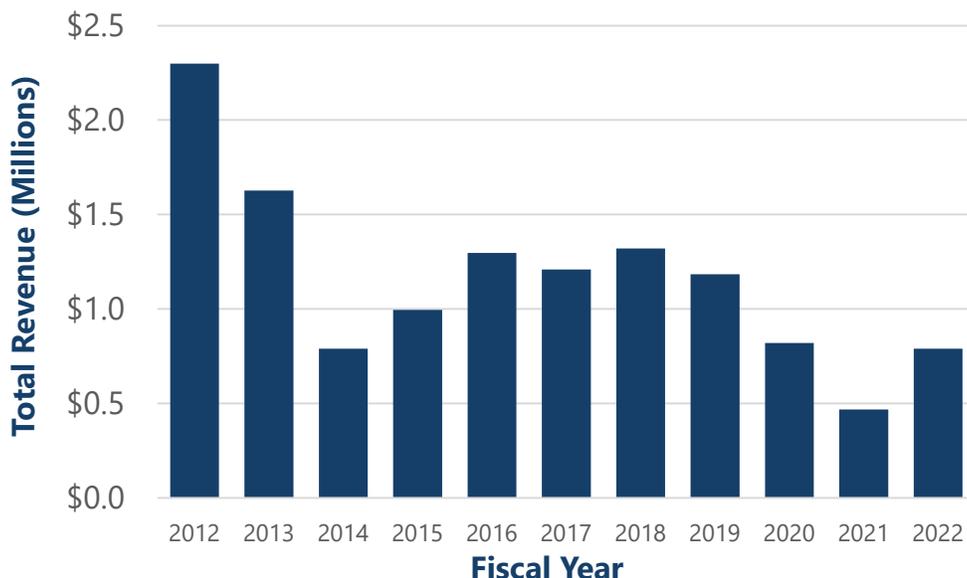
\*Amounts may not match the property summary data in the Property Tax section.

<b>Subtotals by Tax</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Bentonite Production Tax	\$1,183,894	\$819,262	\$467,898	\$789,054
Cement and Gypsum Tax	\$144,057	\$134,493	\$154,070	\$145,300
Coal Gross Proceeds*	\$20,265,434	\$23,292,893	\$20,842,904	\$15,109,671
Coal Severance Tax	\$60,028,161	\$46,754,498	\$43,256,347	\$65,338,834
Metal Mines Gross Proceeds*	\$13,047,340	\$15,241,166	\$17,577,780	\$21,386,283
Metalliferous Mines License Tax	\$14,694,886	\$18,562,366	\$25,820,795	\$25,978,368
Miscellaneous Mines Net Proceeds*	\$1,927,908	\$2,170,218	\$1,723,118	\$1,394,789
Oil and Natural Gas Production	\$118,856,040	\$84,611,407	\$87,350,877	\$155,819,083
Resource Indemnity and Ground Water Assessment Tax	\$2,923,403	\$2,269,192	\$1,870,702	\$2,470,720
U.S. Mineral Royalties	\$28,760,237	\$24,702,715	\$16,108,967	\$25,952,298
<b>Total Collections</b>	<b>\$261,831,360</b>	<b>\$218,558,210</b>	<b>\$215,173,457</b>	<b>\$314,384,399</b>

# Bentonite Production Tax

Statute: Title 15, Chapter 39, MCA

Fiscal Year	Total Revenue
2012	\$2,299,419
2013	\$1,625,960
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



## Tax Rate and History

Prior to Tax Year 2005, bentonite was subject to the mines net proceeds tax like other miscellaneous minerals.

Beginning in Tax Year 2005, bentonite is now 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.

Production Level	2021 Tax (\$/Ton)	2022 Tax (\$/Ton)
0-20,000 Tons	\$0.00	\$0.00
20,001-100,000 Tons	\$1.85	\$1.90
100,001-250,000 Tons	\$1.78	\$1.83
250,001-500,000 Tons	\$1.66	\$1.71
500,001-1,000,000 Tons	\$1.49	\$1.52
Over 1 Million Tons	\$1.19	\$1.22
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.

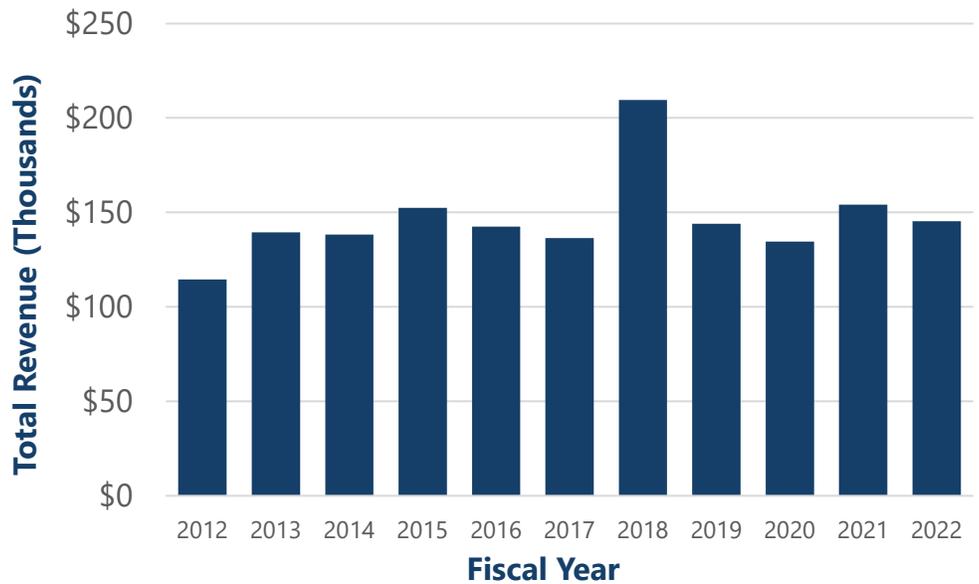
## Distribution

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

Fiscal Year	Total Revenue
2012	\$114,462
2013	\$139,451
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



## Tax Rate

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

## Distribution

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

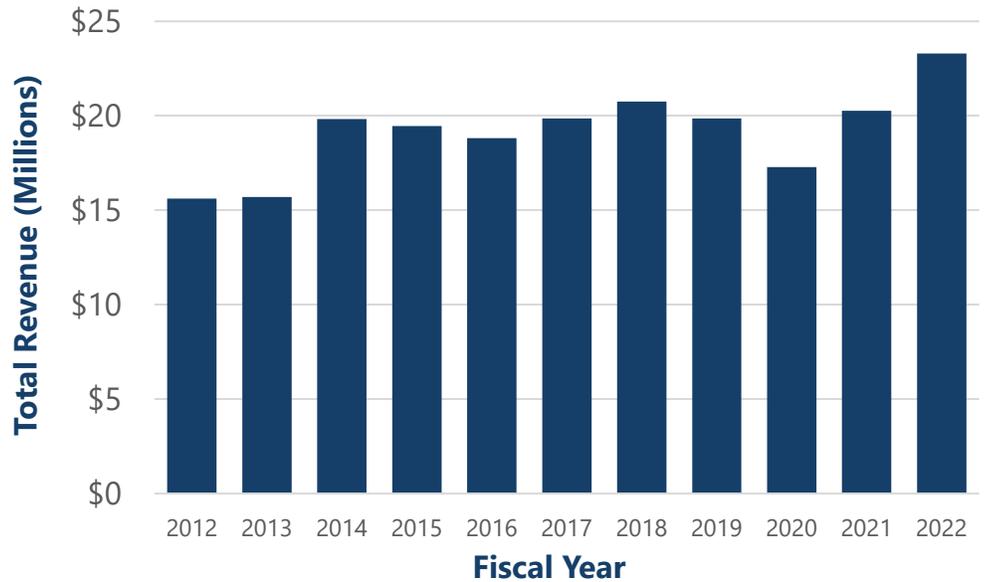
## Filing and Payment of Tax

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.

# Coal Gross Proceeds

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

Fiscal Year	Total Revenue
2012	\$15,612,630
2013	\$15,703,152
2014	\$19,826,095
2015	\$19,444,335
2016	\$18,812,015
2017	\$19,857,482
2018	\$20,756,877
2019	\$19,856,903
2020	\$17,286,920
2021	\$20,265,434
2022	\$23,292,893



## 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 FY 1990. For county level distribution data, see the Shared Revenue section of this report.

Fiscal Year (FY)	2017	2018	2019	2020	2021	2022
Production Year (PY)	2015	2016	2017	2018	2019	2020
Tons Produced	36,175,492	28,189,054	32,088,144	34,411,339	31,623,362	24,400,883
Gross Value	\$590,921,464	\$515,265,149	\$609,331,465	\$716,236,591	\$649,228,342	\$473,607,825
Taxable Proceeds	\$447,944,028	\$395,216,036	\$475,688,495	\$568,413,454	\$515,492,392	\$370,492,864
Tax	\$19,856,903	\$17,286,920	\$20,265,434	\$23,292,893	\$20,842,904	\$15,109,671
Local Share	\$10,627,162	\$9,136,947	\$11,142,748	\$13,201,062	\$11,663,072	\$8,506,255
University Share	\$1,085,852	\$958,820	\$1,073,257	\$1,187,274	\$1,079,980	\$776,873
State Share	\$8,143,889	\$7,191,153	\$8,049,429	\$8,904,556	\$8,099,852	\$5,826,544

## 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 33 $\frac{1}{3}$  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, in the same manner as property taxes were distributed in FY 1990 in the taxing jurisdiction.
- 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 are now taxed at 2.5 percent tax rate for mines that began operation after December 31, 2011 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 that are taxed at the regular 5 percent rate.

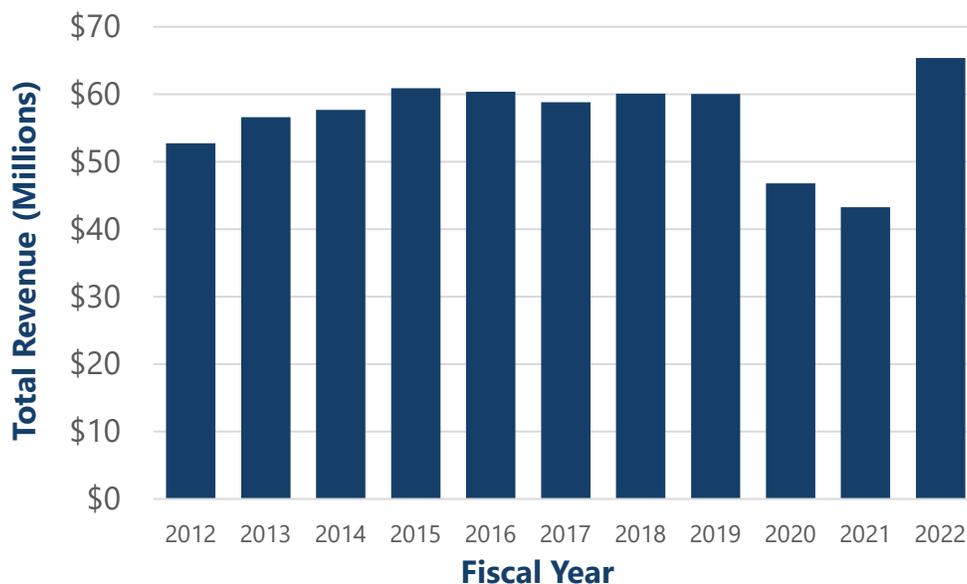
**2019:**

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

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



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. Tax payments are due at the time of filing, within 30 days following the close 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.

The following six sub-trusts currently make up the Coal Trust Fund:

- Coal Tax Bond Fund
- Treasure State Endowment Fund
- Treasure State Endowment Regional Water Fund
- Big Sky Economic Development Fund
- School Facilities Fund
- 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 is used for school facility projects authorized by the Legislature.
- The Big Sky Economic Development Trust Fund is 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.

The table below shows the balance of each of these trust funds at the end of FY 2022.

## Coal Trust Fund Balances

Trust	FY 2022 Estimated Ending Balance
Treasure State Endowment Trust	\$303,623,876
Treasure State Regional Water Trust	\$105,205,010
Big Sky Economic Development Trust	\$140,543,114
Coal Permanent Trust	\$593,834,125
School Facilities Trust	\$102,739,960
<b>Total</b>	<b>\$1,245,946,084</b>

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 FY 2027. The following tables detail the appropriations.

## General Fund Coal Interest Earnings Statutory Appropriations

	FY 2021 - FY 2022
Cooperative Development Center	\$65,000
Growth Through Agriculture	\$900,000
Food and Agricultural Development Program	\$600,000
<b>Department of Commerce</b>	
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.*

## Distribution of Coal Severance Tax

Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Coal Trust Fund (50%)	\$30,048,699	\$30,014,081	\$23,377,249	\$21,628,173	\$32,669,417
Long Range Building (12%)	\$7,211,688	\$7,203,379	\$5,610,540	\$5,190,762	\$7,840,660
Shared Account (5.46%)	\$2,921	\$0	\$0	\$0	\$0
Library Services (0.90%)	\$510,373	\$528,221	\$420,772	\$402,181	\$607,651
Conservation Districts (3.77%)	\$2,335,708	\$2,299,132	\$1,762,699	\$1,605,016	\$2,424,071
Growth Through Agriculture (0.79%)	\$432,316	\$450,185	\$369,324	\$354,599	\$535,778
Park Acquisition Trust (1.27%)	\$763,237	\$762,358	\$593,782	\$549,356	\$829,803
Renewable Res. Debt Service (0.95%)	\$570,925	\$570,268	\$444,168	\$410,935	\$620,719
Cultural and Aesthetic Proj. (0.63%)	\$378,614	\$378,177	\$294,553	\$272,515	\$411,635
Coal Board (5.8%) <sup>1</sup>	\$3,485,649	\$3,481,633	\$2,711,761	\$2,508,868	\$3,789,652
Coal and Uranium Program (\$250K)	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
General Fund (Remainder)	\$14,107,269	\$14,090,728	\$10,919,650	\$10,083,941	\$15,359,447
<b>Total</b>	<b>\$60,097,399</b>	<b>\$60,028,161</b>	<b>\$46,754,498</b>	<b>\$43,256,347</b>	<b>\$65,338,834</b>

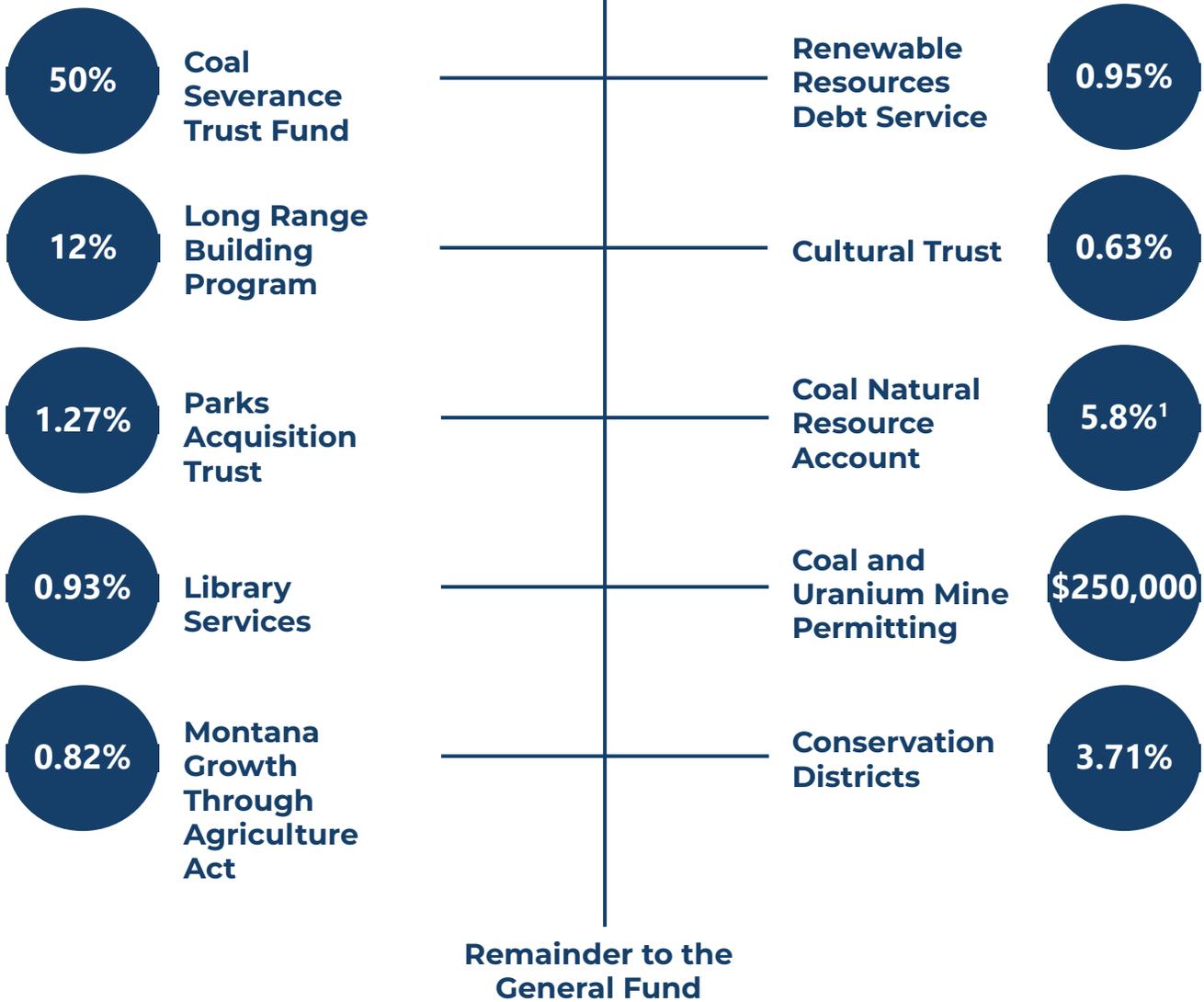
<sup>1</sup> Decreases to 2.9% beginning July 1, 2023.

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.

## Coal Severance Tax Revenue Distribution

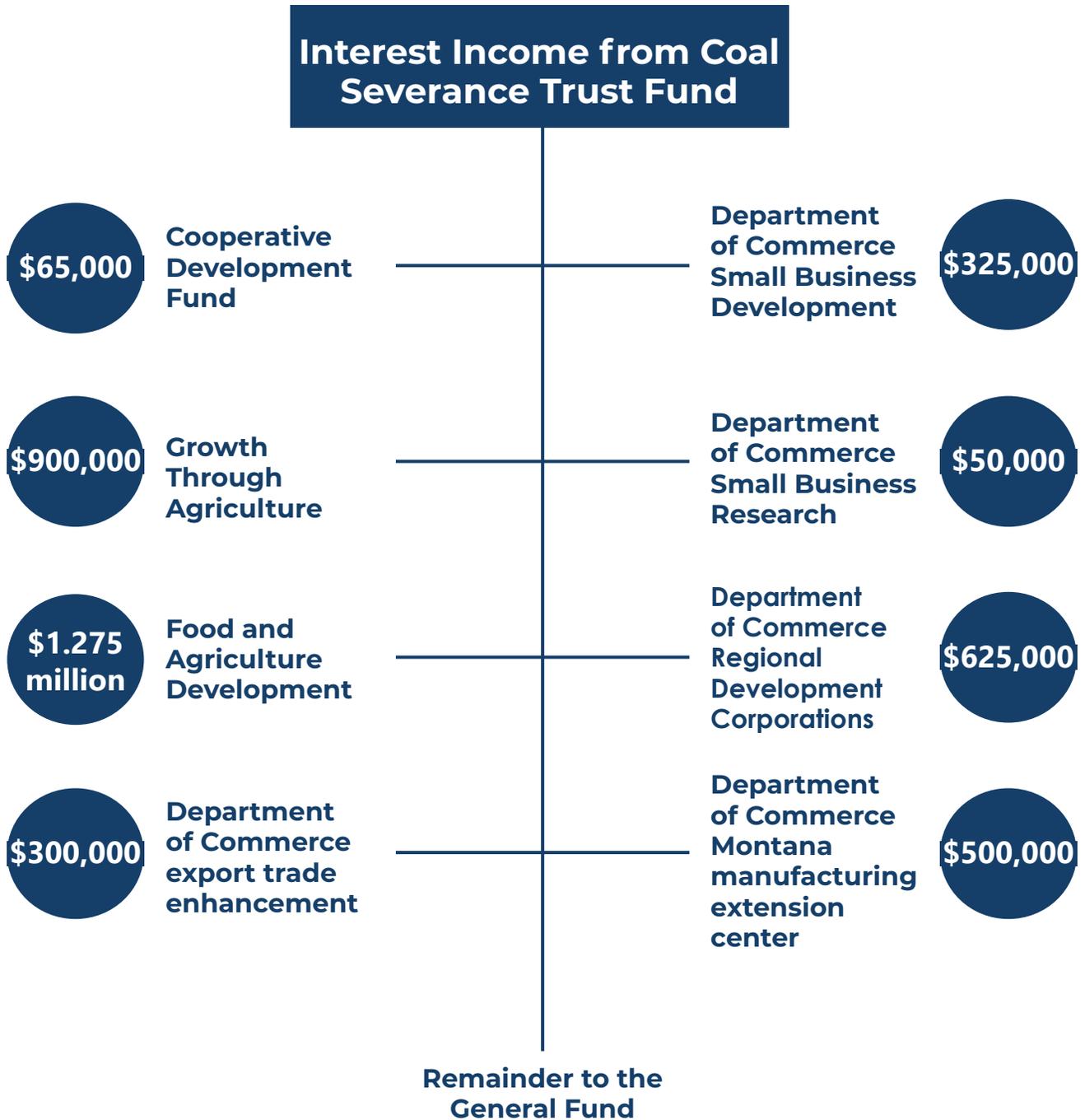
The following three flow charts illustrate the distribution of the coal severance tax revenue.

# Total Coal Severance Tax Revenue

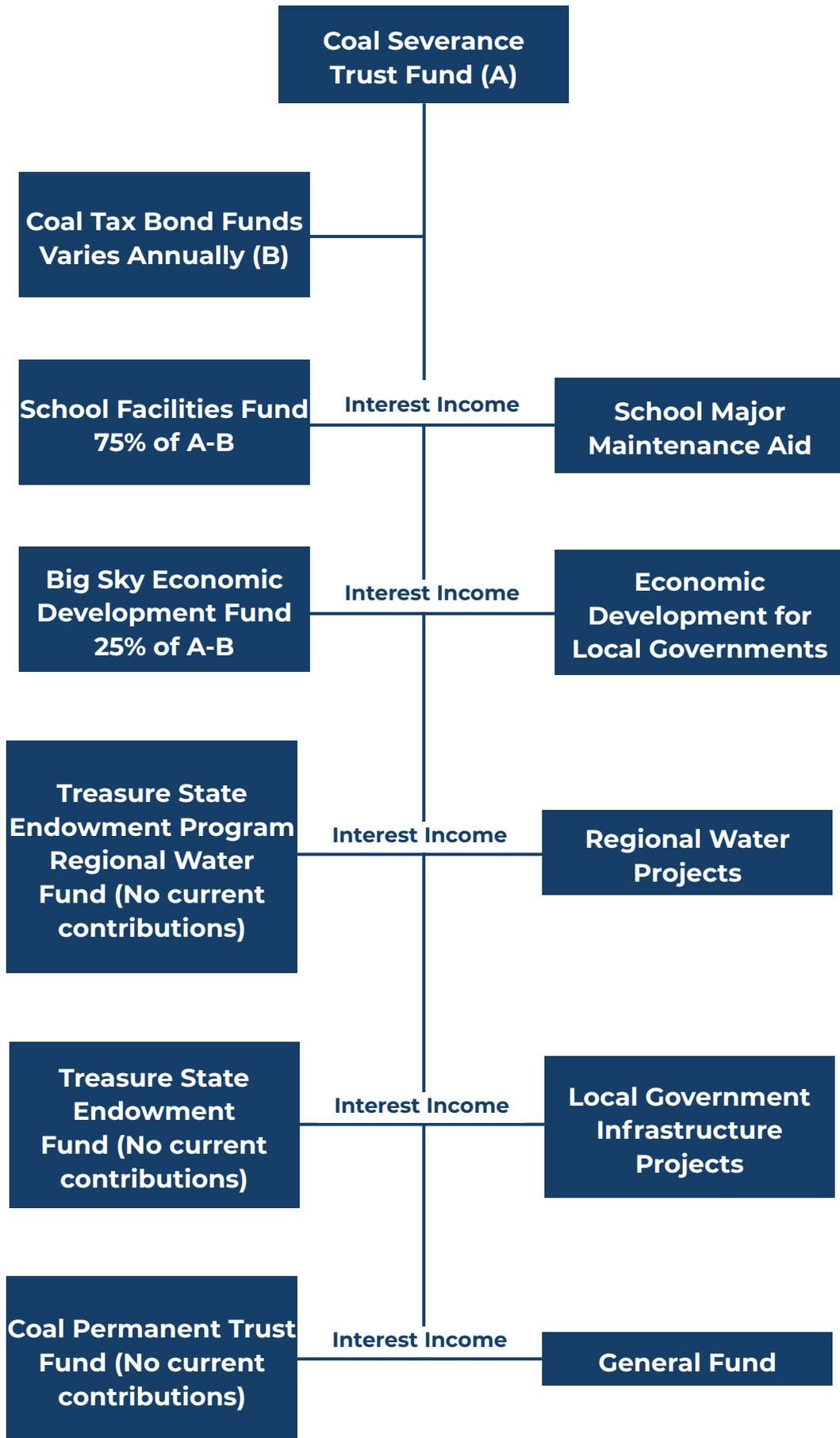


<sup>1</sup> Decreases to 2.9% beginning July 1, 2023.

# Coal Severance Trust Fund Interest Income (Terminates June 30, 2027)



# Coal Severance Trust Fund Distribution



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.

**1967:** The Coal Mines License Tax is limited to strip mines only. Licensees are permitted to take a credit against the license tax of one-half of the reasonable value of reclamation work performed on strip-mined lands.

**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).

- 1977:** Coal Severance Tax exemption is revised to include the first 20,000 tons of production each year.
- 1983:** Coal Severance Tax exemption is increased to 50,000 tons a year but requires any person or company who produced more than 50,000 tons a year to pay severance tax on all production over 20,000 tons.
- 1985:** New Coal Production Incentive Act of 1985 allows for a tax credit of 33⅓ percent of the severance tax.
- 1987:** Coal Severance Tax is reduced to a maximum of 25 percent in FY 1990 and 20 percent beginning in FY 1992.
- If production and sales exceed 32.2 million tons statewide during 1998, the rate would be further reduced to a maximum of 25 percent for FY 1989 and 1990, 20 percent for FY 1991, and 15 percent after June 30, 1991.
- 1989:** Coal Severance Tax rate is reduced, beginning in FY 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 FY 1989 and 1990 and 25 percent of production for FY 1991.
- 1993:** Extended depth auger mining is defined and a reduced severance tax rate of 7.5 percent of value is imposed.
- 1995:** Two million tons of coal are now exempted per calendar year if it is produced as feedstock for coal enhancement facilities.
- 2001:** Coal Severance Tax rate is reduced by one third for coal produced for in-state electrical generating facilities if it is sold at a rate set by the Public Service Commission.
- 2005:** Coal Severance Tax rate incentive is eliminated for in-state electrical generating facilities.
- 2009:** 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.

## Coal Tax Comparison by State

The data for the following comparison table comes from two sources. Effective tax rates come from a comparison of coal fiscal policies by Headwaters Economics in 2017. The production, price, and data on reserves are from the U.S. Energy Information Administration.

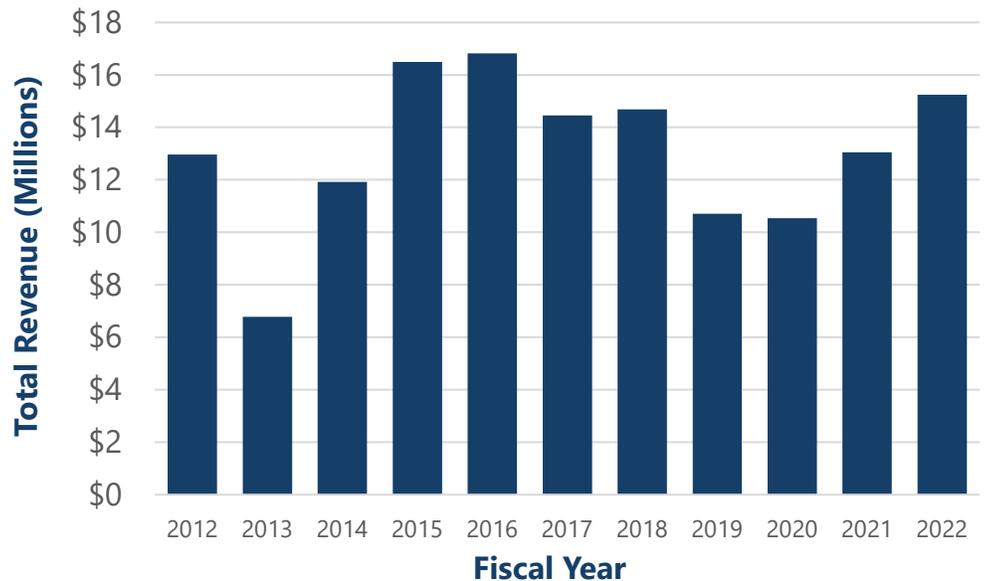
### Regional Coal Tax Comparison 2021

<b>Factors</b>	<b>Montana</b>	<b>Wyoming</b>	<b>North Dakota</b>	<b>Colorado</b>	<b>Utah</b>	<b>Units</b>
Effective Tax Rates	11.10%	9.50%	2.20%	1.30%	0.90%	% Gross Revenue
Average Sales Price per Ton	\$20.27	\$13.04	\$19.48	\$41.45	\$37.22	USD
Production in 2020	26.42	218.56	26.44	10.06	13.16	Million Short Tons
Currently Recoverable Reserves	707	4,907	922	193	180	Million Short Tons
Estimated Recoverable Reserves	74,341	34,747	6,496	9,429	2,460	Million Short Tons

# Metal Mines Gross Proceeds Tax

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

Fiscal Year	Total Revenue
2012	\$12,964,154
2013	\$6,771,689
2014	\$11,923,871
2015	\$16,494,210
2016	\$16,813,903
2017	\$14,451,824
2018	\$14,686,751
2019	\$10,704,462
2020	\$10,540,788
2021	\$13,047,340
2022	\$15,241,166



## 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 three 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 \$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 three 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 to the state and county.

## Filing and Payment of Tax

Metal mines tax reports must be filed 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 on or before November 30 and the other half on or before 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.

### Metal Mines Assessed and Taxable Value of Production

Production Year	Fiscal Year	Assessed Value	Taxable Value for Local Mills	Taxable Value for State Mills
2010	2012	\$1,117,009,632	\$28,972,961	\$31,295,298
2011	2013	\$1,037,736,476	\$29,970,925	\$31,132,094
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	\$1,393,837,173	\$41,815,115	\$41,815,115

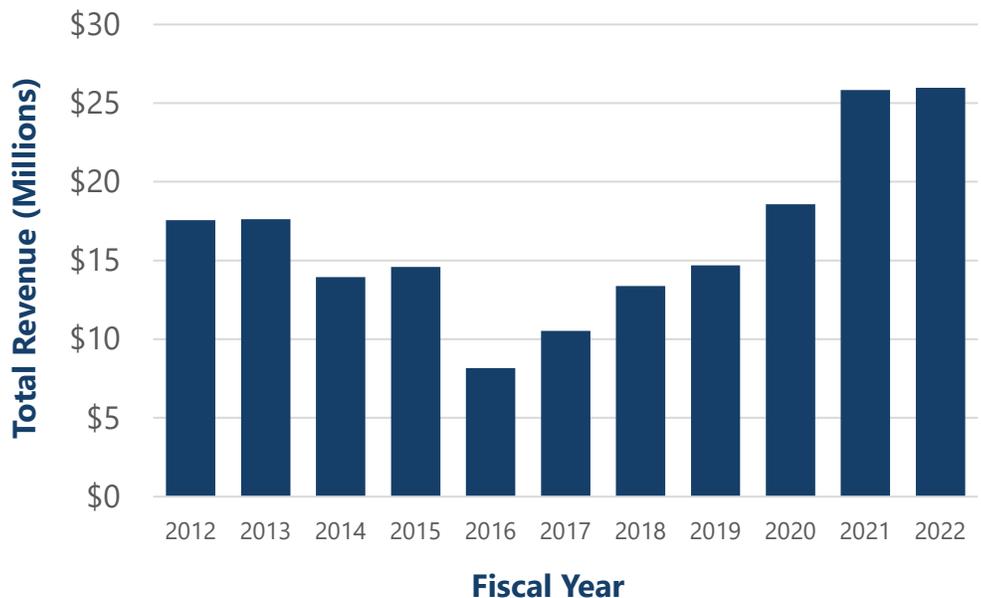
### Gross Proceeds Property Taxes Assessed

Fiscal Year	State Share	Local Share	Total Property Tax
2012	\$2,106,806	\$9,817,065	\$11,923,871
2013	\$3,162,135	\$13,332,075	\$16,494,210
2014	\$3,178,007	\$13,635,896	\$16,813,903
2015	\$2,593,448	\$11,858,376	\$14,451,824
2016	\$2,690,657	\$11,996,094	\$14,686,751
2017	\$1,972,646	\$8,731,816	\$10,704,462
2018	\$1,815,147	\$8,725,640	\$10,540,788
2019	\$2,260,404	\$10,786,936	\$13,047,340
2020	\$2,634,938	\$12,606,228	\$15,241,166
2021	\$3,211,922	\$14,365,858	\$17,577,780
2022	\$4,233,476	\$17,152,807	\$21,386,283

# Metalliferous Mines License Tax

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

Fiscal Year	Total Revenue
2012	\$17,562,018
2013	\$17,630,052
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



## 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 done, 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
- last, 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 under 15-37-117, MCA. For county level distribution data, see the Shared Revenue chapter of this report.

Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Fund (47%)	\$6,291,202	\$6,906,596	\$8,724,312	\$12,135,774	\$12,209,833
Hard Rock Mining (2.5%)	\$334,638	\$367,372	\$464,059	\$645,520	\$649,459
Hard Rock Debt Service (8.5%)	\$1,137,771	\$1,249,065	\$1,577,801	\$2,194,768	\$2,208,161
Natural Resources Operations (7%)	\$936,988	\$1,028,642	\$1,299,366	\$1,807,456	\$1,818,486
County Governments (35%)*	\$4,684,938	\$5,143,210	\$6,496,828	\$9,037,278	\$9,092,429

*\*Effective July 1, 2027, the county distribution changes to 25 percent and the general fund changes to 57 percent.*

## 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 and the revenue was distributed to impacted counties beginning with FY 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 FY 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.

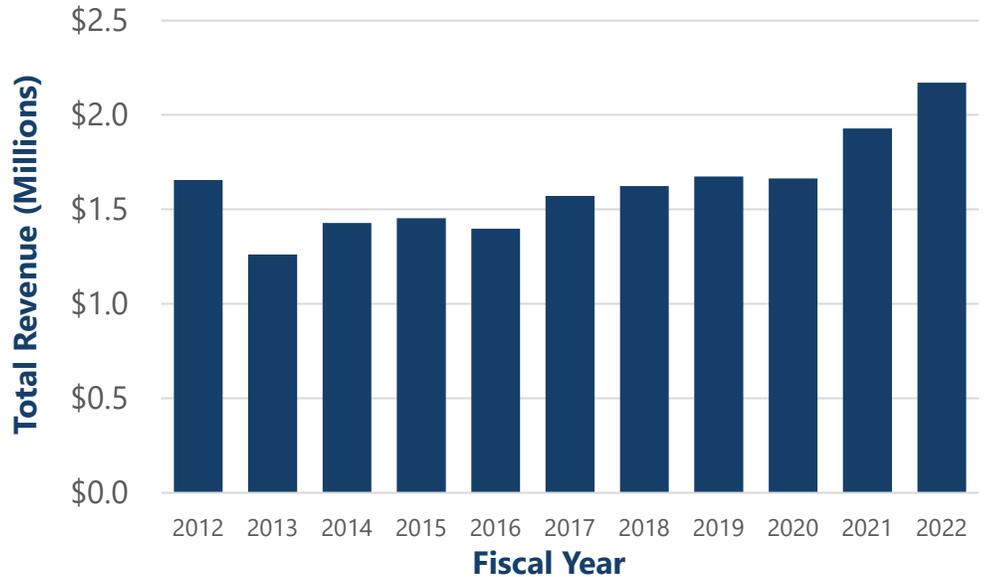
## Distribution

All proceeds from micaceous mines license tax are deposited in the state general fund (15-37-200, MCA).

# Miscellaneous Mines Net Proceeds Tax

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

Fiscal Year	Total Revenue
2012	\$1,655,792
2013	\$1,261,359
2014	\$1,428,505
2015	\$1,452,760
2016	\$1,397,619
2017	\$1,570,642
2018	\$1,624,098
2019	\$1,673,314
2020	\$1,663,481
2021	\$1,927,908
2022	\$2,170,218



## Tax Rate

Severed products of mines, except bentonite, coal and metal, are 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. The table below shows the statutory prices of these products for recent production years.

## Miscellaneous Production Tax Rates

Mining Product	PY* 2018/FY* 2020 (\$/Ton)	PY 2019/FY 2021 (\$/Ton)	PY 2020/FY 2022 (\$/Ton)	PY 2021/FY 2023 (\$/Ton)
Talc	\$7.64	\$7.74	\$7.88	\$8.14
Vermiculite	\$44.76	\$45.32	\$46.15	\$48.05
Limestone	\$0.55	\$0.56	\$0.57	\$0.59
Industrial Garnets	\$30.17	\$30.55	\$31.11	\$32.48
Garnet Byproducts	30% of Gross Rev.	30% of Gross Rev.	30% of Gross Rev.	30% of Gross Rev.

\*PY is Production Year; FY is Fiscal Year.

## Filing and Payment of Tax

Miscellaneous mines tax reports are due on or before 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.

Annually, 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 on or before November 30 and the second half on or before 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.

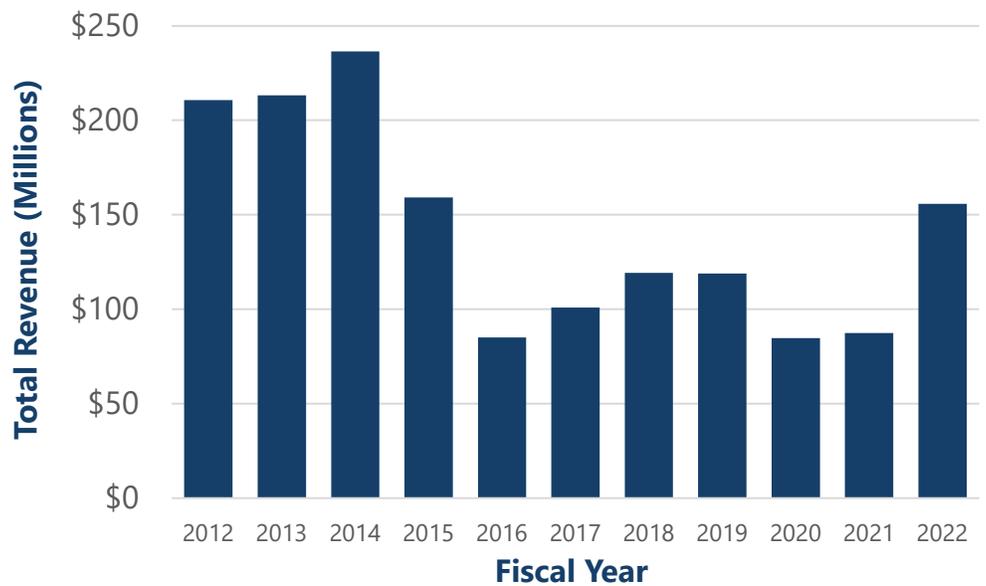
### Net Proceeds Property Taxes Assessed

<b>Production Year</b>	<b>Fiscal Year</b>	<b>Net Proceeds</b>	<b>State Share</b>	<b>Local Share</b>	<b>Total Tax</b>
2010	2012	\$3,930,006	\$392,736	\$1,035,769	\$1,428,505
2011	2013	\$4,188,542	\$423,043	\$1,029,717	\$1,452,760
2012	2014	\$3,271,953	\$330,467	\$1,067,152	\$1,397,619
2013	2015	\$3,790,730	\$382,864	\$1,187,778	\$1,570,642
2014	2016	\$3,737,426	\$377,480	\$1,246,618	\$1,624,098
2015	2017	\$3,969,848	\$412,094	\$1,261,220	\$1,673,314
2016	2018	\$3,983,884	\$402,372	\$1,261,109	\$1,663,481
2017	2019	\$4,794,622	\$484,257	\$1,443,651	\$1,927,908
2018	2020	\$5,584,426	\$564,027	\$1,606,191	\$2,170,218
2019	2021	\$4,744,757	\$546,333	\$1,176,785	\$1,723,118
2020	2022	\$3,928,770	\$450,478	\$944,311	\$1,394,789

# Oil and Natural Gas Tax

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

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



## Tax Rates

The regular production tax rates for the working interest of oil production are 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 5.8 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 5.8 percent for the first 10 barrels a day and the standard 9.3 percent for any additional production beyond that.
- If the price of oil is above \$30 a barrel, there is no reduced rate for stripper well production.
- Pre-1999 wells producing between 3 and 10 barrels per day are classified as stripper wells and are taxed at 9.5 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 6.3 percent for post-1999 wells and 5.3 percent for 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 well's operation.

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).

The table on the next page illustrates how the varying tax rates apply in different scenarios.

## Oil and Natural Gas Production Tax Rates

<b>Oil-Working Interest Tax Rates</b>	<b>Statutory Rate</b>	<b>Total Rate</b>
Pre-1999 Wells (Regular Production)	12.5%	12.8%
Post-1999 Wells (Regular Production)	9.0%	9.3%
Incremental Production from Secondary Recovery <sup>†</sup> ~	8.5%	8.8%
Incremental Production from Tertiary Recovery	5.8%	6.1%
Horizontally Recompleted Wells - First 18 Months	5.5%	5.8%
Horizontally Completed Wells - First 18 Months	0.5%	0.8%
Post-1999 Stripper Wells - First 10 Barrels per Day - Oil under \$30 Per Barrel~	5.5%	5.8%
Pre-1999 Stripper Wells	9.2%	9.5%
Super Stripper Wells - Oil under \$54 Per Barrel~	0.5%	0.8%
Post-1999 Super Stripper Wells - Oil \$54 per Barrel or Higher~	6.0%	6.3%
Pre-1999 Super Stripper Wells - Oil \$54 per Barrel or Higher~	5.0%	5.3%

<b>Natural Gas - Working Interest Tax Rates</b>	<b>Statutory Rate</b>	<b>Total Rate</b>
Pre-1999 Wells (Regular Production)	14.8%	15.1%
Post-1999 (Regular Production)	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 18 Months	0.5%	0.8%

<b>Royalty Interest Tax Rates</b>	<b>14.8%</b>	<b>15.1%</b>
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<sup>†</sup> 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.

The following table shows summary information gathered from the tax returns of producers:

## Montana Oil and Gas Production Statistics

<b>Oil</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Total Gross Value	\$861,657,306	\$889,400,612	\$1,038,507,633	\$1,216,466,565	\$867,119,104	\$865,779,534	\$1,084,837,187
Volume (barrels)	25,116,621	21,253,705	19,384,205	22,860,019	20,781,922	18,767,503	14,145,602
Taxable Royalty Value	\$116,715,105	\$120,097,317	\$137,571,557	\$171,226,963	\$123,114,484	\$119,432,481	\$151,814,010
Tax on Royalty Owners	\$17,577,295	\$18,123,343	\$20,773,306	\$25,855,273	\$18,590,288	\$18,034,306	\$22,923,916
Working Interest Value	\$720,795,751	\$744,190,817	\$870,192,043	\$1,009,738,455	\$720,130,124	\$721,813,909	\$902,934,142
Tax on the Working Interest	\$61,591,918	\$72,435,995	\$84,666,329	\$83,074,271	\$56,768,381	\$62,850,768	\$76,736,917
Effective Tax Rate	9.19%	10.18%	10.15%	8.95%	8.69%	9.34%	9.19%
<b>Total Tax*</b>	<b>\$79,169,214</b>	<b>\$90,559,339</b>	<b>\$105,439,635</b>	<b>\$108,929,543</b>	<b>\$75,358,669</b>	<b>\$80,885,074</b>	<b>\$99,698,104</b>

<b>Gas</b>	<b>FY 2016</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Total Gross Value	\$57,601,774	\$83,116,028	\$81,188,867	\$79,039,876	\$39,595,901	\$75,040,215	\$112,164,961
Volume (MCF)	37,299,901	\$42,014,267	\$38,071,657	\$38,209,549	\$35,549,434	\$34,206,152	\$26,094,436
Taxable Royalty Value	\$7,160,384	\$10,819,723	\$10,938,857	\$10,932,908	\$5,582,203	\$9,817,788	\$15,214,052
Tax on Royalty Owners	\$1,078,354	\$1,632,901	\$1,651,769	\$1,650,870	\$842,913	\$1,482,487	\$2,297,323
Working Interest Value	\$48,123,382	\$69,611,994	\$67,764,878	\$65,750,774	\$32,843,998	\$62,688,353	\$93,437,578
Tax on the Working Interest	\$4,479,234	\$6,765,428	\$6,405,936	\$5,878,147	\$2,985,446	\$5,946,849	\$8,682,092
Effective Tax Rate	9.65%	10.10%	9.92%	9.53%	9.67%	9.90%	9.79%
<b>Total Tax*</b>	<b>\$5,557,587</b>	<b>\$8,398,329</b>	<b>\$8,057,705</b>	<b>\$7,529,017</b>	<b>\$3,828,359</b>	<b>\$7,429,336</b>	<b>\$10,979,415</b>

\*Total Tax revenue does not match data in the state accounting database due to accrual reversals and amended returns. Previous years' numbers are taken from previous biennial reports.

## 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 of this tax is made 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 impacted by 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 then 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.

Hydraulic fracturing and the subsequent boom of oil 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.

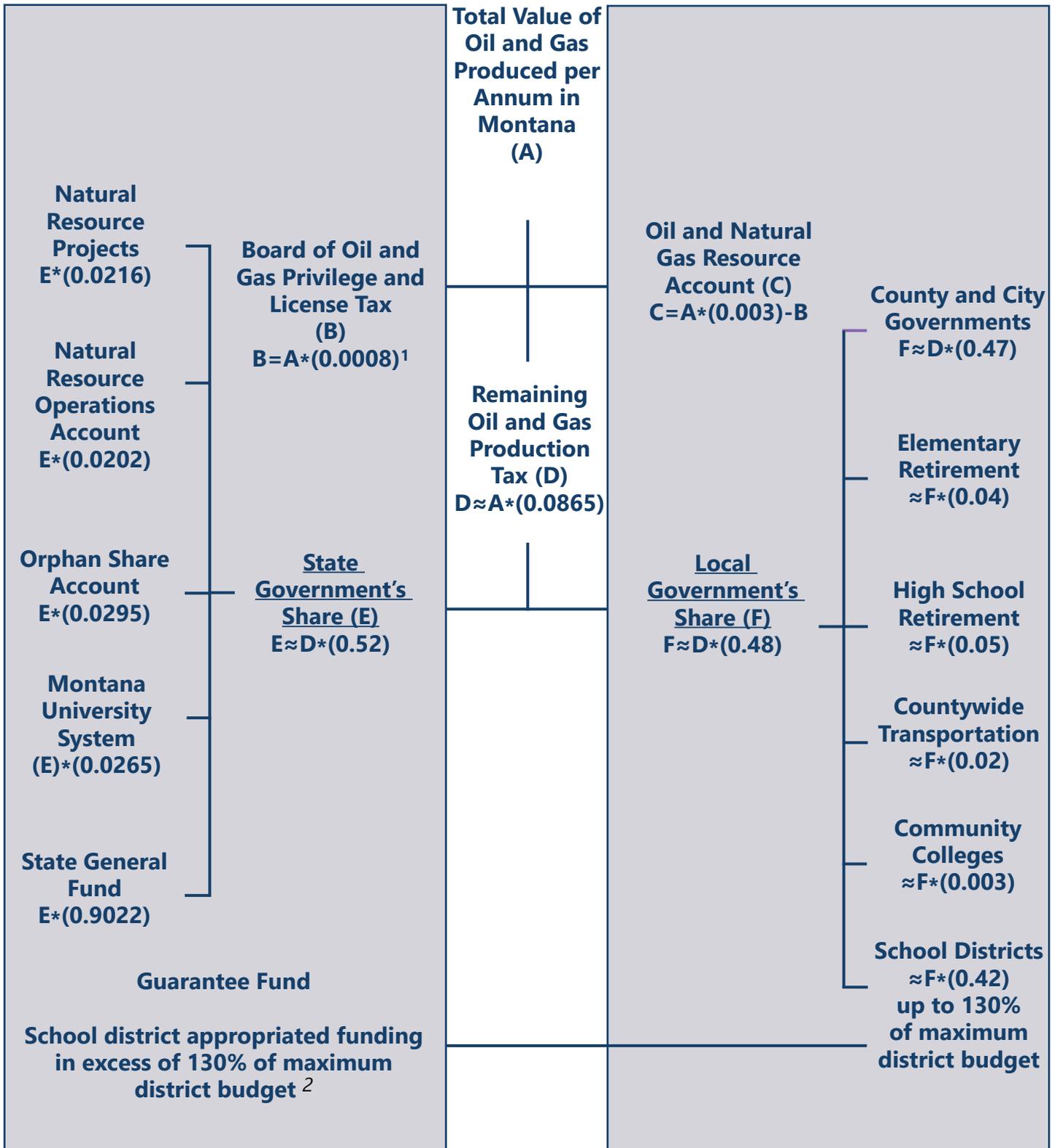
The current system for redistributing funds is to allow school districts to receive up to 130 percent of their maximum allowable budget in oil tax money, with any excess deposited into the State Guarantee Account, which generates interest for statewide school equalization.

## Distribution of Oil and Gas Tax

<b>Fund</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Total Revenue	\$119,133,397	\$118,856,040	\$84,611,407	\$87,350,877	\$155,819,083
BOGC	\$3,414,619	\$3,794,479	\$2,629,715	\$2,299,829	\$4,085,298
Oil & Gas Natural Resource Account	\$0	\$0	\$177,640	\$459,404	\$816,920
<b>Remainder</b>	<b>\$115,718,778</b>	<b>\$115,061,561</b>	<b>\$81,804,052</b>	<b>\$84,591,644</b>	<b>\$150,916,865</b>
<b>County Revenue</b>					
<b>County Revenue</b>	<b>\$55,301,615</b>	<b>\$55,010,644</b>	<b>\$39,263,577</b>	<b>\$40,765,364</b>	<b>\$72,763,421</b>
Counties and Schools	\$53,618,550	\$52,811,479	\$38,026,449	\$40,589,129	\$71,203,940
Guarantee Fund	\$1,683,066	\$2,199,165	\$1,237,128	\$176,235	\$1,559,482
<b>State Revenue</b>					
<b>State Revenue</b>	<b>\$60,417,163</b>	<b>\$60,050,917</b>	<b>\$42,540,475</b>	<b>\$43,826,280</b>	<b>\$78,153,444</b>
Natural Resources Projects (2.16%)	\$1,305,013	\$1,297,102	\$918,874	\$946,646	\$1,688,114
Natural Resources Operations (2.02%)	\$1,220,424	\$1,213,026	\$859,318	\$885,289	\$1,578,700
Orphan Share Fund (2.95%)	\$1,782,308	\$1,771,504	\$1,254,944	\$1,292,876	\$2,305,527
Montana University System (2.65%)	\$1,601,053	\$1,591,347	\$1,127,323	\$1,161,397	\$2,071,066
<b>General Fund (remainder)</b>	<b>\$54,508,364</b>	<b>\$54,177,937</b>	<b>\$38,380,017</b>	<b>\$39,540,071</b>	<b>\$70,510,037</b>

## State

## Counties



<sup>1</sup> 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.

<sup>2</sup> 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 Tax State 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. The following table provides a brief description of oil and gas taxes in other states.

## Oil and Natural Gas Tax Rates (Updated 2022)\*

State	Type of Tax	Description of Tax Rates
California	Oil and Gas Production Assessment	\$0.5038349 on each barrel of oil and 10,000 cubic feet of natural gas produced. Rate established annually each June. Ad valorem taxes administered by county.
Colorado	Severance Tax	2 to 5 percent based on gross income from oil and natural gas
		1 to 4 percent of shale oil gross proceeds, depending on age
	Ad Valorem	Rates vary by county. Severance tax can be reduced to credit 87.5 percent of ad valorem taxes.
	Oil and Gas Conservation Levy	Maximum \$0.0017 of market value at wellhead; or 1.1. mills
Idaho	Oil and Gas Production Tax	2.5 percent of gross income earned on gas and oil production
Kansas	Mineral Severance Tax	\$1 per ton of coal; 8 percent tax on gross value of oil or gas
	Oil and Gas Conservation Fee	Oil: 91 mills per barrel Gas: 12.9 mills per MCF
Montana	Natural Gas and Oil Production Tax	Varies from 0.5 percent to 14.8 percent, depending on well type, age, and oil price
	Privilege and License Tax	0.3 percent of market value per barrel of oil or 10,000 cubic feet of natural gas produced
Nebraska	Oil and Gas Severance Tax	3 percent on value for natural gas and non-stripper oil severed; 2 percent on value for stripper oil severed
	Oil and Gas Conservation Tax	0.3 percent tax on value of oil or gas at wellhead
Nevada	Oil and Gas Conservation Fee	Up to \$0.20 per 50,000 cubic feet of natural gas or barrel of oil

New Mexico	Oil and Gas Severance Tax	1.875 to 3.75 percent of taxable value, depending on type and production
	Oil and Gas Conservation Tax	0.19 percent of taxable value of sold oil or gas
	Oil and Gas Emergency School Tax	Oil: 3.15 percent of taxable value; 1.58 to 2.36 percent for stripper wells
		Gas: 4 percent of taxable value; 2 to 3 percent for stripper wells
	Oil and Gas Ad Valorem Production Tax	Rate based on assessed value of property
	Natural Gas Processors' Tax	0.0065 per mmbtu of natural gas, multiplied by adjustment factor
Adjustment factor equal to the annual taxable value per MCF of natural gas, divided by \$1.33		
North Dakota	Oil Gross Production Tax	\$.0705 per MCF of gas (changes annually on July 1)
		Gross production tax rate on oil is 5 percent of the gross value
	Oil Extraction Tax	5 percent of gross oil value with reductions and exemptions based on location, production, and oil price
Ohio	Severance Tax	\$.025 per MCF of natural gas, \$.10 per barrel of oil
Oklahoma	Gross Production Severance Tax	7 percent for gross value of oil and gas production
		Exemptions and reductions for certain well types and new wells, respectively
	Additional Excise Tax on Petroleum and Gas	.085 percent of the gross value on each barrel of petroleum oil (0.085 of 1 percent); 0.095 percent of the gross value of all-natural gas and/or casinghead gas (0.095 of 1 percent)
	Oil and Gas Production Fee	\$0.0035 per barrel of petroleum liquid produced
\$0.00015 per MCF of natural gas produced		
Oregon	Oil and Gas Production Tax	6 percent of gross value at well
South Dakota	Energy Minerals Severance Tax	4.5 percent of taxable value of energy minerals (including oil and gas)
	Conservation Tax	Excise tax of 2.4 mills of the taxable value of any energy minerals (including oil and gas) severed and saved

Texas	Gas and Oil Production Tax	7.5 percent tax of gas and liquid hydrocarbons market value
		4.6 percent tax of oil market value or 4.6 cents for each barrel of 42 standard gallons of oil produced in this state, whichever rate results in the greater amount of tax
		4.6 percent tax of gas condensate market value for gas condensate
		Incentives and exemptions for inactive wells, marginal wells, and high cost gas wells
	Oil and Gas Field Clean-Up Regulatory Fee	\$0.006625 per barrel of crude oil and \$0.000667 per MCF of gas
Utah	Oil and Gas Severance Tax	Oil (percent of market value): 3 percent if valued at \$13 or less per barrel; 5 percent if valued above \$13 per barrel
		Gas (percent of market value): 3 percent if valued at \$1.50 or less per MCF; 5 percent if valued above \$1.51 per MCF; and 4 percent of value for natural gas liquids
		Exemptions and incentives for new and stripper wells
	Oil and Gas Conservation Fee	0.002 percent of the value of gas or oil
Wyoming	Oil and Natural Gas Severance Tax	6 percent on crude oil, lower rates between 1.5 to 4 percent for new oil wells or secondary and tertiary production
	Oil and Gas Conversion Tax	.05 percent

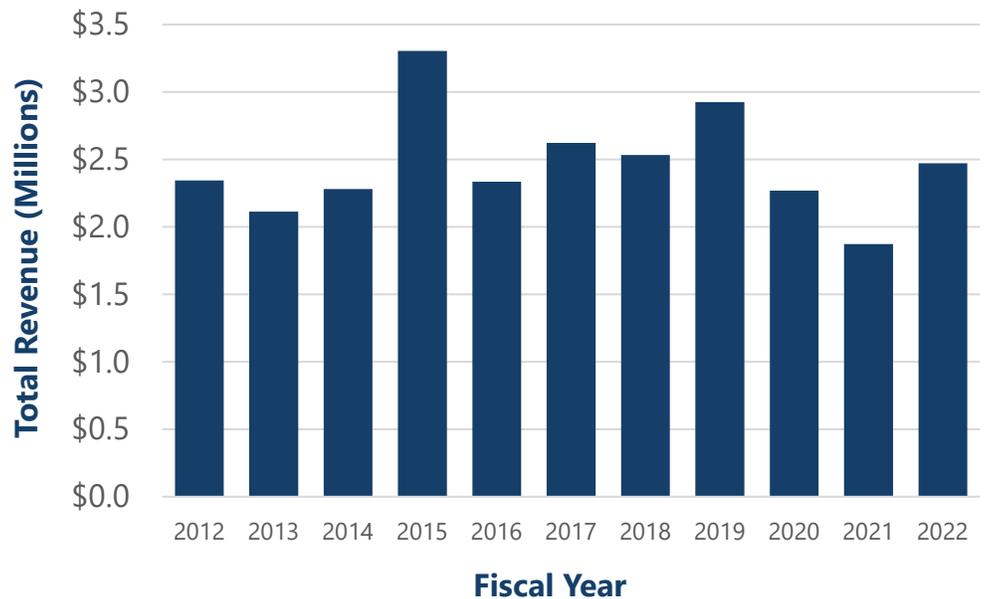
*MCF stands for 1,000 cubic feet*

*\*Source: National Conference of State Legislatures*

# Resource Indemnity and Ground Water Assessment Tax

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

Fiscal Year	Total Revenue
2012	\$2,343,678
2013	\$2,112,327
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



## 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.

Mineral	Tax Rate	Exemption
Other*	0.5%	First \$5,000
Talc	4.0%	First \$625
Coal	0.4%	First \$6,250

Mineral	Tax Rate	Exemption
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.
- 2003 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 the 60th day following the end of the calendar year. The tax is due at the time of the statement filing.

## Distribution

RIGWAT tax collections are deposited into 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-numbered 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.

<b>Fund</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Total Revenue	\$2,531,336	\$2,923,403	\$2,269,192	\$1,870,702	\$2,470,720
CERCLA Debt Service	\$143,825	\$144,525	\$145,025	\$145,265	\$145,211
Groundwater Assessment	\$366,000	\$366,000	\$366,000	\$366,000	\$366,000
Water Storage	\$150,000	\$0	\$150,000	\$0	\$150,000
Remainder	\$1,871,511	\$2,412,878	\$1,608,167	\$1,359,437	\$1,809,509
Hazardous Waste/CERCLA (25%)	\$467,878	\$603,219	\$402,042	\$339,859	\$452,377
Environmental Quality Protection (25%)	\$467,878	\$603,219	\$402,042	\$339,859	\$452,377
Natural Resources Projects (50%)	\$935,756	\$1,206,439	\$804,083	\$679,719	\$904,754

# Resource Indemnity and Ground Water Assessment Tax History

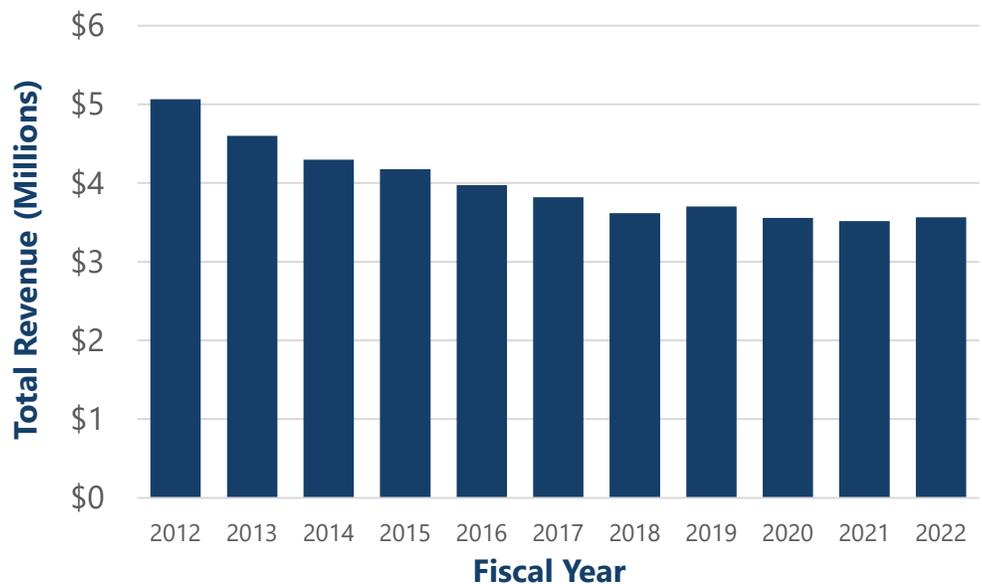
The following timeline shows a select legislative history of the Resource Indemnity and Ground Water Assessment Tax.

- 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:** Tax changes during this legislative session:
- 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.
- 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

Fiscal Year	Total Revenue
2012	\$5,063,566
2013	\$4,601,613
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



## Distribution of Interest Income

In FY 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. Second, the remaining funds are divided between four programs on a percentage basis.
- The distributions were then revised, starting FY 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 on the next page.

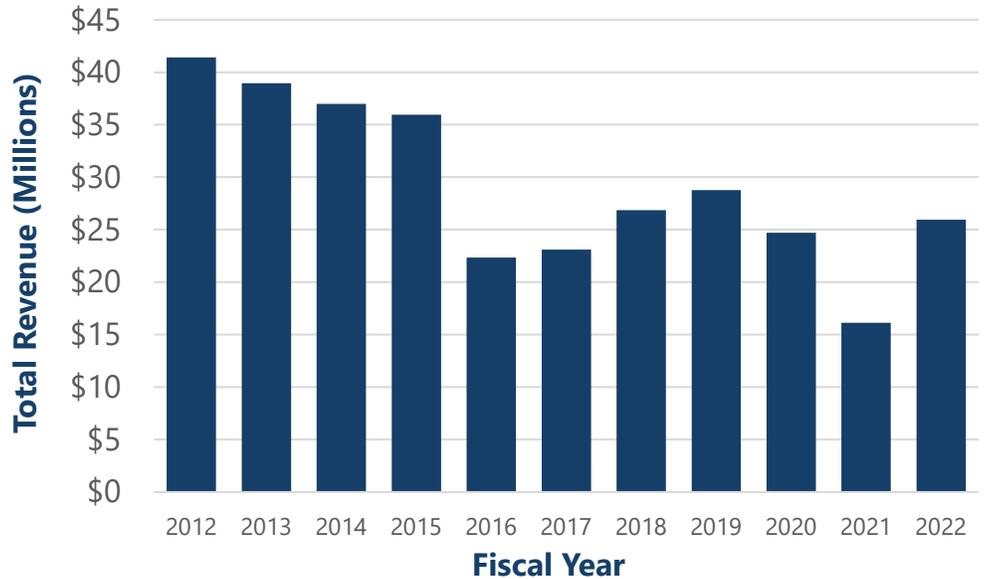
## Resource Indemnity Fund Interest Distribution

	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>Annual Distributions</b>					
Natural Resources Projects	\$2,386,503	\$2,962,537	\$2,176,299	\$2,812,419	\$2,220,602
Groundwater Assessment	\$223,735	\$277,738	\$204,028	\$263,664	\$208,181
Native Fish Species Enhancement	\$372,891	\$462,896	\$340,047	\$439,440	\$346,969
<b>Biennial Distribution</b>					
Oil & Gas Damage Mitigation	\$131,005	\$0	\$378,000	\$0	\$318,467
Water Storage	\$372,891	\$0	\$340,047	\$0	\$346,969
Environmental Contingency RIT	\$130,512	\$0	\$119,016	\$0	\$121,439
<b>Remainder</b>					
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

Fiscal Year	Total Revenue
2012	\$41,409,246
2013	\$38,940,371
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



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; prior to October 2007, this share was 50 percent.

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.

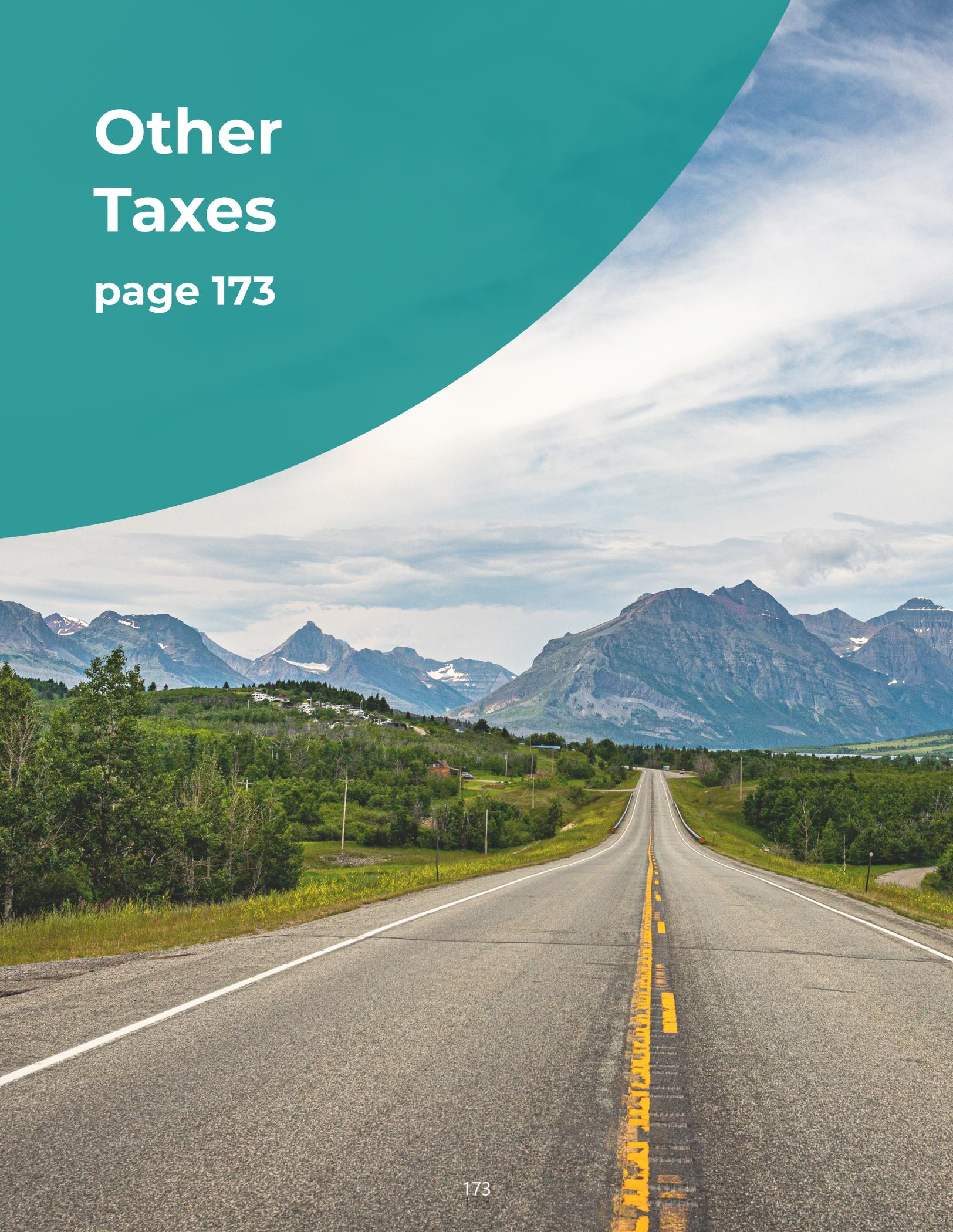
## Distribution

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.

Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Fund (75%)	\$20,139,199	\$21,570,177	\$18,527,036	\$12,081,725	\$19,464,224
Impacted Counties (25%)	\$6,713,066	\$7,190,059	\$6,175,679	\$4,027,242	\$6,488,075

# Other Taxes

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# Overview

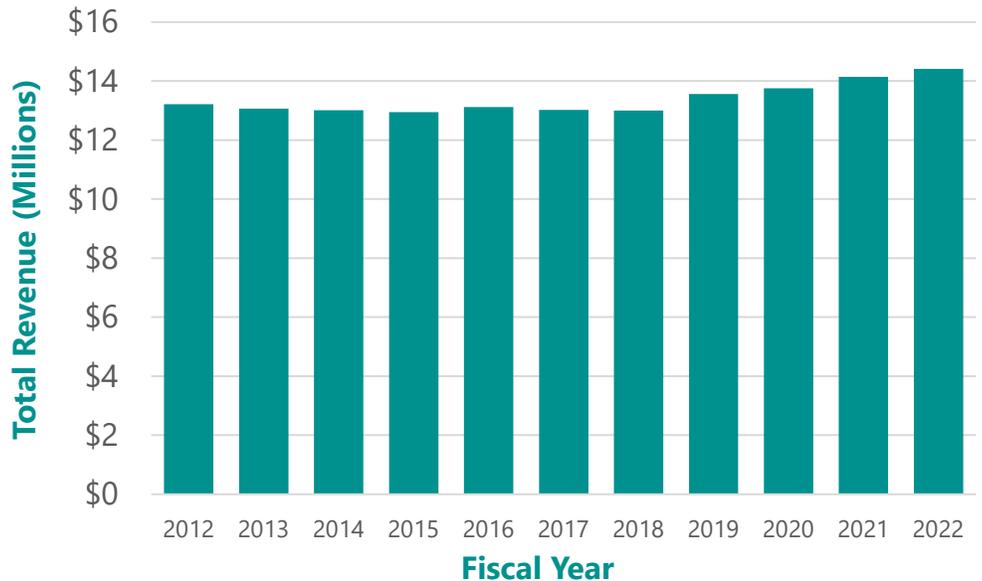
## Other Tax Collections - Fiscal Years (FY) 2019-2022

	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
911 Emergency Telephone System Fee	\$13,558,898	\$13,752,387	\$14,140,568	\$14,408,215
Cigarette License Fee	\$34,097	\$20,445	\$26,080	\$108,975
Cigarette Tax	\$64,496,884	\$63,447,053	\$65,291,417	\$65,508,116
Consumer Counsel Fee	\$768,265	\$1,736,461	\$1,093,101	\$1,170,580
Electrical Energy Producers' License Tax	\$4,184,978	\$3,910,294	\$3,298,244	\$3,929,711
Hospital Facility Utilization Fee	\$22,578,403	\$32,681,387	\$31,937,500	\$35,016,050
Inheritance and Estate Tax	\$0	\$735	\$24	\$0
Intermediate Care Facility Utilization Fee	\$397,440	\$323,293	\$311,860	\$313,407
Invasive Species Fee	\$3,688,075	\$2,581,134	\$2,565,289	\$1,531,836
Lodging Facility Use Tax	\$36,297,514	\$33,679,511	\$35,058,060	\$61,624,239
Lodging Sales Tax	\$26,703,268	\$28,110,048	\$36,045,092	\$63,138,857
Nursing Facility Utilization Fee	\$23,200,576	\$22,088,780	\$17,800,928	\$18,061,814
Public Contractor's Gross Receipts Fees and Taxes	\$3,597,205	\$6,728,555	\$3,897,240	\$2,840,073
Public Service Commission Fee	\$2,460,333	\$5,239,599	\$5,331,686	\$4,056,719
Rail Car Tax	\$3,593,860	\$4,293,652	\$5,186,537	\$4,019,546
Retail Telecommunication's Excise Tax	\$13,223,885	\$11,788,418	\$8,814,228	\$8,570,714
Sales Tax - Rental Vehicles	\$5,907,633	\$5,572,444	\$5,455,846	\$9,529,671
TDD Telecommunications Service Fee	\$1,386,037	\$1,421,675	\$1,502,526	\$1,541,544
Tobacco Products Tax	\$12,702,208	\$12,185,252	\$11,882,493	\$11,768,474
Wholesales Energy Transaction Tax	\$3,490,244	\$3,350,982	\$2,981,105	\$3,352,254
<b>Total Collections</b>	<b>\$242,269,803</b>	<b>\$252,912,105</b>	<b>\$252,619,822</b>	<b>\$310,490,798</b>

# 911 Emergency Telephone System

Statute: Title 10, Chapter 4

Fiscal Year	Total Revenue
2012	\$13,212,111
2013	\$13,062,990
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



## 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 FY 2019. Through FY 2018, the fee was collected to fund three services: \$0.25 to support basic 911 services, \$0.25 to support enhanced 911 services, and \$0.50 to support wireless enhanced 911 services. Beginning in FY 2019, the fee was 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 pre-paid 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, beginning in FY 2019.

Through FY 2018, the department deposited each of the three fees in separate accounts, with 2.74 percent of total collections statutorily appropriated to the Department of Administration to cover its costs of administering the program. Starting in FY 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

Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Emergency System Acct. (2.74%)	\$356,300	\$0	\$0	\$0	\$0
Basic 911 Emergency Program (24.315%)	\$3,161,835	(\$164)	\$0	\$0	\$0
Enhanced 911 Phone Program (24.315%)	\$3,161,835	(\$164)	\$0	\$0	\$0
<b>Wireless Enhanced 911 Phone Program</b>					
911 Jurisdictions (24.315%)	\$3,161,835	\$164	\$0	\$0	\$0
Wireless Providers (24.315%)	\$3,161,835	\$164	\$0	\$0	\$0
911 Distribution	\$0	\$10,169,174	\$10,314,290	\$10,605,426	\$10,806,162
911 Grants	\$0	\$3,389,725	\$3,438,097	\$3,535,142	\$3,602,054

## 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

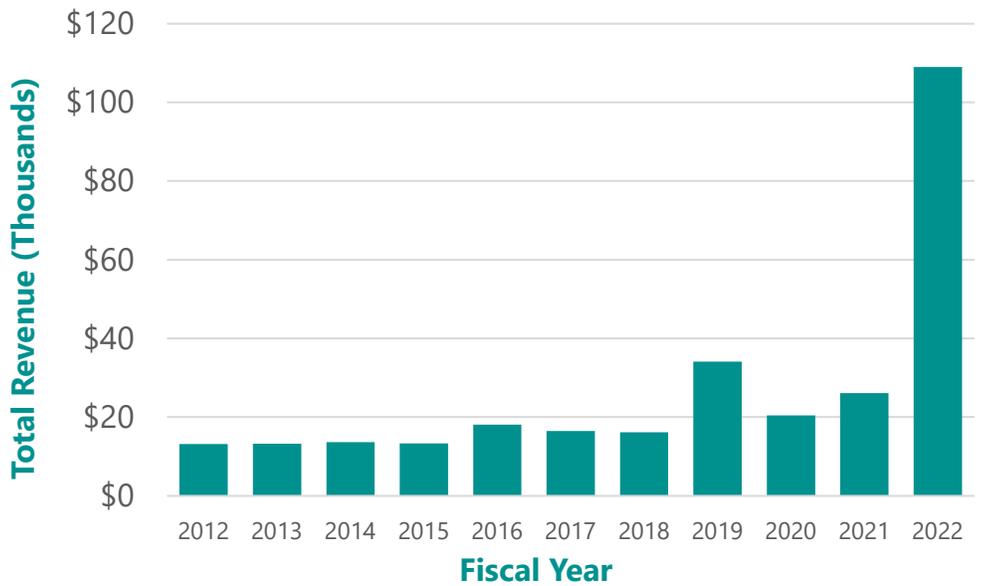
State	Landline	Wireless	Prepaid Wireless	Voice over Internet Protocol
Alabama	\$1.86	\$1.86	\$1.86	\$1.86
Alaska	\$0.00 to \$2.00	\$0.00 to \$2.00	n/a	n/a
Arizona	\$0.20	\$0.20	0.80%	\$0.20
Arkansas	5% to 12%	\$1.30	10.00%	\$1.30
California	\$0.30	\$0.30	\$0.30	\$0.30
Colorado	\$0.80 to \$3.10	\$0.80 to \$3.10	\$1.38	\$0.80 to \$3.10
Connecticut	\$0.57	\$0.57	\$0.57	\$0.57
Delaware	\$0.60	\$0.60	\$0.60	\$0.60
District of Columbia	\$0.76	\$0.76	2.00%	\$0.76
Florida	\$0.40 to \$0.44	\$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	\$0.32 to \$4.00	\$0.70	\$0.93	\$0.32 to \$4.00
Louisiana	Residential: \$0.38 to \$1.25 Business: \$0.99 to \$6.00	\$0.85 to \$1.25	4%	\$0.38 to \$1.25
Maine	\$0.35	\$1.25	\$0.60	\$1.25
Maryland	\$1.25	\$1.25	\$0.60	\$1.25
Massachusetts	\$1.00	\$1.00	\$1.00	\$1.00
Michigan	\$0.25 to \$3.25	\$0.25 to \$3.25	5.00%	\$0.25 to \$3.25
Minnesota	\$0.95	\$0.95	\$0.95	\$0.95
Mississippi	Residential: \$1.00 Commercial: \$2.00	\$1.00	\$1.00	\$1.00
Missouri	Varies by county	n/a	n/a	n/a
Montana	\$1.00	\$1.00	\$1.00	\$1.00
Nebraska	\$0.50 to \$1.00	\$0.45 to \$0.70	1.10%	n/a
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	\$1.20 to \$1.50	n/a	\$0.35
North Carolina	\$0.65	\$0.65	\$0.65	\$0.65
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	\$0.25	0.50%	n/a
Oklahoma	3% to 15%	\$0.75	\$0.75	\$0.75
Oregon	\$1.25	\$1.25	\$1.25	\$1.25
Pennsylvania	\$1.65	\$1.65	\$1.65	\$1.65
Rhode Island	\$1.00	\$1.26	2.50%	\$1.26
South Carolina	\$0.45 to \$1.00	\$0.62	\$0.62	\$0.45 to \$1.00
South Dakota	\$1.50	\$1.50	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	\$0.80	\$0.80	1.78%	\$0.80
Vermont	Universal service		2.40%	n/a
Virginia	\$0.75	\$0.75	\$0.50	\$0.75
Washington	\$0.95	\$0.95	\$0.95	\$0.95
West Virginia	\$0.98 to \$6.40	\$3.00	6.00%	\$0.98 to \$6.40
Wisconsin	\$0.16 to \$0.40	n/a	n/a	n/a
Wyoming	\$0.25 to \$0.75	\$0.25 to \$0.75	1.50%	\$0.25 to \$0.75

# Cigarette License Fee

**Statute: 16-11-122, MCA**

Fiscal Year	Total Revenue
2012	\$13,130
2013	\$13,230
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



## 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.

## 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.

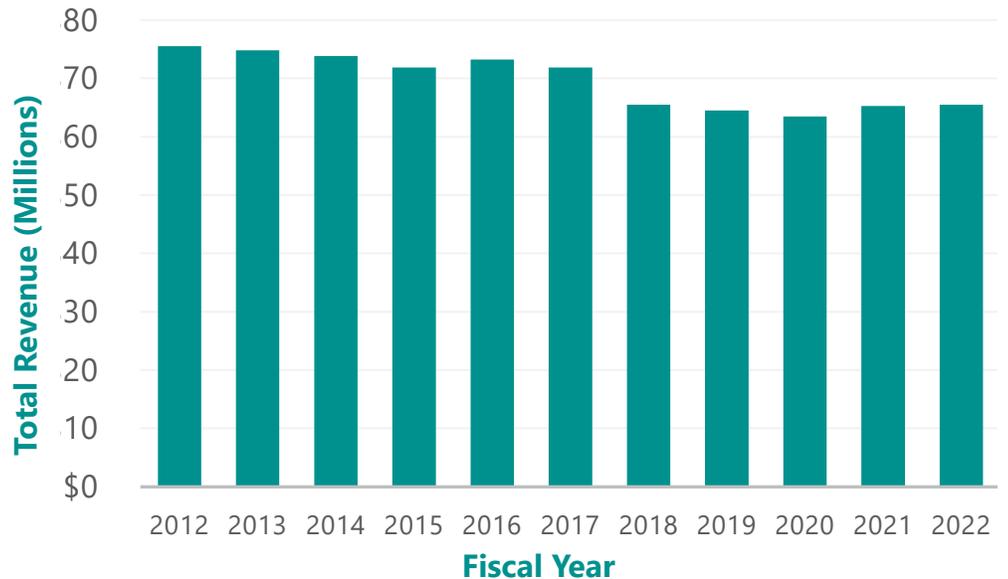
## **Distribution**

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

Statute: 16-11-111, MCA and 16-11-119, MCA

Fiscal Year	Total Revenue
2012	\$75,533,075
2013	\$74,790,040
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



## 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. The larger of:
  - 8.3 percent of revenues, or
  - \$4 million
- 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

Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Total Revenue	\$65,495,811	\$64,496,884	\$63,447,053	\$65,291,417	\$65,508,116
Tobacco and Cig. Tribal Agreement	\$3,929,686	\$3,490,777	\$3,584,285	\$3,428,249	\$3,405,295
Remainder	\$61,566,125	\$61,006,107	\$59,862,768	\$61,863,168	\$62,102,821
State Veterans' Home (8.3%)	\$5,107,968	\$5,060,928	\$4,965,768	\$5,132,274	\$5,151,790
SW State Veterans' Home (1.2%)	\$0	\$0	\$0	\$0	\$0
Long Range Building Program (2.6%)	\$1,600,087	\$1,585,351	\$1,555,542	\$1,607,700	\$1,613,814
DPHHS-Medicaid Initiatives (44%)	\$27,078,385	\$26,829,016	\$26,324,556	\$27,207,234	\$27,310,693
General Fund (remainder)	\$27,755,344	\$27,499,742	\$26,982,669	\$27,887,415	\$27,993,461

## Taxation of Cigarettes on Indian Reservations

Under federal law, tribal governments reserve the right to tax cigarettes sales to tribal members on their reservations. To avoid problems with non-members trying to avoid the tax by buying cigarettes on reservations, Montana has entered into revenue-sharing agreements with the tribal governments of each reservation. 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.

## 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, 2018.

There is a wide range of taxes, from \$0.21 in parts of Missouri to over \$7 in parts of Illinois. Twenty-three states and the District of Columbia have taxes that are higher than Montana's rate of \$1.70 per pack, 25 states have taxes that are lower than Montana's, and one has the same tax rate as Montana.

### Cigarette Excise Tax Rates

State	State Tax Per Pack	Local Tax Per Pack	Total
Alabama	\$0.68	\$0.01 to \$0.25	\$0.69 to \$0.93
Alaska	\$2.00		\$2.00
Arizona	\$2.00		\$2.00
Arkansas	\$1.15		\$1.15
California	\$2.87		\$2.87
Colorado	\$0.84		\$0.84
Connecticut	\$4.35		\$4.35
Delaware	\$2.10		\$2.10
District of Columbia	\$4.98		\$4.98
Florida	\$1.34		\$1.34
Georgia	\$0.37		\$0.37
Hawaii	\$3.20		\$3.20
Idaho	\$0.57		\$0.57
Illinois	\$2.98	\$0.10 to \$4.18	\$3.08 to \$7.16
Indiana	\$1.00		\$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	\$2.00		\$2.00
Massachusetts	\$3.51		\$3.51
Michigan	\$2.00		\$2.00
Minnesota	\$3.65		\$3.65
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
New Jersey	\$2.70		\$2.70

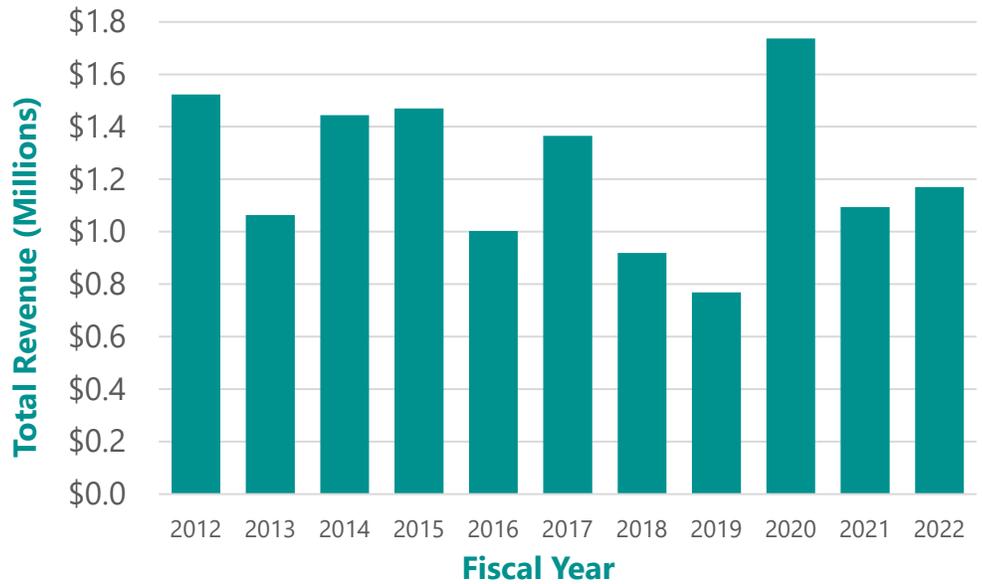
<b>State</b>	<b>State Tax Per Pack</b>	<b>Local Tax Per Pack</b>	<b>Total</b>
New Mexico	\$2.00		\$2.00
New York	\$4.35	\$0 to \$1.50	\$4.35 to \$5.85
North Carolina	\$0.45		\$0.45
North Dakota	\$0.44		\$0.44
Ohio	\$1.60		\$1.60
Oklahoma	\$2.03		\$2.03
Oregon	\$1.33		\$1.33
Pennsylvania	\$2.60		\$2.60
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	\$0.30	\$0.02 to \$0.15	\$0.32 to \$0.45
Washington	\$3.03		\$3.03
West Virginia	\$1.20		\$1.20
Wisconsin	\$2.52		\$2.52
Wyoming	\$0.60		\$0.60

*Source: Federation of Tax Administrators*

# Consumer Counsel Fee

Statute: Title 69, Chapter 1, Part 2, MCA

Fiscal Year	Total Revenue
2012	\$1,523,517
2013	\$1,063,563
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



## 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.

### Consumer Counsel Fee Rates

Tax Year	Rate
10/1/2011 - 9/30/2012	0.120%
10/1/2012 - 9/30/2013	0.070%
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%

## **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.

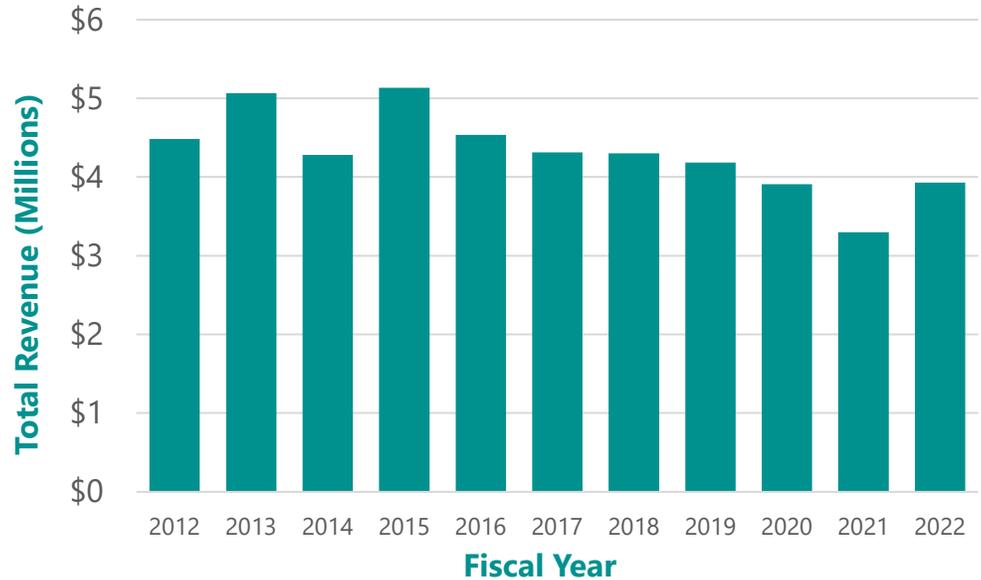
## **Distribution**

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

# Electrical Energy Producers' License Tax

Statute: Title 15, Chapter 51, MCA

Fiscal Year	Total Revenue
2012	\$4,481,361
2013	\$5,066,602
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



## 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.

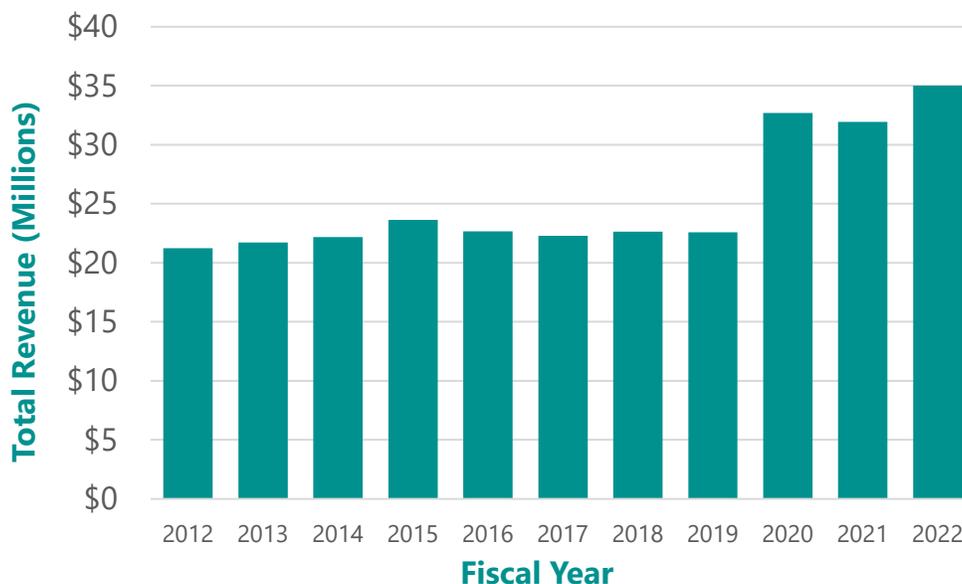
## Distribution

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

# Hospital Facility Utilization Fee

Statute: Title 15, Chapter 66, MCA

Fiscal Year	Total Revenue
2012	\$21,238,158
2013	\$21,703,642
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



## 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.

### 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

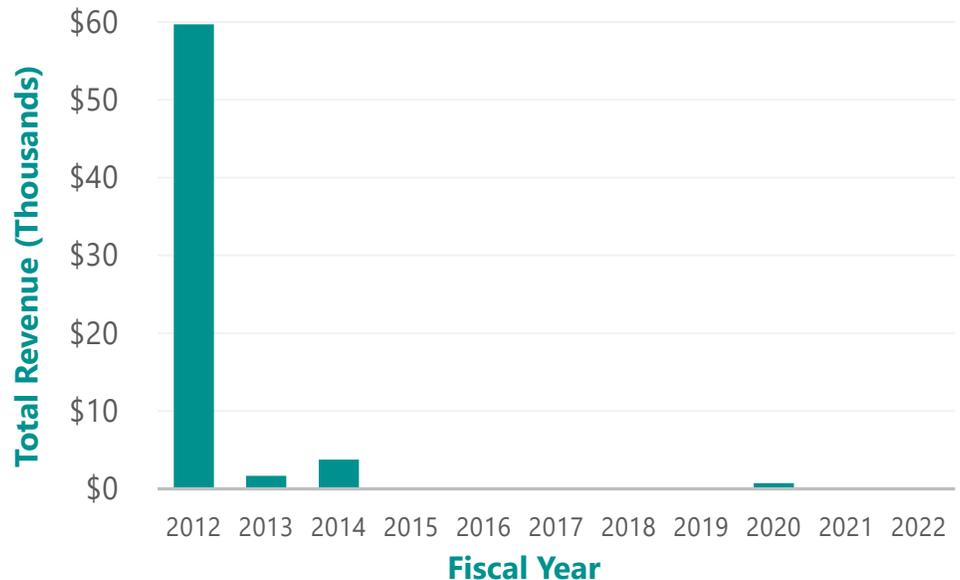
## Distribution

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

Statute: Title 72, Chapter 16, MCA

Fiscal Year	Total Revenue
2012	\$59,718
2013	\$1,676
2014	\$3,741
2015	\$35
2016	\$62
2017	\$0
2018	\$0
2019	\$0
2020	\$735
2021	\$24
2022	\$0



## 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 2020 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.

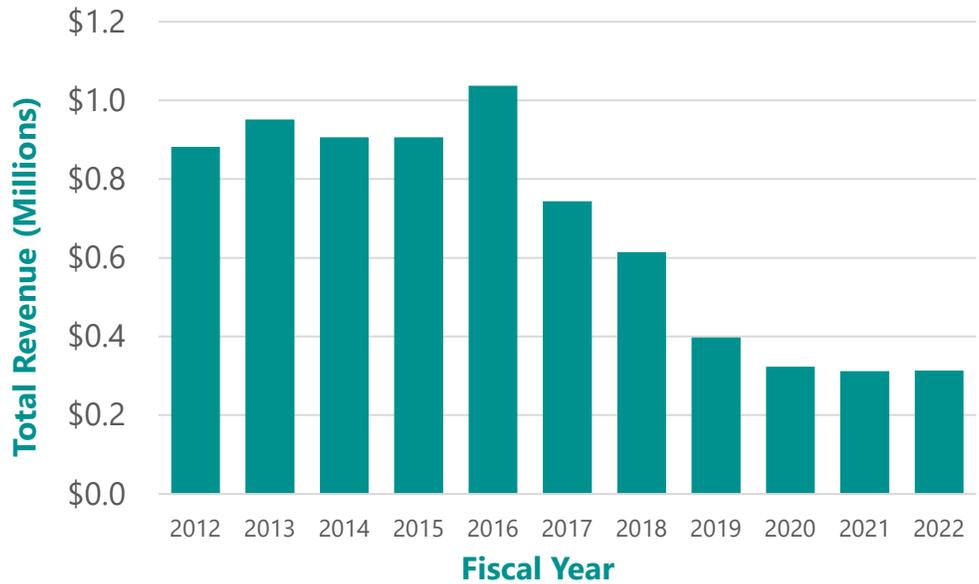
## Distribution

Revenues are deposited in the state general fund.

# Intermediate Care Facility Utilization Fee

Statute: Title 15, Chapter 67, MCA

Fiscal Year	Total Revenue
2012	\$882,024
2013	\$951,767
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



## 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)

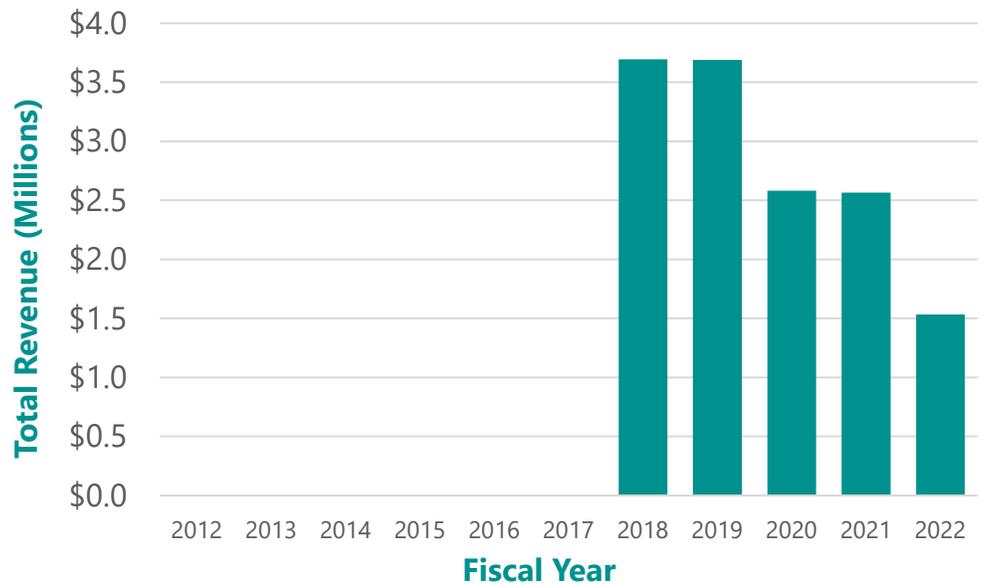
## Distribution of Intermediate Care Facility Utilization Fees

Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Fund (30%)	\$184,273	\$119,232	\$96,988	\$93,558	\$94,022
Prevention and Stabilization (70%)	\$429,971	\$278,208	\$226,305	\$218,302	\$219,385

# Invasive Species Fee

Statute: Title 15, Chapter 72, Part 6, MCA

Fiscal Year	Total Revenue
2012	\$0
2013	\$0
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



## 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.

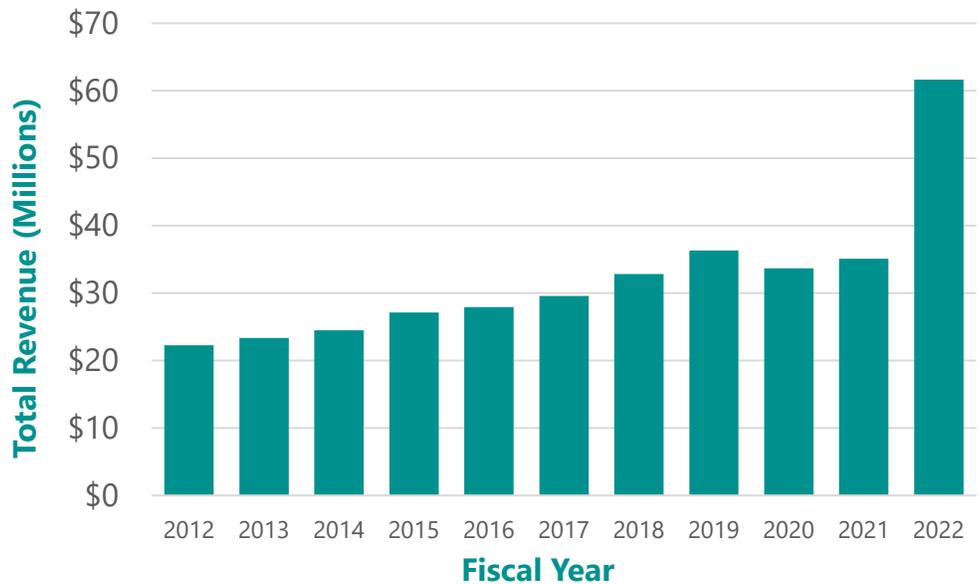
## Distribution

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

# Lodging Facility Use Tax

Statute: Title 15, Chapter 65, MCA

Fiscal Year	Total Revenue
2012	\$22,257,882
2013	\$23,334,117
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



## 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:

<b>Percentage of allocation</b>	<b>Fund/department</b>	<b>Purpose</b>
60.3%	Department of Commerce	Statewide tourism promotion
1.4%	Invasive species state special revenue account	
0.5%	State Tribal Economic Development Commission	Tourism promotion
1%	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, and the 2019 Legislature (HB 411) created the 1.4 percent allocation to the invasive species account. In all three cases, the legislature reduced the Department of Commerce's allocation by the same percentage.

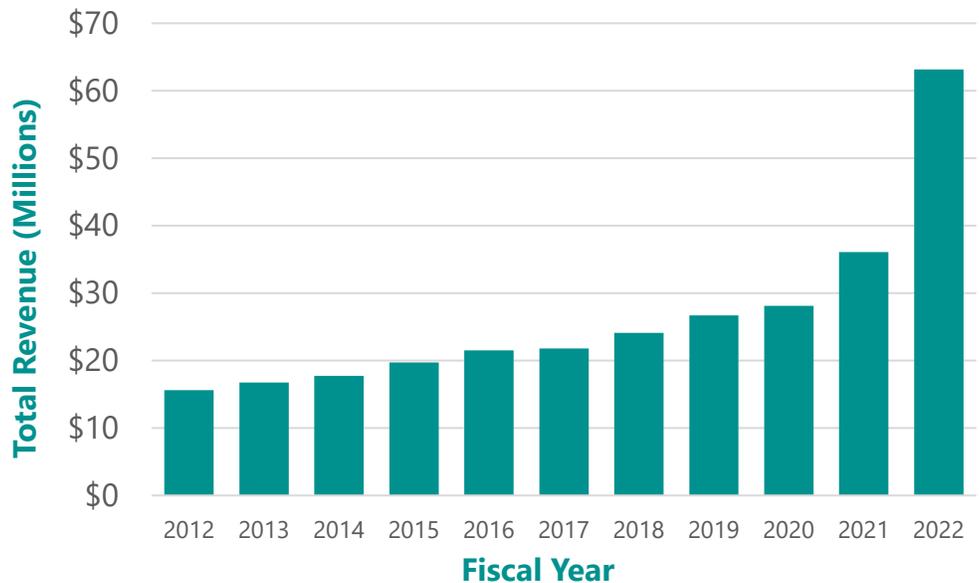
## Distribution of Lodging Facility Use Tax

<b>Fund</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Revenue</b>	<b>\$32,805,856</b>	<b>\$36,297,514</b>	<b>\$33,679,511</b>	<b>\$35,058,060</b>	<b>\$61,624,239</b>
DOR Administration	\$127,958	\$128,574	\$130,716	\$130,712	\$130,801
Travel Reimbursements	\$144,524	\$126,280	\$112,665	\$54,395	\$245,579
MT Heritage Preservation Acct.	\$400,000	\$400,000	\$400,000	\$400,000	\$1,000,000
<b>Remainder</b>	<b>\$32,133,373</b>	<b>\$35,642,660</b>	<b>\$33,036,130</b>	<b>\$34,472,952</b>	<b>\$60,247,859</b>
Department of Commerce	\$20,692,675	\$22,953,424	\$20,810,585	\$21,717,961	\$36,932,065
Aquatic Invasive Species	\$0	\$0	\$463,890	\$482,622	\$857,465
MT Historical Society Sites & Signs	\$321,326	\$356,418	\$330,350	\$344,730	\$612,475
MT University System	\$803,311	\$891,053	\$825,874	\$861,825	\$1,531,187
MT Historical Society Interpret. Acct.	\$835,444	\$926,692	\$858,909	\$896,298	\$1,592,435
Fish, Wildlife, and Parks	\$2,088,605	\$2,316,718	\$2,147,258	\$2,240,736	\$3,981,087
Regional Tourism	\$7,229,801	\$8,019,443	\$7,432,853	\$7,756,415	\$13,780,685
State/Tribal Economic Development	\$0	\$178,211	\$165,176	\$172,366	\$306,238

# Lodging Sales Tax

Statute: Title 15, Chapter 68, MCA

Fiscal Year	Total Revenue
2012	\$15,606,496
2013	\$16,719,931
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	\$26,110,048
2021	\$36,045,092
2022	\$63,138,857



## 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):

## 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)

Beginning calendar year 2025, the revenue allocation is adjusted:

## 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

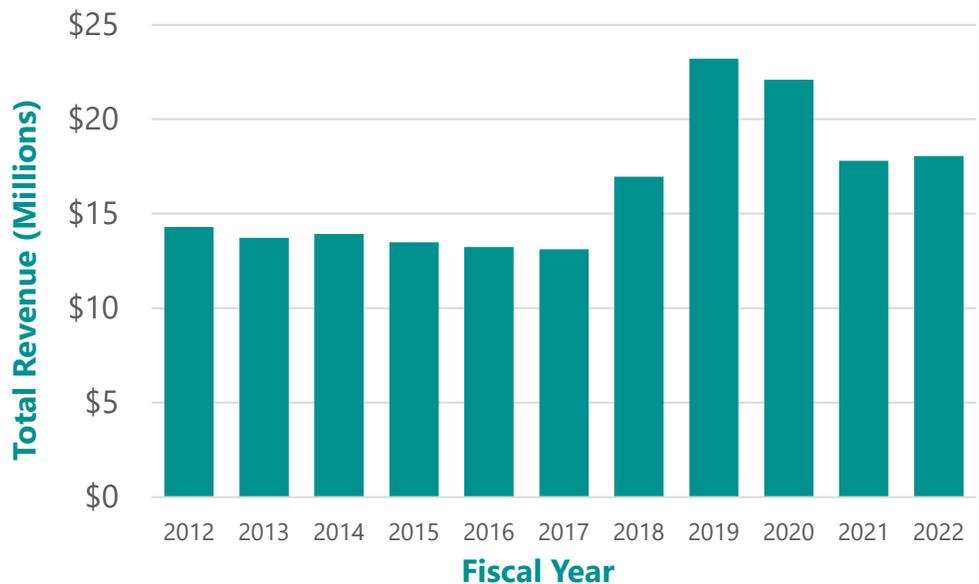
## Lodging Sales Tax Distribution

Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Fund	\$24,091,089	\$26,703,268	\$25,058,028	\$27,033,819	\$47,354,143
Montana Historic Preservation Grant Program	\$0	\$0	\$610,403	\$1,802,254	\$3,156,943
Montana Heritage Center	\$0	\$0	\$2,441,616	\$7,209,019	\$12,627,771

# Nursing Facility Utilization Fee

**Statute: Title 15, Chapter 60, MCA**

Fiscal Year	Total Revenue
2012	\$14,294,205
2013	\$13,719,662
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



## 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 FY 2007 through 2017, the fee was \$8.30. The 2017 Legislature (HB 618) increased the fee to \$11.30 for FY 2018 and to \$15.30 beginning in FY 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)

# Distribution of Nursing Facility Utilization Fees

## Non-Montana Mental Health Nursing Care Center Facilities

	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
General Fund	\$4,114,818	\$4,165,533	\$3,965,650	\$3,180,615	\$3,230,809
Nursing Facility Util. Acct. Fee	\$12,491,167	\$18,597,188	\$17,704,568	\$14,199,793	\$14,423,887

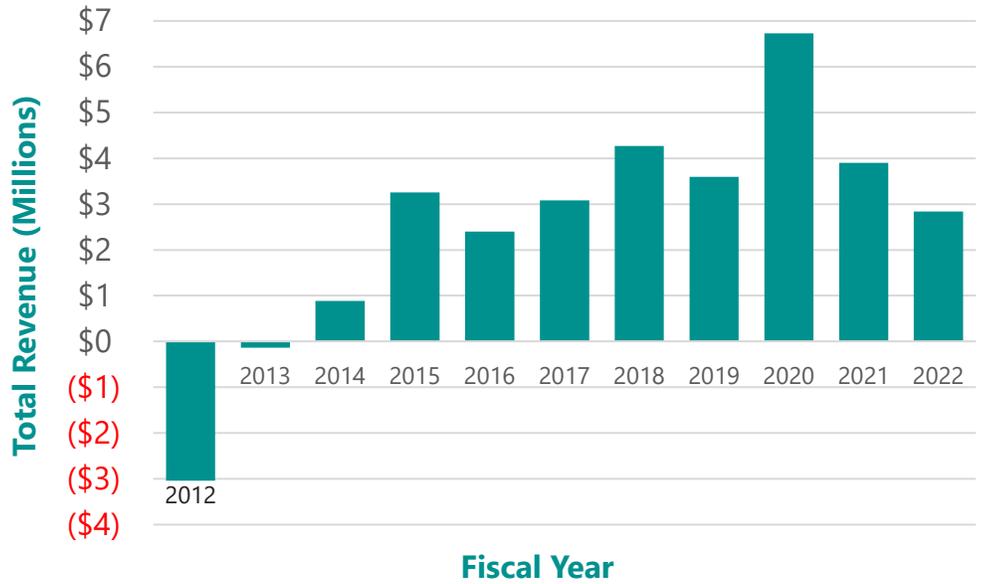
## Montana Mental Health Nursing Care Center Facilities

	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
General Fund (30%)	\$106,036	\$131,357	\$125,569	\$126,156	\$122,135
Prevention and Stabilization Fee (70%)	\$247,417	\$306,499	\$292,993	\$294,364	\$284,982

# Public Contractor's Gross Receipts

Statute: Title 15, Chapter 50, MCA

Fiscal Year	Total Revenue
2012	-\$3,041,921
2013	-\$137,587
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



## 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. Contracts with a value of \$5,000 or less are exempt.

## Filing and Payment

Contractors 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.

In most years, tax payments are greater than refunds and credits, resulting in net revenue from the tax. In FY 2012 and 2013, total refunds exceeded total payments and, as a result, total contractor's gross receipts revenue was negative. There were two reasons for this. In those years, contractors were claiming credits from work on federal Reinvestment and Recovery projects in earlier years, while new contracts had returned to a normal level. At the same time, upgrades to the department's data processing systems allowed the department to clear a backlog of pending refunds.

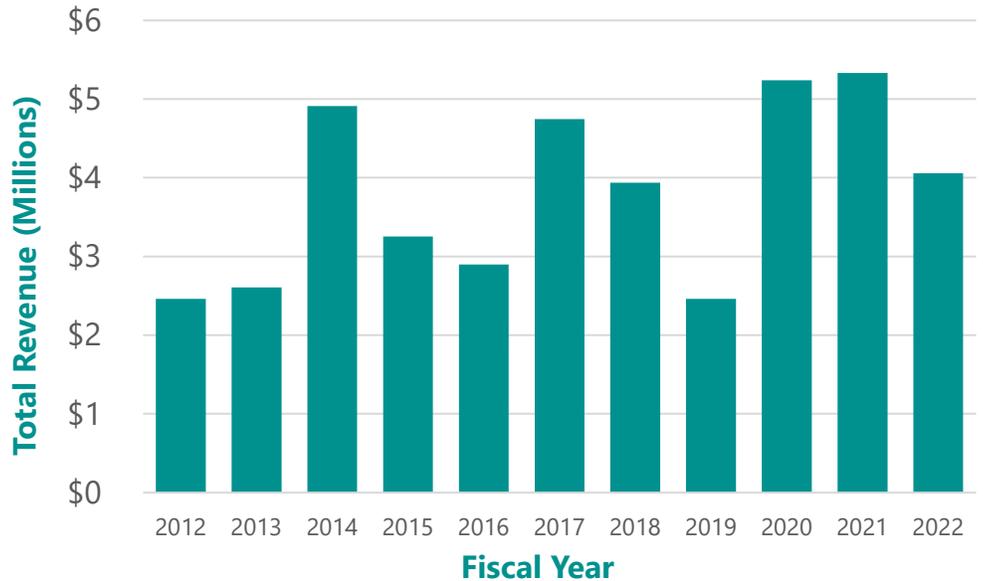
## **Distribution**

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

# Public Service Commission Fee

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

Fiscal Year	Total Revenue
2012	\$2,461,936
2013	\$2,608,068
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



## 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.

## Public Service Commission Fee Rates

<b>Effective Dates</b>	<b>Rate</b>
10/1/2008 - 9/30/2009	0.260%
10/1/2009 - 6/30/2010	0.210%
07/1/2010 - 9/30/2010	0.370%
10/1/2010 - 9/30/2011	0.420%
10/1/2011 - 9/30/2012	0.200%
10/1/2012 - 9/30/2013	0.230%
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%

## Filing Requirements

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

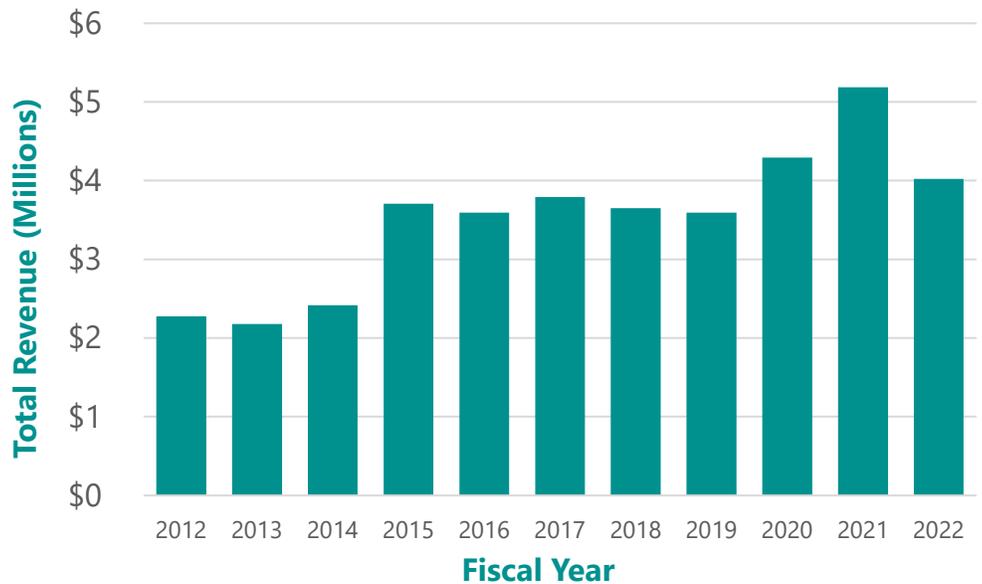
## Distribution

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

Fiscal Year	Total Revenue
2012	\$2,273,412
2013	\$2,178,957
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



## 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.

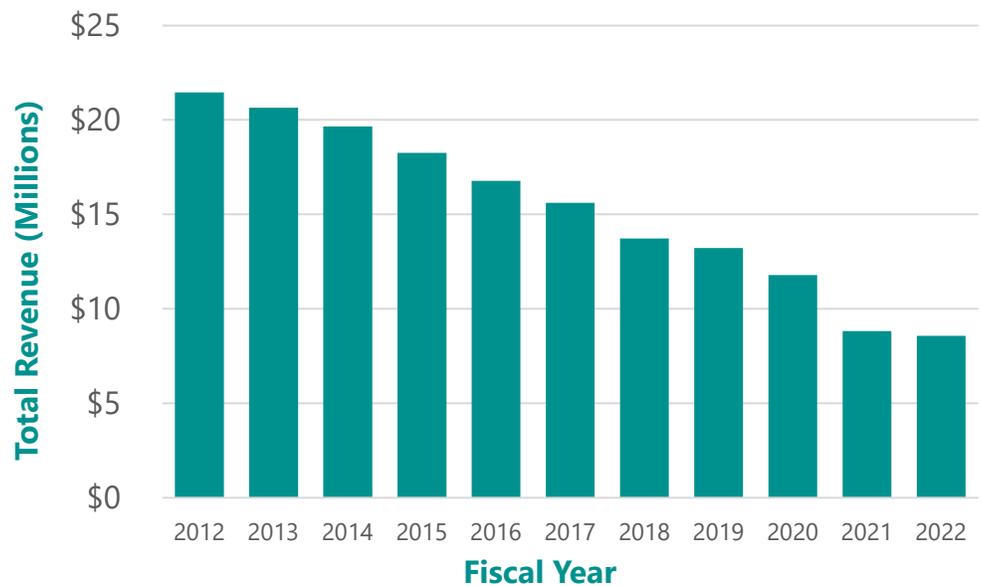
## Distribution

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

# Retail Telecommunications Excise Tax

Statute: Title 15, Chapter 53, MCA

Fiscal Year	Total Revenue
2012	\$21,459,017
2013	\$20,651,872
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



## 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 landline and traditional mobile service but does not apply to prepaid wireless service purchased through a third party, such as pre-paid 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.

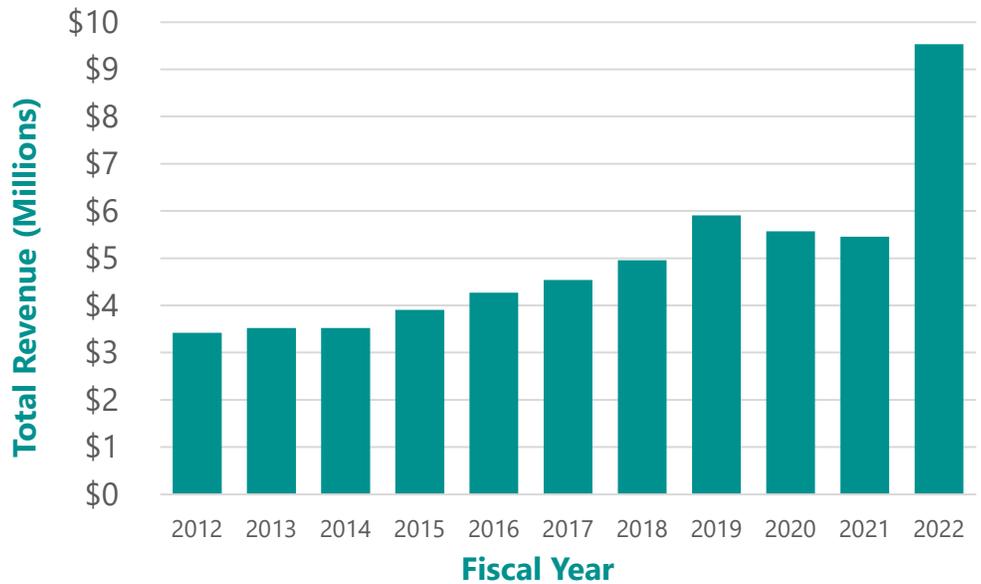
## Distribution

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

# Sales Tax - Rental Vehicles

Statute: Title 15, Chapter 68, MCA

Fiscal Year	Total Revenue
2012	\$3,419,763
2013	\$3,523,211
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	\$5,455,856
2022	\$9,529,671



## 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

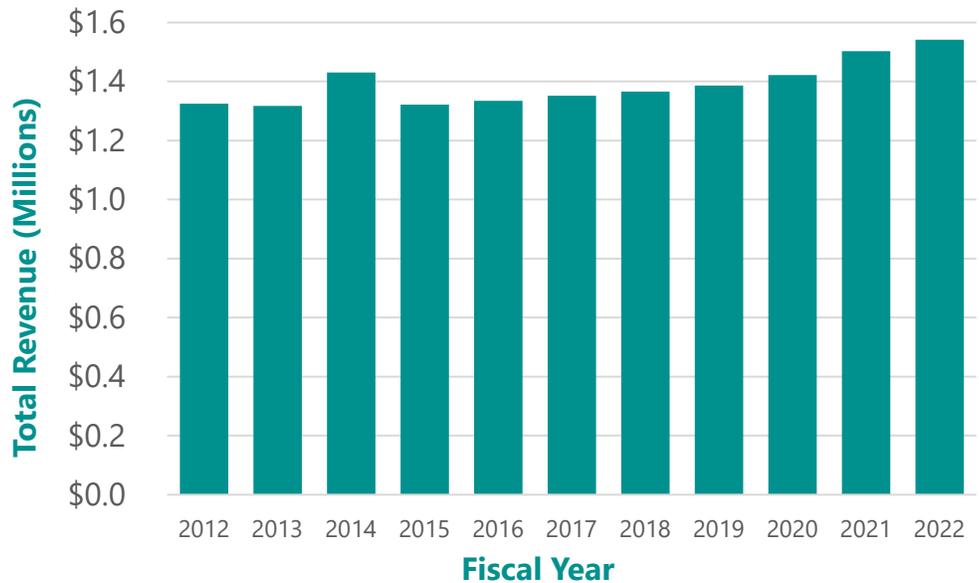
### Distribution of Rental Car Sales Tax

	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
General Fund (75%)	\$3,718,948	\$4,430,725	\$4,179,333	\$4,091,884	\$7,147,254
Senior Citizen/Disabilities Trans. (25%)	\$1,239,650	\$1,476,908	\$1,393,111	\$1,363,962	\$2,382,418

# TDD Telecommunications Service Fee

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

Fiscal Year	Total Revenue
2012	\$1,325,236
2013	\$1,317,336
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



## 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 pre-paid 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.

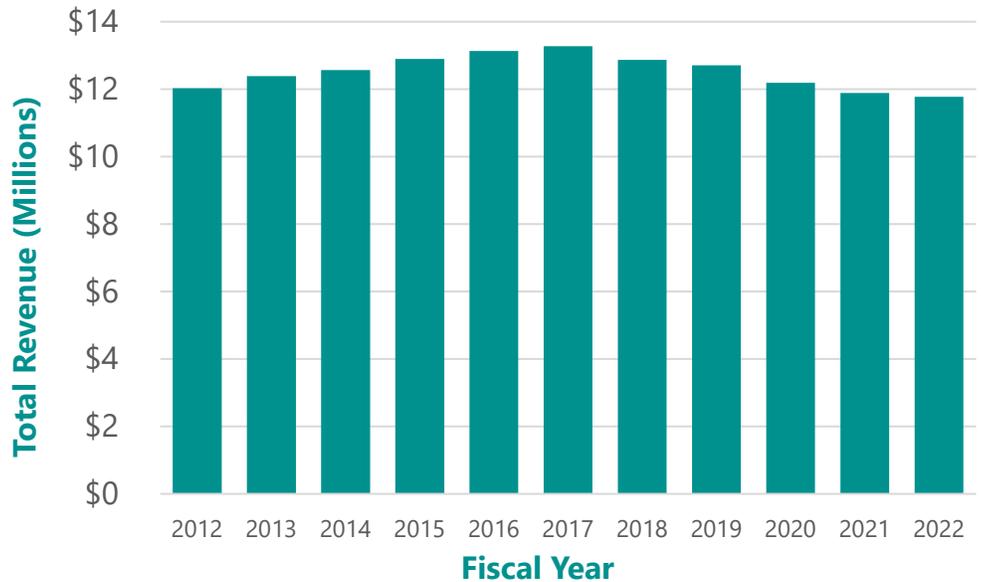
## Distribution

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

Fiscal Year	Total Revenue
2012	\$12,024,144
2013	\$12,386,794
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



## Tax Rate

All tobacco products, excluding cigarettes and moist snuff, 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.

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

## Tobacco Products Tax Rate

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

## 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)

### Distribution of Tobacco Products Tax

<b>Fund</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Total Revenue	\$12,864,522	\$12,702,208	\$12,185,252	\$11,882,493	\$11,768,474
Tobacco And Cig. Tribal Agreement	\$749,454	\$963,658	\$676,775	\$659,835	\$638,788
Remainder	\$12,115,068	\$11,738,550	\$11,508,477	\$11,222,658	\$11,129,687
General Fund (50%)	\$6,057,534	\$5,869,275	\$5,754,238	\$5,611,329	\$5,564,843
DPHHS (50%)	\$6,057,534	\$5,869,275	\$5,754,238	\$5,611,329	\$5,564,843

## 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.

## Tobacco Products Tax Rates

State	Snuff	Chewing and Smoking Tobacco	Cigars	E-Cigarettes
Alabama	1¢-12¢/oz.	Chewing: 1.5¢/oz. Smoking: 4¢-6¢/oz.	4¢-40.5¢/10 cigars	
Alaska	75% wholesale price	75% wholesale price	75% wholesale price	
Arizona	22.25¢/oz.	5.45-22.25¢/oz.	44.1¢/10 cigars -21.8¢/cigar	
Arkansas	68% mfr. price	68% mfr. price	68% mfr. price	
California	56.93% wholesale price	56.93% wholesale price	56.93% wholesale price	56.93% wholesale 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% wholesale price
Delaware	92¢/oz.	30% wholesale price	30% wholesale price	5¢/mL
District of Columbia	91% wholesale price	91% wholesale price	91% wholesale price	91% 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% wholesale price
Hawaii	70% wholesale price	70% wholesale price	50% wholesale price; LC	
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	
Iowa	119¢/oz.	50% wholesale price	10% wholesale price	
Kansas	10% wholesale price	10% wholesale price	10% wholesale price	\$0.05/mL
Kentucky	19¢/unit	15% wholesale price	15% wholesale price	Open: 15% wholesale price; Closed: \$1.50/cartridge
Louisiana	20% mfr. price	Chewing: 20% mfr. price; Smoking: 33% mfr price	8%-20% mfr. price	5¢/mL

<b>State</b>	<b>Snuff</b>	<b>Chewing and Smoking Tobacco</b>	<b>Cigars</b>	<b>E-Cigarettes</b>
Maine	\$2.02/oz. (with min. tax)	Chewing: \$2.02¢/oz. Smoking: 43% wholesale price	43% wholesale price	43% wholesale price
Maryland	30% wholesale price	30% wholesale price	Non-premium: 70% wholesale price Premium: 15% wholesale price	
Massachusetts	210% wholesale price	Chewing: 210% wholesale price Smoking: 40% wholesale price	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	
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% wholesale 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
North Dakota	60¢/oz.	Chewing: 16¢/oz Smoking: 28% wholesale price	28% wholesale price	
Ohio	17% wholesale price	17% wholesale price	LC: 37% wholesale price Others: 17% wholesale price	10¢/mL

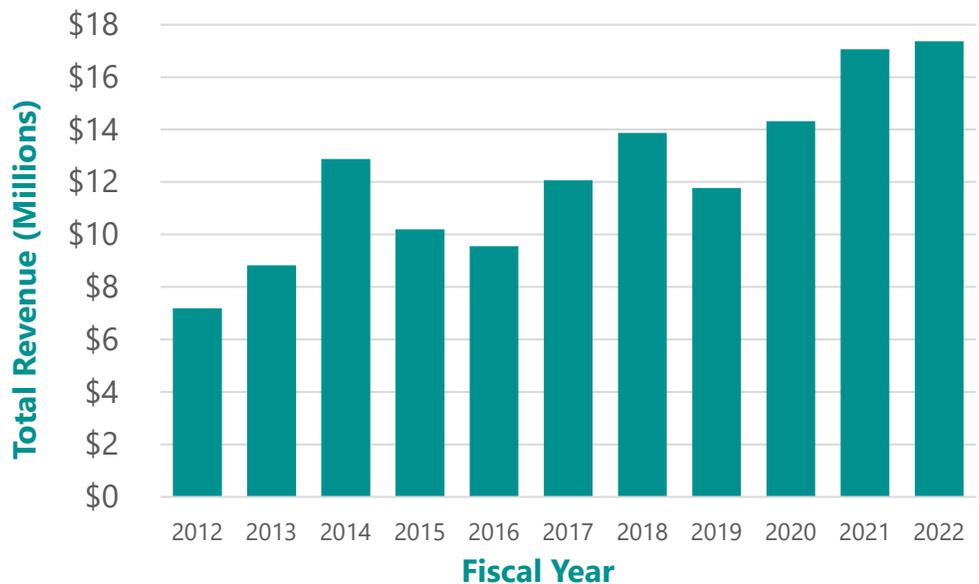
State	Snuff	Chewing and Smoking Tobacco	Cigars	E-Cigarettes
Oklahoma	60% mfr. price	Chewing: 60% mfr. price Smoking: 80% mfr price	3.6-120¢/10 cigars	
Oregon	\$1.78/oz. (with min. tax)	65% wholesale price	65% wholesale price; 50¢ cap	
Pennsylvania	55¢/oz	55¢/oz	same as cigarettes	40% wholesale price
Rhode Island	\$1/oz.	80% wholesale price	80% wholesale 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	\$1.22/oz. (with min. tax)	\$1.22/oz. (with min. tax)	1¢-15¢/10 cigars	
Utah	183¢/oz.	10 86% mfr. price	86% mfr. price; LC	56% mfr. price
Vermont	\$2.57/oz. or \$3.08/pack if less than 1.2oz.	92% wholesale price 15-10-420, MCA,	92% wholesale price under \$2.17; \$2/cigar \$2.17 to \$10; \$4/cigar \$10+ LC	92% wholesale price
Virginia	36¢/oz.	Chewing: 42¢-140¢/unit RYO: 10% mfr. price Other: 20% mfr price	20% mfr. price	6.6¢/mL
Washington	\$2.53 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

*Little Cigars (LC): State taxes little cigars the same as cigarettes.*

# Unclaimed Property

Statute: Title 70, Chapter 9, Part 8, MCA

Fiscal Year	Total Revenue
2012	\$7,188,318
2013	\$8,827,032
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



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 \$135 million worth of unclaimed property has been turned over to the state. During this time period, the department has returned nearly \$48 million of the unclaimed property to its rightful owners.

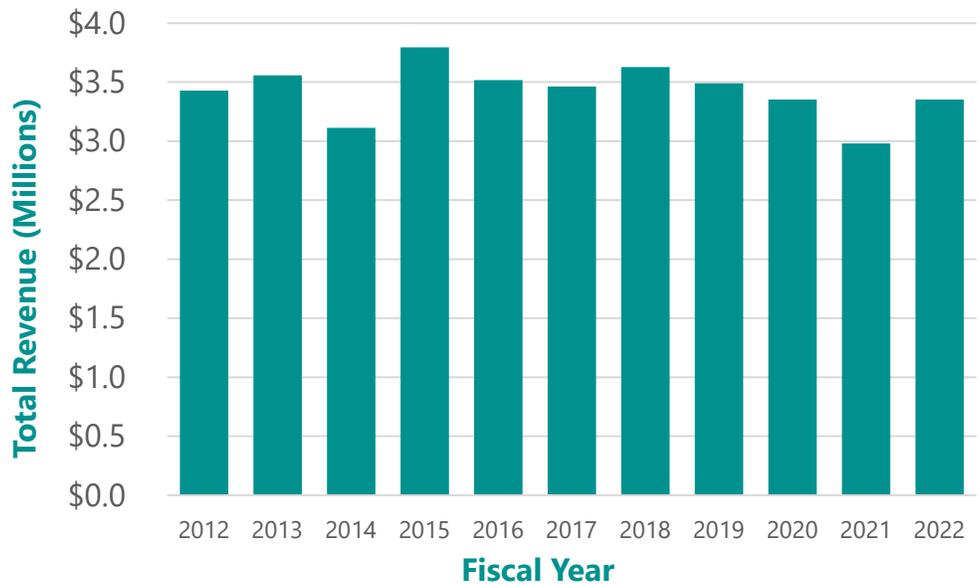
## **Distribution**

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)

# Wholesale Energy Transaction Tax

Statute: Title 15, Chapter 72, MCA

Fiscal Year	Total Revenue
2012	\$3,427,411
2013	\$3,558,221
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



## 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

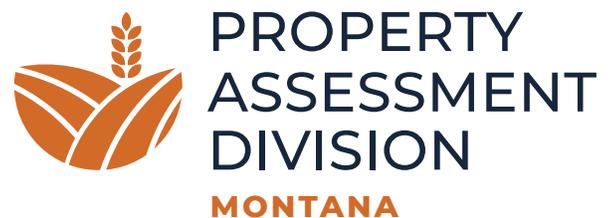
Revenues are deposited into the state general fund. (15-72-106, MCA)

# 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.

Although the department administers taxes and assesses property values throughout the state, it is the combination of the department, the Legislature, and local governments and schools that sets the level of taxes. 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 level of taxes by 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. 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.

<b>Selected Sections of Property Law</b>	<b>Primary Section of Montana Code Annotated (MCA)</b>	<b>Selected Sections of Property Law</b>	<b>Primary Section of Montana Code Annotated (MCA)</b>
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, usually defined as the ratio of taxes paid relative to the tax base. For Montana property taxes, the tax owed is equal to the product of the property's value, the statutory tax rate, and the combined millage rate of all the taxing jurisdictions.

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, and valuations methods differ among classes of property, as determined by the Legislature.

The next table summarizes the differences in valuation by class. The following pages summarize the classes of property in more detail.

# Classes of Property

Class	Description	Valuation Standard	Valuation Cycle	TY 2022 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, Commercial, and Industrial (land and improvements)	Market Value	2 Year	1.35%
Class 5	Pollution Control Equipment, Independent and Rural Electric and Telephone Cooperatives, 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	Annual	12.00%
Class 10	Forest Land	Productivity Value	6 Year	0.31%
Class 12	Airlines and Railroads	Market Value	Annual	3.06%
Class 13	Telecommunication Utilities and Electric Generating Property of Electric Utilities	Market Value	Annual	6.00%
Class 14	Renewable Energy Production and Transmission Property	Market Value	Annual	3.00%
Class 15	Carbon Dioxide and Liquid Pipeline Property	Market Value	Annual	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 \$300,000 of market value; 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 2022 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 2022 tax rate is 3 percent.

**CLASS 3**

Agricultural land, non-productive patented mining claims, and non-qualified agricultural land. Class 3 property is reappraised on a two-year cycle.

Agricultural land is valued based on the productivity of the land. There are four main 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 2022 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 2022 tax rate for non-qualified agricultural land is 15.12 percent.

**CLASS 4**

Residential, commercial, and industrial land and improvements. Class 4 property is the largest class, as measured in both market value and the number of parcels.

Beginning in Tax Year 2015, Class 4 property is appraised every two years. The new appraisal values determined by the department are applied in odd-numbered tax years. If a property does not change substantially, the prior year's reappraisal value is also used in the even-numbered tax years.

The 2022 tax rate for residential property is 1.35 percent.

The 2022 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 property taxes: The Property Tax Assistance Program, The Montana Disabled Veterans Program, The Elderly Homeowner/Renter Credit, and 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 used in production of gasohol. The market value is assessed annually by either the department's industrial appraisers or the centrally assessed appraisers, depending on the characteristics of the property. The tax rate is 3 percent.

**CLASS 7**

Non-centrally assessed utilities. The market value is determined annually by the department's industrial appraisers. The 2022 tax rate is 8 percent.

- CLASS 8** Personal property used for business purposes. Class 8 property is reported to the department annually. The first \$300,000 in total market value owned or controlled 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 is determined annually though the company's total value, and the value in local jurisdictions is determined by the portion of property located in those jurisdictions. The 2022 tax rate is 12 percent.
- CLASS 10** Forest land. Forest land is reassessed every six years and is valued based on the productivity of each parcel of land. Productivity of each acre is determined in collaboration with the University of Montana W.A. Franke College of Forestry & Conservation with input from the timber industry. Standing timber on the property is not taxed. The 2022 tax rate is 0.37 percent.
- CLASS 12** All property owned by airlines and railroads. The market value is determined annually 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 2022 tax rate is 3.06 percent.
- CLASS 13** All property of telecommunication utilities and the electric generating property of electric utilities. The market value is determined annually by the department's centrally assessed property appraisers and then apportioned to the local taxing jurisdictions. The 2022 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 determined annually by either the department's industrial appraisers or the centrally assessed appraisers and then apportioned to the local taxing jurisdictions. The 2022 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 determined annually by the department's centrally assessed property appraisers and then apportioned to the local taxing jurisdictions. The 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 2022 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

## Determining Taxes Paid

The rate applied to taxable value to determine taxes paid is denoted as a mill. One mill is equal to 1/1000 of a dollar, or 0.1 percent. The total amount of annual taxes paid by a taxpayer is equal to the taxable value of the property multiplied by the cumulative mills from all taxing jurisdictions in which the property is located.

<b>Property Tax</b>	=	<b>Taxable Value</b>	x	<b>Cumulative Millage Rates</b>
<b>Millage Rate</b>	x	<b>\$1,000</b>	=	<b>Mills</b>
<b>0.005</b>	x	<b>\$1,000</b>	=	<b>5.0</b>

The total amount of mills that may be levied differs between the state, local governments, and school districts. The state's mills are statutorily fixed, while local governments and school districts set their mills based on the budgets of the individual taxing jurisdictions and their specific tax base.

## 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.

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.

<b>Legislative Millage Rates Assessed by the State</b>	<b>Primary Section of Montana Code Annotated (MCA)</b>
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

## Local Governments and School Districts Mill Rate

Local governments and school districts 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. The example 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).

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
<b>Rosebud Co. Total</b>	<b>\$88,107,196</b>	<b>\$78,627,385</b>	<b>- \$9,479,811</b>	<b>\$1,079,091</b>

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.

$\frac{\text{Adjusted Budget Authority}}{\text{Adjusted Tax Base}}$	=	$\frac{\$50,000}{\$10,000}$	=	Authorized Mill Levy	=	5.000
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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 service 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.

## Taxes Assessed by a Taxing Jurisdiction on a Residence

The amount of annual taxes paid on a property is equal to its taxable value multiplied by the cumulative mills from all taxing jurisdictions that have taxing authority. For example, the amount of annual taxes to be assessed by a taxing authority on a residence valued at \$100,000 would be the taxable value of the residence, \$1,350 ( $100,000 \times 1.35\%$ ), multiplied by the millage rate of the taxing jurisdiction (0.5%, or 5 mills). This amounts to \$6.75 in annual taxes on this property for this taxing jurisdiction.

## 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 taxing levy district. By definition, each property in a taxing district will have the same mills applied to their taxable values. An example levy district is below.

<b>Example of Taxing District</b>	
Elementary School	100.00
High School	125.25
Town	75.50
County	115.00
State School Equalization	95.00
University	6.00
<b>Total Mills</b>	<b>516.75</b>

For a given tax year, property taxes are assessed on the taxable value as of January 1 of the tax year. Tax payments are made to the applicable county treasurer and are due in November of the tax year and May of the following calendar year. The treasurer distributes the funds to the appropriate taxing jurisdiction.

# Taxes Levied

## 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 2022, the full market value of non-exempt property eligible for taxation in Montana was estimated at \$193.829 billion. Multiplying the applicable tax rates for each class of property by the taxable market value determines the taxable value. In Tax Year 2022, the total taxable value of property in Montana was estimated at \$3.626 billion. This is an average tax rate of 1.87 percent of market value.

<b>Montana Property 2022</b>			
	<b>Taxable Market Value</b>	<b>Taxable Value</b>	<b>Average Tax Rate</b>
<b>Total</b>	<b>\$193,829,026,673</b>	<b>\$3,626,093,918</b>	<b>1.87%</b>

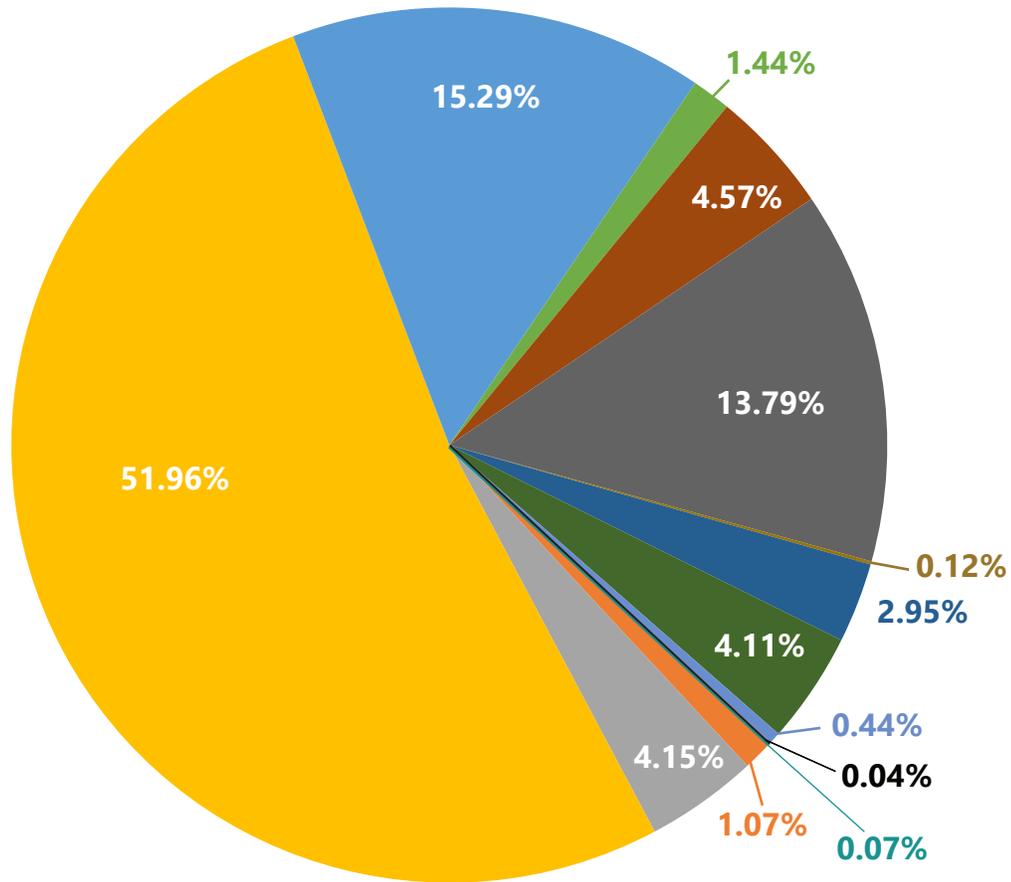
In 2022, property taxes paid was estimated at \$2.085 billion. Therefore, the average mills levied was 575.20

<b>Montana Property 2022</b>				
	<b>Taxable Value</b>	<b>Taxes</b>	<b>Avg. Millage Rate</b>	<b>Avg. Mills</b>
<b>Total</b>	<b>\$3,626,093,918</b>	<b>\$2,085,712,459</b>	<b>0.57520</b>	<b>575.20</b>

# Property Taxes Paid by Class

The following graph compares the percent of property tax paid for each class of property in Tax Year 2021.

## Percent of Property Taxes Paid by Class, Tax Year 2021



- Commercial    Pollution Control Equipment    Business Personal Property
- Non-Elect. Gen. Prop. of Electrical Util.    Forest Land    Railroad and Airline Property
- Telecommunication and Electric Property    Commercial Wind Generation Facilities
- Carbon Dioxide and Liquid Pipeline    Mine Net Proceeds    Gross Proceeds Metal Mines
- Agricultural Land    Residential    Non-Centrally Assessed Public Util. - 0.00%

## Property Taxes Paid by Class of Property in 2021

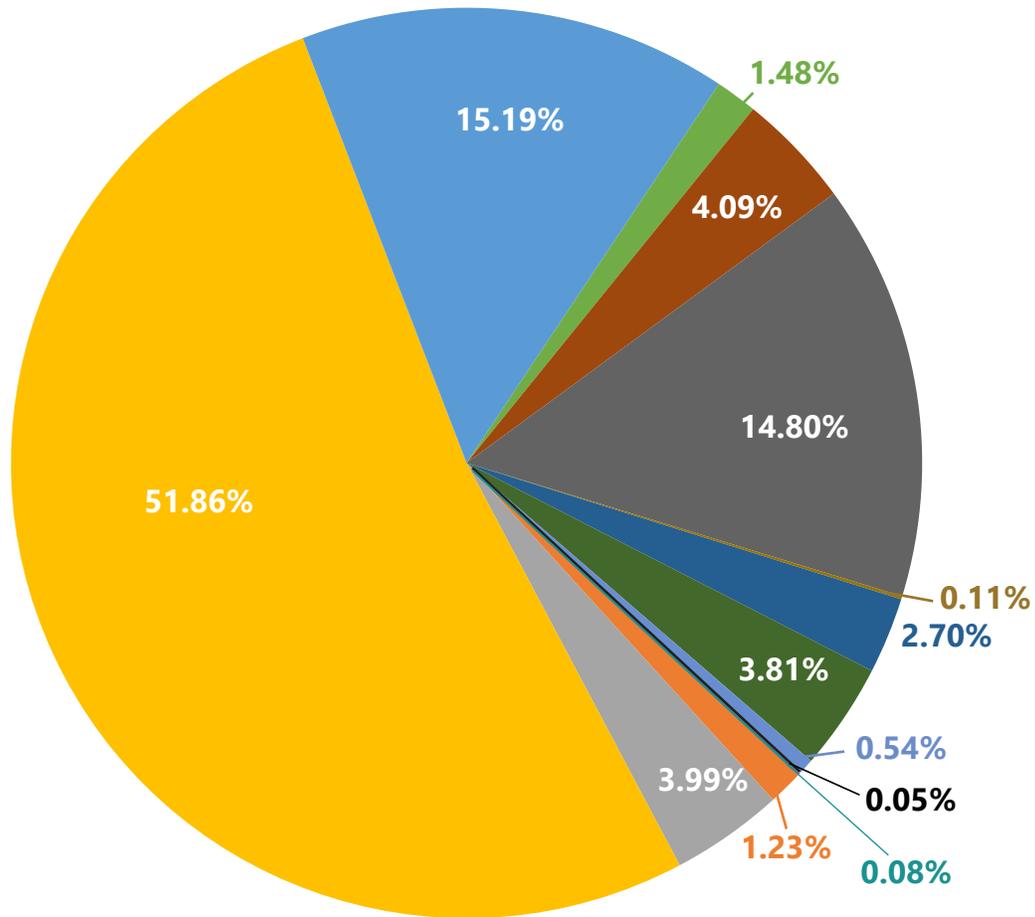
The table below presents market value, taxable market value, and the taxes paid by class of property in the state in Tax Year 2021. Class 4 property provided 67.26 percent, Class 9 provided 13.79 percent, and Class 8 personal property provided 4.57 percent of the property taxes paid in the state.

### Estimated Property Taxes Paid by Property Class Tax Year 2021 (Fiscal Year 2022)

Tax Class	Description	Market Value	Taxable Value	Taxes Paid by Tax Class	Percent of Total Taxes
1	Mine Net Proceeds	\$3,928,770	\$3,928,770	\$1,394,789	0.07%
2	Gross Proceeds Metal Mines	\$1,393,634,973	\$41,809,050	\$21,386,283	1.07%
3	Agricultural Land	\$6,687,464,229	\$152,323,423	\$82,601,524	4.15%
4.1	Residential Improvements	\$97,428,368,213	\$1,314,171,220	\$763,901,610	38.34%
4.2	Residential Land	\$36,045,907,326	\$474,013,010	\$271,499,533	13.63%
4.8	Commercial Improvements	\$17,086,734,692	\$319,839,086	\$209,143,678	10.50%
4.9	Commercial Land	\$7,818,786,412	\$147,192,120	\$95,597,482	4.80%
	<b>Subtotal Class 4</b>	<b>\$158,379,796,643</b>	<b>\$2,255,215,436</b>	<b>\$1,340,142,304</b>	<b>67.26%</b>
5	Pollution Control Equipment	\$2,132,996,508	\$51,470,820	\$28,654,384	1.44%
7	Non-Centrally Assessed Public Util.	\$35,298	\$2,824	\$2,335	0.00%
8	Business Personal Property	\$6,772,861,429	\$154,699,923	\$91,000,754	4.57%
9	Non-Elect. Gen. Prop. Of Electrical Util.	\$4,635,886,466	\$549,155,524	\$274,766,151	13.79%
10	Forest Land	\$1,408,955,658	\$4,790,791	\$2,361,324	0.12%
12	Railroad and Airline Property	\$3,350,708,248	\$104,543,141	\$58,859,732	2.95%
13	Telecommunication & Electric Property	\$2,533,969,970	\$151,957,718	\$81,939,319	4.11%
14	Commercial Wind Generation Facilities	\$866,999,133	\$15,606,103	\$8,712,005	0.44%
15	Carbon Dioxide and Liquid Pipeline	\$143,186,026	\$2,123,574	\$798,862	0.04%
	<b>Total</b>	<b>\$188,310,423,351</b>	<b>\$3,487,627,097</b>	<b>\$1,992,619,764</b>	

The following graph compares the percent of property tax paid for each class of property in Tax Year 2022.

## Percent of Property Taxes Paid by Class, Tax Year 2022



## Property Taxes Paid by Class of Property in 2022

The following table presents market value, taxable market value, and the taxes paid by class of property in the state in Tax Year 2022. In 2022, Class 4 property provided 67.05 percent, Class 9 provided 14.80 percent, and Class 8 personal property paid 4.09 percent of the property taxes paid in the state.

### Estimated Property Taxes Paid by Property Class Tax Year 2022 (Fiscal Year 2023)

Tax Class	Description	Market Value	Taxable Value	Taxes Paid by Tax Class	Percent of Total Taxes
1	Mine Net Proceeds	\$4,379,892	\$4,379,892	\$1,594,457	0.08%
2	Gross Proceeds Metal Mines	\$1,582,322,789	\$47,469,685	\$25,744,260	1.23%
3	Agricultural Land	\$6,677,543,892	\$152,225,342	\$83,286,884	3.99%
4.1	Residential Improvements	\$101,150,852,713	\$1,368,739,657	\$801,797,755	38.44%
4.2	Residential Land	\$36,601,044,035	\$481,831,915	\$279,789,710	13.41%
4.8	Commercial Improvements	\$17,462,606,332	\$327,242,603	\$218,309,947	10.47%
4.9	Commercial Land	\$7,844,099,571	\$147,686,597	\$98,552,727	4.73%
	<b>Subtotal Class 4</b>	<b>\$163,058,602,651</b>	<b>\$2,325,500,722</b>	<b>\$1,398,450,139</b>	<b>67.05%</b>
5	Pollution Control Equipment	\$2,256,215,041	\$54,500,311	\$30,875,752	1.48%
7	Non-Centrally Assessed Public Util.	\$219,703	\$17,576	\$9,731	0.00%
8	Business Personal Property	\$6,266,021,510	\$147,661,048	\$85,310,593	4.09%
9	Non-Elect. Gen. Prop. Of Electrical Util.	\$5,216,762,075	\$618,477,027	\$308,587,994	14.80%
10	Forest Land	\$1,526,654,816	\$4,732,957	\$2,387,636	0.11%
12	Railroad and Airline Property	\$3,211,430,339	\$98,269,778	\$56,329,795	2.70%
13	Telecommunication & Electric Property	\$2,462,747,229	\$147,729,647	\$79,440,353	3.81%
14	Commercial Wind Generation Facilities	\$1,178,778,055	\$20,773,819	\$11,307,621	0.54%
15	Carbon Dioxide and Liquid Pipeline	\$190,529,364	\$2,584,690	\$939,311	0.05%
17	Data Centers	\$196,819,317	\$1,771,374	\$1,447,934	0.07%
	<b>Total</b>	<b>\$193,829,026,673</b>	<b>\$3,626,093,918</b>	<b>\$2,085,712,459</b>	

# Property Taxes Paid by Taxing Jurisdiction Type

## Property Taxes by Taxing Jurisdiction

The table on the next page shows statewide property tax collections for different types of taxing jurisdictions for Fiscal Years 2020 through 2023 (Tax Years 2019 through 2022).

## Taxes Levied on the Montana Property Tax Bill

	FY 2020	FY 2021	FY 2022	FY 2023
<b>Valuation<sup>1</sup></b>				
Market Value of Taxable Property	\$166,215,859,888	\$169,216,191,395	\$188,310,423,351	\$193,829,026,673
Statewide Total Taxable Value	\$3,136,515,017	\$3,212,695,899	\$3,487,627,097	\$3,626,093,918
City/Town Taxable Value	\$1,077,527,165	\$1,078,981,836	\$1,177,071,095	\$1,204,961,654
<b>Taxes Levied<sup>2</sup></b>				
<b>State</b>				
University	\$18,959,917	\$19,409,144	\$21,081,079	\$21,935,686
Vo-Tech (General Fund)	\$1,586,137	\$1,596,422	\$1,695,066	\$1,743,891
State General Fund	\$300,229,431	\$307,342,850	\$333,815,223	\$347,346,517
Subtotal State	\$320,775,486	\$328,348,415	\$356,591,368	\$371,026,095
<b>County</b>				
General	\$136,970,388	\$146,565,727	\$154,070,620	\$161,341,012
Road	\$63,574,232	\$65,456,925	\$69,837,496	\$75,984,035
Bridge	\$15,583,782	\$15,502,323	\$15,538,481	\$17,639,251
Entitlement	\$5,896,025	\$5,968,947	\$6,253,267	\$6,225,722
County Fair	\$8,532,624	\$9,078,886	\$9,237,250	\$10,631,571
Library	\$16,276,265	\$16,773,847	\$17,510,308	\$18,276,377
Agricultural Extension	\$4,216,006	\$4,419,243	\$4,051,030	\$4,357,666
Planning	\$3,404,124	\$3,648,248	\$3,940,506	\$2,786,580
Health and Sanitation	\$55,032,425	\$55,817,111	\$58,844,017	\$61,400,760
Hospital	\$3,859,007	\$3,003,962	\$2,607,435	\$3,109,593
Airport	\$3,089,223	\$2,811,857	\$3,104,736	\$3,097,289
District Court	\$7,530,878	\$7,435,274	\$7,380,679	\$8,244,702
Weed Control	\$6,186,924	\$6,075,103	\$5,564,670	\$6,454,681
Senior Citizens	\$10,127,739	\$11,258,396	\$11,898,422	\$13,466,664
Public Safety	\$128,873,507	\$135,689,884	\$141,596,828	\$154,863,447
Other	\$34,418,795	\$33,881,771	\$38,335,692	\$39,818,000
<b>Subtotal County</b>	<b>\$503,571,942</b>	<b>\$523,387,503</b>	<b>\$549,771,437</b>	<b>\$587,697,349</b>
<b>Local Schools</b>				
Elementary	\$344,422,928	\$349,227,760	\$349,925,677	\$359,810,921
High School	\$194,167,571	\$194,089,228	\$195,500,146	\$199,655,289
K-12	\$95,873,021	\$100,811,931	\$103,900,420	\$103,289,881
Jr. College	\$7,983,788	\$8,233,999	\$8,661,458	\$12,329,890
<b>Subtotal Local Schools</b>	<b>\$642,447,307</b>	<b>\$652,362,918</b>	<b>\$657,987,701</b>	<b>\$675,085,981</b>
County-Wide Schools	\$123,665,080	\$130,658,163	\$129,563,295	\$124,370,782
Cities and Towns	\$192,560,706	\$198,842,671	\$209,355,673	\$234,949,526
Fire and Miscellaneous	\$73,472,884	\$77,290,254	\$89,350,291	\$92,582,726
<b>Total Property Tax Based on Mills</b>	<b>\$1,856,493,405</b>	<b>\$1,910,889,924</b>	<b>\$1,992,619,764</b>	<b>\$2,085,712,459</b>
S.I.D.'s and Fees	\$184,541,846	\$198,988,834	\$207,585,890	\$217,995,289
<b>Total Property Taxes</b>	<b>\$2,041,035,251</b>	<b>\$2,109,878,758</b>	<b>\$2,194,938,696</b>	<b>\$2,303,707,749</b>

<sup>1</sup> State taxable value include local abatements, Source: State Assessor's Report

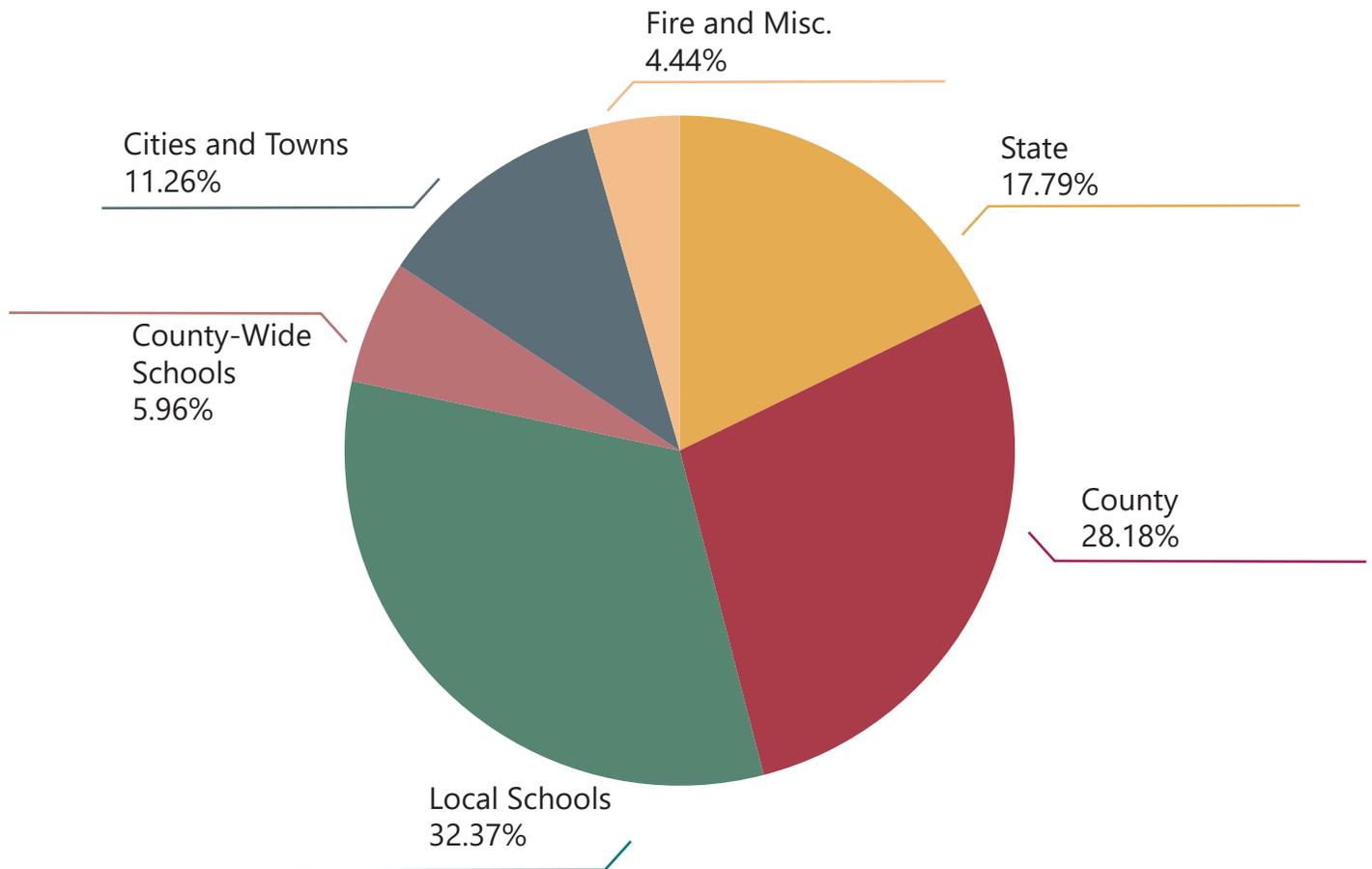
<sup>2</sup> Includes revenue distributed to TIFDs, Source: Taxes Levied Report

In Fiscal Year 2023 (Tax Year 2022), approximately \$2.086 billion in property tax revenue will be used by the state and local jurisdictions. The following table shows the distribution by jurisdiction type for Fiscal Years 2022 and 2023.

### Taxes Levied by Jurisdiction Type

Taxing Jurisdiction	FY 2022		FY 2023	
	Tax Revenue	Percent of Total	Tax Revenue	Percent of Total
State	\$356,591,368	17.90%	\$371,026,095	17.79%
County	\$549,771,437	27.59%	\$587,697,349	28.18%
Local Schools	\$657,987,701	33.02%	\$675,085,981	32.37%
County-Wide Schools	\$129,563,295	6.50%	\$124,370,782	5.96%
Cities and Towns	\$209,355,673	10.51%	\$234,949,526	11.26%
Fire and Miscellaneous	\$89,350,291	4.48%	\$92,582,726	4.44%
<b>Total</b>	<b>\$1,992,619,764</b>	<b>100.00%</b>	<b>\$2,085,712,459</b>	<b>100.00%</b>

The following pie chart presents the allocation of property tax usage by each type of taxing jurisdiction for Fiscal Year 2023.



# Property Tax and Property Value Summaries

## Tax Revenue by County

The following tables present property tax revenue collected for each county in Tax Years 2021 and 2022 by each type of taxing jurisdiction.

## Property Taxes Levied and Average Mills - TY 2021

	County	State Assessed Mills <sup>1</sup> and Revenue		County Assessed Mills and Revenue		County Wide School Mills <sup>2</sup> and Revenue		Local School Average Mills and Revenue		Misc. & Fire District Average Mills & Revenue		City Average Mills <sup>3</sup> and Revenue		SID's and Fees	Total of All Taxes and Fees
		Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Revenue	Revenue
18	Beaverhead	101	2,626,237	160.432	4,170,438	47.975	1,247,120	212.9	5,534,344	14.324	372,346	192.881	1,234,562	1,600,579	16,785,626
22	Big Horn	101	2,349,752	348.614	7,960,236	72.252	1,649,800	188.5	4,304,195	6.559	149,778	157.638	671,531	1,791,078	18,876,372
24	Blaine	101	1,532,904	296.245	4,493,486	65.065	986,909	199.093	3,019,879	4.08	61,885	409.794	904,132	2,080,699	13,079,895
43	Broadwater	101	1,982,108	195.428	3,821,806	32.329	632,220	214.661	4,197,915	16.497	322,621	75.255	181,906	1,017,087	12,155,664
10	Carbon	101	5,429,434	127.606	6,359,318	41.022	2,044,363	172.105	8,576,969	19.951	994,296	89.204	871,027	1,195,419	25,470,825
42	Carter	101	6,855,757	95.274	6,467,092	4.304	292,138	32.51	2,206,771	0	0	291.573	127,073	79,430	16,028,261
2	Cascade	102.5	18,238,051	140.517	24,970,328	41.513	7,377,059	255.537	45,409,828	19.542	3,472,625	200.563	21,475,963	12,031,221	132,975,074
19	Chouteau	101	2,789,280	191.007	5,259,849	45.961	1,265,662	161.691	4,452,555	33.911	933,811	281.7	885,921	542,263	16,129,341
14	Custer	101	2,388,503	224.148	5,300,702	44.208	1,045,433	250.465	5,923,038	0	0	225.732	2,255,454	3,304,136	20,217,265
37	Daniels	101	730,446	210.161	1,519,918	56.247	406,786	200.986	1,453,562	73.923	534,624	221.478	295,818	486,017	5,427,170
16	Dawson	101	2,604,757	180.628	4,658,341	0	0	287.552	7,415,868	66.48	1,714,485	207.465	1,669,989	2,703,638	20,767,077
30	Deer Lodge	101	2,217,117	323.988	7,112,071	34.716	762,066	146.54	3,216,792	50.043	1,098,532	33.825	196,638	1,994,767	16,597,985
39	Fallon	101	5,487,492	156.235	8,488,487	0	0	58.027	3,152,683	4.943	268,575	215.366	600,970	77,436	18,075,644
8	Fergus	101	4,893,464	166.056	6,854,451	49.16	2,029,245	184.568	7,618,622	15.226	628,514	235.726	1,961,953	1,627,761	25,614,011
7	Flathead	101	33,223,309	135.107	44,427,564	51.178	16,828,886	223.955	73,643,564	28.945	9,517,971	121.802	13,921,763	20,023,203	211,586,260
6	Gallatin	101	45,239,163	100.024	44,796,700	36.363	16,285,595	197.132	88,287,698	32.921	14,744,195	149.44	30,658,038	8,927,366	248,938,754
50	Garfield	101	588,790	259.426	1,512,353	68.236	397,786	126.643	738,280	0	0	179.047	53,874	108,079	3,399,162
38	Glacier	101	2,901,727	254.986	7,314,317	59.58	1,709,065	224.779	6,447,841	7.288	209,070	306.436	773,597	805,825	20,161,443
53	Golden Valley	101	705,302	151.693	1,051,161	43.753	303,188	171.35	1,187,381	4.997	34,625	97.265	47,002	23,162	3,351,821
46	Granite	101	1,537,159	181.343	2,758,190	31.225	474,922	125.294	1,905,690	56.268	855,821	141.64	336,999	730,780	8,599,562
12	Hill	101	4,287,401	170.385	7,232,780	48.728	2,068,470	188.383	7,996,766	10.734	455,670	223.265	2,903,167	3,584,346	28,528,600
51	Jefferson	101	3,331,859	162.154	5,340,099	46.051	1,516,564	186.823	6,152,492	33.13	1,091,036	144.799	404,426	1,793,879	19,630,355
36	Judith Basin	101	2,276,610	120.898	2,491,148	27.745	571,695	130.149	2,681,765	10.976	226,158	153.863	103,429	88,931	8,439,737
15	Lake	101	7,668,176	170.788	12,966,626	45.544	3,457,793	158.715	12,050,060	32.961	2,502,446	164.399	2,234,564	11,875,688	52,755,353
5	Lewis & Clark	102.5	16,560,631	209.638	33,804,027	40.767	6,573,705	271.16	43,724,411	14.156	2,282,723	171.105	13,862,093	20,817,543	137,625,132
48	Liberty	101	956,462	244.801	2,318,250	36.714	347,674	132.785	1,257,460	9.629	91,189	164.744	171,123	38,480	5,180,639
56	Lincoln	101	4,208,893	137.06	5,711,024	20.421	850,902	173.582	7,232,796	23.747	989,506	153.899	879,440	2,971,042	22,843,601
25	Madison	101	19,636,908	78.31	15,223,843	8.012	1,557,596	30.38	5,906,090	27.566	5,358,936	125.456	726,547	3,390,323	51,800,242
41	McCone	101	737,824	288.854	2,110,131	43.488	317,688	215.461	1,573,984	0.316	2,306	315.537	259,014	113,465	5,114,412
47	Meagher	101	982,375	164.953	1,574,205	27.576	263,169	176.995	1,689,126	11.106	105,989	149.433	225,361	112,139	4,952,364
54	Mineral	101	1,237,341	190.343	2,331,744	40.683	498,375	240.087	2,941,126	23.95	293,391	207.385	356,478	180,641	7,839,096
4	Missoula	102.5	29,943,133	199.014	58,117,336	46.635	13,618,523	239.707	70,000,728	77.031	22,495,176	234.281	40,898,319	19,031,039	254,104,255
23	Musselshell	101	1,386,120	185.853	2,550,646	12.232	167,870	179.382	2,461,825	9.232	126,695	191.217	362,805	501,964	7,557,925
49	Park	101	6,634,023	109.365	7,183,471	36.51	2,398,125	133.469	8,766,730	16.274	1,068,907	184.245	3,574,743	3,527,342	33,153,341
55	Petroleum	101	177,346	282.887	496,723	64.229	112,781	191.595	336,422	7.629	13,395	246.035	36,471	155,326	1,328,463
11	Phillips	101	1,648,218	205.181	3,348,250	60.023	979,495	205.098	3,346,904	5.12	83,557	231.107	668,348	1,870,271	11,945,043
26	Pondera	101	1,740,401	248.636	4,266,158	50.843	872,380	221.091	3,793,523	15.023	257,764	156.153	561,037	573,135	12,064,398
9	Powder River	101	1,177,693	192.876	2,249,001	0	0	108.81	1,268,762	1.517	17,685	151.964	73,398	335,805	5,122,345
28	Powell	101	1,969,403	190.645	3,717,384	50.935	993,178	196.471	3,830,995	0	0	137.422	429,719	1,688,567	12,629,245

## Property Taxes Levied and Average Mills - TY 2021

	County	State Assessed Mills <sup>1</sup> and Revenue		County Assessed Mills and Revenue		County Wide School Mills <sup>2</sup> and Revenue		Local School Average Mills and Revenue		Misc. & Fire District Average Mills & Revenue		City Average Mills <sup>3</sup> and Revenue		SID's and Fees	Total of All Taxes and Fees
		Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Revenue	Revenue
45	Prairie	101	571,747	281.63	1,589,223	21.824	123,151	150.582	849,726	1.61	9,088	219.182	141,416	838,390	4,122,741
13	Ravalli	101	10,426,176	136.4	14,080,482	27.981	2,888,486	182.992	18,890,203	25.649	2,647,763	191.779	3,153,514	4,601,808	56,688,432
27	Richland	101	5,754,414	199.913	11,385,171	0	0	119.036	6,779,183	0	0	160.677	1,849,482	0	25,768,250
17	Roosevelt	101	3,253,636	255.546	8,226,443	58.772	1,891,980	153.268	4,933,964	13.722	441,733	267.775	1,085,086	858,434	20,691,277
29	Rosebud	101	6,361,299	82.356	5,187,060	31.466	1,981,847	80.271	5,055,704	44.058	2,774,908	134.431	4,840,952	1,433,969	27,635,739
35	Sanders	101	4,381,452	142.517	6,182,500	46.625	2,022,630	145.295	6,303,012	23.67	1,026,836	297.97	1,021,295	2,345,893	23,283,617
34	Sheridan	101	1,508,546	323.166	4,809,847	58.877	876,292	228.258	3,397,291	27.909	415,389	268.507	805,864	23,868	11,837,096
1	Silver Bow	102.5	8,381,365	348.305	28,479,909	38.716	3,165,722	225.471	18,436,165	57.438	4,696,578	74.442	46,084	12,041,937	75,247,760
32	Stillwater	101	6,518,664	171.028	10,621,754	29.958	1,860,550	121.163	7,524,857	18.843	1,170,259	180.789	2,016,096	1,128,030	30,840,211
40	Sweet Grass	101	3,234,213	194.14	6,148,949	23.27	737,041	90.327	2,860,914	9.379	297,070	138.015	753,181	38,340	14,069,707
31	Teton	101	2,179,484	152.656	3,203,098	51.224	1,074,803	213.226	4,474,010	0.274	5,744	137.845	535,945	1,503,140	12,976,224
21	Toole	101	2,210,762	268.789	5,800,704	44.748	965,705	200.341	4,323,529	10.655	229,948	249.3	1,008,648	650,059	15,189,355
33	Treasure	101	540,719	189.269	1,013,277	28.674	153,509	155.345	831,661	1.613	8,634	441.285	104,965	377,627	3,030,391
20	Valley	101	3,064,772	144.87	4,395,987	53.469	1,622,479	233.394	7,082,158	17.065	517,825	259.233	1,514,720	3,078,963	21,276,904
44	Wheatland	101	1,633,661	182.033	2,912,863	27.968	447,538	139.31	2,229,222	0	0	166.399	212,437	149,706	7,585,427
52	Wibaux	101	2,982,576	144.658	4,271,809	8.426	248,815	70.08	2,069,497	11.488	339,258	186.155	108,623	30,389	10,050,968
3	Yellowstone	102.5	42,706,313	144.468	59,132,707	40.552	16,598,520	235.129	96,241,165	3.403	1,392,954	177.782	42,302,672	39,418,509	297,792,839
	<b>Statewide Total</b>		<b>356,591,368</b>		<b>549,771,437</b>		<b>129,563,295</b>		<b>657,987,701</b>		<b>89,350,291</b>		<b>209,355,673</b>	<b>202,318,931</b>	<b>2,194,938,696</b>

<sup>1</sup> State assessed mills including: 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.

<sup>2</sup> The mill levy represents an average for all county wide levies, including the levy for Jr. Colleges where applicable.

<sup>3</sup> Total taxes from mill levies of all cities/towns within a county divided by total taxable value of the cities/towns.

## Property Taxes Levied and Average Mills - TY 2022

	County	State Assessed Mills <sup>1</sup> and Revenue		County Assessed Mills and Revenue		County Wide School Mills <sup>2</sup> and Revenue		Local School Average Mills and Revenue		Misc. & Fire District Average Mills & Revenue		City Average Mills <sup>3</sup> and Revenue		SID's and Fees	Total of All Taxes and Fees
		Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Revenue	Revenue
18	Beaverhead	101	2,640,711	166.004	4,340,038	47.99	1,254,657	207.961	5,436,959	14.815	387,326	202.94	1,313,530	1,498,122	16,871,344
22	Big Horn	101	2,420,794	381.781	8,974,664	25.741	605,103	190.986	4,489,588	6.727	158,144	196.301	977,506	1,829,804	19,455,604
24	Blaine	101	1,508,584	305.53	4,562,163	62.799	937,711	221.974	3,314,498	4.243	63,353	421.318	935,472	1,850,692	13,172,474
43	Broadwater	101	2,035,269	205.352	4,132,478	30.844	620,703	215.158	4,329,818	16.929	340,673	74.924	183,933	1,034,061	12,676,935
10	Carbon	101	5,982,480	132.159	7,249,280	36.74	2,015,307	162.505	8,913,892	20.026	1,098,489	132.553	1,350,817	1,285,770	27,896,037
42	Carter	101	7,654,505	101.606	7,700,462	3.671	278,230	30.927	2,343,849	0	0	302.623	140,879	69,791	18,187,716
2	Cascade	102.5	18,841,153	144.543	26,512,001	42.401	7,777,190	244.291	44,807,879	20.191	3,703,443	211.993	23,152,039	12,688,600	137,482,306
19	Chouteau	101	3,040,327	184.638	5,538,159	40.255	1,207,437	161.173	4,834,318	33.605	1,007,976	284.214	923,282	607,547	17,159,046
14	Custer	101	2,396,004	239.38	5,680,453	38.939	924,017	248.359	5,893,516	0	0	224.237	2,262,695	2,621,157	19,777,842
37	Daniels	101	685,822	242.967	1,649,822	64.488	437,896	220.118	1,494,673	69.5	471,929	253.405	322,296	519,954	5,582,393
16	Dawson	101	2,567,243	189.332	4,812,496	40.056	1,018,148	311.073	7,906,933	11.479	291,785	222.119	1,750,395	3,053,374	21,400,375
30	Deer Lodge	101	2,362,850	322.763	7,550,896	46.625	1,090,770	188.394	4,407,385	39.899	933,413	34.366	210,889	2,032,858	18,589,061
39	Fallon	101	6,438,328	158.847	10,125,801	0	0	52.118	3,322,283	5.246	334,425	219.33	618,090	88,855	20,927,782
8	Fergus	101	5,538,858	167.442	7,919,006	43.447	2,054,767	195.175	9,230,625	15.695	742,302	240.848	2,045,500	1,617,698	29,148,757
7	Flathead	101	34,541,332	134.937	46,136,115	42.03	14,370,317	227.695	77,850,919	23.715	8,108,378	117.099	13,996,902	24,017,521	219,021,484
6	Gallatin	101	46,896,115	103.137	47,886,300	34.601	16,065,153	189.141	87,817,561	34.341	15,944,627	191.498	40,640,368	7,578,904	262,829,027
50	Garfield	101	926,618	280.692	2,103,976	59.051	442,624	109.34	819,575	0	0	179.741	55,981	97,647	4,446,422
38	Glacier	101	2,947,816	268.03	7,822,795	61.296	1,789,012	246.705	7,200,405	7.721	225,351	355.82	892,070	917,311	21,794,759
53	Golden Valley	101	766,574	150.756	1,136,262	45.643	344,019	171.061	1,289,303	2.712	20,442	97.611	48,037	22,286	3,626,922
46	Granite	101	1,567,709	184.771	2,866,958	34.216	530,904	120.6	1,871,272	47.339	734,526	147.919	357,185	785,143	8,713,697
12	Hill	101	4,425,930	177.411	7,774,345	45.763	2,005,379	187.87	8,232,651	10.874	476,493	224.684	2,953,966	3,585,062	29,453,826
51	Jefferson	101	3,474,053	168.985	5,807,132	33.989	1,168,024	203.748	7,001,734	35.564	1,222,162	149.373	423,543	1,834,112	20,930,759
36	Judith Basin	101	2,431,738	119.173	2,648,333	25.035	556,350	120.762	2,683,637	11.217	249,278	159.676	106,209	85,941	8,761,485
15	Lake	101	7,814,120	169.93	13,147,074	44.727	3,460,415	149.782	11,588,237	32.794	2,537,221	176.74	2,446,764	7,813,910	48,807,740
5	Lewis & Clark	102.5	17,048,256	215.233	35,730,450	43.219	7,174,694	267.732	44,445,575	16.532	2,744,389	175.767	14,580,557	22,781,867	144,505,789
48	Liberty	101	946,328	252.071	2,361,802	40.917	383,372	134.181	1,257,217	9.937	93,103	168.923	177,839	218,833	5,438,493
56	Lincoln	101	4,292,592	144.392	6,136,296	37	1,572,393	176.6	7,505,075	26.052	1,107,148	159.28	924,529	3,035,619	24,573,652
25	Madison	101	21,052,786	80.926	16,867,847	6.27	1,306,960	30.329	6,321,654	27.854	5,805,786	132.524	796,716	3,514,095	55,665,844
41	McCone	101	808,154	296.44	2,371,972	52.919	423,434	191.171	1,529,660	0.295	2,358	333.828	289,801	106,152	5,531,531
47	Meagher	101	1,016,260	187.79	1,854,835	33.377	329,672	215.846	2,131,951	11.474	113,327	152.598	238,285	114,023	5,798,353
54	Mineral	101	1,240,078	206.04	2,529,745	32.449	398,400	245.213	3,010,702	26.435	324,569	220.393	383,888	181,719	8,069,102
4	Missoula	102.5	30,558,664	217.202	64,741,582	37.472	11,169,225	245.685	73,231,492	79.029	23,556,346	240.29	42,696,272	20,780,124	266,733,706
23	Musselshell	101	1,287,272	193.432	2,465,343	13.5	172,055	185.954	2,370,036	9.068	115,573	159.615	307,076	5,385,739	12,103,093
49	Park	101	6,874,302	111.831	7,611,455	36.212	2,464,643	135.98	9,255,126	17.561	1,195,270	181.717	3,718,742	3,692,401	34,811,939
55	Petroleum	101	173,842	337.067	580,163	76.305	131,336	204.254	351,564	7.929	13,647	272.046	42,550	153,540	1,446,642
11	Phillips	101	1,570,086	222.037	3,451,475	50.857	790,546	221.748	3,446,980	5.556	86,360	241.737	699,432	1,871,963	11,916,841
26	Pondera	101	1,778,695	256.107	4,496,797	37.297	654,862	209.887	3,685,255	15.908	279,322	159.856	577,325	620,863	12,093,120
9	Powder River	101	1,145,927	201.97	2,291,515	0	0	111.467	1,264,686	1.518	17,221	155.879	76,427	325,915	5,121,692
28	Powell	101	2,028,902	193.026	3,877,525	36.271	728,614	182.011	3,656,261	0	0	135.029	430,343	1,684,077	12,405,721

## Property Taxes Levied and Average Mills - TY 2022

	County	State Assessed Mills <sup>1</sup> and Revenue		County Assessed Mills and Revenue		County Wide School Mills <sup>2</sup> and Revenue		Local School Average Mills and Revenue		Misc. & Fire District Average Mills & Revenue		City Average Mills <sup>3</sup> and Revenue		SID's and Fees	Total of All Taxes and Fees
		Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Mill Levy	Revenue	Revenue	Revenue
45	Prairie	101	555,017	300.294	1,645,180	33.802	185,185	146.431	802,234	1.722	9,435	227.491	145,918	844,327	4,187,296
13	Ravalli	101	10,845,671	139.451	14,974,634	27.98	3,004,535	179.798	19,307,194	25.977	2,789,447	193.946	3,257,357	4,525,897	58,704,736
27	Richland	101	5,715,924	199.8	11,302,920	0	0	118.547	6,706,355	0	0	171.915	1,977,900	5,452,321	31,155,420
17	Roosevelt	101	3,207,031	261.122	8,288,412	29.065	922,562	154.364	4,899,735	14.222	451,433	284.316	1,139,490	931,496	19,840,159
29	Rosebud	101	6,754,683	90.668	5,840,094	30.861	1,987,826	69.665	4,487,246	42.672	2,748,588	142.086	4,941,309	1,487,534	28,247,279
35	Sanders	101	4,595,574	145.168	6,605,245	33.516	1,524,996	152.811	6,952,991	23.581	1,072,935	315.821	1,133,951	2,395,916	24,281,608
34	Sheridan	101	1,466,670	334.298	4,844,002	57.287	830,094	243.747	3,531,909	28.737	416,405	276.573	833,587	21,185	11,943,852
1	Silver Bow	102.5	9,201,047	341.319	30,638,984	38.483	3,454,484	203.205	18,240,960	63.736	5,721,342	76.189	48,197	10,905,801	78,210,814
32	Stillwater	101	6,886,220	178.588	11,737,694	27.559	1,811,310	120.245	7,903,126	17.165	1,128,169	189.746	2,276,856	1,398,175	33,141,550
40	Sweet Grass	101	3,344,142	205.619	6,725,242	24.713	808,290	89.059	2,912,876	12.157	397,616	141.986	804,006	44,842	15,037,014
31	Teton	101	2,239,180	154.508	3,352,649	49.015	1,063,562	203.88	4,423,962	0.274	5,947	144.785	583,038	1,504,139	13,172,477
21	Toole	101	2,203,751	281.501	6,139,804	38.535	840,490	177.158	3,863,983	8.429	183,836	252.402	1,063,666	753,419	15,048,950
33	Treasure	101	530,757	203.676	1,070,321	28.151	147,933	151.26	794,874	1.987	10,440	469.378	116,626	413,481	3,084,431
20	Valley	101	2,998,447	149.479	4,437,680	47.992	1,424,763	237.778	7,059,049	14.237	422,657	285.105	1,618,175	3,118,594	21,079,365
44	Wheatland	101	1,776,969	182.369	3,196,498	29.275	513,128	121.737	2,133,766	0	0	165.467	213,586	153,405	7,987,352
52	Wibaux	101	3,461,161	144.365	4,947,243	7.605	260,630	70	2,398,824	11.518	394,698	202.151	119,593	30,383	11,612,534
3	Yellowstone	102.5	43,516,770	144.882	60,504,934	40.556	16,936,655	234.959	98,122,156	5.564	2,323,622	209.228	50,628,142	42,011,323	314,043,602
	<b>Statewide Total</b>		<b>371,026,095</b>		<b>587,697,349</b>		<b>124,370,782</b>		<b>675,085,981</b>		<b>92,582,726</b>		<b>234,949,526</b>	<b>217,995,289</b>	<b>2,303,707,749</b>

<sup>1</sup> State assessed mills including: 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.

<sup>2</sup> The mill levy represents an average for all county wide levies, including the levy for Jr. Colleges where applicable.

<sup>3</sup> 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 2021 and 2022

The following table displays taxable value, mill rate, and estimated taxes levied for cities and towns. The cities listed are only those that levy mills to fund city municipal governments. The estimated taxes levied are the amount of property tax that is paid to the city government to fund the municipality. Property owners in these cities are levied other mills used to fund county governments, schools, miscellaneous districts, and the state.

County	City	TY 2021 (FY 2022)			TY 2022 (FY 2023)		
		Taxable Value	Mill Levy	Estimated Taxes	Taxable Value	Mill Levy	Estimated Taxes
Beaverhead	Dillon	6,099,867	194.16	1,184,328	6,173,468	203.72	1,257,678
Beaverhead	Lima	300,763	167.02	50,234	299,051	186.76	55,852
Big Horn	Hardin	4,131,082	159.11	657,312	4,852,171	198.54	963,361
Big Horn	Lodge Grass	128,873	110.34	14,220	127,447	110.99	14,145
Blaine	Chinook	1,578,564	262.66	414,622	1,600,149	268.45	429,563
Blaine	Harlem	627,748	779.79	489,510	620,198	815.72	505,909
Broadwater	Townsend	2,417,187	75.26	181,906	2,454,935	74.92	183,933
Carbon	Bearcreek	151,026	106.99	16,158	154,483	110.67	17,096
Carbon	Bridger	863,681	246.63	213,008	921,506	251.1	231,386
Carbon	Fromberg	371,871	156.03	58,023	405,848	158.73	64,420
Carbon	Joliet	662,016	151.91	100,567	669,069	156.6	104,774
Carbon	Red Lodge	7,715,896	62.63	483,270	8,039,881	116.06	933,140
Carter	Ekalaka	435,818	291.57	127,073	465,525	302.62	140,879
Cascade	Belt	562,612	209.82	118,049	576,033	187.73	108,137
Cascade	Cascade	934,935	148.89	139,204	990,683	149.91	148,513
Cascade	Great Falls	105,111,802	201.52	21,182,078	107,161,880	213.29	22,856,935
Cascade	Neihart	468,866	78.13	36,632	482,556	79.69	38,455
Chouteau	Big Sandy	630,341	130.63	82,339	631,799	134.42	84,926
Chouteau	Fort Benton	2,255,604	325.88	735,048	2,352,134	326.2	767,258
Chouteau	Geraldine	258,960	264.65	68,534	264,607	268.69	71,098
Custer	Ismay	62,683	49.8	3,122	60,264	53.11	3,201
Custer	Miles City	9,929,032	226.84	2,252,332	10,030,376	225.27	2,259,495
Daniels	Flaxville	86,273	157.48	13,586	88,417	159.21	14,077
Daniels	Scobey	1,249,381	225.9	282,232	1,183,444	260.44	308,219
Dawson	Glendive	7,851,260	208.44	1,636,521	7,682,935	223.38	1,716,183
Dawson	Richey	198,240	168.82	33,468	197,506	173.22	34,212
Deer Lodge	Anaconda	5,813,446	33.82	196,638	6,136,645	34.37	210,889
Fallon	Baker	2,623,431	223.02	585,071	2,651,062	227.14	602,160
Fallon	Plevna	167,022	95.19	15,899	167,014	95.38	15,929
Fergus	Denton	236,699	338.74	80,180	223,313	368.81	82,361
Fergus	Grass Range	89,520	150.06	13,433	94,290	152.81	14,408
Fergus	Lewistown	7,355,623	240.42	1,768,464	7,525,099	245.29	1,845,858
Fergus	Moore	390,659	198.64	77,601	391,935	201.09	78,813
Fergus	Winifred	250,527	88.91	22,275	258,267	93.16	24,060
Flathead	Columbia Falls	9,962,986	192.58	1,918,712	10,147,961	154.48	1,567,665
Flathead	Kalispell	57,109,476	167.42	9,561,268	59,026,609	165.9	9,792,536
Flathead	Whitefish	47,225,701	51.7	2,441,783	50,355,716	52.36	2,636,702
Gallatin	Belgrade	22,053,945	170.24	3,754,354	23,622,905	177.03	4,181,996
Gallatin	Bozeman	166,073,982	152.25	25,285,257	171,349,879	203.96	34,948,405
Gallatin	Manhattan	5,039,875	111.75	563,227	5,199,392	115.01	597,963
Gallatin	Three Forks	3,506,518	118.99	417,250	3,577,900	119.7	428,287
Gallatin	West Yellowstone	8,478,953	75.24	637,950	8,473,589	57.09	483,717
Garfield	Jordan	300,895	179.05	53,874	311,457	179.74	55,981
Glacier	Cut Bank	2,524,498	306.44	773,597	2,507,079	355.82	892,070
Golden Valley	Lavina	266,276	92.04	24,508	270,703	92.05	24,918
Golden Valley	Ryegate	216,960	103.68	22,493	221,428	104.41	23,119
Granite	Drummond	504,732	150.09	75,756	503,344	172.32	86,738
Granite	Philipsburg	1,874,528	139.36	261,243	1,911,394	141.49	270,447
Hill	Havre	12,761,093	226.5	2,890,334	12,914,052	227.78	2,941,610
Hill	Hingham	242,138	53	12,833	233,137	53	12,356
Jefferson	Boulder	1,270,774	176.25	223,973	1,278,573	184.16	235,465
Jefferson	Whitehall	1,522,250	118.54	180,453	1,556,903	120.8	188,078
Judith Basin	Hobson	214,430	126.41	27,106	217,580	129.62	28,203
Judith Basin	Stanford	457,782	166.72	76,323	447,572	174.29	78,005
Lake	Polson	10,953,284	176.56	1,933,917	11,129,479	173.52	1,931,173
Lake	Ronan	1,990,039	113.85	226,560	2,050,189	213.91	438,562

County	City	TY 2021 (FY 2022)			TY 2022 (FY 2023)		
		Taxable Value	Mill Levy	Estimated Taxes	Taxable Value	Mill Levy	Estimated Taxes
Lake	St. Ignatius	649,001	114.16	74,087	664,178	115.98	77,029
Lewis & Clark	East Helena	2,793,952	226.57	633,014	3,160,076	228.4	721,773
Lewis & Clark	Helena	78,220,984	169.12	13,229,080	79,793,740	173.68	13,858,784
Liberty	Chester	1,038,724	164.74	171,123	1,052,779	168.92	177,839
Lincoln	Eureka	1,639,849	169.84	278,508	1,633,665	168.47	275,229
Lincoln	Libby	3,207,358	143.49	460,230	3,304,987	146.12	482,910
Lincoln	Troy	867,187	162.25	140,703	865,772	192.19	166,390
Madison	Ennis	3,469,709	143.12	496,575	3,606,557	155.76	561,755
Madison	Sheridan	1,109,983	103.38	114,749	1,153,236	103.52	119,380
Madison	Twin Bridges	611,017	125.2	76,499	633,212	126.5	80,103
Madison	Virginia City	600,531	64.48	38,724	618,873	57.32	35,477
McCone	Circle	820,868	315.54	259,014	868,117	333.83	289,801
Meagher	White Sulphur Springs	1,508,111	149.43	225,361	1,561,521	152.6	238,285
Mineral	Alberton	589,507	165.69	97,673	592,564	179.51	106,369
Mineral	Superior	1,129,412	229.15	258,805	1,149,275	241.47	277,519
Missoula	Missoula	174,569,759	234.28	40,898,319	177,686,169	240.29	42,696,272
Musselshell	Melstone	153,416	352.7	54,110	156,650	361.21	56,584
Musselshell	Roundup	1,743,933	177.01	308,695	1,767,200	141.74	250,492
Park	Clyde Park	560,205	54.67	30,626	582,051	55.15	32,102
Park	Livingston	18,841,871	188.1	3,544,117	19,882,380	185.42	3,686,640
Petroleum	Winnett	148,233	246.04	36,471	156,408	272.05	42,550
Phillips	Dodson	145,941	199.21	29,072	124,695	257.89	32,157
Phillips	Malta	2,461,602	216.09	531,923	2,499,648	224.19	560,405
Phillips	Saco	284,399	377.47	107,353	269,021	397.25	106,870
Pondera	Conrad	2,863,801	166.01	475,425	2,881,515	170.15	490,285
Pondera	Valier	729,059	117.43	85,613	730,017	119.23	87,040
Powder River	Broadus	482,995	151.96	73,398	490,300	155.88	76,427
Powell	Deer Lodge	3,126,996	137.42	429,719	3,187,046	135.03	430,343
Prairie	Terry	645,201	219.18	141,416	641,423	227.49	145,918
Ravalli	Darby	1,013,898	125.21	126,946	1,039,110	127.28	132,261
Ravalli	Hamilton	11,430,087	232.75	2,660,352	11,703,073	234.69	2,746,594
Ravalli	Pinesdale	441,259	72.72	32,089	450,551	71.15	32,058
Ravalli	Stevensville	3,558,209	93.9	334,126	3,602,451	96.17	346,444
Richland	Fairview	1,047,196	181.05	189,593	1,053,460	188.16	198,216
Richland	Sidney	10,463,368	158.64	1,659,889	10,451,635	170.28	1,779,684
Roosevelt	Bainville	313,426	226.69	71,051	303,354	240.3	72,896
Roosevelt	Culbertson	1,347,170	163.75	220,604	1,257,486	186.22	234,172
Roosevelt	Froid	200,652	195.73	39,273	218,119	202.6	44,192
Roosevelt	Poplar	431,364	382.38	164,945	464,391	392.97	182,493
Roosevelt	Wolf Point	1,759,614	334.85	589,213	1,764,487	343.29	605,737
Rosebud	Colstrip	33,973,880	125.79	4,273,487	32,687,804	131.97	4,313,921
Rosebud	Forsyth	2,036,802	278.61	567,466	2,089,070	300.32	627,387
Sanders	Hot Springs	490,391	339.05	166,267	523,649	339.64	177,853
Sanders	Plains	1,376,373	311.78	429,126	1,411,818	352.41	497,535
Sanders	Thompson Falls	1,560,749	272.88	425,902	1,655,021	277.07	458,562
Sheridan	Medicine Lake	254,318	430.16	109,397	255,606	453.45	115,904
Sheridan	Outlook	94,727	159.94	15,151	97,109	163.83	15,909
Sheridan	Plentywood	2,228,243	219.82	489,816	2,235,398	226.33	505,939
Sheridan	Westby	423,992	451.66	191,500	425,867	459.85	195,835
Silver Bow	Walkerville	619,049	74.44	46,084	632,595	76.19	48,197
Stillwater	Columbus	11,151,637	180.79	2,016,096	11,999,498	189.75	2,276,856
Sweet Grass	Big Timber	5,457,226	138.02	753,181	5,662,574	141.99	804,006
Teton	Choteau	2,189,595	97.95	214,479	2,247,585	99.77	224,250
Teton	Dutton	300,580	280.7	84,373	308,356	330.57	101,935
Teton	Fairfield	1,397,864	169.61	237,093	1,470,975	174.61	256,854
Toole	Kevin	113,789	408.28	46,458	111,456	443.82	49,466

County	City	TY 2021 (FY 2022)			TY 2022 (FY 2023)		
		Taxable Value	Mill Levy	Estimated Taxes	Taxable Value	Mill Levy	Estimated Taxes
Toole	Shelby	3,467,260	238.59	827,242	3,575,766	240.13	858,655
Toole	Sunburst	464,877	290.29	134,948	526,947	295.18	155,545
Treasure	Hysham	237,862	441.28	104,965	248,469	469.38	116,626
Valley	Fort Peck	593,105	62.47	37,053	565,519	68.52	38,749
Valley	Glasgow	4,829,816	290.4	1,402,592	4,687,016	320.15	1,500,529
Valley	Nashua	321,639	178.31	57,351	319,073	186.22	59,419
Valley	Opheim	98,521	179.91	17,724	104,100	187.11	19,478
Wheatland	Harlowton	1,093,124	164.96	180,319	1,112,153	164.04	182,442
Wheatland	Judith Gap	183,548	174.98	32,118	178,657	174.32	31,144
Wibaux	Wibaux	583,507	186.15	108,623	591,604	202.15	119,593
Yellowstone	Billings	227,603,350	177.34	40,364,193	231,371,700	210.4	48,680,916
Yellowstone	Broadview	222,166	234.68	52,138	230,500	239.45	55,194
Yellowstone	Laurel	10,120,835	186.38	1,886,340	10,373,746	182.39	1,892,032
<b>Total</b>		<b>1,177,071,095</b>		<b>209,355,673</b>	<b>1,204,961,654</b>		<b>234,949,526</b>

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

## Property Taxes Paid by Type of Property

This section summarizes property taxes paid by each type of property. The actual amount of taxes paid is determined by the interaction of mills and taxable value. Identical properties in separate locations may have different taxes because they have different levels of services, or different jurisdictions may have different costs of providing services and therefore different millage rates. Neighboring properties in different classes with identical market values may pay different taxes because of the application of different tax rates for different classes of property.

The tables on the following pages show the distribution of taxes paid by each class of property, the average mill for the individual classes, and the effective rate taxpayers pay on their assessed value.

Tax Years 2021 and 2022 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/>.

			Valuation by Property Type				Taxes Levied by Levy Type	
Property Type	2022 Tax Rate	Class	2022 Total Assessed Value	2022 Total Taxable Value	Assessed Value within Towns/Cities	Taxable Value within Towns/Cities	University (6 mills)	State General Fund (95 mills)
<b>Proceeds</b>								
Net Proceeds	100.00%	1.0	\$4,379,892	\$4,379,892	\$0	\$0	\$26,279	\$416,090
Gross Proceeds of Metal Mines	3.00%	2.0	\$1,582,322,789	\$47,469,685	\$202,910,969	\$6,087,329	\$284,818	\$4,527,397
Gross Proceeds of Metal Mines New & Expanding	2.70%	2.0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>			<b>\$1,586,702,681</b>	<b>\$51,849,577</b>	<b>\$202,910,969</b>	<b>\$6,087,329</b>	<b>\$311,097</b>	<b>\$4,943,486</b>
<b>Subtotal Percent of Column Statewide Total</b>			<b>0.82%</b>	<b>1.43%</b>	<b>0.28%</b>	<b>0.51%</b>	<b>1.42%</b>	<b>1.42%</b>
<b>Agricultural Land</b>								
Tillable Irrigated	2.16%	3.0	\$1,098,115,565	\$23,719,374	\$1,795,412	\$38,783	\$142,316	\$2,256,769
Tillable Non-Irrigated	2.16%	3.0	\$3,377,707,148	\$72,958,738	\$943,292	\$20,382	\$437,752	\$6,935,435
Grazing Land	2.16%	3.0	\$1,758,251,755	\$37,981,063	\$563,039	\$12,232	\$227,886	\$3,612,761
Wild Hay	2.16%	3.0	\$325,264,455	\$7,025,773	\$217,122	\$4,690	\$42,155	\$668,402
Timber Land	0.31%	10.0	\$1,526,654,816	\$4,732,957	\$475,116	\$1,472	\$28,398	\$450,749
<b>Subtotal</b>			<b>\$8,085,993,739</b>	<b>\$146,417,905</b>	<b>\$3,993,981</b>	<b>\$77,559</b>	<b>\$878,507</b>	<b>\$13,924,117</b>
<b>Subtotal Percent of Column Statewide Total</b>			<b>4.17%</b>	<b>4.04%</b>	<b>0.01%</b>	<b>0.01%</b>	<b>4.00%</b>	<b>3.99%</b>
<b>Residential Land</b>								
Farmstead 1 Acre	1.35%	4.2	\$54,437,262	\$1,169,438	\$270,609	\$5,833	\$7,017	\$111,291
Non-Qualified Ag Land	15.12%	3.0	\$61,782,373	\$9,341,069	\$566,572	\$85,746	\$56,045	\$890,411
Non-Q Ag Land 1 Acre	1.35%	4.2	\$1,476,022,758	\$19,927,125	\$13,757,044	\$185,721	\$119,563	\$1,898,874
City/town Lots Residential	1.35%	4.2	\$12,951,107,743	\$174,840,259	\$12,286,884,387	\$165,872,894	\$1,049,040	\$16,741,626
Suburban Tracts Residential	1.35%	4.2	\$20,908,618,506	\$282,267,327	\$273,990,196	\$3,698,889	\$1,693,604	\$26,902,627
Suburban Tracts - Low Income	varies	4.2	\$1,213,199,480	\$4,797,204	\$468,004,198	\$1,942,666	\$28,783	\$458,662
<b>Subtotal</b>			<b>\$36,665,168,122</b>	<b>\$492,342,422</b>	<b>\$13,043,473,006</b>	<b>\$171,791,749</b>	<b>\$2,954,052</b>	<b>\$47,003,491</b>
<b>Subtotal Percent of Column Statewide Total</b>			<b>18.92%</b>	<b>13.58%</b>	<b>17.88%</b>	<b>14.26%</b>	<b>13.47%</b>	<b>13.46%</b>
<b>Residential Improvements</b>								
Impr. on Ag and Timber Land	1.35%	4.1	\$7,374,306,504	\$100,817,756	\$17,105,105	\$230,919	\$604,997	\$9,596,433
Impr. on Disparately Owned Ag Land	1.35%	4.1	\$7,464,180	\$100,762	\$38,900	\$525	\$605	\$9,573
Impr. on Right of Way - Agricultural	1.35%	4.1	\$1,233,990	\$16,659	\$1,164,380	\$15,719	\$100	\$1,583
Impr. on Suburban Tracts Residential	1.35%	4.1	\$50,741,153,899	\$711,249,419	\$550,831,697	\$7,149,257	\$4,267,494	\$67,798,413
Impr. on City/Town Lots Residential	1.35%	4.1	\$39,532,206,321	\$534,610,273	\$37,321,913,123	\$504,771,239	\$3,207,662	\$51,206,400
Impr. on Tracts and Lots - Low Income	varies	4.1	\$2,555,106,119	\$9,222,623	\$1,197,426,109	\$4,645,846	\$55,336	\$881,990
Impr. on Right of Way - Residential	1.35%	4.1	\$377,290	\$5,094	\$182,750	\$2,468	\$31	\$486
Remodeled Residential Improvements	varies	4.1	\$5,503,746	\$0	\$5,234,345	\$0	\$615	\$9,893
Mobile Homes	1.35%	4.1	\$922,820,146	\$12,458,333	\$257,176,297	\$3,471,986	\$74,733	\$1,190,249
Mobile Homes - Low Income	varies	4.1	\$68,824,932	\$263,263	\$25,417,990	\$94,775	\$1,580	\$25,225
Exempt Tribal Improvements	1.35%	4.1	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal</b>			<b>\$101,208,997,127</b>	<b>\$1,368,744,182</b>	<b>\$39,376,490,696</b>	<b>\$520,382,734</b>	<b>\$8,213,152</b>	<b>\$130,720,245</b>
<b>Subtotal Percent of Column Statewide Total</b>			<b>52.22%</b>	<b>37.75%</b>	<b>53.98%</b>	<b>43.19%</b>	<b>37.44%</b>	<b>37.45%</b>

Property Type	Taxes Levied by Levy Type					Totals and Summaries		
	County	Miscellaneous and Fire	County Wide School Ret/Trans	Local Schools	Cities/Towns	Total Taxes Levied	Effective Rate	Average Mill Levy for Property Type
<b>Proceeds</b>								
Net Proceeds	\$453,137	\$175,771	\$62,027	\$461,153	\$0	\$1,594,457	36.40%	364.04
Gross Proceeds of Metal Mines	\$10,849,326	\$1,372,546	\$1,391,948	\$6,267,406	\$1,050,818	\$25,744,260	1.63%	542.33
Gross Proceeds of Metal Mines New & Expanding	\$0	\$0	\$0	\$0	\$0	\$0	-	-
<b>Subtotal</b>	<b>\$11,302,464</b>	<b>\$1,548,316</b>	<b>\$1,453,975</b>	<b>\$6,728,559</b>	<b>\$1,050,818</b>	<b>\$27,338,716</b>	<b>1.72%</b>	<b>527.27</b>
<b>Subtotal Percent of Column Statewide Total</b>	<b>1.92%</b>	<b>1.67%</b>	<b>1.17%</b>	<b>1.00%</b>	<b>0.45%</b>	<b>1.31%</b>		
<b>Agricultural Land</b>								
Tillable Irrigated	\$4,594,403	\$413,980	\$863,401	\$4,612,247	\$6,673	\$12,889,788	1.17%	543.43
Tillable Non-Irrigated	\$16,751,049	\$1,159,259	\$3,071,173	\$13,096,591	\$4,332	\$41,455,592	1.23%	568.21
Grazing Land	\$7,840,456	\$418,783	\$1,351,167	\$6,332,002	\$2,281	\$19,785,336	1.13%	520.93
Wild Hay	\$1,328,535	\$86,132	\$229,285	\$1,198,321	\$1,163	\$3,553,993	1.09%	505.85
Timber Land	\$805,107	\$78,668	\$173,790	\$850,792	\$132	\$2,387,636	0.16%	504.47
<b>Subtotal</b>	<b>\$31,319,551</b>	<b>\$2,156,822</b>	<b>\$5,688,815</b>	<b>\$26,089,952</b>	<b>\$14,580</b>	<b>\$80,072,344</b>	<b>0.99%</b>	<b>546.88</b>
<b>Subtotal Percent of Column Statewide Total</b>	<b>5.33%</b>	<b>2.33%</b>	<b>4.57%</b>	<b>3.86%</b>	<b>0.01%</b>	<b>3.84%</b>		
<b>Residential Land</b>								
Farmstead 1 Acre	\$224,649	\$23,231	\$42,009	\$212,133	\$687	\$621,016	1.14%	531.04
Non-Qualified Ag Land	\$1,702,328	\$226,282	\$330,129	\$1,743,346	\$15,700	\$4,964,242	8.04%	531.44
Non-Q Ag Land 1 Acre	\$3,112,162	\$650,832	\$700,273	\$3,576,444	\$25,980	\$10,084,127	0.68%	506.05
City/town Lots Residential	\$25,920,635	\$3,698,701	\$6,627,332	\$39,437,968	\$31,987,246	\$125,462,548	0.97%	717.58
Suburban Tracts Residential	\$42,300,780	\$11,261,671	\$9,434,530	\$48,914,927	\$663,542	\$141,171,681	0.68%	500.13
Suburban Tracts - Low Income	\$781,564	\$172,854	\$179,850	\$1,059,812	\$389,828	\$3,071,353	0.25%	640.24
<b>Subtotal</b>	<b>\$74,042,117</b>	<b>\$16,033,570</b>	<b>\$17,314,123</b>	<b>\$94,944,631</b>	<b>\$33,082,984</b>	<b>\$285,374,968</b>	<b>0.78%</b>	<b>579.63</b>
<b>Subtotal Percent of Column Statewide Total</b>	<b>12.60%</b>	<b>17.32%</b>	<b>13.92%</b>	<b>14.06%</b>	<b>14.08%</b>	<b>13.68%</b>		
<b>Residential Improvements</b>								
Impr. on Ag and Timber Land	\$18,089,749	\$2,242,336	\$3,612,312	\$18,195,064	\$42,159	\$52,383,052	0.71%	519.58
Impr. on Disparately Owned Ag Land	\$22,896	\$1,064	\$3,654	\$17,803	\$127	\$55,721	0.75%	553.00
Impr. on Right of Way - Agricultural	\$2,353	\$384	\$693	\$3,175	\$2,123	\$10,410	0.84%	624.92
Impr. on Suburban Tracts Residential	\$105,440,158	\$27,176,610	\$22,899,789	\$121,428,713	\$1,366,450	\$350,377,627	0.69%	492.62
Impr. on City/Town Lots Residential	\$79,202,502	\$9,972,542	\$20,618,426	\$122,350,871	\$98,648,678	\$385,207,079	0.97%	720.54
Impr. on Tracts and Lots - Low Income	\$1,520,358	\$250,717	\$351,412	\$2,040,164	\$920,711	\$6,020,687	0.24%	652.82
Impr. on Right of Way - Residential	\$889	\$53	\$197	\$1,306	\$603	\$3,564	0.94%	699.74
Remodeled Residential Improvements	\$0	\$0	\$0	\$0	\$0	\$10,508	0.19%	-
Mobile Homes	\$2,045,444	\$409,963	\$486,122	\$2,721,833	\$640,816	\$7,569,161	0.82%	607.56
Mobile Homes - Low Income	\$42,681	\$12,698	\$10,570	\$61,626	\$18,133	\$172,512	0.25%	655.28
Exempt Tribal Improvements	\$0	\$0	\$0	\$0	\$0	\$0	-	-
<b>Subtotal</b>	<b>\$206,367,029</b>	<b>\$40,066,367</b>	<b>\$47,983,174</b>	<b>\$266,820,554</b>	<b>\$101,639,800</b>	<b>\$801,810,322</b>	<b>0.79%</b>	<b>585.80</b>
<b>Subtotal Percent of Column Statewide Total</b>	<b>35.11%</b>	<b>43.28%</b>	<b>38.58%</b>	<b>39.52%</b>	<b>43.26%</b>	<b>38.44%</b>		

			Valuation of Property Type				Taxes Levied by Levy Type		
Property Type	2022 Tax Rate	Class	2022 Total Assessed Value	2022 Total Taxable Value	Assessed Value within Towns/Cities	Taxable Value within Towns/Cities	University (6 mills)	State General Fund (95 mills)	
<b>Commercial Land</b>									
Suburban Tracts Commercial	1.89%	4.9	\$2,254,301,028	\$42,606,357	\$222,946,895	\$4,213,691	\$255,522	\$4,068,128	
City/town Lots Commercial	1.89%	4.9	\$5,282,338,096	\$99,836,220	\$5,051,279,125	\$95,469,197	\$599,007	\$9,568,931	
Industrial Sites	1.89%	4.9	\$247,142,126	\$4,670,990	\$63,307,495	\$1,196,515	\$27,984	\$447,317	
Qualified Golf Courses	0.95%	4.9	\$60,318,321	\$573,030	\$9,602,748	\$91,232	\$3,438	\$54,589	
Locally Assessed Co-op Land	3.00%	5.0	\$45,310	\$1,359	\$5,705	\$171	\$8	\$129	
Eligible Mining Claims	2.16%	3.0	\$1,170,813	\$25,362	\$20,561	\$446	\$152	\$2,422	
Data Center Land	0.90%	17.0	\$118,299	\$1,065	\$0	\$0	\$6	\$103	
<b>Subtotal</b>			<b>\$7,845,433,993</b>	<b>\$147,714,383</b>	<b>\$5,347,162,529</b>	<b>\$100,971,252</b>	<b>\$886,117</b>	<b>\$14,141,619</b>	
<b>Subtotal Percent of Column Statewide Total</b>			<b>4.05%</b>	<b>4.07%</b>	<b>7.33%</b>	<b>8.38%</b>	<b>4.04%</b>	<b>4.05%</b>	
<b>Commercial Improvements</b>									
Impr. on Suburban Tracts Commercial	1.89%	4.8	\$4,899,339,642	\$92,597,528	\$474,125,377	\$8,960,971	\$555,224	\$8,837,326	
Impr. on City/Town Lots Commercial	1.89%	4.8	\$10,552,310,055	\$199,438,684	\$9,929,402,965	\$187,665,734	\$1,196,511	\$19,115,470	
Impr. on Right of Way - Commercial	1.89%	4.8	\$34,981,517	\$661,143	\$28,236,884	\$533,668	\$3,852	\$62,913	
Locally Assessed Co-op Improvements	3.00%	5.0	\$99,623	\$2,989	\$7,590	\$228	\$18	\$284	
Impr. on Qualified Golf Courses	0.95%	4.8	\$214,479,339	\$2,037,551	\$32,684,358	\$310,498	\$12,225	\$194,384	
Impr. on Industrial Sites	1.89%	4.8	\$1,626,960,543	\$30,749,556	\$414,568,047	\$7,835,345	\$183,384	\$2,942,254	
New Industrial Improvements	varies	4.8	\$112,060,408	\$1,649,736	\$50,979,406	\$711,680	\$12,708	\$202,401	
Improvements on Industrial Land	3.00%	5.0	\$53,650	\$1,609	\$0	\$0	\$10	\$153	
Remodeled Commercial Improvements	varies	4.8	\$15,890,203	\$102,059	\$15,859,203	\$101,473	\$1,802	\$28,866	
New and Expanding R & D Improvements	varies	5.0	\$1,350,280	\$6,346	\$1,331,200	\$6,256	\$153	\$2,425	
Impr. for Pollution Control	3.00%	5.0	\$20,778,832	\$483,086	\$2,944,133	\$6,075	\$2,899	\$46,461	
Data Centers Improvements	0.90%	17.0	\$17,071,695	\$153,645	\$11,656,545	\$104,909	\$922	\$14,669	
<b>Subtotal</b>			<b>\$17,495,375,787</b>	<b>\$327,883,932</b>	<b>\$10,961,795,708</b>	<b>\$206,236,837</b>	<b>\$1,969,708</b>	<b>\$31,447,606</b>	
<b>Subtotal Percent of Column Statewide Total</b>			<b>9.03%</b>	<b>9.04%</b>	<b>15.03%</b>	<b>17.12%</b>	<b>8.98%</b>	<b>9.01%</b>	
<b>Personal Property</b>									
Furniture and Fixtures	varies	8.0	\$879,740,856	\$16,748,698	\$605,132,565	\$11,052,579	\$100,492	\$1,603,643	
Machin. other than Farm, Min., Manuf.	varies	8.0	\$781,890,564	\$16,349,198	\$127,545,892	\$2,379,608	\$98,092	\$1,562,524	
Repair Tools	varies	8.0	\$3,251,108	\$64,243	\$1,292,704	\$22,355	\$385	\$6,144	
Manufacturing Machinery	varies	8.0	\$2,908,483,268	\$80,415,385	\$657,163,808	\$17,669,883	\$482,492	\$7,724,534	
Supplies and Materials	varies	8.0	\$426,492,965	\$12,012,816	\$45,201,889	\$1,043,710	\$72,077	\$1,152,301	
Rural Telephone Property	8.00%	7.0	\$219,703	\$17,576	\$31,333	\$2,506	\$105	\$1,670	
Air and H2O Pollution Control	3.00%	5.0	\$83,486,378	\$2,504,592	\$3,478,475	\$104,354	\$15,028	\$240,878	
Aluminum Electrolytic Equipment	3.00%	5.0	\$0	\$0	\$0	\$0	\$0	\$0	
Cable TV Systems	varies	8.0	\$269,096	\$4,957	\$180,544	\$3,323	\$30	\$472	
CB's and Mobile Phones	varies	8.0	\$4,397,395	\$127,615	\$150,640	\$3,736	\$766	\$12,263	
Rental Equipment	varies	8.0	\$11,490,982	\$183,319	\$2,753,755	\$42,971	\$1,100	\$17,495	
New & Expanding Ind- Mach & Eq	varies	8.0	\$461,403,768	\$5,010,387	\$35,118,022	\$320,173	\$77,787	\$1,248,201	
Oil & Gas Field Equipment	varies	8.0	\$216,853,683	\$5,069,700	\$2,834,090	\$43,084	\$30,418	\$481,643	
Oil & Gas Flow Lines	varies	8.0	\$96,158,892	\$2,477,604	\$413,568	\$6,304	\$14,866	\$235,390	
Ag Implements	varies	8.0	\$341,092,046	\$5,692,891	\$5,227,872	\$115,162	\$34,136	\$541,067	
Local Assessed Utility Intra-Co Lines	varies	8.0	\$0	\$0	\$0	\$0	\$0	\$0	
Centrally Assessed Personal Property	varies	8.0	\$101,518,536	\$2,954,389	\$0	\$0	\$17,726	\$280,667	
Failure to Report Penalty	8.00%	7.0	\$0	\$0	\$0	\$0	\$0	\$0	
Failure to Report Penalty	varies	8.0	\$32,978,351	\$549,846	\$8,047,308	\$121,383	\$3,299	\$52,441	
Coal and Ore Haulers	varies	8.0	\$0	\$0	\$0	\$0	\$0	\$0	
Data Center Personal Property	0.90%	17.0	\$179,629,323	\$1,616,664	\$73,039,129	\$657,352	\$9,700	\$155,022	
<b>Subtotal</b>			<b>\$6,529,356,914</b>	<b>\$151,799,880</b>	<b>\$1,567,611,593</b>	<b>\$33,588,482</b>	<b>\$958,499</b>	<b>\$15,316,354</b>	
<b>Subtotal Percent of Column Statewide Total</b>			<b>3.37%</b>	<b>4.19%</b>	<b>2.15%</b>	<b>2.79%</b>	<b>7.24%</b>	<b>7.26%</b>	

Property Type	Taxes Levied by Levy Type					Totals and Summaries		
	County	Miscellaneous and Fire	County Wide School Ret/Trans	Local Schools	Cities/Towns	Total Taxes Levied	Effective Rate	Average Mill Levy for Property Type
<b>Commercial Land</b>								
Suburban Tracts Commercial	\$6,544,929	\$2,109,957	\$1,452,000	\$8,290,914	\$863,872	\$23,585,322	1.05%	553.56
City/town Lots Commercial	\$14,593,875	\$2,038,237	\$3,803,290	\$22,209,864	\$18,994,039	\$71,807,244	1.36%	719.25
Industrial Sites	\$797,151	\$164,005	\$172,113	\$1,019,732	\$249,020	\$2,877,321	1.16%	616.00
Qualified Golf Courses	\$79,168	\$22,359	\$17,600	\$92,335	\$13,350	\$282,840	0.47%	493.59
Locally Assessed Co-op Land	\$285	\$41	\$62	\$293	\$23	\$842	1.86%	619.83
Eligible Mining Claims	\$5,293	\$851	\$772	\$4,967	\$35	\$14,491	1.24%	571.36
Data Center Land	\$364	\$79	\$41	\$233	\$0	\$826	0.70%	775.18
<b>Subtotal</b>	<b>\$22,021,064</b>	<b>\$4,335,530</b>	<b>\$5,445,878</b>	<b>\$31,618,338</b>	<b>\$20,120,339</b>	<b>\$98,568,886</b>	<b>1.26%</b>	<b>667.29</b>
<b>Subtotal Percent of Column Statewide Total</b>	<b>3.75%</b>	<b>4.68%</b>	<b>4.38%</b>	<b>4.68%</b>	<b>8.56%</b>	<b>4.73%</b>		
<b>Commercial Improvements</b>								
Impr. on Suburban Tracts Commercial	\$14,788,441	\$3,968,536	\$3,337,034	\$18,716,007	\$1,909,507	\$52,112,075	1.06%	562.78
Impr. on City/Town Lots Commercial	\$30,220,255	\$3,957,381	\$7,696,398	\$45,198,757	\$37,243,379	\$144,628,151	1.37%	725.18
Impr. on Right of Way - Commercial	\$93,933	\$13,928	\$23,446	\$141,877	\$116,156	\$456,105	1.30%	689.87
Locally Assessed Co-op Improvements	\$507	\$38	\$138	\$473	\$45	\$1,503	1.51%	502.73
Impr. on Qualified Golf Courses	\$301,094	\$63,507	\$62,226	\$320,526	\$52,114	\$1,006,077	0.47%	493.77
Impr. on Industrial Sites	\$5,823,151	\$685,724	\$1,129,503	\$6,300,628	\$1,742,136	\$18,806,780	1.16%	611.61
New Industrial Improvements	\$332,627	\$26,691	\$66,014	\$387,582	\$157,433	\$1,185,456	1.06%	718.57
Improvements on Industrial Land	\$317	\$53	\$50	\$330	\$0	\$912	1.70%	567.01
Remodeled Commercial Improvements	\$15,775	\$1,426	\$4,328	\$27,349	\$18,816	\$98,362	0.62%	963.78
New and Expanding R & D Improvements	\$1,406	\$52	\$236	\$1,463	\$1,065	\$6,799	0.50%	1071.46
Impr. for Pollution Control	\$107,492	\$6,191	\$19,207	\$127,774	\$1,388	\$311,411	1.50%	644.63
Data Centers Improvements	\$49,748	\$4,636	\$4,482	\$34,007	\$20,934	\$129,397	0.76%	842.18
<b>Subtotal</b>	<b>\$51,734,746</b>	<b>\$8,728,163</b>	<b>\$12,343,062</b>	<b>\$71,256,773</b>	<b>\$41,262,972</b>	<b>\$218,743,030</b>	<b>1.25%</b>	<b>667.14</b>
<b>Subtotal Percent of Column Statewide Total</b>	<b>8.80%</b>	<b>9.43%</b>	<b>9.92%</b>	<b>10.56%</b>	<b>17.56%</b>	<b>10.49%</b>		
<b>Personal Property</b>								
Furniture and Fixtures	\$2,435,001	\$430,181	\$605,676	\$3,357,956	\$2,108,040	\$10,640,988	1.21%	635.33
Machin. other than Farm, Min., Manuf.	\$3,107,138	\$517,592	\$559,043	\$3,056,476	\$458,843	\$9,359,708	1.20%	572.49
Repair Tools	\$8,379	\$1,572	\$2,172	\$11,863	\$4,134	\$34,649	1.07%	539.34
Manufacturing Machinery	\$14,488,385	\$1,219,839	\$2,985,095	\$16,370,273	\$3,507,311	\$46,777,929	1.61%	581.70
Supplies and Materials	\$2,164,199	\$180,715	\$424,745	\$2,347,274	\$206,817	\$6,548,127	1.54%	545.10
Rural Telephone Property	\$3,296	\$797	\$546	\$2,718	\$599	\$9,731	4.43%	553.64
Air and H2O Pollution Control	\$422,791	\$26,683	\$97,289	\$560,094	\$21,151	\$1,383,913	1.66%	552.55
Aluminum Electrolytic Equipment	\$0	\$0	\$0	\$0	\$0	\$0	-	-
Cable TV Systems	\$772	\$143	\$215	\$1,005	\$800	\$3,437	1.28%	693.44
CB's and Mobile Phones	\$21,765	\$2,164	\$4,681	\$28,518	\$733	\$70,889	1.61%	555.49
Rental Equipment	\$29,219	\$5,422	\$7,073	\$37,792	\$8,211	\$106,310	0.93%	579.92
New & Expanding Ind- Mach & Eq	\$961,720	\$83,214	\$193,882	\$1,072,973	\$57,223	\$3,695,000	0.80%	737.47
Oil & Gas Field Equipment	\$1,069,254	\$23,596	\$54,442	\$529,733	\$8,591	\$2,197,677	1.01%	433.49
Oil & Gas Flow Lines	\$535,304	\$15,633	\$28,857	\$232,754	\$1,315	\$1,064,120	1.11%	429.50
Ag Implements	\$1,247,324	\$100,442	\$255,559	\$1,088,416	\$19,922	\$3,286,867	0.96%	577.36
Local Assessed Utility Intra-Co Lines	\$0	\$0	\$0	\$0	\$0	\$0	-	-
Centrally Assessed Personal Property	\$669,688	\$8,936	\$12,770	\$206,658	\$0	\$1,196,445	1.18%	404.97
Failure to Report Penalty	\$0	\$0	\$0	\$0	\$0	\$0	-	-
Failure to Report Penalty	\$98,301	\$15,108	\$23,066	\$113,015	\$23,214	\$328,445	1.00%	597.34
Coal and Ore Haulers	\$0	\$0	\$0	\$0	\$0	\$0	-	-
Data Center Personal Property	\$534,995	\$77,570	\$53,250	\$356,007	\$131,168	\$1,317,712	0.73%	815.08
<b>Subtotal</b>	<b>\$27,797,529</b>	<b>\$2,709,608</b>	<b>\$5,308,362</b>	<b>\$29,373,524</b>	<b>\$6,558,072</b>	<b>\$88,021,948</b>	<b>1.35%</b>	<b>579.86</b>
<b>Subtotal Percent of Column Statewide Total</b>	<b>8.22%</b>	<b>5.65%</b>	<b>6.99%</b>	<b>6.99%</b>	<b>4.41%</b>	<b>7.04%</b>		

			Valuation by Property Type				Taxes Levied by Levy Type		
Property Type	2022 Tax Rate	Class	2022 Total Assessed Value	2022 Total Taxable Value	Assessed Value within Towns/Cities	Taxable Value within Towns/Cities	University (6 mills)	State General Fund (95 mills)	
<b>Utilities Real</b>									
Rural Co-op companies Real	3.00%	5.0	\$130,414,160	\$3,912,419	\$33,481,918	\$1,004,460	\$23,475	\$372,345	
Independent Tele Companies Real	3.00%	5.0	\$2,892,587	\$86,780	\$658,383	\$19,751	\$521	\$8,303	
Electric Companies Real	12.00%	9.0	\$47,322,712	\$5,678,728	\$4,001,601	\$480,192	\$34,072	\$541,715	
Gas & Electric Companies Real	12.00%	9.0	\$138,902,134	\$16,668,250	\$39,313,255	\$4,717,586	\$100,010	\$1,593,182	
Pipelines Real	12.00%	9.0	\$290,771,065	\$27,362,454	\$3,502,207	\$420,262	\$209,355	\$3,315,829	
Class 15 Pipeline Real	3.00%	15.0	\$13,248,174	\$177,068	\$0	\$0	\$1,062	\$16,821	
Telecom Companies Real	6.00%	13.0	\$320,757,799	\$19,245,491	\$160,522,592	\$9,631,366	\$115,473	\$1,841,900	
Centrally Assessed New & Exp Situs	9.60%	9.0	\$0	\$0	\$0	\$0	\$0	\$0	
Railroads Real	3.06%	12.0	\$116,987,104	\$3,579,808	\$45,630,371	\$1,396,286	\$21,479	\$341,958	
Airlines Real	3.06%	12.0	\$2,034,649	\$62,259	\$1,536,818	\$47,026	\$374	\$5,998	
Electric Generation Real Property	6.00%	13.0	\$1,123,021,977	\$67,381,322	\$465,873,521	\$27,952,412	\$404,288	\$6,422,950	
Rural Co-op Companies Real Prop New&-Exp	1.50%	5.0	\$0	\$0	\$0	\$0	\$0	\$0	
10 Year Exempt Electric Generation Real	0.00%	13.0	\$589,922	\$0	\$371,061	\$0	\$0	\$0	
<b>Subtotal</b>			<b>\$2,186,942,283</b>	<b>\$144,154,579</b>	<b>\$754,891,727</b>	<b>\$45,669,341</b>	<b>\$910,108</b>	<b>\$14,461,003</b>	
<b>Subtotal Percent of Column Statewide Total</b>			<b>1.13%</b>	<b>3.98%</b>	<b>1.03%</b>	<b>3.79%</b>	<b>4.15%</b>	<b>4.14%</b>	
<b>Utilities Personal</b>									
Rural Co-op Companies Pers Prop	3.00%	5.0	\$512,070,691	\$15,362,152	\$118,113,132	\$3,543,412	\$92,171	\$1,462,226	
Independent Tele Companies Pers Prop	varies	5.0	\$13,131,775	\$393,950	\$3,836,906	\$115,105	\$2,364	\$37,629	
Electric Companies Pers Prop	12.00%	9.0	\$21,137,556	\$2,536,502	\$16,879,188	\$2,025,498	\$15,219	\$241,278	
Gas & Electric Companies Pers Prop	12.00%	9.0	\$1,515,851,370	\$181,902,180	\$617,930,818	\$74,151,708	\$1,091,413	\$17,414,576	
Pipelines Pers Prop	12.00%	9.0	\$592,667,631	\$67,172,772	\$9,279,981	\$1,113,599	\$403,037	\$6,389,755	
Class 15 Pipeline Personal	3.00%	15.0	\$103,072,281	\$1,557,686	\$0	\$0	\$9,346	\$147,980	
Telecom Companies Pers Prop	6.00%	13.0	\$369,698,598	\$22,182,074	\$211,198,122	\$12,671,990	\$133,092	\$2,123,765	
Rural Co-op Companies Pers Prop New&-Exp	1.50%	5.0	\$0	\$0	\$0	\$0	\$0	\$0	
Railroads Pers Prop	3.06%	12.0	\$133,969,809	\$4,099,477	\$47,743,307	\$1,460,947	\$24,597	\$394,003	
Airlines Pers Prop	3.06%	12.0	\$29,060,686	\$889,260	\$16,983,179	\$519,686	\$5,336	\$85,391	
Electric Generation Personal Prop	6.00%	13.0	\$417,868,989	\$25,072,143	\$18,598,401	\$1,115,905	\$150,433	\$2,393,143	
Centrally Assessed Pollution Control	3.00%	5.0	\$449,782,507	\$1,052,325	\$144,703,828	\$578,862	\$6,314	\$99,971	
New & Exp Ind -Elect Gen/Tele Pers Prop	varies	13.0	\$0	\$0	\$0	\$0	\$0	\$0	
10 Year Exempt Electric Generation Pers Prop	0.00%	13.0	\$0	\$0	\$0	\$0	\$0	\$0	
<b>Subtotal</b>			<b>\$4,158,311,893</b>	<b>\$322,220,521</b>	<b>\$1,205,266,862</b>	<b>\$97,296,712</b>	<b>\$1,933,321</b>	<b>\$30,789,717</b>	
<b>Subtotal Percent of Column Statewide Total</b>			<b>2.15%</b>	<b>8.89%</b>	<b>1.65%</b>	<b>8.07%</b>	<b>8.81%</b>	<b>8.82%</b>	
<b>Utilities Mileage</b>									
Rural Co-op Companies Mileage	3.00%	5.0	\$986,987,594	\$29,609,673	\$48,090,738	\$1,442,730	\$177,658	\$2,817,707	
Independent Tele Companies Mileage	3.00%	5.0	\$36,312,345	\$1,089,377	\$1,475,101	\$44,254	\$6,536	\$104,048	
Rural Co-op Companies Mileage New&Exp	1.50%	5.0	\$0	\$0	\$0	\$0	\$0	\$0	
Exempt Fiberoptic or Coaxial Cable	0.00%	5.0	\$20,159,589	\$0	\$8,630,324	\$0	\$0	\$0	
Electric Companies Mileage	12.00%	9.0	\$162,807,108	\$19,536,862	\$21,944,808	\$2,633,378	\$117,221	\$1,861,153	
Gas & Electric Companies Mileage	12.00%	9.0	\$577,595,777	\$69,307,119	\$35,098,147	\$4,207,400	\$415,869	\$6,611,615	
Pipelines Mileage	12.00%	9.0	\$1,904,793,788	\$228,575,269	\$7,052,555	\$846,309	\$1,371,452	\$21,728,961	
Class 15 Pipeline Mileage	3.00%	15.0	\$39,121,843	\$586,827	\$0	\$0	\$3,521	\$55,749	
Telecom Companies Mileage	6.00%	13.0	\$230,809,944	\$13,848,617	\$87,148,916	\$5,228,941	\$83,092	\$1,327,423	
Railroads Mileage	3.06%	12.0	\$2,606,816,270	\$79,768,581	\$177,272,616	\$5,424,543	\$478,517	\$7,597,431	
Airlines Flight Property Mileage	3.06%	12.0	\$322,561,821	\$9,870,393	\$98,192,065	\$3,004,676	\$59,222	\$944,489	
Renewable Mileage	1.50%	14.0	\$46,046,025	\$690,690	\$0	\$0	\$4,144	\$65,776	
<b>Subtotal</b>			<b>\$6,934,012,104</b>	<b>\$452,883,408</b>	<b>\$484,905,270</b>	<b>\$22,832,231</b>	<b>\$2,717,232</b>	<b>\$43,114,352</b>	
<b>Subtotal Percent of Column Statewide Total</b>			<b>3.58%</b>	<b>12.49%</b>	<b>0.66%</b>	<b>1.89%</b>	<b>12.39%</b>	<b>12.35%</b>	

Property Type	Taxes Levied by Levy Type					Totals and Summaries		
	County	Miscellaneous and Fire	County Wide School Ret/Trans	Local Schools	Cities/Towns	Total Taxes Levied	Effective Rate	Average Mill Levy for Property Type
<b>Utilities Real</b>								
Rural Co-op companies Real	\$758,048	\$78,275	\$135,450	\$755,936	\$230,809	\$2,354,338	1.81%	601.76
Independent Tele Companies Real	\$16,949	\$1,285	\$3,164	\$16,815	\$4,651	\$51,689	1.79%	595.63
Electric Companies Real	\$963,433	\$108,666	\$170,084	\$613,831	\$64,900	\$2,496,702	5.28%	439.66
Gas & Electric Companies Real	\$3,381,021	\$461,850	\$580,174	\$3,261,116	\$979,273	\$10,356,625	7.46%	621.34
Pipelines Real	\$4,714,598	\$450,824	\$1,101,516	\$2,683,878	\$97,025	\$12,573,026	4.32%	459.50
Class 15 Pipeline Real	\$36,362	\$178	\$3	\$20,424	\$0	\$74,851	0.56%	422.73
Telecom Companies Real	\$3,376,376	\$399,793	\$726,588	\$4,254,035	\$1,904,637	\$12,618,802	3.93%	655.68
Centrally Assessed New & Exp Situs	\$0	\$0	\$0	\$0	\$0	\$0	-	-
Railroads Real	\$609,493	\$50,919	\$144,966	\$745,078	\$296,348	\$2,210,241	1.89%	617.42
Airlines Real	\$9,336	\$1,460	\$2,569	\$15,220	\$9,965	\$44,923	2.21%	721.55
Electric Generation Real Property	\$7,908,611	\$2,664,351	\$2,241,580	\$7,035,640	\$3,693,750	\$30,371,171	2.70%	450.74
Rural Co-op Companies Real Prop New&Exp	\$0	\$0	\$0	\$0	\$0	\$0	-	-
10 Year Exempt Electric Generation Real	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	-
<b>Subtotal</b>	<b>\$21,774,226</b>	<b>\$4,217,603</b>	<b>\$5,106,096</b>	<b>\$19,401,975</b>	<b>\$7,281,358</b>	<b>\$73,152,368</b>	<b>3.34%</b>	<b>507.46</b>
<b>Subtotal Percent of Column Statewide Total</b>	<b>3.71%</b>	<b>4.56%</b>	<b>4.11%</b>	<b>2.87%</b>	<b>3.10%</b>	<b>3.51%</b>		
<b>Utilities Personal</b>								
Rural Co-op Companies Pers Prop	\$2,973,910	\$315,656	\$552,622	\$2,989,125	\$796,919	\$9,182,628	1.79%	597.74
Independent Tele Companies Pers Prop	\$76,146	\$5,237	\$14,379	\$71,419	\$25,249	\$232,423	1.77%	589.98
Electric Companies Pers Prop	\$383,137	\$22,202	\$95,460	\$621,634	\$296,306	\$1,675,237	7.93%	660.45
Gas & Electric Companies Pers Prop	\$32,745,675	\$4,621,457	\$6,894,781	\$39,336,882	\$14,823,153	\$116,927,937	7.71%	642.81
Pipelines Pers Prop	\$10,908,765	\$545,654	\$1,177,351	\$6,750,451	\$252,575	\$26,427,588	4.46%	393.43
Class 15 Pipeline Personal	\$279,669	\$2,221	\$1,173	\$145,197	\$0	\$585,586	0.57%	375.93
Telecom Companies Pers Prop	\$3,712,915	\$429,494	\$864,952	\$5,040,372	\$2,521,502	\$14,826,094	4.01%	668.38
Rural Co-op Companies Pers Prop New&Exp	\$0	\$0	\$0	\$0	\$0	\$0	-	-
Railroads Pers Prop	\$677,848	\$55,331	\$169,907	\$863,036	\$320,462	\$2,505,184	1.87%	611.10
Airlines Pers Prop	\$124,989	\$30,135	\$35,177	\$220,048	\$108,948	\$610,023	2.10%	685.99
Electric Generation Personal Prop	\$4,641,975	\$498,497	\$892,330	\$4,162,114	\$163,588	\$12,902,081	3.09%	514.60
Centrally Assessed Pollution Control	\$154,628	\$47,188	\$37,479	\$85,228	\$76,404	\$507,213	0.11%	481.99
New & Exp Ind -Elect Gen/Tele Pers Prop	\$0	\$0	\$0	\$0	\$0	\$0	-	-
10 Year Exempt Electric Generation Pers Prop	\$0	\$0	\$0	\$0	\$0	\$0	-	-
<b>Subtotal</b>	<b>\$56,679,658</b>	<b>\$6,573,073</b>	<b>\$10,735,610</b>	<b>\$60,285,508</b>	<b>\$19,385,107</b>	<b>\$186,381,994</b>	<b>4.48%</b>	<b>578.43</b>
<b>Subtotal Percent of Column Statewide Total</b>	<b>9.64%</b>	<b>7.10%</b>	<b>8.63%</b>	<b>8.93%</b>	<b>8.25%</b>	<b>8.94%</b>		
<b>Utilities Mileage</b>								
Rural Co-op Companies Mileage	\$5,807,667	\$528,925	\$1,091,059	\$5,519,789	\$309,491	\$16,252,294	1.65%	548.88
Independent Tele Companies Mileage	\$242,819	\$24,547	\$41,542	\$169,129	\$7,963	\$596,586	1.64%	547.64
Rural Co-op Companies Mileage New&Exp	\$0	\$0	\$0	\$0	\$0	\$0	-	-
Exempt Fiberoptic or Coaxial Cable	\$0	\$0	\$0	\$0	\$0	\$0	0.00%	-
Electric Companies Mileage	\$3,704,587	\$260,236	\$671,516	\$3,772,593	\$387,283	\$10,774,589	6.62%	551.50
Gas & Electric Companies Mileage	\$13,295,358	\$1,448,583	\$2,563,243	\$12,671,990	\$860,147	\$37,866,805	6.56%	546.36
Pipelines Mileage	\$37,525,584	\$1,815,513	\$3,944,151	\$23,037,839	\$177,192	\$89,600,693	4.70%	392.00
Class 15 Pipeline Mileage	\$76,894	\$1,671	\$1,153	\$28,677	\$0	\$167,665	0.43%	285.71
Telecom Companies Mileage	\$2,296,461	\$335,039	\$547,445	\$3,094,706	\$1,038,039	\$8,722,206	3.78%	629.83
Railroads Mileage	\$16,159,985	\$1,131,092	\$3,022,585	\$15,061,110	\$1,140,730	\$44,591,449	1.71%	559.01
Airlines Flight Property Mileage	\$1,426,572	\$521,315	\$377,696	\$2,409,760	\$628,921	\$6,367,975	1.97%	645.16
Renewable Mileage	\$159,341	\$7,771	\$32,904	\$137,645	\$0	\$407,581	0.89%	590.11
<b>Subtotal</b>	<b>\$80,695,268</b>	<b>\$6,074,692</b>	<b>\$12,293,294</b>	<b>\$65,903,239</b>	<b>\$4,549,766</b>	<b>\$215,347,843</b>	<b>3.11%</b>	<b>475.50</b>
<b>Subtotal Percent of Column Statewide Total</b>	<b>13.73%</b>	<b>6.56%</b>	<b>9.88%</b>	<b>9.76%</b>	<b>1.94%</b>	<b>10.32%</b>		

			Valuation by Property Type				Taxes Levied by Levy Type	
Property Type	2022 Tax Rate	Class	2022 Total Assessed Value	2022 Total Taxable Value	Assessed Value within Towns/Cities	Taxable Value within Towns/Cities	University (6 mills)	State General Fund (95 mills)
<b>Wind Generation</b>								
Wind Generation Impr. New&Exp	varies	14.0	\$3,585,654	\$107,569	\$0	\$0	\$645	\$10,219
Wind Generation Personal Prop. New & Exp	varies	14.0	\$1,129,146,376	\$19,975,560	\$1,784,930	\$27,428	\$203,246	\$3,218,198
<b>Subtotal</b>			<b>\$1,132,732,030</b>	<b>\$20,083,129</b>	<b>\$1,784,930</b>	<b>\$27,428</b>	<b>\$203,892</b>	<b>\$3,228,417</b>
<b>Subtotal Percent of Column Statewide Total</b>			<b>0.58%</b>	<b>0.55%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.93%</b>	<b>0.92%</b>
<b>Statewide Summaries</b>								
<b>Statewide Total</b>			<b>\$193,829,026,673</b>	<b>\$3,626,093,918</b>	<b>\$72,950,287,271</b>	<b>\$1,204,961,654</b>	<b>\$21,935,686</b>	<b>\$349,090,408</b>
<b>Statewide Average Mill Levy</b>							<b>6.05</b>	<b>96.27</b>

Property Type	Taxes Levied by Levy Type					Totals and Summaries		
	County	Miscellaneous and Fire	County Wide School Ret/Trans	Local Schools	Cities/Towns	Total Taxes Levied	Effective Rate	Average Mill Levy for Property Type
<b>Wind Generation</b>								
Wind Generation Impr. New & Exp.	\$17,166	\$732	\$42	\$6,018	\$0	\$34,822	0.97%	323.72
Wind Generation Personal Prop. New & Exp.	\$3,946,531	\$138,250	\$698,351	\$2,656,911	\$3,730	\$10,865,218	0.96%	543.93
<b>Subtotal</b>	<b>\$3,963,697</b>	<b>\$138,982</b>	<b>\$698,393</b>	<b>\$2,662,929</b>	<b>\$3,730</b>	<b>\$10,900,040</b>	<b>0.96%</b>	<b>542.75</b>
<b>Subtotal Percent of Column Statewide Total</b>	<b>0.67%</b>	<b>0.15%</b>	<b>0.56%</b>	<b>0.39%</b>	<b>0.00%</b>	<b>0.52%</b>		
<b>Statewide Summaries</b>								
<b>Statewide Total</b>	<b>\$587,697,349</b>	<b>\$92,582,726</b>	<b>\$124,370,782</b>	<b>\$675,085,981</b>	<b>\$234,949,526</b>	<b>\$2,085,712,459</b>	<b>1.08%</b>	<b>575.20</b>
<b>Statewide Average Mill Levy</b>	<b>162.07</b>	<b>25.53</b>	<b>34.30</b>	<b>186.17</b>	<b>64.79</b>	<b>575.20</b>		

# 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 (TED) districts and urban renewal districts. 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 collect the incremental tax revenue from all local and state mills except the statewide 6-mill levy that is used to fund the university system. In 2022, TIFs collected \$51.005 million in revenue over an increment taxable value base of \$68.493 million. Therefore, the average mills for TIFs was 744.7 ( $(\$51.005 \text{ million} / \$68.493 \text{ million}) \times 1,000$ ).

## 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 at 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.

<b>TIF Taxable Value</b>	<b>Base Year</b>
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.

<b>TIF Taxable Value</b>	<b>Base Year</b>	<b>Year 2</b>
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.

<b>TIF Taxable Value</b>	<b>Base Year</b>	<b>Year 2</b>	<b>Year 3</b>
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.

<b>TIF Taxable Value</b>	<b>Base Year</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>
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

The following pages show a summary of the existing TIF districts.

**Tax Increment Financing Districts (TIF)/ Targeted Economic Development Districts (TEDD)  
TY 2021 Taxable Value of Increment and Revenue Generated for the District**

County	District	Year Created	Year of Ex-pected Expiration	2021 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
<b>Industrial Tax Increment Financing Districts</b>												
Big Horn	Hardin Industrial	2004	2031	\$888,168	\$465,144	\$423,024	\$42,725	\$118,655	\$123,198	\$67,377	\$4,179	\$356,136
Cascade	Airport TID	2008	2023	\$243,757	\$107,149	\$136,608	\$14,002	\$17,649	\$41,343	\$27,557	\$0	\$100,551
Cascade	East Industrial Park	2013	2028	\$508,647	\$2,322	\$506,325	\$51,898	\$65,445	\$153,420	\$102,222	\$10,953	\$383,938
Cascade	Int'l Malting TID	2005	2040	\$835,820	\$347,618	\$488,202	\$55,505	\$63,106	\$147,948	\$98,572	\$0	\$365,131
Cascade	Manchester Exit	2008	2022	\$85,635	\$3,217	\$82,418	\$8,448	\$13,001	\$24,877	\$0	\$1,486	\$47,813
Cascade	Montana Milling	2008	2022	\$45,382	\$381	\$45,001	\$4,613	\$7,099	\$13,583	\$0	\$811	\$26,106
Deer Lodge	Mill Creek	2008	2023	\$7,471,934	\$909,339	\$6,562,595	\$662,822	\$2,126,281	\$1,175,492	\$0	\$104,988	\$4,069,583
Flathead	Kalispell H	2005	2026	\$15,508	\$126	\$15,382	\$1,554	\$1,857	\$4,136	\$2,575	\$338	\$10,460
Gallatin	North Park URD	2017	2032	\$298,082	\$244,332	\$53,750	\$5,429	\$4,743	\$12,074	\$8,176	\$108	\$30,530
Hill	Hill Co Industrial	2013	2028	\$2,725	\$912	\$1,813	\$183	\$330	\$481	\$0	\$48	\$1,042
Jefferson	North Jefferson Co Industrial	2009	2024	\$166,298	\$18,590	\$147,708	\$14,919	\$24,266	\$32,761	\$0	\$6,538	\$78,484
Jefferson	Sunlight Industrial (4FT)	2009	2024	\$849,127	\$737,334	\$111,793	\$11,291	\$18,304	\$20,002	\$0	\$1,834	\$51,430
Missoula	Bonner Mill Industrial	2012	2027	\$612,018	\$121,676	\$490,342	\$50,260	\$104,617	\$146,188	\$0	\$100,845	\$401,909
Park	West End Industrial	2004	2025	\$267,037	\$128	\$266,909	\$26,958	\$27,637	\$54,196	\$51,476	\$166	\$160,434
Ravalli	Hamilton Airport	2015	2030	\$343,735	\$107,624	\$236,111	\$23,847	\$34,651	\$54,348	\$0	\$7,046	\$119,892
Ravalli	N Stevensville Industrial	2010	2025	\$106,153	\$109,850	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ravalli	Stevensville Airport	2013	2028	\$69,978	\$49,132	\$20,846	\$2,105	\$2,473	\$5,326	\$1,956	\$0	\$11,861
Silver Bow	Ramsey TIFID	1994	2022	\$6,909,434	\$1,721,230	\$5,188,204	\$531,791	\$1,809,506	\$1,026,948	\$0	\$58,081	\$3,426,326
Toole	Shelby Industrial	2013	2055	\$331,294	\$89,401	\$241,893	\$22,980	\$51,464	\$75,805	\$57,655	\$3,930	\$211,833
<b>Technology Tax Increment Financing Districts</b>												
Flathead	Kalispell G	2005	2026	\$121,888	\$390	\$121,498	\$12,271	\$14,962	\$33,118	\$20,341	\$2,673	\$83,365
Gallatin	S Bozeman Tech District	2012	2027	\$56,827	\$417	\$56,410	\$5,697	\$4,978	\$12,672	\$8,581	\$113	\$32,041
Missoula	Technology District	2005	2026	\$299,340	\$0	\$299,340	\$30,682	\$63,891	\$67,519	\$0	\$45,278	\$207,371
<b>Targeted Economic Development Tax Increment Financing Districts</b>												
Broadwater	Wheatland TEDD	2019	2034	\$147,158	\$164,172	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fergus	Lewistown TEDD	2017	2032	\$282,930	\$200,687	\$82,243	\$8,307	\$11,726	\$29,485	\$19,795	\$0	\$69,312
Flathead	Columbia Falls Industrial Park TEDD	2015	2030	\$2,787,205	\$1,896,297	\$890,908	\$90,031	\$108,132	\$290,658	\$171,575	\$28,482	\$688,878
Flathead	Columbia Rising TEDD	2018	2033	\$356,934	\$249,028	\$107,906	\$10,899	\$13,917	\$36,811	\$20,781	\$3,460	\$85,867
Flathead	Glacier Rail Park TEDD	2016	2031	\$258,951	\$7,057	\$251,894	\$25,441	\$30,523	\$91,069	\$42,172	\$5,542	\$194,746
Lincoln	Kootenai Business Park	2016	2035	\$133,208	\$157,299	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Missoula	Bonner W Log Yard TEDD	2014	2029	\$70,842	\$1,148	\$69,694	\$7,144	\$14,875	\$20,182	\$0	\$14,500	\$56,701
Missoula	The WYE	2020	2035	\$1,587,638	\$1,421,826	\$165,812	\$16,996	\$35,386	\$37,632	\$0	\$27,745	\$117,759
Silver Bow	South Butte TEDD	2017	2031	\$2,193,970	\$1,337,610	\$856,360	\$87,777	\$298,263	\$237,816	\$0	\$57,510	\$681,366
Yellowstone	Lockwood TEDD	2016	2031	\$997,044	\$848,362	\$148,682	\$15,661	\$26,831	\$55,651	\$0	\$489	\$98,632
<b>Urban Renewal Tax Increment Financing Districts</b>												
Cascade	GF DT Urban Renewal	2012	2040	\$4,831,372	\$3,643,698	\$1,187,674	\$121,737	\$153,451	\$359,483	\$239,599	\$25,868	\$900,138
Cascade	GF West Bank	2007	2040	\$1,466,388	\$292,536	\$1,173,852	\$120,320	\$151,572	\$354,712	\$236,539	\$25,539	\$888,682
Chouteau	1TID	1998	2028	\$230,237	\$160,843	\$69,394	\$7,009	\$9,552	\$16,797	\$22,612	\$2,587	\$58,556

**Tax Increment Financing Districts (TIF)/ Targeted Economic Development Districts (TEDD)  
TY 2021 Taxable Value of Increment and Revenue Generated for the District**

County	District	Year Created	Year of Expected Expiration	2021 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
Chouteau	2TID	2012	2027	\$93,595	\$17,494	\$76,101	\$11,487	\$10,465	\$18,416	\$24,781	\$2,830	\$67,980
Custer	Miles City Downtown	2015	2030	\$1,751,649	\$1,556,649	\$195,000	\$19,697	\$40,274	\$68,379	\$44,263	\$0	\$172,613
Deer Lodge	Ana - Downtown	2014	2029	\$1,158,718	\$856,215	\$302,503	\$30,553	\$98,004	\$54,434	\$10,235	\$40,408	\$233,634
Fallon	Baker Urban Renewal	2017	2032	\$648,967	\$699,066	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fergus	Lewistown Urban	2014	2029	\$1,703,967	\$1,482,192	\$221,775	\$22,543	\$31,627	\$79,471	\$53,347	\$0	\$186,988
Flathead	Columbia Falls URD	2015	2029	\$72,682	\$62,035	\$10,647	\$1,075	\$1,288	\$3,466	\$2,050	\$340	\$8,220
Flathead	Downtown Kalispell	2019	2034	\$1,978,483	\$1,665,094	\$313,389	\$31,652	\$37,943	\$113,286	\$52,468	\$12,104	\$247,453
Flathead	Kalispell C - amended 2011	2011	2037	\$9,156,831	\$7,932,918	\$1,223,913	\$123,615	\$148,208	\$442,438	\$204,908	\$29,873	\$949,042
Gallatin	Belgrade Urban Renewal	2017	2032	\$2,887,983	\$2,201,304	\$686,679	\$69,355	\$60,850	\$196,819	\$117,696	\$40,605	\$485,325
Gallatin	Bozeman Downtown	1995	2032	\$9,158,587	\$1,328,695	\$7,829,892	\$790,819	\$690,910	\$1,758,907	\$1,191,083	\$15,660	\$4,447,379
Gallatin	Bozeman Midtown URD	2006	2044	\$5,949,347	\$3,507,723	\$2,441,624	\$246,604	\$215,541	\$548,860	\$371,533	\$4,883	\$1,387,421
Gallatin	NE Urban Renewal	2006	2042	\$1,059,402	\$423,054	\$636,348	\$64,271	\$56,151	\$142,949	\$96,801	\$1,273	\$361,446
Gallatin	Pole Yard Urban Renewal District	2020	2035	\$1,392,912	\$1,137,056	\$255,856	\$25,841	\$22,609	\$57,605	\$38,960	\$512	\$145,527
Jefferson	Whitehall Urban Renewal	2013	2028	\$1,022,097	\$736,527	\$285,570	\$28,843	\$41,196	\$55,817	\$33,862	\$7,184	\$166,902
Lake	Polson	2002	2025	\$1,862,445	\$1,433,450	\$428,995	\$43,328	\$62,857	\$89,527	\$75,755	\$9,157	\$280,625
Lewis And Clark	Capital Hill	2020	2035	\$2,171,703	\$1,988,913	\$182,790	\$18,736	\$35,050	\$60,063	\$30,907	\$569	\$145,325
Lewis And Clark	Helena Urban Renewal District	2018	2033	\$6,293,182	\$6,100,262	\$192,920	\$19,788	\$36,987	\$63,330	\$32,601	\$599	\$153,306
Lewis And Clark	Railroad District Urban Renewal	2016	2030	\$2,735,079	\$2,334,837	\$400,242	\$41,025	\$76,750	\$131,563	\$67,688	\$1,247	\$318,273
Lincoln	Riverside	2001	2031	\$598,183	\$347,928	\$250,255	\$25,276	\$34,312	\$40,181	\$42,493	\$4,601	\$146,863
Missoula	Front St URD	2007	2046	\$3,247,883	\$1,413,035	\$1,834,848	\$188,072	\$347,358	\$546,098	\$429,877	\$103,579	\$1,614,984
Missoula	Hellgate URD	2014	2029	\$1,560,323	\$1,025,448	\$534,875	\$54,825	\$101,250	\$159,843	\$125,355	\$29,868	\$471,141
Missoula	N. Reserve Scott St. URD	2014	2045	\$3,321,204	\$1,491,205	\$1,829,999	\$187,575	\$346,394	\$516,267	\$428,996	\$101,331	\$1,580,562
Missoula	River Front URD	2008	2043	\$665,342	\$157,858	\$507,484	\$52,017	\$96,071	\$151,205	\$118,906	\$28,565	\$446,764
Missoula	URD II	1991	2031	\$6,249,446	\$1,859,823	\$4,389,623	\$449,936	\$830,979	\$1,296,391	\$1,028,575	\$246,616	\$3,852,499
Missoula	URD III	2007	2040	\$14,124,160	\$8,172,844	\$5,951,316	\$610,010	\$1,126,619	\$1,774,261	\$1,394,498	\$334,454	\$5,239,841
Musselshell	Downtown Roundup Urban Renewal	2018	2033	\$680,972	\$912,989	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Park	Livingston Urban Renewal	2003	2034	\$2,562,607	\$1,604,273	\$958,334	\$96,792	\$96,823	\$187,863	\$180,300	\$585	\$562,364
Ravalli	North Hamilton Urban Renewal	2018	2033	\$3,440,663	\$3,294,745	\$145,918	\$14,738	\$17,356	\$31,675	\$33,975	\$1,348	\$99,091
Silver Bow	BSB Harrison Ave S	2019	2034	\$4,367,288	\$3,840,166	\$527,122	\$54,030	\$183,787	\$146,610	\$0	\$35,505	\$419,932
Silver Bow	Butte Uptown URD	2014	2039	\$5,964,036	\$3,587,625	\$2,376,411	\$243,582	\$828,357	\$660,721	\$0	\$159,953	\$1,892,613
Yellowstone	2008 Expanded N 27th St	2008	2044	\$7,905,092	\$4,112,238	\$3,792,854	\$388,768	\$471,509	\$1,110,921	\$672,721	\$12,477	\$2,656,397
Yellowstone	East Billings	2006	2039	\$3,074,260	\$1,939,797	\$1,134,463	\$116,282	\$141,023	\$333,835	\$201,324	\$3,732	\$796,196
Yellowstone	Laurel	2007	2022	\$2,482,389	\$1,169,223	\$1,313,166	\$134,600	\$163,964	\$264,538	\$244,681	\$4,320	\$812,102
Yellowstone	South Billings Blvd	2008	2040	\$12,529,405	\$7,046,472	\$5,482,933	\$562,001	\$681,611	\$1,458,572	\$972,499	\$18,037	\$3,692,720
<b>Total</b>				<b>\$159,743,546</b>	<b>\$92,856,028</b>	<b>\$67,214,436</b>	<b>\$6,859,036</b>	<b>\$12,563,265</b>	<b>\$17,320,044</b>	<b>\$9,522,703</b>	<b>\$1,793,353</b>	<b>\$48,058,402</b>

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

## Tax Increment Financing Districts (TIF)/ Targeted Economic Development Districts (TEDD) TY 2022 Taxable Value of Increment and Revenue Generated for the District

County	District	Year Created	Year of Expected Expiration	2022 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
<b>Industrial Tax Increment Financing Districts</b>												
Big Horn	Hardin Industrial	2004	2031	\$1,605,045	\$465,144	\$1,139,901	\$115,130	\$358,898	\$283,111	\$226,452	\$11,084	\$994,675
Cascade	Airport TID	2008	2023	\$370,515	\$107,149	\$263,366	\$26,995	\$34,842	\$76,615	\$55,912	\$0	\$194,365
Cascade	East Industrial Park	2013	2028	\$516,131	\$2,322	\$513,809	\$52,665	\$68,111	\$149,008	\$109,545	\$11,545	\$390,875
Cascade	Int'l Malting TID	2005	2040	\$892,710	\$347,618	\$545,092	\$59,143	\$72,274	\$158,024	\$116,271	\$0	\$405,712
Deer Lodge	Mill Creek	2008	2023	\$8,033,369	\$909,339	\$7,124,030	\$719,527	\$2,299,281	\$1,689,464	\$0	\$113,968	\$4,822,239
Flathead	Kalispell H	2005	2026	\$18,351	\$126	\$18,225	\$1,841	\$2,198	\$4,789	\$3,018	\$0	\$11,845
Gallatin	Mandeville Farm	2017	2032	\$281,469	\$244,332	\$37,137	\$3,751	\$3,389	\$8,327	\$7,595	\$74	\$23,135
Hill	Hill Co Industrial	2013	2028	\$2,834	\$912	\$1,922	\$194	\$364	\$521	\$0	\$51	\$1,130
Jefferson	North Jefferson Co Industrial	2009	2024	\$169,441	\$18,590	\$150,851	\$15,236	\$25,701	\$32,417	\$0	\$6,830	\$80,184
Jefferson	Sunlight Industrial (4FT)	2009	2024	\$1,515,353	\$737,334	\$778,019	\$78,580	\$132,808	\$135,408	\$0	\$18,129	\$364,925
Missoula	Bonner Mill Industrial	2012	2027	\$548,065	\$121,676	\$426,389	\$43,705	\$97,890	\$121,738	\$0	\$90,573	\$353,906
Park	West End Industrial	2004	2025	\$279,638	\$128	\$279,510	\$28,231	\$28,704	\$54,712	\$51,988	\$175	\$163,810
Ravalli	Hamilton Airport	2015	2030	\$170,777	\$107,624	\$63,153	\$6,378	\$9,015	\$13,014	\$0	\$1,810	\$30,217
Ravalli	N Stevensville Industrial	2010	2025	\$102,716	\$109,850	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ravalli	Stevensville Airport	2013	2028	\$70,521	\$49,132	\$21,389	\$2,160	\$2,599	\$5,367	\$2,057	\$0	\$12,183
Toole	Shelby Industrial	2013	2055	\$331,425	\$89,401	\$242,024	\$22,992	\$54,037	\$67,181	\$58,134	\$4,020	\$206,364
<b>Technology Tax Increment Financing Districts</b>												
Flathead	Kalispell G	2005	2026	\$132,660	\$390	\$132,270	\$13,359	\$15,955	\$34,895	\$22,442	\$0	\$86,651
Gallatin	S Bozeman Tech District	2012	2027	\$56,827	\$417	\$56,410	\$5,697	\$5,147	\$12,648	\$11,536	\$113	\$35,142
Missoula	Technology District	2005	2026	\$303,307	\$0	\$303,307	\$31,089	\$70,171	\$69,858	\$0	\$47,118	\$218,236
<b>Targeted Economic Development Tax Increment Financing Districts</b>												
Broadwater	Wheatland TEDD	2019	2034	\$182,675	\$164,172	\$18,503	\$1,869	\$3,812	\$4,583	\$0	\$89	\$10,353
Fergus	Lewistown TEDD	2017	2032	\$301,352	\$200,687	\$100,665	\$10,167	\$14,362	\$44,760	\$24,659	\$0	\$93,948
Flathead	Columbia Falls Industrial Park TEDD	2015	2030	\$3,016,365	\$1,986,191	\$1,030,174	\$105,251	\$124,253	\$326,356	\$159,086	\$31,251	\$746,196
Flathead	Columbia Rising TEDD	2018	2033	\$392,255	\$249,028	\$143,227	\$14,466	\$17,283	\$46,005	\$25,073	\$4,471	\$107,298
Flathead	Glacier Rail Park TEDD	2016	2031	\$281,211	\$7,057	\$274,154	\$27,690	\$33,066	\$97,194	\$45,558	\$0	\$203,508
Lincoln	Kootenai Business Park	2016	2035	\$116,474	\$157,299	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Missoula	Bonner W Log Yard TEDD	2014	2029	\$73,079	\$1,148	\$71,931	\$7,373	\$16,671	\$20,497	\$0	\$15,322	\$59,863
Missoula	The WYE	2020	2035	\$1,690,336	\$1,421,826	\$268,510	\$27,522	\$61,916	\$62,159	\$0	\$46,098	\$197,695
Silver Bow	South Butte TEDD	2017	2031	\$2,216,024	\$1,337,610	\$878,414	\$90,037	\$299,946	\$225,850	\$0	\$65,157	\$680,990
Yellowstone	Lockwood TEDD	2016	2031	\$1,013,160	\$848,362	\$164,798	\$17,153	\$28,246	\$61,526	\$0	\$2,421	\$109,345
<b>Urban Renewal Tax Increment Financing Districts</b>												
Cascade	GF DT Urban Renewal	2012	2040	\$4,948,812	\$3,643,698	\$1,305,114	\$134,330	\$173,156	\$377,985	\$278,760	\$29,593	\$993,824
Cascade	GF West Bank	2007	2040	\$1,485,756	\$292,536	\$1,193,220	\$122,305	\$158,425	\$345,190	\$255,250	\$27,086	\$908,256
Chouteau	1TID	1998	2028	\$253,791	\$160,843	\$92,948	\$9,388	\$12,296	\$24,258	\$30,319	\$3,455	\$79,716
Chouteau	2TID	2012	2027	\$167,084	\$17,494	\$149,590	\$22,797	\$19,859	\$38,793	\$48,792	\$5,562	\$135,803
Custer	Miles City Downtown	2015	2030	\$1,764,331	\$1,556,649	\$207,682	\$20,976	\$45,900	\$70,358	\$46,786	\$0	\$184,020
Deer Lodge	Ana - Downtown	2014	2029	\$1,228,785	\$856,215	\$372,570	\$37,630	\$120,255	\$87,983	\$12,802	\$36,740	\$295,409
Fallon	Baker Urban Renewal	2017	2032	\$662,916	\$699,066	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fergus	Lewistown Urban	2014	2029	\$1,742,729	\$1,482,192	\$260,537	\$26,438	\$37,171	\$117,092	\$63,889	\$0	\$244,589

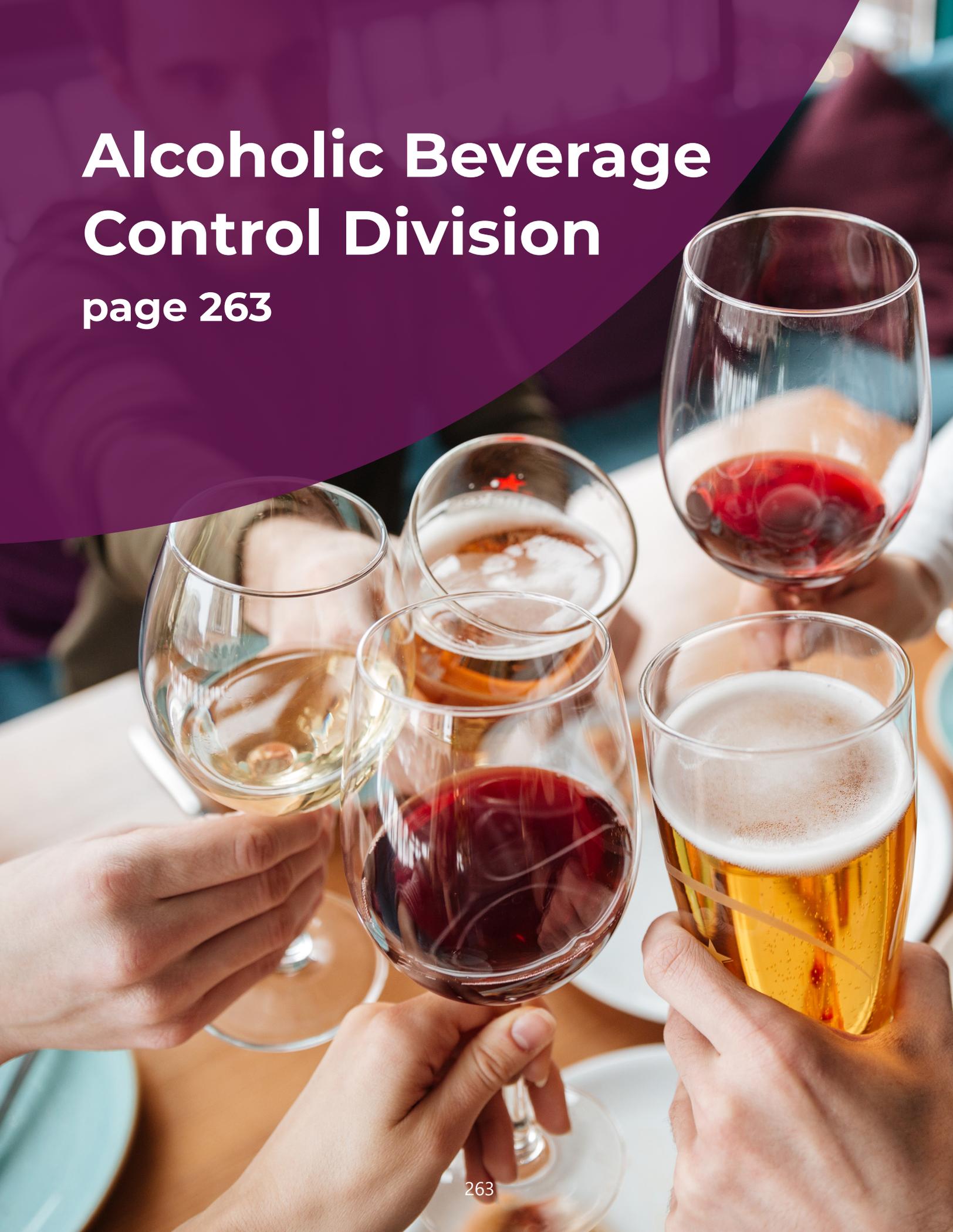
**Tax Increment Financing Districts (TIF)/ Targeted Economic Development Districts (TEDD)  
TY 2021 Taxable Value of Increment and Revenue Generated for the District**

County	District	Year Created	Year of Expected Expiration	2022 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 URD	2015	2029	\$71,464	\$62,035	\$9,429	\$952	\$1,137	\$2,984	\$1,444	\$286	\$6,803
Flathead	Downtown Kalispell	2019	2034	\$1,965,633	\$1,665,094	\$300,539	\$30,354	\$36,248	\$106,529	\$49,877	\$5,205	\$228,214
Flathead	Kalispell C - amended 2011	2011	2037	\$9,580,665	\$7,932,918	\$1,647,747	\$166,422	\$198,738	\$584,088	\$273,549	\$3,872	\$1,226,669
Gallatin	Belgrade Urban Renewal	2017	2032	\$2,900,835	\$2,201,304	\$699,531	\$70,653	\$63,764	\$192,322	\$123,746	\$42,354	\$492,839
Gallatin	Bozeman Downtown	1995	2032	\$9,574,014	\$1,328,695	\$8,245,319	\$832,777	\$752,385	\$1,848,765	\$1,686,168	\$16,491	\$5,136,586
Gallatin	Bozeman Midtown URD	2006	2044	\$6,243,560	\$3,507,723	\$2,735,837	\$276,320	\$249,620	\$613,433	\$559,049	\$5,472	\$1,703,893
Gallatin	NE Urban Renewal	2006	2042	\$1,083,525	\$423,054	\$660,471	\$66,708	\$60,268	\$148,091	\$135,066	\$1,321	\$411,454
Gallatin	Pole Yard Urban Renewal District	2020	2035	\$1,463,075	\$1,137,056	\$326,019	\$32,928	\$29,738	\$73,102	\$66,477	\$652	\$202,897
Jefferson	Whitehall Urban Renewal	2013	2028	\$1,039,646	\$736,527	\$303,119	\$30,615	\$45,601	\$60,217	\$36,619	\$6,467	\$179,518
Lake	Polson	2002	2025	\$1,834,627	\$1,433,450	\$401,177	\$40,519	\$59,065	\$76,873	\$69,618	\$8,589	\$254,664
Lewis And Clark	Capital Hill	2020	2035	\$2,221,567	\$1,988,913	\$232,654	\$23,847	\$46,148	\$76,583	\$40,417	\$743	\$187,737
Lewis And Clark	Helena Urban Renewal District	2018	2033	\$6,408,229	\$6,100,262	\$307,967	\$32,075	\$61,119	\$101,380	\$53,524	\$984	\$249,081
Lewis And Clark	Railroad District Urban Renewal	2016	2030	\$2,712,845	\$2,334,837	\$378,008	\$38,746	\$74,969	\$124,427	\$65,660	\$1,216	\$305,017
Lincoln	Riverside	2001	2031	\$598,412	\$347,928	\$250,484	\$25,299	\$36,153	\$42,766	\$42,199	\$4,639	\$151,056
Missoula	Front St URD	2007	2046	\$3,426,471	\$1,413,035	\$2,013,436	\$206,377	\$417,709	\$590,363	\$483,756	\$115,884	\$1,814,090
Missoula	Hellgate URD	2014	2029	\$1,532,840	\$1,025,448	\$507,392	\$52,008	\$105,016	\$148,824	\$121,826	\$29,193	\$456,867
Missoula	N. Reserve Scott St. URD	2014	2045	\$3,575,413	\$1,491,205	\$2,084,208	\$213,631	\$430,527	\$581,476	\$500,141	\$119,880	\$1,845,656
Missoula	River Front URD	2008	2043	\$654,294	\$157,858	\$496,436	\$50,885	\$103,000	\$145,559	\$119,279	\$28,573	\$447,295
Missoula	URD II	1991	2031	\$6,400,422	\$1,859,823	\$4,540,599	\$465,411	\$941,348	\$1,320,125	\$1,090,727	\$261,309	\$4,078,921
Missoula	URD III	2007	2040	\$14,418,761	\$8,172,844	\$6,245,917	\$640,206	\$1,294,561	\$1,831,626	\$1,500,264	\$359,436	\$5,626,093
Musselshell	Downtown Roundup Urban Renwal	2018	2033	\$683,112	\$912,989	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Park	Livingston Urban Renewal	2003	2034	\$2,633,069	\$1,604,273	\$1,028,796	\$103,908	\$106,212	\$201,406	\$190,761	\$648	\$602,936
Ravalli	North Hamilton Urban Renewal	2018	2033	\$3,634,398	\$3,294,745	\$339,653	\$34,305	\$41,242	\$70,023	\$79,703	\$3,092	\$228,365
Silver Bow	BSB Harrison Ave S	2019	2034	\$4,365,641	\$3,840,166	\$525,475	\$53,861	\$179,528	\$135,400	\$0	\$38,877	\$407,666
Silver Bow	Butte Uptown URD	2014	2039	\$7,436,169	\$3,587,625	\$3,848,544	\$394,476	\$1,314,600	\$990,903	\$0	\$284,989	\$2,984,968
Yellowstone	2008 Expanded N 27th St	2008	2044	\$7,780,524	\$4,112,238	\$3,668,286	\$375,999	\$458,449	\$1,071,494	\$770,754	\$17,340	\$2,694,036
Yellowstone	East Billings	2006	2039	\$3,034,972	\$1,939,797	\$1,095,175	\$112,255	\$136,808	\$319,893	\$229,067	\$5,174	\$803,197
Yellowstone	Laurel	2007	2022	\$2,551,585	\$1,169,223	\$1,382,362	\$141,692	\$172,741	\$272,694	\$252,213	\$7,280	\$846,620
Yellowstone	South Billings Blvd	2008	2040	\$12,713,367	\$7,124,210	\$5,589,157	\$572,889	\$698,483	\$1,513,850	\$1,173,877	\$26,419	\$3,985,518
<b>Total</b>				<b>\$159,477,424</b>	<b>\$91,298,832</b>	<b>\$68,492,578</b>	<b>\$6,988,183</b>	<b>\$12,563,179</b>	<b>\$18,112,880</b>	<b>\$11,371,706</b>	<b>\$1,969,117</b>	<b>\$51,005,064</b>

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

# Alcoholic Beverage Control Division

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# Liquor Distribution and Licensing and Compliance

Because the Alcoholic Beverage Control Division has two very different responsibilities, it is split into two bureaus: Liquor Distribution and Licensing and Compliance.

The Liquor Distribution Bureau is responsible for managing the entire wholesale process for distilled spirits and fortified wine. This includes:

- operating the state liquor warehouse by ordering, maintaining, and managing liquor warehouse inventories
- establishing and posting statutorily defined prices for all approved liquor products distributed through the warehouse
- establishing and maintaining agency contracts, and supplying products to the 95 agency liquor stores

The Licensing and Compliance Bureau is responsible for administering alcoholic beverage licensing laws to protect the welfare and safety of the public. This division oversees and enforces compliance with the state's alcoholic beverage laws. This includes:

- licensing all individuals and entities manufacturing, importing, distributing, or retailing alcoholic beverages in Montana
- verifying the suitability of alcoholic beverage license applicants and premises to ensure they meet the relevant qualifications
- monitoring licensee premises activities to ensure compliance with state laws
- managing violations, revocations, and other regulatory proceedings

Because Montana alcoholic beverage laws are complex, this section of the Biennial Report provides a general overview of alcoholic beverage laws in Montana as well as information on revenue collections. Additional information can be found in the annual report on the liquor enterprise fund and in publications explaining each of the types of alcoholic beverage licenses. These are available on the department's website, [MTRevenue.gov](http://MTRevenue.gov).

# State Comparison

The table below and on the next page compares taxes on wine and beer in the 50 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 with 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 (\*\*).

## 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	9.24%	9.24%	
Alaska	\$2.50	\$2.50	\$1.07	1.76%	1.76%	
Arizona	\$0.84	\$4.00	\$0.16	8.37%	8.37%	
Arkansas	\$0.75	\$0.75	\$0.23	12.47%	12.47%	*
California	\$0.20	\$0.20	\$0.20	8.82%	8.82%	*
Colorado	\$0.28	\$0.28	\$0.08	7.77%	7.77%	
Connecticut	\$0.79	\$1.98	\$0.24	6.35%	6.35%	
Delaware	\$1.63	\$1.63	\$0.26	0.00%	0.00%	
Florida	\$2.25	\$3.00	\$0.48	7.01%	7.01%	*
Georgia	\$2.34	\$3.37	\$0.85	7.37%	7.37%	
Hawaii	\$1.38	\$1.38	\$0.93	4.44%	4.44%	*
Idaho	\$0.45	\$0.45	\$0.15	6.02%	6.02%	*
Illinois	\$1.39	\$8.55	\$0.23	8.73%	8.73%	*
Indiana	\$0.47	\$2.68	\$0.12	7.00%	7.00%	
Iowa	\$1.75	\$1.75	\$0.19	6.94%	6.94%	

State	Per-Gallon Taxes			Sales Tax Rate		Other Possible Additions
	table wine	fortified wine	beer	wine	beer	
Kansas	\$0.30	\$0.75	\$0.18	8.00%	8.00%	*
Kentucky	\$0.50	\$0.50	\$0.08	6.00%	6.00%	*
Louisiana	\$0.76	\$1.32	\$0.45	9.55%	9.55%	*
Maine	\$0.60	**	\$0.35	5.50%	5.50%	*
Maryland	\$0.40	\$0.40	\$0.09	9.00%	9.00%	
Massachusetts	\$0.55	\$0.55	\$0.11	6.25%	6.25%	*
Michigan	\$0.51	\$0.76	\$0.20	6.00%	6.00%	
Minnesota	\$0.30	\$0.95	\$0.15	9.00%	9.00%	*
Mississippi	\$0.35	\$0.35	\$0.43	7.07%	7.07%	*
Missouri	\$0.42	\$0.42	\$0.06	8.30%	8.30%	
Montana	\$1.02	**	\$0.14	0.00%	0.00%	*
Nebraska	\$0.95	\$1.35	\$0.31	6.94%	6.94%	
Nevada	\$0.70	\$1.30	\$0.16	8.23%	8.23%	*
New Hampshire	\$0.30	\$0.30	\$0.30	0.00%	0.00%	
New Jersey	\$0.88	\$0.88	\$0.12	6.60%	6.60%	
New Mexico	\$1.70	\$5.68	\$0.41	7.72%	7.72%	
New York	\$0.30	\$0.30	\$0.26	8.52%	8.52%	*
North Carolina	\$1.00	\$1.11	\$0.62	6.98%	6.98%	
North Dakota	\$0.50	\$0.60	\$0.16	7.00%	7.00%	*
Ohio	\$0.30	\$0.98	\$0.18	7.24%	7.24%	*
Oklahoma	\$0.72	\$0.72	\$0.40	8.99%	8.99%	*
Oregon	\$0.67	\$0.77	\$0.08	0.00%	0.00%	
Pennsylvania	**	**	\$0.08	6.34%	6.34%	
Rhode Island	\$1.40	\$1.4	\$0.11	7.00%	7.00%	*
South Carolina	\$1.08	\$1.08	\$0.77	7.44%	7.44%	
South Dakota	\$0.93	\$1.45	\$0.27	6.40%	6.40%	*
Tennessee	\$1.21	\$1.21	\$1.29	9.55%	9.55%	*
Texas	\$0.20	\$0.41	\$0.19	8.20%	8.20%	*
Utah	**	**	\$0.42	7.19%	7.19%	
Vermont	\$0.55	**	\$0.27	6.24%	6.24%	*
Virginia	\$1.51	**	\$0.26	5.75%	5.75%	
Washington	\$0.87	\$1.75	\$0.26	9.29%	9.29%	
West Virginia	\$1.00	\$1.00	\$0.18	6.55%	6.55%	
Wisconsin	\$0.25	\$0.45	\$0.06	5.43%	5.43%	
Wyoming	**	**	\$0.02	5.36%	5.36%	
Dist. of Columbia	\$0.30	\$0.4	\$0.09	15.00%	15.00%	

# Legislative History

The responsibilities of the Alcoholic Beverage Control Division have grown with the evolution of the alcoholic beverage industry. Many legislative changes have affected alcoholic beverage licensing and tax rates over the past 20 years. The following is a brief history of the major legislation that occurred during the past three Montana legislative sessions. Additional legislative history is available in previous Biennial Reports, which can be found at [MTRevenue.gov](http://MTRevenue.gov).

## 2017

### HB 12

Transferred legislative oversight of administration of alcoholic beverage laws from the Revenue and Transportation Interim Committee to the Economic Affairs Interim Committee.

### HB 428

Required the department to hold a lottery to choose a new licensee when a quota area is eligible for one or more additional retail beer licenses and there are more applicants than new licenses. The fee for a new license is \$25,000.

### HB 462

Created an academic brewer license that would allow Flathead Valley Community College and Montana State University–Billings to brew beer as part of academic training in brewing.

### HB 541

Eliminated the special tax rate for brewers producing between 10,001 and 20,000 barrels per year and increased the size of small brewers allowed to operate a sample room to 60,000 barrels per year. Limited the total amount of samples a brewer may sell or give away to 2,000 barrels per year.

### SB 344

Modified conditions for use of a liquor license as security for a commercial loan.

## 2017 Special Session

### SB 5

Eliminated overlapping quota areas and temporarily instated a competitive bidding process to replace the lottery system for awarding certain alcoholic beverage licenses.

## 2019

### HB 35

Permanently replaced the lottery system for certain alcoholic beverage licenses with a competitive bidding system. Cleaned up special cases of overlapping quota areas.

### HB 84

Directed wineries selling less than 1,000 liters per year directly to consumers to file annually, as opposed to monthly. Mandated that all wine tax returns be filed electronically.

### HB 613

Created a special limited all-beverage license type available to assisted living communities that do not need to conform to quota limits.

### HB 727

Allowed the Department of Revenue to approve an alcoholic beverage license without the premises being approved at the same time. Also codified that licensed entities may enter into concession agreements with non-licensed entities.

**SB 119**

Allowed casino owners to install an access control system. Licensees must notify local law enforcement and the Department of Revenue that they are installing such a system and may not unreasonably deny entry to representatives from law enforcement or the Department of Justice.

**SB 182**

Changed the definition of a “microdistillery” to a distillery located in Montana that produces 200,000 proof gallons or less of liquor annually.

**SB 358**

Amended several areas of code related to resort area alcohol licenses, including resort qualifications, number of licenses, cost of application, and allowing for limited alcohol delivery.

## 2021

**HB 19**

Removed a superfluous reference to conditional license approval that is no longer necessary since HB 727 of the 2019 Legislature.

**HB 79**

Broadened the definition of beer to include other fermented beverages. Hard seltzers are an example of this.

**HB 157**

Allowed on-premises consumption retailers to be located adjacent to a brewery or winery, so long there is adequate physical separation of the licensed locations.

**HB 226**

Allowed for curbside pickup of alcohol from restaurants.

**HB 525**

Expanded criteria necessary for alcoholic beverage licensees to engage in concession agreements and capped the number of concession agreements per license at three. Set forth application and renewal fees and a grandfathering clause for existing concession agreements.

**HB 705**

Allowed for storage facilities in resort areas and for licensed retailers. Allowed select retail or resort licensees to apply to the department for the ability to deliver to guests and pre-stock accommodation units. Also changed several other areas of law dealing with licensee privileges and department responsibilities.

**SB 129**

Restricted the department from issuing violations to alcoholic beverage licensees if the violation is from a contrived event (i.e., “a sting”). These contrived events may only result in a violation if the licensee fails three or more events in a 3-year period, beginning from the first failure.

**SB 247**

Allowed the Montana University System to contract with alcoholic beverage licensees to serve alcohol at sporting events held at the institution and share in the profits.

**SB 320**

Allowed on-premises consumption beer licensees, all-beverage licensees, and restaurant beer and wine licensees to get a beer and wine delivery endorsement from the department. The price of beer and wine purchased may not exceed the food price.

# Sales of Distilled Spirits

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, that produce 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:

**Posted Price = base price + markup + liquor license tax + liquor excise tax + freight rate.**

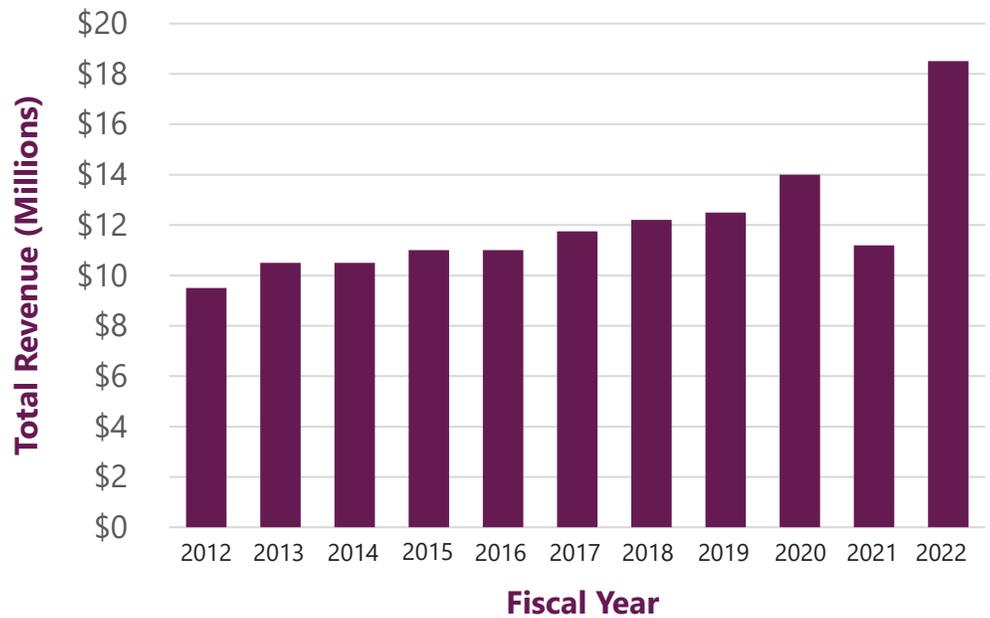
The base price is the price at which the department purchases liquor. Markups are set in law to cover the department's costs and provide profit for the general fund. Current markups are 40.5 percent for liquor, 51 percent for fortified wine, and 20 percent for sacramental wine (16-1-404, MCA). The law requires a lower markup for liquor produced by Montana microdistilleries (16-2-211, MCA). The department contracts with a shipping company to deliver spirits to the 95 agency stores. As of August 1, 2020, the freight rate is \$2.00 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.

The wholesale distribution of beer and table wine (wine containing 16 percent alcohol by volume or less) is managed by private businesses.

## Liquor Profits

Fiscal Year	Total Revenue
2012	\$9,500,000
2013	\$10,500,000
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



\*FY 2021 revenue would have been \$16.9 million, but the amount was reduced due to a liquor judgment.

## 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.

The law places restrictions on ownership of multiple licenses. Retailers, manufacturers, importers, and wholesalers may not have an ownership interest in an agency liquor store. Retailers may not have any affiliation with a manufacturer, importer, or distributor of alcoholic beverages. Wholesalers and distributors may not be a manufacturer of any alcoholic beverage (16-4-401, MCA).

License holders are subject to an annual renewal fee. The fee, set by law, is described in the table below. 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.

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 session. New licenses are now awarded by a competitive bid process, rather than the previously used lottery system.

## Annual License Fees (16-4-501, MCA)

<b>On-Premises</b>	<b>Annual Fee</b>
All-Beverage	\$400-800
Beer	\$200
Beer and Wine	\$400
Restaurant Beer and Wine	\$400

<b>Off-Premises</b>	<b>Annual Fee</b>
Agency Stores	No fee
Beer	\$200
Wine	\$200
Beer and Wine	\$400
Sacramental Wine	\$50

<b>Manufacturers</b>	<b>Annual Fee</b>
Brewer or Beer Importer	\$200-500 + \$400 per storage depot
Winery	\$200
Distillery	\$600

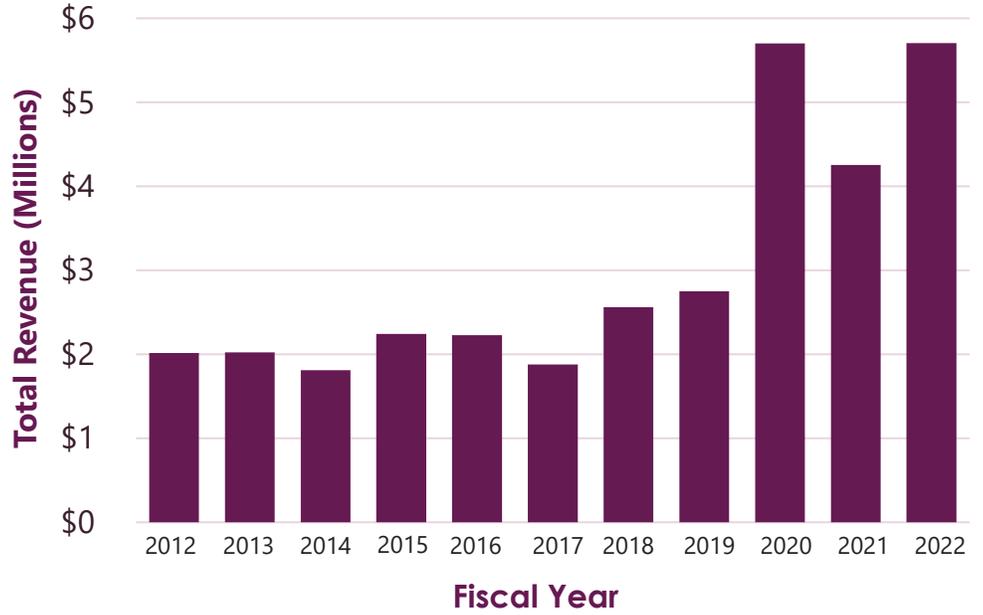
<b>Wholesalers</b>	<b>Annual Fee</b>
Beer	\$400
Wine	\$400
Beer and Wine	\$800
Subwarehouse	\$400

The following table shows the number of licenses by type.

<b>Fiscal Year 2020</b>		<b>Fiscal Year 2021</b>	
<b>On-Premise</b>	<b>Licenses</b>	<b>On-Premise</b>	<b>Licenses</b>
All Beverage	1,576	All Beverage	1,646
Beer	46	Beer	46
Beer and Wine	494	Beer and Wine	516
Restaurant Beer and Wine	249	Restaurant Beer and Wine	244
<b>Total On-Premise</b>	<b>2,365</b>	<b>Total On-Premise</b>	<b>2,452</b>
<b>Off-Premise</b>	<b>Licenses</b>	<b>Off-Premise</b>	<b>Licenses</b>
Agency Liquor Stores	95	Agency Liquor Stores	95
Beer	70	Beer	59
Wine	5	Wine	7
Beer and Wine	831	Beer and Wine	833
Sacramental Wine	3	Sacramental Wine	2
<b>Total Off-Premise</b>	<b>1,004</b>	<b>Total Off-Premise</b>	<b>996</b>
<b>Manufacturers</b>	<b>Licenses</b>	<b>Manufacturers</b>	<b>Licenses</b>
Domestic Brewery	105	Domestic Brewery	103
Domestic Brewery Storage Depot	5	Domestic Brewery Storage Depot	9
Domestic Winery	29	Domestic Winery	28
Domestic Distiller	30	Domestic Distiller	27
Foreign Brewer or Importer	103	Foreign Brewer or Importer	118
Foreign Winery or Importer	1,358	Foreign Winery or Importer	1,467
<b>Total Manufacturers</b>	<b>1,630</b>	<b>Total Manufacturers</b>	<b>1,752</b>
<b>Wholesalers and Distributors</b>	<b>Licenses</b>	<b>Wholesalers and Distributors</b>	<b>Licenses</b>
Beer	1	Beer	2
Beer Subwarehouse	2	Beer Subwarehouse	2
Wine	9	Wine	7
Beer and Wine	19	Beer and Wine	34
Beer and Wine Subwarehouse	14	Beer and Wine Subwarehouse	16
<b>Total Wholesaler/Distributor</b>	<b>45</b>	<b>Total Wholesaler/Distributor</b>	<b>61</b>

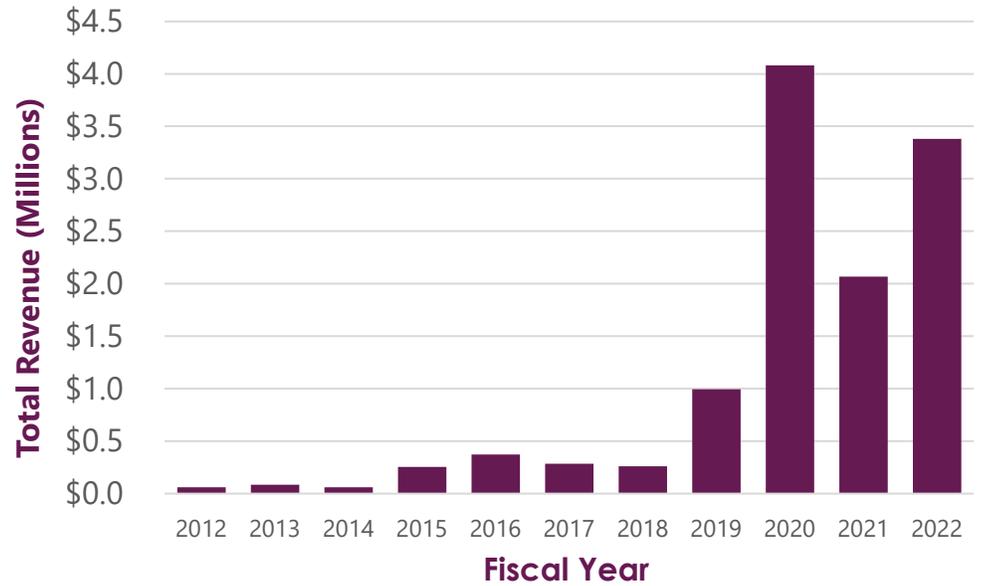
## Non-Tax Liquor Collections

Fiscal Year	Total Revenue
2012	\$2,012,757
2013	\$2,022,400
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



## Non-Tax Liquor General Fund Transfers

Fiscal Year	Total Revenue
2012	\$59,078
2013	\$84,631
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



# Alcoholic Beverage License Types

## Manufacturers

The manufacturer’s license applies to breweries, distilleries, and wineries. These licenses differ based on in-state versus out-of-state, production levels, and the products being produced.

### Manufacturers: Distilled Spirits

Distilleries may not sell their products directly in the state. They must sell their products to the department. Distilleries located in Montana that have an annual production of 200,000 proof gallons or less may make limited sales directly to consumers for off-premises consumption (16-4-311, MCA and 16-4-312, MCA). The table below summarizes the differences between the two types of distilleries.

### Distillery License Conditions

Type	Located in Montana, Annual production of 200,000 proof gallons or less	Located outside of Montana or annual production greater than 200,000 proof gallons
<b>On-Premises Consumption Allowed?</b>	Samples of up to 2 oz. per customer per day, with or without charge, between 10 a.m. and 8 p.m.	No
<b>Retail Sales for Off-Premises Consumption Allowed?</b>	Up to 1.75 liters per customer per day, between 8 a.m. and 2 a.m., at department’s posted price	No
<b>Wholesale Sales</b>	To department	To department
<b>Delivery of Product</b>	To state liquor warehouse using a common carrier. To agency liquor stores using own equipment, trucks, and employees	To state liquor warehouse using common carrier
<b>May obtain special permit to sell at an event?</b>	No	No

## Manufacturers: Beer

Like distilleries, breweries follow different laws based on their annual nationwide production level (16-3-213, MCA and 16-3-214, MCA). These are summarized in the table below:

### Brewery License Conditions

<b>Production Level</b>	<b>Less than 100 Barrels</b>	<b>100 to 60,000 Barrels</b>	<b>More than 60,000 Barrels</b>
<b>On-Premises Consumption Allowed?</b>	Free samples between 8 a.m. and 2 a.m.	Up to 48 oz. per customer per day, with or without charge, between 10 a.m. and 8 p.m. Annual total limited to 2,000 barrels or less	No
<b>Retail Sales for Off-Premises Consumption Allowed?</b>	Yes	Yes	No
<b>Sales and Delivery</b>	To wholesalers, retailers and the public using own trucks, equipment and employees	To wholesalers, retailers and the public using own trucks, equipment and employees. Annual total sales to retailers limited to 10,000 barrels or less	Only to licensed wholesalers

## Manufacturers: Wine

Wineries fall into one of three categories: in-state wineries, licensed out-of-state wineries, and registered out-of-state wineries (16-4-107, MCA and 16-3-411, MCA). Unlike breweries and distilleries, overall production level does not determine what a winery can and cannot do. Instead, limitations for wineries are determined by whether the winery is licensed or registered.

Like breweries and distilleries, domestic wineries have the option to provide, with or without charge, wine that was produced at the winery for consumption on the premises. Unlike breweries and distilleries, there are no restrictions on sample amounts, and domestic wineries may be open from 8 a.m. to 2 a.m. (16-3-411, MCA)

### Winery License and Registration Conditions

	<b>Licensed, In-State</b>	<b>Licensed, Out-of-State</b>	<b>Out-of-State, Importer's Registration</b>
<b>On-Premises Consumption Allowed?</b>	May provide free samples and sell wine between 8 a.m. and 2 a.m.	N/A	No
<b>Retail Sales for Off-Premises Consumption Allowed?</b>	May sell wine between 8 a.m. and 2 a.m.	No	No
<b>Direct Shipment to Individual Customers?</b>	With direct shipment endorsement, may ship up to 18 cases of 9 liters per year to an individual customer.	With direct shipment endorsement, may ship up to 18 cases of 9 liters per year to an individual customer.	No
<b>Direct Sales to Licensed Retailers Allowed?</b>	May deliver up to 4,500 cases per year using own equipment and employees and may ship up to 4,500 cases per year using common carriers or licensed wine distributors.	May deliver up to 4,500 cases per year using own equipment and employees and may ship up to 4,500 cases per year using common carriers or licensed wine distributors.	No
<b>Sell to Licensed Table Wine Distributors?</b>	Yes	Yes	Yes

## Wholesalers, Distributors, and Importers

The department is responsible for the wholesale distribution of distilled spirits and wine over 16 percent alcohol by volume. The private sector is responsible for the wholesale distribution of beer and table wine.

For a business to distribute at the wholesale level, it must be licensed by the department. It may be licensed as a beer wholesaler, table wine distributor, or both. A business licensed only as a table wine distributor is limited to two warehouse locations, while a business licensed as a beer wholesaler may have more than two warehouse locations. One location must be designated at the main warehouse, and additional locations must be separately licensed as subwarehouses.

Beer importers are businesses outside of Montana that wish to import beer into Montana to a licensed beer wholesaler for sale to a licensed retailer.

Wine importers are businesses outside of Montana that wish to import wine into Montana to a licensed table wine distributor for sale to a licensed retailer.

### Wholesale/Distributor Licenses

	<b>Beer Wholesaler</b>	<b>Table Wine Distributor</b>
<b>Purchases Product From</b>	Licensed breweries or beer importers	Licensed or registered wineries or wine importers
<b>Sells Product to</b>	Other wholesalers or licensed retailers	Other distributors or licensed retailers
<b>Warehouse Locations Allowed</b>	No limit	One or Two
<b>Statute</b>	16-4-103, MCA	16-4-108, MCA

## Retail: Off-Premises

Three types of businesses may be licensed to sell beer and table wine for off-premises consumption. They are standalone specialty stores, grocery stores, and drugstores with a pharmacy license. The quota system does not apply to this license type. Off-premises licensees cannot apply for a gambling license.

A church supply business in the state or out of state may be licensed to sell sacramental wine to representatives of religious organizations. A business with a sacramental wine license may sell sacramental wine on-site, may deliver it, or may have it delivered by a licensed table wine distributor or common carrier.

### Off-Premises Retail License

	<b>Convenience Store or Grocery Store</b>	<b>Pharmacy</b>	<b>Stand-Alone</b>	<b>Sacramental Wine</b>
<b>General Requirements</b>	The licensee must maintain at least \$3,000 worth of grocery inventory.	Must be located at a drugstore licensed as a pharmacy.	95% of the business' annual gross income comes from the sale of beer, table wine, or both. This is typically a specialty beer or wine shop.	Used at an establishment located in or outside Montana that sells church supplies at retail to officials of churches or other established religious organizations and used exclusively for religious purposes.
<b>Statute</b>	16-4-115, MCA	16-4-115, MCA	16-4-115, MCA	16-4-313, MCA

## Retail: On-Premises

Licenses that can be used in bars, taverns, and restaurants are called on-premises licenses. The three most common types of on-premises licenses are the all-beverage license, the beer license (with the option to add a wine amendment), and the restaurant beer and wine license. Major differences between these licenses include: the types of alcohol that can be sold; the right to apply for a gambling license; whether alcohol can be served for off-premise consumption; allowable store hours; quota limitations; and various other regulations.

On-premises licenses are further categorized as city licenses (within the boundaries of an incorporated city or town or within a five-mile radius of an incorporated city or town) and county licenses (anywhere in the county outside of a five-mile radius of an incorporated city or town). Restaurant beer and wine licenses only exist within incorporated cities and towns and within a five-mile radius of that city or town.

The five licenses listed above are the most common on-premises licenses issued. Other on-premises licenses include veterans or fraternal club licenses; golf course beer and wine licenses; resort all-beverage licenses; airport all-beverage licenses; passenger carrier licenses; nonprofit arts organization beer and wine licenses; and continuing care retirement community all-beverage licenses.

### On-Premises Retail License

	County All-Beverage	City All-Beverage	County Beer (option to add wine amendment)	City Beer (option to add wine amendment)	Restaurant Beer and Wine (RBW)
<b>Alcohol</b>	Distilled spirits, beer, wine		Beer and wine		
<b>Gambling</b>	*Yes			Yes, if issued prior to 1997	No
<b>Off-Premises Sales</b>	Yes				
<b>Sale Hours</b>	8 a.m. - 2 a.m.				11 a.m. - 11 p.m.
<b>Quota Limitations</b>	Yes		No	Yes	
<b>Additional Requirements</b>	May have ownership interest in a maximum of 3 all-beverage licenses		Must have food available to add a wine amendment		Must be used in conjunction with a restaurant
<b>Statute</b>	16-4-201, MCA		16-4-105, MCA		16-4-420, MCA

*\*All-beverage on-premise licenses that float, or licenses issued through the competitive bidding process, do not allow gambling.*

## Quota System

Most of the on-premises licenses are subject to the quota system. The quota system refers to the limited number of licenses that may be issued in incorporated cities and towns and countywide. This limit is set in law and varies by license type. Once the quota is met, no new licenses may be issued until the incorporated city/town or county population grows by an amount specific to that license type (16-4-502, MCA). Since the 2018 legislative decision, newly available licenses have been allocated by a competitive bidding process, with a minimum bid of 75 percent of the market value of an existing license in the quota area.

The following table lists the quota limitations by license type, excluding countywide beer license:

### Quota Limitations

	Population	Quota
<b>County All-Beverage</b>	-	1 license per 750 inhabitants not in a city or town
<b>City All-Beverage</b>	500 or less	2 licenses
	501-3,000	3 licenses for the first 1,000 inhabitants plus 1 license for each additional 1,000
	greater than 3,000	5 licenses for the first 3,000 inhabitants and 1 license for each additional 1,500
<b>City Beer (with or without wine amendment)</b>	500 or less	1 license
	501-2,000	1 license per 500 inhabitants
	greater than 2,000	4 licenses for the first 2,000 inhabitants, 2 for the next 2,000 inhabitants, and 1 license for each additional 2,000
<b>Restaurant Beer and Wine (RBW)</b>	5,000 or less	80% of the beer license quota
	5,001-20,000	160% of the beer license quota
	20,000-60,000	100% of the beer license quota
	greater than 60,000	80% of the beer license quota

Some all-beverage licenses can “float,” which means an all-beverage license purchased in one quota area may move to another quota area. An all-beverage license may float out of a quota area if the number of licenses issued in the original quota area exceeds the quota by at least 25 percent. An all-beverage license may float into a quota area if the number of licenses issued in the new quota area does not exceed that area’s quota by more than 33 percent (43 percent for incorporated cities of more than 10,000 inhabitants) (16-4-204, MCA).

## Number of Licenses by Type and County 2022

County	All-Beverages	Beer/Wine	Restaurant	Off-Premise	Manufacturer	Wholesale	Total
Beaverhead	23	13	1	14	1	0	52
Big Horn	7	6	0	7	0	0	20
Blaine	9	2	0	8	0	0	19
Broadwater	9	3	0	7	3	0	22
Carbon	34	5	1	14	1	1	56
Carter	3	0	0	2	0	0	5
Cascade	109	36	12	55	4	3	219
Chouteau	14	1	1	6	1	0	23
Custer	22	8	1	10	3	3	47
Daniels	8	1	0	2	1	0	12
Dawson	16	6	2	11	1	0	36
Deer Lodge	28	6	0	9	1	0	44
Fallon	8	3	0	2	0	0	13
Fergus	26	9	1	13	1	2	52
Flathead	148	41	37	78	23	4	331
Gallatin	137	48	40	86	29	7	347
Garfield	2	1	0	4	0	0	7
Glacier	23	9	0	15	1	0	48
Golden Valley	3	0	0	2	0	0	5
Granite	8	3	3	3	2	0	19
Hill	29	11	3	13	3	2	61
Jefferson	14	5	0	7	0	1	27
Judith Basin	8	0	0	3	0	0	11
Lake	44	9	5	28	6	0	92
Lewis And Clark	83	30	18	52	8	5	196
Liberty	3	1	0	4	0	0	8
Lincoln	36	11	8	27	4	0	86
Madison	39	15	9	12	3	1	79
McCone	5	1	0	3	0	0	9
Meagher	10	3	1	3	2	0	19
Mineral	12	5	0	9	0	0	26
Missoula	111	50	33	78	21	5	298
Musselshell	7	2	0	6	0	0	15
Park	40	26	4	25	3	0	98
Petroleum	1	0	0	2	0	0	3
Phillips	12	3	0	7	1	0	23
Pondera	9	4	0	6	0	0	19
Powder River	4	2	0	3	0	0	9
Powell	15	6	0	9	0	0	30

## Number of Licenses by Type and County 2022

County	All-Beverages	Beer/Wine	Restaurant	Off-Premise	Manufacturer	Wholesale	Total
Prairie	3	0	0	2	0	0	5
Ravalli	41	14	15	28	14	1	113
Richland	19	8	3	11	2	1	44
Roosevelt	22	4	0	12	2	0	40
Rosebud	14	5	0	7	0	0	26
Sanders	23	7	3	15	2	0	50
Sheridan	13	4	0	7	0	0	24
Silver Bow	80	27	4	30	4	4	149
Stillwater	11	4	1	12	1	0	29
Sweet Grass	7	4	2	5	1	0	19
Teton	17	2	1	5	0	0	25
Toole	15	3	0	5	0	1	24
Treasure	1	0	0	1	0	0	2
Valley	23	8	0	9	1	3	44
Wheatland	9	2	0	4	1	0	16
Wibaux	3	1	0	2	1	0	7
Yellowstone	149	73	47	95	17	2	383
<b>Total</b>	<b>1,569</b>	<b>551</b>	<b>256</b>	<b>895</b>	<b>169</b>	<b>46</b>	<b>3,486</b>

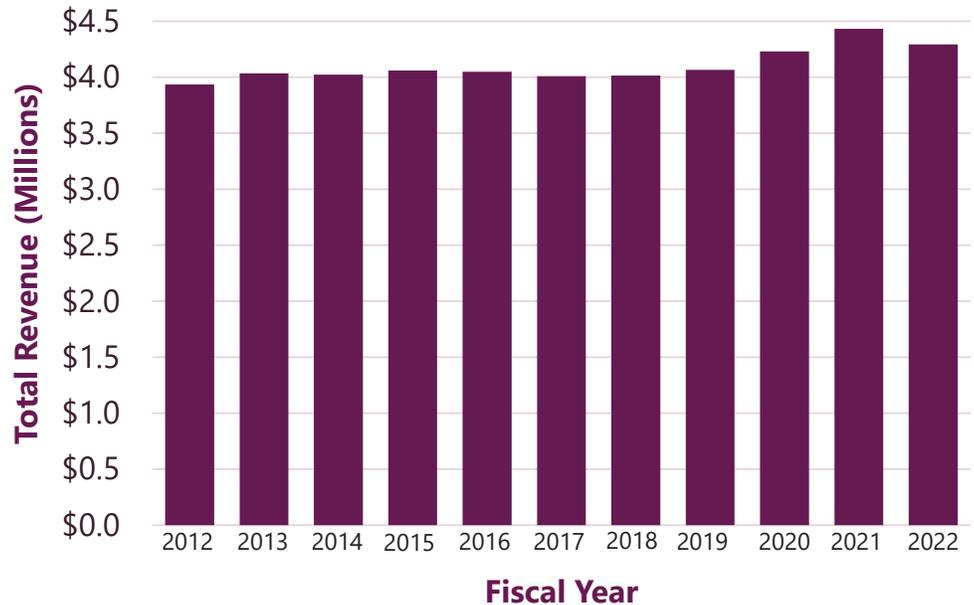
# Alcoholic Beverage Taxes

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**

Fiscal Year	Total Revenue
2012	\$3,934,761
2013	\$4,033,630
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



## 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.

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 monthly from distributors and breweries. Taxpayers must submit returns to the department on or before the 15th day of the month.

## Distribution of Beer Tax

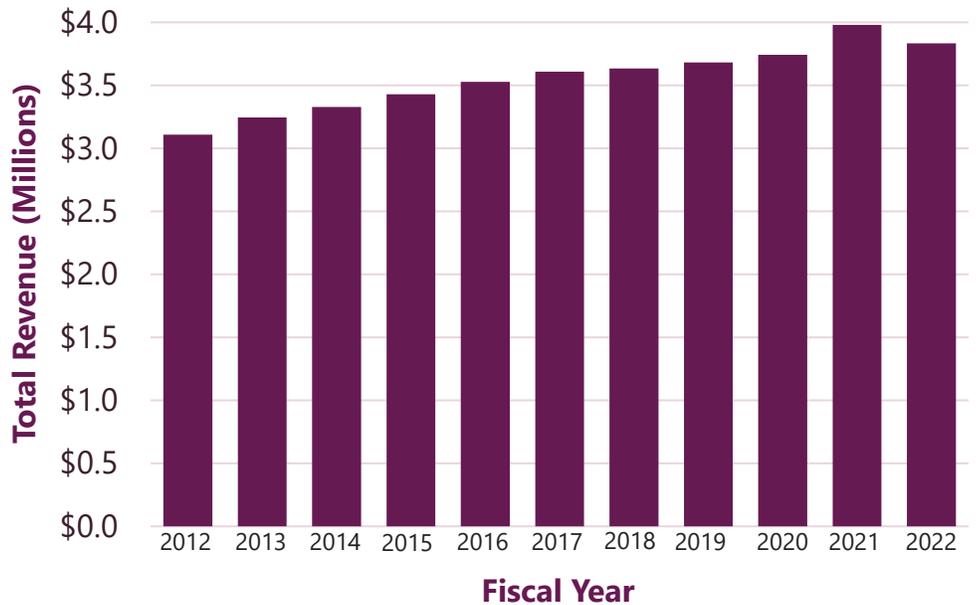
The Department of Public Health and Human Services receives 23.26 percent of the revenue collected from the beer tax for treatment, rehabilitation, and prevention of alcoholism and chemical dependency. Tribes with a revenue sharing agreement with the state receive a portion of the beer tax revenue. Currently, 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.

Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
DPHHS (23.26%)	\$933,920	\$945,591	\$983,799	\$1,030,881	\$998,650
Tribal	\$78,814	\$78,826	\$78,470	\$86,071	\$92,413
General Fund (remainder)	\$3,002,400	\$3,040,892	\$3,167,305	\$3,315,038	\$3,202,359

## Table Wine and Hard Cider Tax

**Statute: 16-1-411, MCA**

Fiscal Year	Total Revenue
2012	\$3,109,027
2013	\$3,243,900
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



## 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. There is an additional \$0.01 per liter tax applied if the wine is sold to an agency liquor store.

Product	Tax per Liter
Table Wine	\$0.27
Table Wine Sold to Agency Liquor Stores	\$0.28
Hard Cider	\$0.037

## Filing Requirements

Wineries that sell 1,000 liters or fewer per year within the state file and pay tax annually, on October 15. The wine and hard cider tax is collected monthly 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 the month.

## 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.

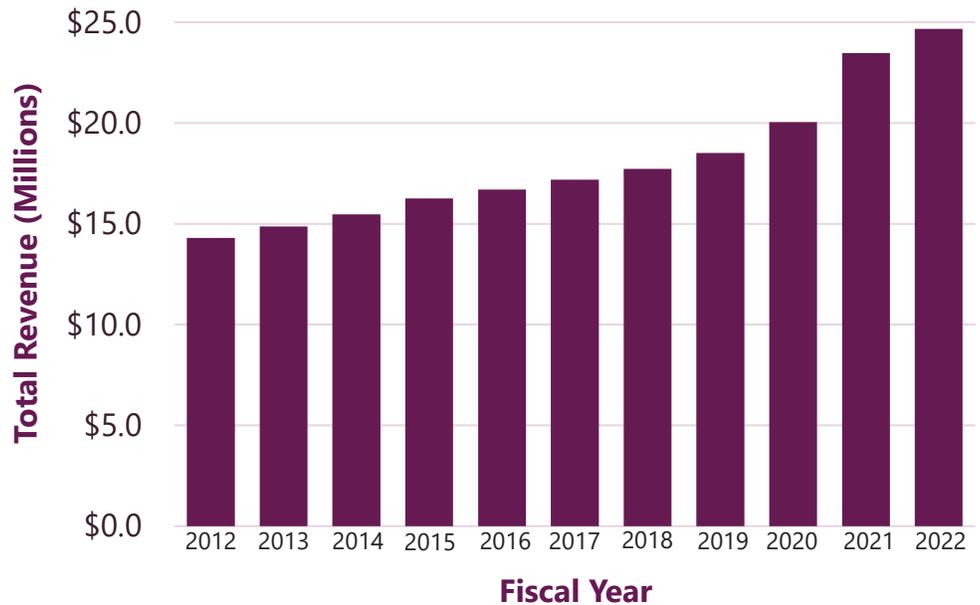
The \$0.01 per liter tax from agency liquor stores is deposited in the general fund. Of the remaining revenue, 69 percent is directed to the state general fund and 31 percent to the Department of Public Health and Human Services for treatment, rehabilitation, and prevention of alcoholism and chemical dependency.

<b>Fund</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Table Wine and Hard Cider</b>	<b>\$3,632,089</b>	<b>\$3,678,837</b>	<b>\$3,740,830</b>	<b>\$3,978,068</b>	<b>\$3,831,037</b>
Tribal Revenue	\$62,850	\$62,953	\$61,941	\$68,616	\$73,176
General Fund (69% Less Tribal Amounts)	\$2,443,292	\$2,475,445	\$2,519,231	\$2,676,251	\$2,570,240
DPHHS (31%)	\$1,125,947	\$1,140,439	\$1,159,657	\$1,233,201	\$1,187,622
<b>Agency Liquor Stores</b>	<b>\$2,414</b>	<b>\$2,295</b>	<b>\$2,547</b>	<b>\$3,049</b>	<b>\$2,822</b>
General Fund (100%)	\$2,414	\$2,295	\$2,547	\$3,049	\$2,822

# Liquor Excise Tax

**Statute: 16-1-401, MCA**

Fiscal Year	Total Revenue
2012	\$14,290,765
2013	\$14,869,520
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



## 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.

Annual Production Level	Tax Rate
20,000 or less Proof Gallons	3.0%
20,001 - 50,000 Proof Gallons	8.0%
50,001 - 200,000 Proof Gallons	13.8%
Over 200,000 Proof Gallons	16.0%

## Filing Requirements

The agency liquor stores must pay the tax within 60 days of shipment.

## Distribution of Liquor Excise Tax

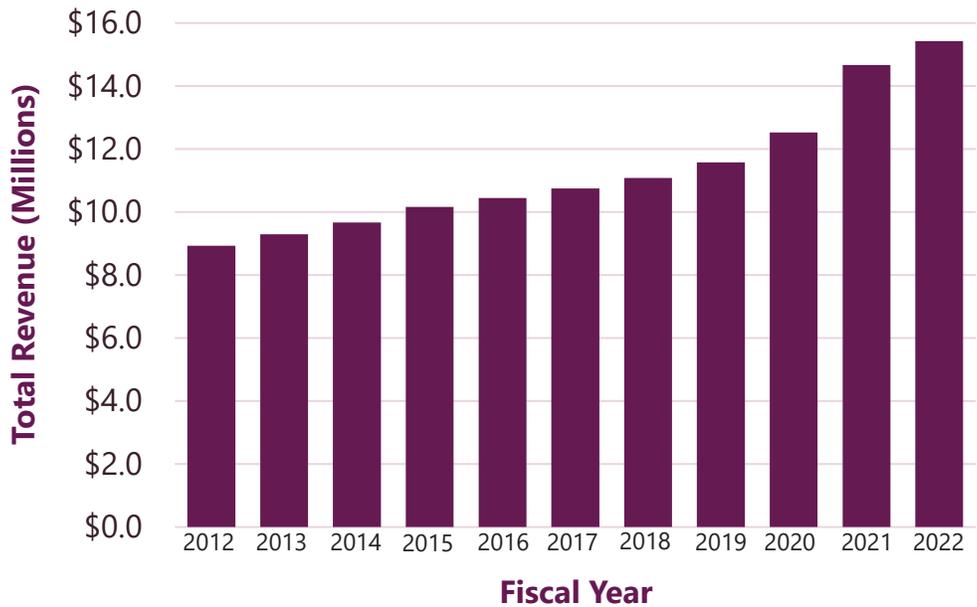
The revenue collected from the tax is deposited in the state general fund. Tribes with a revenue sharing agreement with the state receive a portion of the liquor excise tax revenue. Currently, the state has revenue sharing agreements with the Blackfeet, Fort Peck, Fort Belknap, Chippewa Cree, and Confederated Salish and Kootenai tribes.

Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Fund	\$17,183,753	\$17,952,292	\$19,463,212	\$22,761,703	\$23,845,213
Tribal	\$541,637	\$559,252	\$583,358	\$707,672	\$817,408

# Liquor License Tax

**Statute: 16-1-404, MCA**

Fiscal Year	Total Revenue
2012	\$8,931,554
2013	\$9,291,920
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



## 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.

Annual Production Level	Tax Rate
50,000 or less Proof Gallons	2.0%
50,001 - 200,000 Proof Gallons	8.6%
Over 200,000 Proof Gallons	10.0%

## Filing Requirements

The 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)

Fund	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Fund (34.5%)	\$3,822,857	\$3,993,747	\$4,322,389	\$5,061,412	\$5,320,577
DPHHS (65.5%)	\$7,582,330	\$7,582,330	\$8,206,274	\$9,609,347	\$10,101,385

# Cannabis Control Division

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**CANNABIS  
CONTROL  
DIVISION**  
**MONTANA**

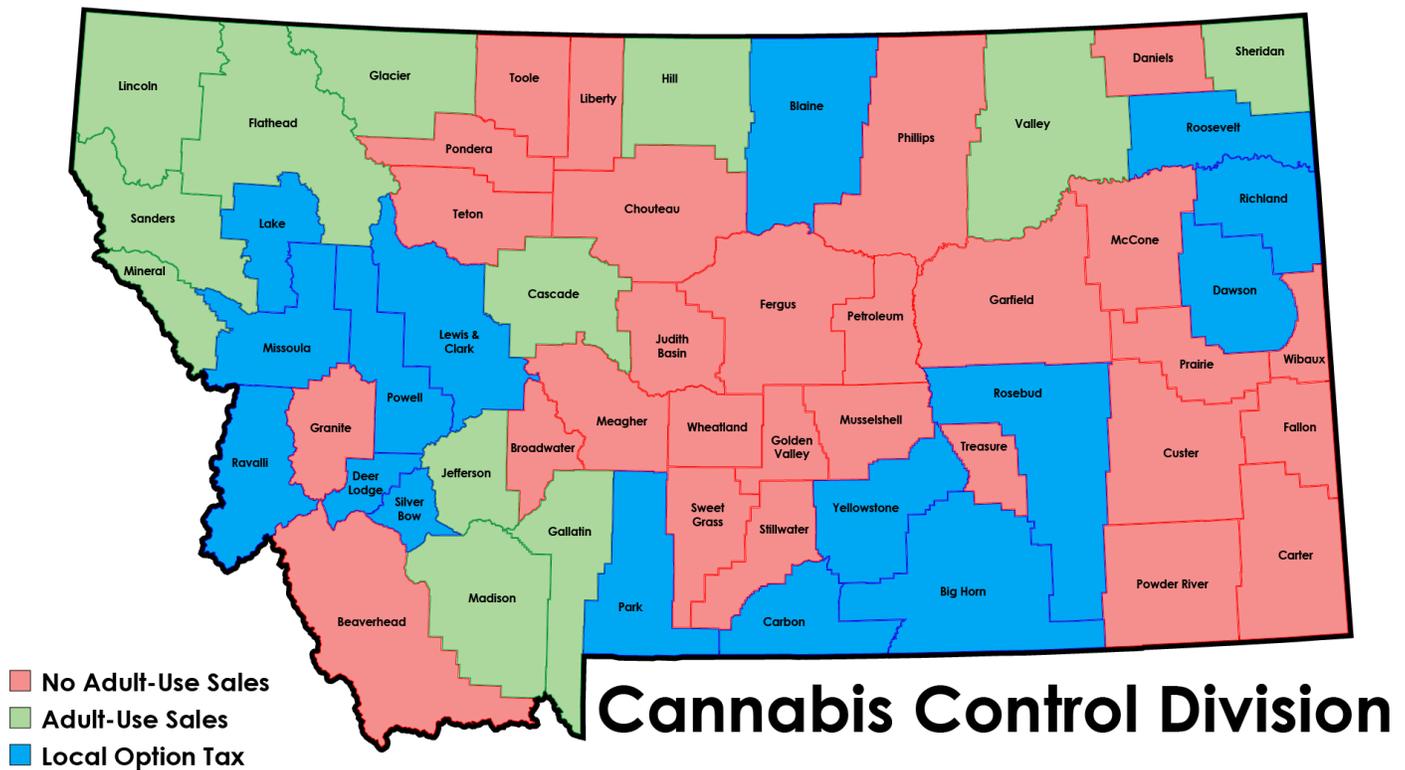
# Overview

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 an 18-month moratorium on the issuance of new provider licenses, meaning that only existing medical providers, licensed as of November 3, 2020, may participate in the adult-use market until July 1, 2023.

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.

The following map shows the current “red” counties where adult-use cannabis businesses are illegal and “green” counties where adult-use cannabis businesses are legal, as well as the “blue” counties that have also passed a local option cannabis tax. Counties that voted against I-190 are opted-out and do not allow dispensaries to sell adult-use cannabis within their counties.



# State Comparison

Washington and Colorado were the first states to legalize adult-use cannabis in 2012, with sales beginning in 2014. As of August 2022, 19 states and the District of Columbia have now fully legalized adult-use cannabis. An additional 18 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 shows the tax rates for the 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
District of Columbia	Possession legal but no retail sales.
Illinois	7% excise tax on growers; 10% on flowers; 20% on cannabis infused products; 25% on products > 35% THC; Medical subject to 1% sales tax.
Maine	10% sales tax plus excise tax of \$335/lb flower; \$94/lb trim; \$1.5 per immature plant/seedling; \$0.3 per seed.
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
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	\$10 to \$60 per oz depending on average retail price from \$350 per oz down to less than \$200 per oz.
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
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 tax

<https://www.taxadmin.org/assets/docs/Research/Rates/marijuana.pdf>

# 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, until October 1, 2021, when it was scheduled to decrease to 2 percent.

**2021**

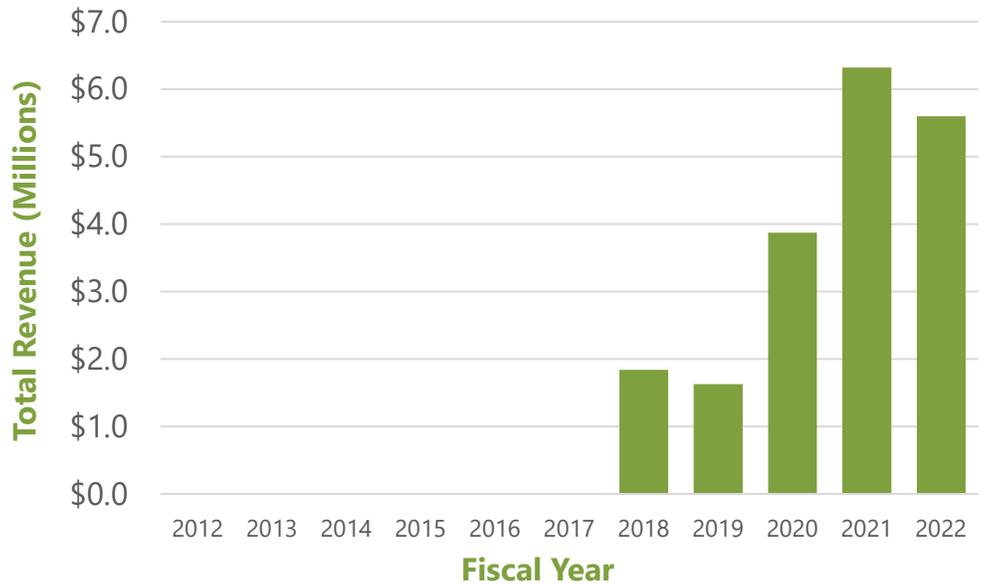
**HB 701**

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.

# Medical Cannabis Tax Rate and Revenue

Statute: 15-64-102, MCA

Fiscal Year	Total Revenue
2012	\$0
2013	\$0
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



The figure above shows the medical cannabis tax collections for the last five fiscal years since the tax took effect in Fiscal Year (FY) 2018.

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

Fiscal Year	Total Revenue
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$18,816,673



The figure above shows the adult-use cannabis tax collections for FY 2022, which represent the first six months of legal sales.

Following the passage of Initiative-190 and HB 701, adult-use cannabis is taxed at a rate of 20 percent of the retail price, with sales beginning January 1, 2022.

## 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

Fiscal Year	Total Revenue
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0
2017	\$0
2018	\$0
2019	\$0
2020	\$0
2021	\$0
2022	\$3,062,171



The license fee revenue is deposited into the cannabis state special revenue account with the tax revenue from above, and all the 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, ranging from cultivation, manufacturing, and dispensary. The following lists the license types required for participation in the cannabis industry with the corresponding license fees:

License Type	Count	Fee (initial & renewal)
Cultivator	402	Tier based - see cultivator tiers
Dispensary	444	\$5,000 per licensed premises
Manufacturer	217	Tier based - see manufacturer tiers
Testing Lab	6	\$5,000 per licensed premises
Testing Lab Storage Facility	2	\$1,000 per licensed storage facility
Transporter	4	\$10,000 (2-year)
Combined-use Cannabis	0	\$7,500
Cannabis Medical Registry ID	27,298	\$20; \$10 for a replacement card
Cannabis Worker Permit	4,745	\$50; \$10 for a replacement permit

## Cultivator License Tiers and Fees

<b>Cultivator Tiers</b>	<b>Canopy Size (max square feet and facilities)</b>	<b>Licensees</b>	<b># Facilities</b>	<b>Fee (Initial &amp; Renewal)</b>
Micro tier	250 square feet at one indoor cultivation facility	25	25	\$1,000
Tier 1	1,000 square feet at one indoor cultivation facility	102	102	\$2,500
Tier 2	2,500 square feet at up to two indoor cultivation facilities	65	88	\$5,000
Tier 3	5,000 square feet at up to three indoor cultivation facilities	34	48	\$7,500
Tier 4	7,500 square feet at up to four indoor cultivation facilities	7	15	\$10,000
Tier 5	10,000 square feet at up to five indoor cultivation facilities	27	56	\$13,000
Tier 6	13,000 square feet at up to five indoor cultivation facilities	7	17	\$15,000
Tier 7	15,000 square feet at up to five indoor cultivation facilities	2	7	\$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	1	2	\$23,000
Tier 10	30,000 square feet at up to seven indoor cultivation facilities	7	24	\$27,000
Tier 11	40,000 square feet at up to eight indoor cultivation facilities	0	0	\$32,000
Tier 12	50,000 square feet at up to nine indoor cultivation facilities	3	14	\$37,000

## Manufacturer License Tiers and Fees

<b>Manufacturer Tiers</b>	<b>Tier Parameters</b>	<b>Count</b>	<b>Fee (Initial &amp; Renewal)</b>
Tier 1	Produces less than ten pounds of concentrate per month	62	\$5,000
Tier 2	Produces between 10 and 15 pounds of concentrate per month	7	\$10,000
Tier 3	Produces 15 or more pounds of concentrate per month	148	\$20,000

*\*Manufacturers that produce more than 15 pounds of concentrate per month, shall pay an additional \$1,000 per pound*

# 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 being deposited in the state’s cannabis special revenue account.

The revenue from this account is first used to cover the administrative costs of the department. At the end of the fiscal year, the remainder 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 for the biennium beginning July 1, 2021, to the Department of Justice (DOJ) for grant funding to local and state law enforcement for drug-detection canine training
- \$150,000 per year to the board of crime control
- The remaining funds are placed in the general fund

## Distribution of Cannabis Taxes and Fees

<b>Fund</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
HEART fund	\$0	\$0	\$0	\$0	\$6,000,000
Wildlife Habitat	\$0	\$0	\$0	\$0	\$4,437,772
State Parks	\$0	\$0	\$0	\$0	\$887,554
Trails and Recreation	\$0	\$0	\$0	\$0	\$887,554
Nongame Wildlife	\$0	\$0	\$0	\$0	\$887,554
Veteran’s Affairs	\$0	\$0	\$0	\$0	\$200,000
DOJ Grant Funding and Board of Crime Control	\$0	\$0	\$0	\$0	\$450,000
General Fund	\$0	\$0	\$0	\$0	\$14,238,426

# Local-Option Cannabis Taxes

Statute: 16-12-309 - 317, MCA

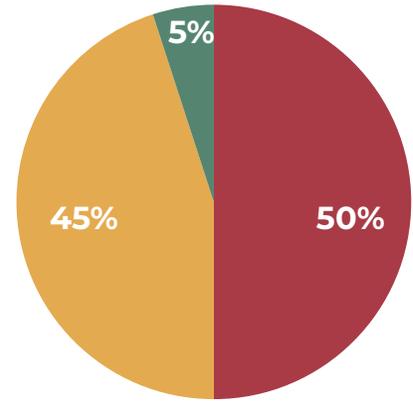
Individual municipalities can require a 3 percent local option cannabis tax be collected in addition to the state tax for adult-use cannabis, medical cannabis, or both.

## Counties That Currently Have a Local Option Tax

County	Tax on Medical and/or Adult Use	Effective Date
Big Horn County	Both	10/29/2022
Blaine County	Both	9/1/2022
Carbon County	Both	9/5/2022
Dawson County	Both	4/2/2022
Deer Lodge County	Both	9/5/2022
Lake County	Both	9/5/2022
Lewis & Clark County	Both	10/1/2022
Missoula County	Adult-use only	1/31/2022
Park County	Both	2/11/2022
Powell County	Both	10/1/2022
Ravalli County	Adult-use only	10/1/2022
Richland County	Both	1/1/2023
Roosevelt County	Both	1/31/2023
Rosebud County	Both	9/1/2022
Silver Bow County	Both	10/6/2022
Yellowstone County	Both	1/31/2022

## Distribution of Local-Option Tax Revenue:

- 50 percent to the county
- 45 percent to the municipalities within the county based on population
- 5 percent to the Department of Revenue for administration costs



## FY 2022 Local Option Collections and Distributions by County

County	Effective date	2022 Local option tax collections	County 50% Share	Municipalities 45% Share	State 5% Share
Dawson	4/2/2022	\$42,381	\$21,191	\$19,072	\$2,119
Missoula	1/31/2022	\$336,215	\$168,107	\$151,297	\$16,811
Park	2/11/2022	\$66,170	\$33,085	\$29,776	\$3,308
Yellowstone	1/31/2022	\$641,772	\$320,886	\$288,797	\$32,089

# 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 tradeoffs 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 lists all of the tax expenditures in this report, as well as each expenditure's code 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.

Tax Source	Tax Expenditure	Expenditure Type	Law	Session/Year	Legislation
<b>Individual Income Tax</b>					
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 Ranch Risk Management Account	Adjustment to Gross Income	15-30-3001 to 3005	2001	SB 245
Individual Income Tax	First-Time Homebuyer 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

<b>Tax Source</b>	<b>Tax Expenditure</b>	<b>Expenditure Type</b>	<b>Law</b>	<b>Session/Year</b>	<b>Legislation</b>
Individual Income Tax	Montana Achieving a Better Life Experience Act Account Deposits	Adjustment to Gross Income	Federal Provision		
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	Third-Party Repayment of Health Care Professional's Student Loans	Adjustment to Gross Income	15-30-2110(12)	2003	SB408
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	Tuition and Fees Deduction	Adjustment to Gross Income	Federal Provision		
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

Tax Source	Tax Expenditure	Expenditure Type	Law	Session/Year	Legislation
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
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	2007	HB 490
Individual Income Tax	Alternative Energy Production Credit	Credit	15-32-401 to 407	1983	HB 780
Individual Income Tax	Alternative Energy Systems Credit	Credit	15-32-201 to 203	1977	SB 167
Individual Income Tax	Alternative Fuel Credit	Credit	15-30-2320	1993	HB 219
Individual Income Tax	Apprenticeship Credit	Credit	15-30-2357, 39-6-109	2017	HB 308
Individual Income Tax	Biodiesel Blending and Storage Tank Credit	Credit	15-32-703	2005	HB 756
Individual Income Tax	Capital Gains Credit	Credit	15-30-2301	2003	SB 407
Individual Income Tax	College Contribution Credit	Credit	15-30-2326	1991	HB 894
Individual Income Tax	Credit For Other States' Taxes	Credit	15-30-2302	1941	HB 38
Individual Income Tax	Dependent Care Credit	Credit	15-31-131, 15-31-133, 15-30-2373	1989	SB 282
Individual Income Tax	Earned Income Tax Credit	Credit	15-30-2318	2017	HB 391
Individual Income Tax	Elderly Care Credit	Credit	15-30-2366	1989	HB 166

<b>Tax Source</b>	<b>Tax Expenditure</b>	<b>Expenditure Type</b>	<b>Law</b>	<b>Session/Year</b>	<b>Legislation</b>
Individual Income Tax	Elderly Homeowner/Renter Credit	Credit	15-30-2337 to 15-30-2341	1981	SB 337
Individual Income Tax	Emergency Lodging Credit	Credit	15-30-2381	2007	HB 240
Individual Income Tax	Empowerment Zone Credit	Credit	15-30-2356, 15-31-134	2003	SB 484
Individual Income Tax	Energy Conservation Credit	Credit	15-32-109, 15-30-2319	1981	HB 237
Individual Income Tax	Geothermal Heating System Credit	Credit	15-32-115	1991	SB 416
Individual Income Tax	Health Insurance for Uninsured Montanans Credit	Credit	15-30-2367	1991	HB 693
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	Media Production Credit	Credit	15-31-1001 to 1012	2019	HB 293
Individual Income Tax	Mineral Exploration Credit	Credit	15-32-501 to 510	1999	SB 265
Individual Income Tax	Montana Earned Income Tax Credit	Credit	15-30-2318	2017	HB 391
Individual Income Tax	Oilseed Crushing and Biodiesel Production Facility Credit	Credit	15-32-701 to 702	2005	HB 756
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	Research Credit	Credit	15-31-150	1999	HB 638
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	2021	HB 252
<b>Corporate Income Tax</b>					
Corporate Income Tax	Water's Edge Election	Special Election	15-31-322 to 324	1987	HB 703

<b>Tax Source</b>	<b>Tax Expenditure</b>	<b>Expenditure Type</b>	<b>Law</b>	<b>Session/Year</b>	<b>Legislation</b>
Corporate Income Tax	Capital Gains Exclusion for Mobile Home Park	Deduction	15-31-163	2009	HB636
Corporate Income Tax	Deduction for Donation of Exploration Information	Deduction	15-32-510	1999	SB 625
Corporate Income Tax	Deduction for Purchasing Montana-Produced Fertilizer	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, 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	Contributions to Public and Private Schools Credit	Credit	15-31-158 and 159	2015	SB 410
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 and HB 602

<b>Tax Source</b>	<b>Tax Expenditure</b>	<b>Expenditure Type</b>	<b>Law</b>	<b>Session/Year</b>	<b>Legislation</b>
Corporate Income Tax	Mineral Exploration Incentive Credit	Credit	15-32-501 to 509	1999	SB 625
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	Unlocking Public Lands Credit	Credit	15-30-2380	2013	HB 444
Corporate Income Tax	Corporate Passive Deduction Expenditures	Passive Expenditure			
<b>Property Tax</b>					
Property Tax	Montana Disabled Veterans Program	Residential Property	15-6-211	1979	HB 213
Property Tax	Energy Production or Development Tax Abatement	Economic Development	15-24-3111	2007	HB 3
Property Tax	Generally Exempt Property	Tax Exempt	15-6-201 to 242		
Property Tax	Intangible Personal Property Exemption	Centrally Assessed	15-6-218	1999	SB 111
Property Tax	Land Value Property Tax Assistance Program	Residential Property	15-6-240	2017	SB 94
Property Tax	Property Tax Assistance Program	Residential Property	15-6-134	1979	HB 398
Property Tax	Tax Increment Finance Districts	Economic Development	7-15-4282	1974	HB 193
Property Tax	New Fiber Optic and Coaxial Cable Exemption	Centrally Assessed	15-6-135 to 219	2021	SB 51

<b>Tax Source</b>	<b>Tax Expenditure</b>	<b>Expenditure Type</b>	<b>Law</b>	<b>Session/Year</b>	<b>Legislation</b>
<b>Oil and Gas Tax</b>					
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
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.

## Individual Income Tax Expenditures - 2021

	Number	\$
Capital Gains Credit	93,649	\$142,659,750
Credit for Other States' Taxes	16,339	\$80,816,438
Federal Income Tax Deduction	220,833	\$68,620,386
Charitable Contributions	131,650	\$60,413,912
Home Mortgage Interest	136,905	\$55,873,206
State and Local Tax Deduction	203,536	\$37,622,771
Medical Insurance Premium Deduction	102,380	\$25,880,868
Unemployment Compensation Deduction	34,489	\$15,724,305
Exempt Military Salary	4,955	\$11,851,890
Medical and Dental Expenses Deduction	47,090	\$11,546,979
Elderly Homeowner/Renter Credit	13,052	\$7,049,440
Exempt Tips	22,069	\$5,710,835
Earned Income Tax Credit	89,015	\$4,936,275
Partial Pension Exemption	44,793	\$4,420,373
Energy Conservation Credit	7,111	\$4,085,936
Qualified Endowment Credit	654	\$3,356,828
Media Production Credit	18	\$3,338,049
Tier II Railroad Retirement	2,876	\$1,951,187
Partial Interest Exclusion for Elderly Taxpayers	73,706	\$1,674,247
Long Term Care Insurance Premium Deduction	9,069	\$1,639,725
Montana Medical Care Savings Account Deduction	5,175	\$1,395,302
Family Education Savings Account Deduction	5,494	\$1,259,674
Alternative Energy Systems Credit	875	\$652,907
Other Deductible Taxes	5,648	\$540,083
Recycling Credit	105	\$517,006
Light Vehicle Registration Fee Deduction	30,214	\$475,037
Apprenticeship Credit	325	\$430,530
Expenses Incurred by Medical Cannabis Providers	71	\$369,000
College Contribution Credit	2,165	\$310,062
Adoption Credit	126	\$133,395
Trades Education and Training Credit	182	\$101,409
Geothermal Heating System Credit	71	\$86,401
Third-Party Repayment of Health Care Professional's Student Loans Deduction	350	\$79,415
Infrastructure Users Fee Credit	*	\$77,182
First Time Homebuyer Account Deduction	251	\$57,683
Worker's Compensation Deduction	179	\$50,807
Political Contribution Deduction	5,264	\$41,181

	Number	\$
Small Business Investment Company Dividend Deduction	19	\$35,130
Health Benefits Limited to Highly-Compensated Employees Deduction	115	\$34,664
Historic Property Preservation Credit	13	\$32,062
Business Purchases of Recycled Material Deduction	91	\$27,579
Alternative Energy Production Credit	20	\$27,466
Health Insurance for Uninsured Montanans Credit	39	\$26,504
Dependent Care Assistance Credit	14	\$23,399
ABLE Account Deduction	164	\$23,227
Elderly Care Credit	31	\$22,040
Casualty and Theft Losses	305	\$13,621
Educator Student Loan Repayment	71	\$11,045
Research Credit	*	\$7,558
Student Scholarship Organization Credit	40	\$6,544
Alternative Fuel Credit	10	\$5,247
Sales of Land to Beginning Farmers	*	\$3,505
Per Capita Livestock Fee Deduction	493	\$3,379
Child and Dependent Care Expenses Deduction	271	\$3,294
Innovative Education Credit	*	\$1,650
Unlocking State Lands Credit	*	\$1,500
Exempt Disability Retirement Income Deduction	18	\$945
National Guard Life Insurance Premiums Deduction	*	\$321
Capital Gain Exclusion From Sale of Mobile Home Park	0	\$0
Biodiesel Credits	0	\$0
Temporary Emergency Lodging Credit	0	\$0
Empowerment Zone Credit	0	\$0
Mineral Exploration Credit	0	\$0

*\*Not disclosed due to confidentiality concerns.*

## Corporate Income Tax Expenditures - 2020

	Number	\$
Water's Edge Election	687	\$6-\$10,000,000
MEDIA Credit	*	\$5,533,471
Contractor's Gross Receipts	76	\$1,939,697
Recycled Material Qualifying for Deduction	*	\$1,262,728
Infrastructure Users Fee Credit	11	\$398,786
Recycling Credit	*	\$132,349
Dependent Care Assistance Credit	*	\$42,525
Charitable Endowment Credit	*	\$24,626
Apprenticeship Tax Credit	*	\$18,150
College Contribution Credit	15	\$4,971
Health Insurance for Uninsured Montanans Credit	*	\$2,810
Historic Property Preservation Credit	*	\$50
Geothermal Heating System Credit	*	\$50
Mineral Exploration Incentive Credit	*	\$25
Contributions to Public and Private Schools Credit	0	\$0
Qualified Research Credit	0	\$0
New/Expanded Industry Credit	0	\$0
Short-term Temporary Lodging Credit	0	\$0
Oilseed Crushing & Biodiesel Production Credit	0	\$0
Empowerment Zone New Employees Tax Credit	0	\$0
Biodiesel Blending and Storage Tank Credit	0	\$0
Alternative Fuel Motor Vehicle Conversion Credit	0	\$0
Alternative Energy Production 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.

## Property Tax Expenditures - 2022

	Number	\$
Generally Exempt Property	N/A	\$28,093,774
Intangible Personal Property Exemption	167	\$18,386,332
Tax Increment Financing Districts	N/A	\$6,988,183
Property Tax Assistance Program	21,527	\$2,845,918
Disabled American Veterans Program	3,028	\$972,630
Energy Production or Development Tax Abatement	5	\$330,900
Land Value Property Tax Assistance Program	166	\$71,092
Fiber Optic and Coaxial Cable Exemption	82	\$61,180

## Natural Resource Tax Expenditures - 2022

	Number	\$
Oil New Production Holiday (Oil and Gas Production Tax)	44	\$12,240,872
Oil Stripper Well Production (Oil and Gas Production Tax)	2170	\$1,029,042
Natural Gas Pre-1999 and Less than 60 MCF/day (Oil and Gas Production Tax)	5003	\$575,567
Natural Gas New Production Tax Holiday (Oil and Gas Production Tax)	28	\$369,756
Oil Horizontally Recompleted Wells (Oil and Gas Production Tax)	0	\$0
Oil Tertiary Incremental Production (Oil and Gas 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 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).<sup>1</sup>

The JCT estimates that federal tax expenditures creating Montana passive tax expenditures total \$768.24 billion. 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 (0.28 percent), and the ratio of the top Montana rate to the top federal rate (18.6 percent), results in passive tax expenditures of \$407 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 2021, 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.

<sup>1</sup> "Estimates of Federal Tax Expenditures for FYs 2020-2024," by the staff of the Joint Committee on Taxation, November 5 2020, Document JCX-23-20.

## 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 2013 through 2021. For 2021, extending these exclusions to the self-employed reduced income tax revenue to the state general fund by \$20,439,349, or \$30.00 per full-year resident taxpayer.

### One-Half of Self Employment Tax

TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	59,162	\$84,415,172	9,383	\$38,275,634	2,307	\$2,297,896	70,852	\$124,988,702
2014	60,013	\$86,986,043	9,765	\$43,015,696	2,382	\$2,399,186	72,160	\$132,400,925
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

## Contributions to Qualified Self-Employed Retirement Plans

TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	2,632	\$47,762,885	1,259	\$38,226,913	63	\$1,266,334	3,954	\$87,256,132
2014	2,637	\$48,366,605	1,350	\$42,009,219	73	\$1,371,546	4,060	\$91,747,370
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

## Self-Employed Health Insurance Premiums Deduction

TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	22,355	\$132,130,435	4,984	\$46,016,372	434	\$1,800,061	27,773	\$179,946,868
2014	23,572	\$130,249,955	5,265	\$50,754,610	488	\$2,064,756	29,325	\$183,069,321
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

# 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 2013 through 2021. For 2021, the HSA deduction reduced income tax revenue to the state general fund by \$3,104,002, or \$4.56 per full-year resident taxpayer.

Health Savings Account Deduction								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	8,119	\$28,425,705	1,212	\$5,547,865	235	\$565,381	9,566	\$34,538,951
2014	8,968	\$30,938,095	1,414	\$6,267,767	305	\$750,963	10,687	\$37,956,825
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

# 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 is limited to \$5,500. The limit is \$1,000 higher for taxpayers age 50 or older. 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 2013 through 2021. For 2021, the IRA deduction reduced income tax revenue to the state general fund by \$4,143,298, or \$6.09 per full-year resident taxpayer.

Individual Retirement Account Deduction								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	12,909	\$62,060,097	1,403	\$9,118,826	392	\$1,451,143	14,704	\$72,630,066
2014	13,284	\$65,989,731	1,428	\$9,557,425	416	\$1,500,042	15,128	\$77,047,198
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

## 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 \$65,000 and \$80,000 (\$130,000 and \$160,000 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 2013 through 2021. For 2021, the student loan interest deduction reduced income tax revenue to the state general fund by \$836,977, or \$1.23 per full-year resident taxpayer.

Student Loan Interest Deduction								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	45,115	\$41,374,226	3,194	\$3,188,041	4,063	\$4,132,916	52,372	\$48,695,183
2014	43,530	\$43,632,382	3,318	\$3,501,763	4,244	\$4,555,024	51,092	\$51,689,169
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

## Tuition and Fees Deduction: Federal Provision Legislation: N/A

Until Tax Year 2021, taxpayers could deduct up to \$4,000 of tuition and fees they paid for their own or their dependents' postsecondary education. Taxpayers with an income of \$65,000 or less (\$130,000 for a joint return) may take the full deduction. Taxpayers with incomes between \$65,000 and \$80,000 (\$160,000 for a joint return) are limited to a \$2,000 deduction, and taxpayers with higher incomes may not take the deduction.

Federal law also allowed a tax credit for some higher education expenses; a taxpayer could not take both the deduction and the credit. This deduction provided a subsidy for taxpayers who were pursuing their own post-secondary education or paying for their dependents' post-secondary education. This provided an incentive for taxpayers to invest in their own or their dependents' educations.

The following table shows tuition and fees deductions for Tax Years 2013 through 2020. Deduction amounts for Tax Year 2018 are not available, as the deduction was allowed retroactively and after taxpayers had already filed their returns. Deduction amounts for Tax Year 2021 are also not available, as the deduction expired at the end of 2020. For 2020, the tuition and fees deduction reduced income tax revenue to the state general fund by \$317,314, or \$0.47 per full-year resident taxpayer.

Tuition and Fees Deduction								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	5,496	\$12,198,697	623	\$1,359,370	531	\$1,388,396	6,650	\$14,946,463
2014	5,133	\$11,191,316	636	\$1,485,165	566	\$1,500,036	6,335	\$14,176,517
2015	5,230	\$11,481,274	617	\$1,431,365	560	\$1,436,247	6,407	\$14,348,886
2016	5,092	\$11,292,573	593	\$1,462,569	544	\$1,437,767	6,229	\$14,192,909
2017	3,461	\$7,716,922	446	\$1,071,768	302	\$815,820	4,209	\$9,604,510
2018	0	\$0	0	\$0	0	\$0	0	\$0
2019	3,728	\$8,888,960	413	\$1,064,448	374	\$968,848	4,515	\$10,922,256
2020	3,632	\$8,977,256	499	\$1,313,679	393	\$1,099,435	4,524	\$11,390,370
2021	0	\$0	0	\$0	0	\$0	0	\$0

*\*Not disclosed due to confidentiality concerns.*

## **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.

For Tax Year 2021, the IRA deduction reduced income tax revenue to the state general fund by \$2,347, or \$0.00 per full-year resident taxpayer.

# Definition of Adjusted Gross Income

## Montana Adjustments to Income

Montana currently has 49 adjustments to Federal Adjusted Gross Income that taxpayers are either allowed or required to make in calculating 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.

## 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 2021. If the state taxed this income, general fund revenue would increase by \$23,227, or \$0.03 per full-year resident taxpayer in Tax Year 2021.

ABLE Account Deposits								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	0	\$0	0	\$0	0	\$0	0	\$0
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

\*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 2011. For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$27,579, or \$0.04 per full-year resident taxpayer.

Business Expense for Recycled Materials								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	91	\$366,958	*	\$239	*	\$663	*	\$367,860
2014	100	\$296,108	*	\$211	*	\$365	*	\$296,684
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

\*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 and 2021. No taxpayers claimed this deduction on their income tax returns in Tax Year 2021.

Capital Gain Exclusion From Sale of Mobile Home Park								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	0	\$0	0	\$0	0	\$0	0	\$0
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

\*Not disclosed due to confidentiality concerns.

## Disability Retirement Income: 15-30-2110(10), MCA Legislation: SB 464, 1985 Session

Taxpayers who are under the age of 65 and permanently disabled may exclude up to \$5,200 of disability retirement income. The amount taxpayers may exclude is reduced by any amount by which their pre-exclusion adjusted gross income exceeds \$15,000. This exclusion increases the after-tax income of permanently disabled taxpayers with low incomes.

The following table shows disability income excluded since Tax Year 2013. For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$369,000, or less than \$0.54 per full-year resident taxpayer.

Exempt Disability Retirement Income								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	50	\$226,388	0	\$0	0	\$0	50	\$226,388
2014	27	\$126,247	0	\$0	0	\$0	27	\$126,247
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

\*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 2013. If the state taxed this income, general fund income would increase by \$9,199,798, or \$13.51 per full-year resident taxpayer for Tax Year 2021.

Exempt Tribal Income								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	5,620	\$170,919,136	22	\$539,535	44	\$978,101	5,686	\$172,436,772
2014	5,899	\$184,937,230	18	\$456,199	40	\$884,217	5,957	\$186,277,646
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

# 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 2021. If the state taxed this income, general fund revenue would increase by \$369,000, or \$0.54 per full-year resident taxpayer in Tax Year 2021.

Expenses Incurred by Medical Marijuana Providers								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	0	\$0	0	\$0	0	\$0	0	\$0
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

\*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 higher 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.

This program encourages families to save for their children's college 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 2013. For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$1,259,674, or \$1.85 per full-year resident taxpayer.

Family Education Savings Account Deposits								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	2,955	\$9,385,280	81	\$319,193	60	\$145,956	3,096	\$9,850,429
2014	3,175	\$10,075,735	102	\$371,011	42	\$120,793	3,319	\$10,567,539
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

## 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 may set up an account and deposit up to 20 percent of their net income from agriculture each year, with a limit of \$20,000.

Deposits to a risk management account 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. There have been fewer than 10 deposits to accounts each year since Tax Year 2004, and all of those have been made by non-residents. No deposits were made in Tax Years 2019, 2020, and 2021. The tables below show exempt deposits and taxable withdrawals since Tax Year 2013.

Farm and Ranch Risk Management Account Deposits								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	0	\$0	0	\$0	0	\$0	0	\$0
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

\*Not disclosed due to confidentiality concerns.

## Farm and Ranch Risk Management Account Taxable Distributions

TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	*	\$1,003	*	\$13,106	0	\$0	*	\$14,109
2014	*	\$2,200	*	\$826	0	\$0	*	\$3,026
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

*\*Not disclosed due to confidentiality concerns.*

# First-Time Homebuyer Accounts: 15-63-101, MCA through 15-63-205, MCA

## Legislation: HB 599, 1997 Session

Montana law allows residents who have never owned a home to establish a First-Time Homebuyer's Account. Deposits of up to \$3,000 per year (\$6,000 for a married couple filing a joint return) and account earnings are 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 encourages home ownership by reducing the cost of saving for a down payment. The following tables show exempt deposits and earnings and taxable withdrawals. For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$57,683, or \$0.08 per full-year resident taxpayer.

First-Time Homebuyer Account Deposits								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	141	\$501,702	*	\$2,487	*	\$6,150	*	\$510,339
2014	161	\$543,587	0	\$0	*	\$22,890	*	\$566,477
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

\*Not disclosed due to confidentiality concerns.

## First-Time Homebuyer Account Nonqualified Withdrawals

TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	*	\$50,177	*	\$2,322	0	\$0	*	\$52,499
2014	*	\$4,177	0	\$0	0	\$0	*	\$4,177
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

*\*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 stock-holders, 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 allows these select employees to count their extra health insurance benefits as non-taxable fringe benefits.

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 undermines 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 2013. For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$34,664, or \$0.05 per full-year resident taxpayer.

<b>Employer-Provided Health Insurance Not Available to All Employees</b>								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	160	\$791,972	*	\$14,924	*	\$7,318	*	\$814,214
2014	155	\$710,685	*	\$4,725	*	\$3,810	*	\$719,220
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

\*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 2013. If the state could tax this income, it would have increased income tax revenue to the general fund by \$1,707,443, or \$2.51 per full-year resident taxpayer for Tax Year 2021.

<b>Interest on Federal Government Bonds</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	15,909	\$19,330,263	2,572	\$106,019,200	416	\$526,474	18,897	\$125,875,937
2014	15,155	\$20,115,632	2,899	\$50,869,732	449	\$525,881	18,503	\$71,511,245
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

**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 2011.

Together, the state exclusion of residents' military salaries and the federal requirement to exclude nonresidents' military salaries reduced Tax Year 2021 income tax revenue to the general fund by \$11,851,890, or \$17.41 per full-year resident taxpayer.

<b>Active Duty Military Salary</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	4,521	\$164,472,809	129	\$5,438,421	143	\$4,799,545	4,793	\$174,710,775
2014	4,511	\$169,324,587	100	\$4,198,055	148	\$5,234,548	4,759	\$178,757,190
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

# 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 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.

Taxpayers may exclude up to \$3,000 of their contributions to an account during a year and any withdrawals from an account that are used to pay medical expenses. This 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.

For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$1,395,302, or \$2.05 per full-year resident taxpayer.

Montana Medical Care Savings Accounts								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	6,181	\$19,801,670	*	\$3,000	77	\$118,532	*	\$19,923,202
2014	6,084	\$19,436,867	*	\$3,000	96	\$126,808	*	\$19,566,675
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

\*Not disclosed due to confidentiality concerns.

Medical Savings Account Nonqualified Withdrawals								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	72	\$129,693	0	\$0	*	\$31,096	*	\$160,789
2014	78	\$99,814	*	\$23,279	*	\$6,091	*	\$129,184
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

\*Not disclosed due to confidentiality concerns.

# National Guard Life Insurance Premiums: 15-30-2117(3) Legislation: HB 761, 2005 Session

The state will reimburse members of the National Guard or Reserve who are on active duty for premiums they pay for military group life insurance. This reimbursement is treated as income for federal income tax, but the state exempts it from taxation. This exemption increases the after-tax income of Guard and Reserve members, increasing the financial incentive to join or remain in the Guard or Reserves. It also provides an incentive for Guard and Reserve members to purchase military group life insurance.

The following table shows exempt Guard and Reserve life insurance premium reimbursements since Tax Year 2013. For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$321, or less than \$0.00 per full-year resident taxpayer.

National Guard Life Insurance Premiums								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	46	\$28,091	*	\$27	*	\$569	*	\$28,687
2014	32	\$48,885	*	\$402	*	\$1,322	*	\$50,609
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

\*Not disclosed due to confidentiality concerns.

# Partial Interest Exclusion for Elderly Taxpayers: 15-30-2110(2)(b), MCA Legislation: HB 18, 1981 Session

Taxpayers who are age 65 or older may exclude up to \$800 of interest income. The following table shows interest income excluded since Tax Year 2013. This exemption provides a limited incentive for retirees to hold interest-paying assets, such as corporate bonds, rather than assets that pay other types of income. It also provides a limited incentive for retirees to locate in Montana rather than in a state without a similar exemption. However, the primary effect is to reduce tax paid by older taxpayers.

For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$1,674,247, or \$2.46 per full-year resident taxpayer.

Partial Interest Exclusion for Elderly Taxpayers								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	62,720	\$31,301,899	9,134	\$7,311,575	1,111	\$492,669	72,965	\$39,106,143
2014	62,418	\$29,772,557	9,729	\$7,660,793	1,119	\$513,706	73,266	\$37,947,056
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

# Partial Pension Exemption: 15-30-2110(2)(c), MCA

## Legislation: HB 232, 1963 Session / SB 226, 1991 Session

Taxpayers with Federal Adjusted Gross Income below a threshold have part of their pension income exempted from taxation. For taxpayers with higher incomes, the exemption amount is reduced by \$2 for each \$1 that the Federal Adjusted Gross Income exceeds the threshold. Both the threshold and the amount exempted are adjusted for inflation each year. For Tax Year 2021, the amount exempted was \$4,400 and the threshold was \$36,700. Taxpayers with Federal Adjusted Gross Income between \$36,700 and \$38,900 were eligible for an exemption of less than \$4,400, and taxpayers with incomes over \$38,900 were not eligible for the exemption.

This exemption provides a limited incentive to participate in a retirement system and to keep funds in a retirement plan rather than withdrawing them. It also provides 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,<sup>2</sup> 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 table on the next page shows pension income excluded from taxation since 2013. For 2021, this exclusion reduced income tax revenue to the general fund by \$4,420,373, or \$6.49 per full-year resident taxpayer.

Partial Pension Exemption								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	43,546	\$158,597,172	1,634	\$5,502,608	775	\$2,596,220	45,955	\$166,696,000
2014	44,032	\$163,276,389	1,666	\$5,873,948	762	\$2,506,314	46,460	\$171,656,651
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

<sup>2</sup> The U.S. Supreme Court ruled against Michigan in *Davis v. Michigan Dept. of Treasury*, 489 U.S. 803, 109 S.Ct. 1500, 103 L.Ed.2d 891 (1989). Montana settled the similar case *Sheehy v. State Dept. of Revenue*, 250 Mont. 437, 820 P.2d 1257 (1991) and issued \$15.7 million in refunds for the years 1983 through 1989.

## Sales of Land to Beginning Farmers: 80-12-211, MCA Legislation: SB 316, 1983 Session

Montana allows 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 be 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 2013. Fewer than 10 taxpayers have used the exclusion every year. For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$3,505, or less than \$0.01 per full-year resident taxpayer.

Sales of Land to Beginning Farmers								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	*	\$56,687	0	\$0	0	\$0	*	\$56,687
2014	*	\$7,094	0	\$0	0	\$0	*	\$7,094
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

\*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 table on the next page shows income exempted under this provision since Tax Year 2013.

<b>Capital Gains from Small Business Investment Companies</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	17	\$173,389	*	\$209,411	*	\$274	*	\$383,074
2014	20	\$134,599	*	\$35,179	0	\$0	*	\$169,778
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

*\*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 receive loan repayment assistance during the tax year from the Quality Educator Loan Assistance Program can exclude the assistance amount from their adjusted gross income. The exclusion is limited to a maximum of \$5,000 for the tax year. The table below shows the cost of this exclusion for Tax Years 2020 and 2021.

For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$11,045, or \$0.02 per full-year resident taxpayer.

<b>Educator Student Loan Repayment included in Federal AGI</b>								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	0	\$0	0	\$0	0	\$0	0	\$0
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

\*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 excludes 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 following table shows the cost of the additional state exclusion since Tax Year 2013. For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$79,415, or \$0.12 per full-year resident taxpayer.

<b>Health Care Professional Student Loan Repayment Included in Federal AGI</b>								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	300	\$880,391	*	\$5,317	31	\$79,000	*	\$964,708
2014	341	\$913,226	*	\$14,191	34	\$95,392	*	\$1,022,809
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

\*Not disclosed due to confidentiality concerns.

## 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 taxed at the federal level, but federal law exempts them from state taxation. The table on the next page shows Tier II railroad retirement benefits exempted from Montana taxation.

For Tax Year 2021, income tax revenue to the general fund would have been \$1,951,187 higher if the state could tax Tier II railroad retirement. This is \$2.87 per full-year resident taxpayer.

Tier II Railroad Retirement								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	2,863	\$43,719,325	81	\$1,064,303	28	\$413,587	2,972	\$45,197,215
2014	2,823	\$45,197,719	81	\$1,092,309	25	\$297,154	2,929	\$46,587,182
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

## Tip Income and Gratuities: 15-30-2110(2)(f), MCA Legislation: HB 841, 1983 Session

Tips earned while working for a licensed food service, beverage, or lodging establishment are not taxable in Montana. The reasoning behind this exclusion is 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 following table shows tips excluded from income since Tax Year 2013. For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$5,710,835, or \$8.39 per full-year resident taxpayer.

Exempt Tip Income								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	16,516	\$56,390,533	960	\$2,592,060	1,621	\$4,757,200	19,097	\$63,739,793
2014	16,836	\$59,993,312	1,148	\$3,576,755	1,705	\$5,124,973	19,689	\$68,695,040
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

# Unemployment Compensation: 15-30-2101, MCA Legislation: HB 363, 1979 Session

Federal law taxes unemployment compensation, but Montana law exempts it from taxation.

The following table shows additional state exemptions for unemployment compensation since Tax Year 2013. For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$15,724,305, or \$23.10 per full-year resident taxpayer.

<b>Exempt Unemployment Compensation</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	32,374	\$129,933,369	4,756	\$26,765,431	2,171	\$10,499,700	39,301	\$167,198,500
2014	26,517	\$93,510,592	3,804	\$18,077,778	1,891	\$7,453,018	32,212	\$119,041,388
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

## 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. Montana law exempts all worker's compensation payments. 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 2013. For Tax Year 2021, this exclusion reduced income tax revenue to the general fund by \$50,807, or \$0.07 per full-year resident taxpayer.

<b>Exempt Unemployment Compensation</b>								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	137	\$1,009,272	*	\$29,361	*	\$9,979	*	\$1,048,612
2014	121	\$852,638	*	\$26,794	*	\$93,459	*	\$972,891
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

\*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 is in the 3 percent state tax bracket and the 10 percent federal tax bracket. An additional \$100 deduction would reduce this person's state tax liability by \$3 and federal tax liability by \$10, for a total of \$13 if the taxpayer itemizes their deductions. The \$100 expenditure that was the basis of the deduction cost the taxpayer \$87 and cost the state and federal governments, and ultimately other taxpayers, \$13.

A taxpayer with a taxable income of \$500,000 is in the 6.9 percent state tax bracket and the 37 percent federal tax bracket. An additional \$100 deduction would reduce this person's state tax liability by \$6.90 and federal tax liability by \$37, for a total of \$43.90 if the taxpayer itemizes. The \$100 expenditure that was the basis of the deduction cost this taxpayer \$56.10 and cost the state and federal governments, and ultimately other taxpayers, \$43.90.

Montana law generally allows itemized deductions allowed by federal law (15-30-2131(1)(a), MCA). There are a few exceptions where Montana law specifically disallows a federal deduction. Montana law allows several itemized deductions that are not allowed by federal law.

Not all itemized deductions are tax expenditures. Three itemized deductions allow taxpayers to deduct costs of earning income. They are the deduction for investment interest, the deduction for gambling losses, and the deduction for other miscellaneous expenses.

The deduction for investment interest allows taxpayers to deduct interest on funds borrowed to pay for income-producing property that has not been deducted elsewhere as a business expense.

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.

The deduction for other miscellaneous expenses allows taxpayers to deduct certain business and investment costs and losses and certain employment-related costs of a disabled taxpayer. These expenses are required to not be more than 2 percent of adjusted gross income.

## 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 2013 through 2021. The itemized deduction for casualty and theft losses reduced income tax revenue to the state general fund for Tax Year 2021 by \$13,621, or \$0.02 per full-year resident taxpayer.

<b>Casualty and Theft Losses</b>								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	510	\$5,869,942	52	\$847,644	20	\$120,451	582	\$6,838,037
2014	475	\$5,096,735	52	\$1,670,297	22	\$471,616	549	\$7,238,648
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

*\*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 2013 through 2021. Itemized deductions for charitable contributions reduced Tax Year 2021 income tax revenue to the state general fund by \$60,413,912, or \$88.75 per full-year resident taxpayer.

Charitable Contributions								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	150,343	\$487,023,319	18,043	\$1,375,346,442	4,154	\$11,881,345	172,540	\$1,874,251,106
2014	149,283	\$435,494,624	18,516	\$515,994,391	4,163	\$11,867,165	171,962	\$963,356,180
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

Charitable Noncash Contributions								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	68,473	\$75,235,417	9,489	\$915,527,476	3,059	\$3,900,138	81,021	\$994,663,031
2014	68,964	\$79,790,146	9,759	\$371,406,540	3,092	\$5,645,390	81,815	\$456,842,076
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

## Carryover of Contributions from Previous Years

TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	3,314	\$36,604,717	534	\$444,543,991	94	\$321,170	3,942	\$481,469,878
2014	2,997	\$34,834,107	529	\$130,092,647	86	\$431,717	3,612	\$165,358,471
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

## Child and Dependent Care Expenses: 15-30-2131(1)(c), MCA Legislation: HB 47, 1977 Session

Montana law allows 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 may be a child under 15 or any person who is 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 combined Montana Adjusted Gross Income of less than \$22,800 if caring for one eligible dependent. The income limit is \$25,200 if the taxpayer is 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 reduces the cost of working for taxpayers who have a child or other dependent to care for. It provides an incentive to engage in paid work and pay to have the dependent cared for rather than to provide the care personally.

The table on the next page shows itemized deductions for child and dependent care expenses for Tax Years 2013 through 2021. The itemized deduction for child and dependent care expenses reduced income tax revenue to the state general fund for Tax Year 2021 by \$3,294, or less than \$0.00 per full-year resident taxpayer.

<b>Child and Dependent Care Expenses</b>								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	703	\$1,447,271	70	\$145,804	49	\$109,360	822	\$1,702,435
2014	558	\$1,189,970	42	\$111,620	33	\$77,121	633	\$1,378,711
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

*\*Not disclosed due to confidentiality concerns.*

## Federal Income Tax: 15-30-2131(1)(b), MCA Legislation: HB 328, 1933 Session

Montana law allows 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 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 to prevent 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.

Formally, this deduction partially or completely avoids having the state levy income tax on income paid to the federal government as income tax. Practically, it has the same effect on taxpayers as having lower tax rates for taxpayers who itemize deductions and whose income puts them below the cap on this deduction. This is because each extra dollar of income increases adjusted gross income by 1 dollar but also increases itemized deductions by the federal marginal tax rate times 1 dollar. Thus, an extra dollar of adjusted gross income translates into less than an extra dollar of taxable income.

For example, a single taxpayer with taxable income of \$25,000 in Tax Year 2021 would be in the 6.9 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 6.9 percent rate to \$88 provides additional tax of \$6.07, for an effective marginal tax rate of about 6.1 percent rather than 6.9 percent. For a taxpayer whose federal taxes are above the cap on the deduction, the effective marginal tax rate is 6.9 percent.

The following table shows itemized deductions for federal income tax for Tax Years 2013 through 2021. For Tax Year 2021, the deduction for federal income tax reduced income tax revenue to the general fund by \$68,620,386, or \$100.80 per full-year resident taxpayer.

Federal Income Tax								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	224,818	\$1,206,775,407	32,250	\$229,764,838	9,500	\$54,613,668	266,568	\$1,491,153,913
2014	227,218	\$1,241,851,066	33,560	\$241,375,438	10,033	\$59,254,829	270,811	\$1,542,481,333
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

# 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. This deduction reduced income tax revenue to the state general fund for Tax Year 2021 by \$55,873,206, or \$82.08 per full-year resident taxpayer.

<b>Home Mortgage Interest</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	141,696	\$907,271,882	15,609	\$151,307,187	4,583	\$32,308,778	161,888	\$1,090,887,847
2014	140,721	\$881,047,516	15,788	\$150,949,816	4,766	\$32,665,529	161,275	\$1,064,662,861
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

## Light Vehicle Registration Fees: 15-30-2131(1)(h), MCA Legislation: HB 540, 1999 Session

Montana taxpayers may 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 provides an incentive for vehicle ownership. In addition, as the registration rate is higher for newer vehicles, the deduction also provides an incentive for taxpayers to operate newer vehicles.

The following table shows the deductions claimed for light vehicle registration fees for Tax Year 2018 through 2021. For Tax Year 2021, this deduction reduced income tax revenue to the general fund by \$475,037, or \$0.70 per full-year resident taxpayer.

Light Vehicle Registration Fees								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	†	†	†	†	†	†	†	†
2014	†	†	†	†	†	†	†	†
2015	†	†	†	†	†	†	†	†
2016	†	†	†	†	†	†	†	†
2017	†	†	†	†	†	†	†	†
2018	31,353	\$8,020,495	121	\$31,872	524	\$141,416	31,998	\$8,193,783
2019	32,295	\$8,148,599	119	\$35,972	595	\$163,222	33,009	\$8,347,793
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

† 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 allows an itemized deduction for all unreimbursed long-term care insurance premiums. As with medical insurance premiums, long-term care premiums cannot 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 may not claim a deduction for premiums that were part of the expenses qualifying for the elderly care credit.

This deduction provides a partial subsidy to taxpayers who buy long-term care insurance. The following table shows itemized deductions for medical insurance premiums for Tax Years 2013 through 2021. For Tax Year 2021, this deduction reduced income tax revenue to the general fund by \$1,639,725 or \$2.41 per full-year resident taxpayer.

Long Term Care Insurance Premiums								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	11,086	\$29,433,415	1,393	\$4,282,706	198	\$459,421	12,677	\$34,175,542
2014	10,995	\$30,079,682	1,427	\$4,713,851	210	\$533,442	12,632	\$35,326,975
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

# 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.

<b>Medical Expenses</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	57,445	\$289,795,563	3,170	\$29,067,040	1,126	\$5,858,508	61,741	\$324,721,111
2014	56,074	\$278,443,929	3,198	\$29,850,377	1,073	\$6,623,096	60,345	\$314,917,402
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

The table above shows itemized deductions for medical and dental expenses for Tax Years 2013 through 2021. For Tax Year 2021, this deduction reduced income tax revenue to the general fund by \$11,546,980, or \$16.96 per full-year resident taxpayer.

## 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 allows an itemized deduction for all unreimbursed health insurance premiums. Insurance premiums cannot 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 provides a partial subsidy to taxpayers who buy their own health insurance. The following table shows itemized deductions for medical insurance premiums for Tax Years 2013 through 2021. For Tax Year 2021, this deduction reduced income tax revenue to the general fund by \$25,880,868, or \$38.02 per full-year resident taxpayer.

<b>Medical Insurance Premiums Not Deducted Elsewhere</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	92,845	\$388,204,675	8,475	\$40,764,387	2,213	\$7,808,160	103,533	\$436,777,222
2014	94,095	\$390,392,386	9,007	\$44,109,594	2,125	\$7,480,016	105,227	\$441,981,996
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

# Per Capita Livestock Fees: 15-30-2131(1)(i), MCA Legislation: HB 124, 2001 Session

Montana taxpayers may 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.

The exemption of livestock fees from taxable income reduces the cost of having livestock subject to the fee. This exemption provides an incentive for livestock ownership.

The following table shows the deductions claimed for per capita livestock fees for Tax Years 2018 through 2021. For Tax Year 2021, this deduction reduced income tax revenue to the general fund by \$3,379, or \$0.00 per full-year resident taxpayer.

Per Capita Livestock Fees								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	†	†	†	†	†	†	†	†
2014	†	†	†	†	†	†	†	†
2015	†	†	†	†	†	†	†	†
2016	†	†	†	†	†	†	†	†
2017	†	†	†	†	†	†	†	†
2018	557	\$66,935	*	\$81	*	\$678	*	\$67,694
2019	552	\$81,369	*	\$35	*	\$2,224	*	\$83,628
2020	528	\$76,631	0	\$0	*	\$5,922	*	\$82,553
2021	493	\$64,548	*	\$17	*	\$447	*	\$65,012

† 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 allows 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 provides a subsidy for taxpayers making political contributions totaling up to \$100.

The following table shows itemized deductions for political contributions for Tax Years 2013 through 2021. The itemized deduction for political contributions reduced income tax revenue to the general fund for 2021 by \$41,181, or \$0.06 per full-year resident taxpayer.

Political Contributions								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	5,343	\$643,188	185	\$24,439	82	\$9,661	5,610	\$677,288
2014	6,683	\$840,852	208	\$27,772	97	\$10,767	6,988	\$879,391
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

## 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 2013 through 2021. For Tax Year 2021, the deduction for other taxes reduced income tax revenue to the state general fund by \$540,083, or \$0.79 per full-year resident taxpayer.

Other Deductible Taxes								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	21,508	\$8,636,316	1,612	\$2,798,319	355	\$216,346	23,475	\$11,650,981
2014	20,734	\$7,865,574	1,526	\$2,901,792	358	\$216,468	22,618	\$10,983,834
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

## 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 are in the 6.9 percent top rate bracket, their effective marginal rate is 6.4 percent (6.9 percent x \$92.80).

The tables below show itemized deductions for state and local taxes. For Tax Year 2021, the deductions for sales tax or local income tax reduced income tax revenue to the general fund by \$37,622,771, or \$55.27 per full-year resident taxpayer.

<b>State and Local Tax Deduction Limited to \$10,000</b>								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	209,699	\$481,924,198	23,450	\$178,504,393	6,628	\$15,593,011	239,777	\$676,021,602
2014	208,780	\$494,099,279	23,844	\$170,002,165	6,765	\$16,306,881	239,389	\$680,408,325
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

# 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. A taxpayer who meets the requirements for the federal credit may also claim a credit of \$1,000 against Montana income tax. If the credit is more than the taxpayer's liability, the excess is not refunded, but excess credits may be carried forward for up to five years.

The credit has not been amended since it was enacted.

For Tax Year 2019, the maximum federal adoption credit is \$14,080. A taxpayer who takes both the state and federal credits will be reimbursed for up to \$15,080 of the costs of adopting a child. If the actual costs are less than the federal credit, the state credit will provide a double reimbursement for \$1,000 of costs.

There is no itemized deduction for adoptions expenses. However, a taxpayer who claims the state and federal credits and itemizes deductions will have a smaller federal deduction for state taxes and may have a smaller state deduction for federal taxes. The following table shows the net effect of claiming the state credit and the maximum federal credit for a taxpayer in the top state and federal rate brackets who itemize.

<b>Adoption Expenditures</b>		
<b>Taxpayer Claims State Credit and Maximum Federal Credit</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	\$14,070.00	\$14,438.62
State Tax Subsidy	\$1,000.00	\$3.74
Net Taxpayer Subsidy	\$13,070.00	\$14,434.88

For many taxpayers, the federal credit was more than their federal tax liability and the state credit may have been more than their state tax liability. In these cases, the interaction of federal and state deductions will only occur in the last year in which the credit was carried forward and was likely to be smaller than shown in the table.

This credit was first available in Tax Year 2007 and expired starting Tax Year 2022. The following table shows credits claimed for Tax Years 2013 through 2021.

<b>Adoption Credit</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	186	\$210,765	22	\$23,320	10	\$9,998	218	\$244,083
2014	180	\$257,945	23	\$24,030	14	\$15,000	217	\$296,975
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

*\*Not disclosed due to confidentiality concerns.*

In Tax Year 2021, taxpayers used credits of \$133,395 and carried forward credits of approximately \$44,602 to be used in future years. Without the credit, \$133,395 would have been available to spend on other state programs or to reduce taxes. The cost was \$0.20 per full-year resident taxpayer.

# Alternative Energy Production Credit: 15-32-401, MCA through 15-32-407, MCA Legislation: HB 780, 1983 Session

A taxpayer was allowed a credit against individual income tax or corporation income tax for 35 percent of the costs, less any federal or state grants, of depreciable property for a commercial or net metering alternative energy system. However, the credit could only be taken against taxes on net income from energy generated by the facility, from manufacturing alternative energy generating equipment, or from a new or expanded industry powered by the facility.

If the credit was more than the taxpayer's liability, the excess credit may not be refunded. Excess credits could be carried forward for seven years. If the credit was for a commercial system that produces at least 5 megawatts and was built on a reservation, the credit could be carried forward for 15 years.

The credit was enacted as a credit for commercial wind energy systems. The 2001 Legislature expanded the credit to alternative energy systems and net-metering systems as well as commercial systems (SB 506). The 2001 Legislature also expanded the carry-forward provision to 15 years for facilities built on a reservation and meeting certain other requirements. The 2019 Legislature (SB 337), expanded the credit to include hydroelectric sources that produce at least 1 megawatt of electrical energy on dams that did not produce power. The 2021 Legislature ended the credit starting Tax Year 2022 (SB 399).

This credit reduced the cost of an alternative energy system by 35 percent. The taxpayer's cost for each \$1,000 of investment was thus \$650. The taxpayer could deduct depreciation on property for which the credit was granted with no reduction in basis. However, the taxpayer could not claim any other state energy or investment income tax credit or the property tax exemption for alternative energy systems.

An individual taxpayer could claim the credit for investments made by a sole-proprietor business or could claim a share of the credit claimed by a pass-through entity. If the taxpayer itemized their deductions, claiming the state credit reduced the federal deduction for state taxes, and claiming the federal credit reduced the state deduction for federal taxes. The table on the next page shows the state and federal tax subsidies for a \$1,000 investment if the taxpayer was in the top state and federal rate brackets and itemized their deductions.

The table on the next page shows credit use for Tax Years 2013 through 2021.

<b>\$1,000 Expenditure for Commercial Alternative Energy System</b>		
<b>Taxpayer Claims State and Federal Credits</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	\$170.50	\$174.97
State Tax Subsidy	\$350.00	\$337.93
Net Taxpayer Subsidy	\$520.50	\$512.89

Alternative Energy Production Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	*	\$56	0	\$0	0	\$0	*	\$56
2014	*	\$1,310	0	\$0	0	\$0	*	\$1,310
2015	*	\$13,730	0	\$0	0	\$0	*	\$13,730
2016	*	\$1,843	0	\$0	0	\$0	*	\$1,843
2017	*	\$33,936	*	\$7,126	0	\$0	*	\$41,062
2018	*	\$7,266	*	\$15,237	*	\$1,000	*	\$23,503
2019	11	\$64,474	0	\$0	*	\$1,000	*	\$65,474
2020	*	\$67,413	0	\$0	0	\$0	*	\$67,413
2021	20	\$75,248	0	\$0	0	\$0	20	\$75,248

*\*Not disclosed due to confidentiality concerns.*

This credit was the equivalent to a transfer from the state general fund to pay part of the cost of qualifying private property. In Tax Year 2021, the credit against individual income tax cost the state general fund \$27,466. Credits of more than \$52,000 could be carried forward to future years. The cost per full-year resident taxpayer is \$0.04.

## **Alternative Energy Systems Credit: 15-32-201, MCA through 15-32-203, MCA Legislation: SB 167, 1977 Session**

Before Tax Year 2022, resident individual taxpayers could take a credit for up to \$500 of the cost of installing an alternative energy heating system or a low-emission wood or biomass system in their principal residence. If the credit exceeded the taxpayer's liability, the excess could not be refunded, but could be carried forward for up to four years.

The credit was enacted as a credit of 10 percent of the first \$1,000 and 5 percent of the next \$3,000 spent on an alternative energy system, with a reduction if the taxpayer received a grant or a federal credit. The credit was available through 1982. The 1983 Legislature extended the credit through Tax Year 1986 (HB 264). The 1985 Legislature (SB 309) expanded the credit to low-emissions wood and biomass systems and extended the credit through 1993. The 1991 Legislature (HB 338) doubled the credit to 20 percent of the first \$1,000 and 10 percent of the next \$3,000, extended it through 1996 for low-emissions wood and biomass systems only, and revised the definition of low-emissions wood and biomass systems. Amendments in 1993, 1995, and 1997 were to correct references and update style (1993, SB 1; 1995, SB 234; and 1997, SB 36).

The credit lapsed after Tax Year 1996. The 2001 Legislature reinstated it for investments beginning in Tax Year 2002, made it permanent, and set the credit at system cost up to \$500 (SB 506). The 2003 Legislature adopted federal standards for low-emissions wood and biomass systems. The 2009 Legislature (HB 262) limited the credit to heating systems and changed the definition of eligible wood-burning systems to include outdoor hydronic heaters that meet certain EPA qualifications, and masonry heaters that comply with certain building standards. The 2021 Legislature ended this credit starting Tax Year 2022 (SB 399).

This credit reduced the taxpayer's cost of a residential alternative energy heating system or low-emissions wood or biomass system by \$500. For any system costing \$500 or less, the credit makes it free to the taxpayer, though there are not likely to be many eligible systems costing less than \$500. Taxpayers could not deduct depreciation on their homes, so taxpayers could not claim the credit for expenditures that they also deducted. However, through Tax Year 2016, a taxpayer could have also claimed a federal credit for 30 percent of the cost of residential solar electric and water heating equipment, fuel cells, and small wind systems.

For a taxpayer who itemized their deductions, claiming the state credit would reduce their federal deduction for state taxes, and claiming the federal credit would also reduce the state deduction for federal taxes. The table to the right shows state and federal tax subsidies for \$1,000 spent on a qualifying alternative energy system if the taxpayer was in the top state and federal rate brackets and itemized their deductions.

<b>\$1,000 Expenditure for Commercial Alternative Energy System</b>		
<b>Taxpayer Claims Credit, Expenses Not Deductible</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	\$115.00	\$118.01
State Tax Subsidy	\$500.00	\$491.86
Net Taxpayer Subsidy	\$615.00	\$609.87

The following table shows credit use for Tax Years 2013 through 2021.

<b>Alternative Energy System Credit</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	830	\$632,607	0	\$0	17	\$14,694	847	\$647,301
2014	800	\$617,949	0	\$0	22	\$19,904	822	\$637,853
2015	735	\$581,523	0	\$0	23	\$21,046	758	\$602,569
2016	827	\$668,542	0	\$0	26	\$22,765	853	\$691,307
2017	742	\$577,371	0	\$0	29	\$23,967	771	\$601,338
2018	627	\$475,285	0	\$0	25	\$23,950	652	\$499,235
2019	752	\$602,423	0	\$0	19	\$20,500	771	\$622,923
2020	712	\$571,185	0	\$0	26	\$20,549	738	\$591,734
2021	875	\$712,898	0	\$0	34	\$30,046	909	\$742,944

This credit was the equivalent to a grant from the state general fund to pay part of the cost of private alternative energy systems. In Tax Year 2021, the credit cost the state general fund \$652,907 and \$90,037 in credits that could be carried forward to future years. Of these, 35 percent were for wood and biomass systems, and 65 percent were for other types of systems. Without the credit, \$652,907 would have been available to spend on other state programs or to reduce taxes. The cost was \$0.96 per full-year resident taxpayer.

## Alternative Fuel Conversion Credit: 15-30-2320, MCA Legislation: HB 219, 1993 Session

State taxpayers are allowed a credit against individual income tax or corporate license tax of 50 percent of the cost of converting a motor vehicle to operate on natural gas, LPG, LNG, hydrogen, electricity, or a fuel that is at least 85 percent alcohol or ether. The credit is limited to \$500 for converting a vehicle with GVW of 10,000 or less and \$1,000 for converting of a vehicle with GVW over 10,000. If a taxpayer's credit is more than his or her tax liability, the excess credit is not refunded and cannot be carried forward or backward to another tax year.

There is no federal incentive for vehicle conversions, but a federal credit for the purchase of a new alternative fuel vehicle was extended by the Bipartisan Budget Act of 2018. The credit expired starting Tax Year 2022.

The alternative fuel credit pays part or all of a taxpayer's cost of converting a vehicle to run on an alternative fuel. For a taxpayer who takes the standard deduction on their federal taxes, the credit pays the full cost up to the limit. However, if the taxpayer itemizes, the credit will increase their federal taxes. This is because claiming the state credit will reduce the federal itemized deduction for state taxes. The table below shows the change in federal and state taxes for a \$100 expenditure by a taxpayer in the top federal and state rate brackets who itemize on both federal and state returns.

If the conversion is of a business vehicle, the taxpayer could expense or amortize the cost as a business expense in addition to claiming the credit. For a personal vehicle, these costs are not deductible.

<b>\$100 Alternative Fuel Vehicle Conversion Expenditure</b>		
<b>Taxpayer Claims Credit, Expenses Not Deductible</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	(\$18.50)	(\$18.98)
State Tax Subsidy	\$50.00	\$51.31
Net Taxpayer Subsidy	\$68.50	\$67.67

The table on the next page shows credits for Tax Years 2013 through 2021.

Alternative Fuel Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	16	\$8,183	*	\$1,200	0	\$0	*	\$9,383
2014	16	\$9,905	*	\$3,880	*	\$909	*	\$14,694
2015	12	\$8,189	*	\$3,712	*	\$6,000	*	\$17,901
2016	16	\$8,632	*	\$775	*	\$925	*	\$10,332
2017	12	\$6,194	0	\$0	*	\$1,600	*	\$7,794
2018	18	\$13,431	*	\$1,700	0	\$0	*	\$15,131
2019	21	\$13,933	0	\$0	*	\$1,100	*	\$15,033
2020	15	\$10,605	0	\$0	*	\$500	*	\$11,105
2021	10	\$5,955	*	\$125	*	\$500	*	\$6,580

*\*Not disclosed due to confidentiality concerns.*

This credit is essentially a transfer from the state general fund to help a taxpayer purchase private property. In Tax Year 2021, the individual income tax credit for alternative fuel vehicle conversion cost the state general fund \$5,247. Taxpayers could not use more than \$5,000 of available credits because the credit is non-refundable and cannot be carried forward. Without the credit, either \$5,247 would have been available to spend on other programs or taxes could have been reduced by this amount. The average cost of this credit is less than \$0.01 per full-year resident taxpayer.

# 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 credit use for Tax Years 2018 through 2021. The credit reduced the tax liability of taxpayers by \$430,530 in Tax Year 2021, a cost of \$0.63 per full-year resident taxpayer.

Apprenticeship Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	0	\$0	0	\$0	0	\$0	0	\$0
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

\*Not disclosed due to confidentiality concerns.

# Biodiesel Blending and Storage Tank Credit: 15-32-703, MCA Legislation: HB 776, 2005 Session

State taxpayers who are biodiesel blenders are allowed a credit against individual income tax or corporation tax for 15 percent of the cost of investments in biodiesel blending or storage facilities in a year when the taxpayer is blending or in the two years before blending began. The total credits that may be claimed over time are \$52,500 for a distributor (wholesaler) and \$7,500 for a retailer.

If a taxpayer is eligible for a credit that exceeds their tax liability, the excess credit is not refunded but may be carried forward for up to seven years as long as the facility continues to blend biodiesel. If the facility ceases production for 12 months within five years after the credit is first claimed, the entire credit must be recaptured.

The credit was enacted as a non-refundable credit with no carry-forward. The 2007 Legislature (HB 166) allowed the credit to be carried forward and specified that the credit is for costs incurred while the facility is operating or in the two years before. The 2021 Legislature ended this credit, starting Tax Year 2022 (SB 399).

An individual may claim the credit for investments made by a sole-proprietor business or may claim a share of the credit for investments made by a pass-through entity.

<b>\$100 Biodiesel Blending or Storage Equipment Expenditure</b>		
<b>Taxpayer Claims Credit, No Change to Depreciation Deduction</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	(\$5.55)	(\$5.70)
State Tax Subsidy	\$15.00	\$15.39
Net Taxpayer Subsidy	\$9.45	\$9.70

The credit provides a subsidy to biodiesel blending and storage facilities by reducing the taxpayer's cost of investments in biodiesel blending and storage facilities by 15 percent for investments of up to \$50,000 by a retailer and up to \$350,000 by a wholesaler. Taxpayers may deduct depreciation on facilities for which the credit was taken with no reduction in basis. A taxpayer who claims the credit and itemizes deductions will have a smaller federal deduction for state taxes, which will increase their federal tax liability, and may have a larger state deduction for federal taxes. The table above shows the total state tax subsidy and the federal tax cost to a taxpayer in the top federal and state rate brackets for \$100 invested in biodiesel blending or storage facilities.

Fewer than 10 individuals have claimed the credit each year. The following table shows the total value of credits taken by individuals in Tax Years 2013 through 2021.

<b>Biodiesel Blending/Storage Tank Credit</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	*	\$2,250	0	\$0	0	\$0	*	\$2,250
2014	0	\$0	0	\$0	0	\$0	0	\$0
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	*	\$5,030	0	\$0	0	\$0	*	\$5,030
2019	0	\$0	0	\$0	0	\$0	0	\$0
2020	*	\$2,500	0	\$0	0	\$0	*	\$2,500
2021	0	\$0	0	\$0	0	\$0	0	\$0

*\*Not disclosed due to confidentiality concerns.*

This credit is essentially the same as a grant from the state general fund to pay 15 percent of the cost of private property used to blend biodiesel. No credits were claimed or carried forward to future years in Tax Year 2021.

## **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. Montana does not have separate rates for different types of income but does allow a credit equal to 2 percent of capital gains income. If the capital gains credit exceeds the taxpayer's tax liability, the excess credit is not refunded and may not be carried forward or backward to other tax years. This credit is equivalent to taxing capital gains at a lower rate than other income. With the credit, a taxpayer in the top income bracket is taxed at 6.9 percent on an additional dollar of ordinary income, but at 4.9 percent on an additional dollar of capital gains income.

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 2021 Legislature replaced this tax credit with a 30% long-term capital gains deduction starting Tax Year 2024.

The following table shows capital gains credits for Tax Years 2013 through 2021. For Tax Year 2021, the capital gains credit reduced income tax revenue to the general fund by \$142,659,750, or \$209.57 per full-year resident taxpayer. The reduction in revenue is less than the total amount of credits claimed because some taxpayers reach zero tax liability without using all of their credit.

<b>Capital Gains Credit</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	62,628	\$27,523,134	13,534	\$262,312,945	2,165	\$1,214,702	78,327	\$291,050,781
2014	68,897	\$38,921,806	15,472	\$333,043,375	2,476	\$1,404,501	86,845	\$373,369,682
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

# College Contribution Credit:15-30-2326, MCA Legislation: HB 894, 1991 Session

Individual and corporate taxpayers are allowed a credit of 10 percent of the amount of charitable contributions to the general endowment funds of Montana public or private higher education institutions.

The credit is limited to a maximum of \$500. A taxpayer with a credit that is larger than his or her tax liability will not be refunded the excess, and excess credits may not be carried forward or backward to another tax year. The credit originally was to sunset in Tax Year 1996 but was made permanent by HB 199 of the 1995 Legislative Session. A taxpayer who contributes to a college endowment fund may take both state and federal itemized deductions for the charitable contribution and this credit. The 2021 Legislature eliminated this credit starting tax year 2022 (SB 399).

This credit is essentially a transfer from the state general fund to Montana college endowment funds. The table below shows the portions of a \$100 contribution to an eligible college endowment fund that are ultimately paid by the donor, federal taxpayers, and state taxpayers, when the donor claims state and federal itemized deductions for the donation, when the donor claims the credit in addition to the federal deduction, and the difference due to the credit. The table assumes that the donor is in the top federal and state tax brackets.

<b>\$100 Contribution to College Endowment Fund</b>		
<b>Taxpayer Claims Credit and Federal and State Deductions</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	\$30.75	\$31.55
State Tax Subsidy	\$16.90	\$14.72
Net Taxpayer Subsidy	\$47.65	\$46.28

<b>Taxpayer Claims Federal and State Itemized Deductions</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	\$34.45	\$35.35
State Tax Subsidy	\$6.90	\$4.46
Net Taxpayer Subsidy	\$41.35	\$39.81

<b>Difference Due to Credit</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	(\$3.70)	(\$3.80)
State Tax Subsidy	\$10.00	\$10.26
Net Taxpayer Subsidy	\$6.30	\$6.47

The itemized deductions reduce the donor's cost to about 55 percent of the donation, and the credit further reduces it to about 50 percent of the donation. The additional subsidy is less than the credit because claiming the credit reduces the itemized deductions that can be claimed for state taxes.

The following table shows college contribution credits claimed by individual taxpayers for Tax Years 2013 through 2021.

<b>College Contribution Credit</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	2,662	\$269,473	51	\$6,142	24	\$1,872	2,737	\$277,487
2014	2,833	\$285,949	69	\$9,164	22	\$3,817	2,924	\$298,930
2015	2,942	\$306,734	60	\$10,230	26	\$5,649	3,028	\$322,613
2016	3,101	\$322,604	77	\$10,754	34	\$6,396	3,212	\$339,754
2017	3,089	\$369,846	71	\$13,103	18	\$1,970	3,178	\$384,919
2018	2,403	\$270,911	44	\$8,846	31	\$6,679	2,478	\$286,436
2019	2,495	\$306,088	47	\$9,522	27	\$4,415	2,569	\$320,025
2020	2,259	\$285,980	38	\$8,372	19	\$5,050	2,316	\$299,402
2021	2,165	\$321,724	48	\$13,646	22	\$3,572	2,235	\$338,942

*\*Not disclosed due to confidentiality concerns.*

In Tax Year 2021, this credit cost the state general fund \$310,062. Taxpayers were unable to use \$310,062 of credits because the credit is non-refundable and cannot be carried forward. Without this credit, \$310,062 would have been available to spend on other state programs or taxes could have been reduced by this amount. The college endowment credit against individual income tax cost an average of \$0.46 per full-year resident taxpayer.

## 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 2013 through 2021.

TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	12,202	\$27,082,006	0	\$0	268	\$217,481	12,470	\$27,299,487
2014	12,772	\$31,205,001	0	\$0	684	\$757,794	13,456	\$31,962,795
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

For Tax Year 2021, the credit for other states' taxes cost the state general fund \$80,816,438, and \$80,816,438 in credits were unused because taxpayers had more credits than tax liability. The cost to the general fund was \$118.72 per full-year resident taxpayer.

## **Dependent Care Assistance Credit: 15-31-131 and 15-30-2373, MCA; 15-31-133 and 15-30-2365, MCA Legislation: SB 282, 1989 Session**

Taxpayers may claim three related credits against individual income tax or corporation tax for providing daycare benefits to employees:

- There is a credit for a portion of the cost of providing day care services to employees' dependents. This credit is 25 percent of the cost of day care or day care assistance, up to \$1,575 per employee receiving the assistance. The assistance must meet requirements in federal law for being considered a non-taxable fringe benefit rather than part of the employees' compensation.
- There is a credit for 25 percent of the cost of providing day care information and referral services to employees.
- There is a credit for a portion of the cost of setting up a day care facility to be used by the taxpayer's employees' dependents. This credit was only for facilities placed in service by the end of 2005, with the credit being claimed over a 10-year period. The last year when this credit could be claimed was 2014.

Individuals may claim the credits directly as the owner of a sole-proprietor business or may claim their share of credits claimed by a pass-through entity. If the credit is more than the taxpayer's liability, the excess credit is not refunded. The credits for day care assistance may be carried forward up to five years. The credit for day care facility costs may be carried forward within the 10-year period for claiming the credit. There is no recapture provision.

The 1989 Legislature created the credit for 15 percent of expenditures for providing day care services with a limit of \$1,250 per employee receiving benefits. The 1991 Legislature (HB 543) increased the credit to 20 percent of costs and allowed a partial credit when part of the cost counts as compensation.

Amendments made by the 1993 Legislature as part of a major revision of the income tax (HB 671) were voided in 1994 by a referendum, and amendments in 1997 (SB 36) were just cleanup. The 2001 Legislature (HB 623) increased the day care assistance credit to 25 percent of costs, with a limit of \$1,575 per employee, and added the credits for day care referral and for day care facilities. The 2021 Legislature eliminated this credit starting Tax Year 2022.

In general, employers can deduct the cost of employee fringe benefits as a business expense. Because of this, a taxpayer who does not claim the credit can deduct the costs as a business expense for both federal and state taxes. However, a taxpayer who claims the credit cannot deduct the cost for state taxes. With fewer deductions, the taxpayer's state taxes will be higher. Thus, the reduction in state taxes is less than the credit.

If the taxpayer itemizes deductions, the reduction in state taxes will result in a smaller federal deduction for state taxes. The resulting increase in federal taxes may result in a larger state deduction. The following table shows the net effects of claiming the credit on a taxpayer in the top federal and state rate brackets.

<b>\$100 Expenditure on Daycare for Employees' Dependents</b>		
<b>Difference When Taxpayer Claims Federal Expense Deduction and State Credit Instead of Deduction</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	(\$6.70)	(\$6.87)
State Tax Subsidy	\$18.10	\$18.57
Net Taxpayer Subsidy	\$11.40	\$11.70

The following table shows the total value of credits claimed against individual income tax from Tax Year 2013 through 2021.

<b>Dependent Care Assistance Credit</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	12	\$13,525	0	\$0	*	\$2,600	*	\$16,125
2014	*	\$13,528	0	\$0	0	\$0	*	\$13,528
2015	14	\$31,586	*	\$2,200	*	\$851	*	\$34,637
2016	*	\$22,415	*	\$1	*	\$1,970	*	\$24,386
2017	*	\$149,378	0	\$0	0	\$0	*	\$149,378
2018	11	\$77,311	0	\$0	0	\$0	11	\$77,311
2019	14	\$24,634	*	\$5,914	*	\$899	*	\$31,447
2020	17	\$69,634	*	\$2,458	*	\$4,800	*	\$76,892
2021	14	\$54,320	*	\$12,580	*	\$345,200	*	\$412,100

\*Not disclosed due to confidentiality concerns.

This credit is equivalent to a transfer from the state general fund to taxpayers to cover part of the costs of providing day care to employees' dependents. In Tax Year 2021, credits against individual income tax cost the state general fund \$23,399. Without the credit, \$23,399 would have been available to spend on other state programs or to reduce taxes. The cost was \$0.03 per full-year resident taxpayer.

## 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 \$529 in Tax Year 2019, depending on their income. The maximum credit amounts in Tax Year 2019 increased to \$3,526 for taxpayers with one qualifying child, \$5,828 for two children and \$6,557 for three or more. The credit is fully refundable.

Taxpayers in Montana are allowed a credit equal to 3 percent of the federal Earned Income Tax Credit on their state income taxes. The credit was enacted by the 2017 Legislature and is refundable.

The table below has the number of credits claimed in Tax Year 2021. The cost of the credit was \$4,936,275 in Tax Year 2021, which is \$7.25 per full-year resident taxpayer.

Earned Income Tax Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	0	\$0	0	\$0	0	\$0	0	\$0
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

## Elderly Care Credit: 15-30-2366, MCA Legislation: HB 166, 1989 Session

This credit covers part of the costs of caring for a low-income family member who is elderly or disabled. The credit depends on the taxpayer's income, as shown in the following table.

Adjusted Gross Income	Credit
\$25,000 or less	30% of qualifying expenses
\$25,001 to \$27,000	29% of qualifying expenses
\$27,001 to \$29,000	28% of qualifying expenses
\$29,001 to \$31,000	27% of qualifying expenses
\$31,001 to \$33,000	26% of qualifying expenses
\$33,001 to \$35,000	25% of qualifying expenses
\$35,001 to \$37,000	24% of qualifying expenses
\$37,001 to \$39,000	23% of qualifying expenses
\$39,001 to \$41,000	22% of qualifying expenses
\$41,001 to \$43,000	21% of qualifying expenses
\$43,001 to \$55,000	20% of qualifying expenses

The family member being cared for must have income under \$15,000 if single or under \$30,000 or less if married. The maximum credit is \$5,000 per family member and \$10,000 total. If a taxpayer's credit exceeds their tax liability, the excess is not refunded and may not be carried forward or backward to another tax year.

The credit was enacted by the 1989 Legislature (HB 166). The 1991 Legislature reduced the age for eligible family members from 70 to 65 and changed the definitions of eligible family member and eligible costs (HB 750). Amendments by the 1995 Legislature (SB 345) updated references that changed with the creation of the Department of Public Health and Human Services. This credit expired starting Tax Year 2022 as a result of SB 399 from the 2021 Legislature.

This credit provides a partial subsidy for taxpayers with low or moderate income who are caring for a low-income elderly or disabled relative. Some costs that qualify for this credit could be claimed as itemized deductions, but taxpayers may not claim both the credit and an itemized deduction for the same costs. For costs that could not be claimed as an itemized deduction, the subsidy is the credit percentage found in the table above. For costs that could be claimed as an itemized deduction, the subsidy from the credit is the difference between the credit percentage and the taxpayer's marginal tax rate.

For example, a taxpayer with adjusted gross income of \$25,000, two exemptions, and taking the standard deduction would be in the top (6.9 percent) rate bracket and would have a 30 percent credit. For \$1,000 of qualifying expenses, this taxpayer could claim a credit of \$300, and the taxpayer's cost would be \$700. If those expenses could be claimed as an itemized deduction, the deduction would reduce the taxpayer's liability by \$69 (6.9 percent x \$1,000). The taxpayer's cost would be \$931 (\$1,000 - \$69). If the taxpayer takes the credit instead of the itemized deduction, the additional subsidy would be \$231 (\$300 - \$69).

For a taxpayer who itemized deductions, the credit would reduce the federal deduction for state taxes and possibly increase the state deduction for federal taxes.

This would increase federal taxes and give a much smaller further reduction in state taxes. For an itemizer in the 10 percent federal rate bracket and the 6.9 percent state rate bracket, claiming a \$300 credit would increase federal income taxes by \$30.21 and reduce state taxes by \$302.08.

The table below shows use of the elderly care credit for Tax Years 2013 through 2021.

This credit is a transfer from the state general fund to individual taxpayers who are caring for a low-income elderly or disabled relative. It pays for part of costs that are not covered by insurance or government programs. In Tax Year 2021, this credit cost the state general fund \$22,040. Taxpayers were could not use credits of nearly \$40,511 because the credit is non-refundable and cannot be carried forward. Without the credit, \$22,040 would have been available to spend on other programs or to reduce taxes. The cost of this credit was \$0.03 per full-year resident taxpayer.

<b>Elderly Care Credit</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	43	\$74,466	*	\$4,000	*	\$95	*	\$78,561
2014	41	\$59,626	0	\$0	*	\$4,500	*	\$64,126
2015	39	\$55,637	0	\$0	*	\$90	*	\$55,727
2016	53	\$82,771	*	\$477	*	\$7,373	*	\$90,621
2017	57	\$91,545	*	\$1	*	\$4,986	*	\$96,532
2018	60	\$99,933	*	\$315	*	\$1,000	*	\$101,248
2019	57	\$75,800	*	\$3,000	*	\$6,596	*	\$85,396
2020	47	\$71,757	0	\$0	*	\$3,300	*	\$75,057
2021	31	\$55,051	*	\$2,700	*	\$4,800	*	\$62,551

*\*Not disclosed due to confidentiality concerns.*

## **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 \$1,000 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 table on the next page shows the credits claimed with income tax returns for Tax Years 2013 through Tax Year 2021. Additional credits were claimed by taxpayers who did not file income tax returns. For Tax Year 2021, the Elderly Homeowner/Renter Credit cost the state general fund \$7,049,440, or \$10.36 per full-year resident taxpayer.

<b>Property Tax \$100 More Than Credit Percent</b>	
<b>Taxpayer Claims Credit and Federal and State Deductions</b>	
Federal Tax Subsidy	(\$0.83)
State Tax Subsidy	\$106.96
Net Taxpayer Subsidy	\$106.12

<b>Taxpayer Claims Federal and State Itemized Deductions</b>	
Federal Tax Subsidy	\$11.27
State Tax Subsidy	\$6.12
Net Taxpayer Subsidy	\$17.39

<b>Difference Due to Credit</b>	
Federal Tax Subsidy	(\$12.10)
State Tax Subsidy	\$100.83
Net Taxpayer Subsidy	\$88.73

<b>Elderly Homeowner/Renter Credit</b>								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	17,759	\$8,471,344	0	\$0	27	\$14,550	17,786	\$8,485,894
2014	16,355	\$7,834,611	*	\$1,026	16	\$5,740	*	\$7,841,377
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

\*Not disclosed due to confidentiality concerns.

## Emergency Lodging Credit: 15-31-171, MCA and 15-30-2381, MCA Legislation: HB 240, 2007 Session

The Department of Public Health and Human Services has a program to provide temporary emergency lodging to individuals or families referred by non-profit organizations working with domestic violence victims. Lodging establishments may receive a tax credit of \$30 per day for providing up to five days of free lodging to someone referred to them through this program. If the credit is more than the taxpayer's tax liability, the excess can be refunded. Since this credit is not a proportion of expenditure, it is not possible to calculate tax subsidy percentages as is done for other credits.

The credit may be taken against either income tax or corporation tax. This program was created by the 2007 Legislature starting tax year 2008. The 2015 Legislature expanded the credit to cover lodging provided to families as well as individuals. The 2021 Legislature eliminated the credit starting Tax Year 2022.

The following table shows income tax credits claimed in Tax Years 2013 through 2021. Until Tax Year 2017, fewer than 20 taxpayers claimed the credit each year. In Tax Year 2021, no taxpayers claimed the credit, resulting in no impact to state tax revenue.

Emergency Lodging Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	*	\$500	0	\$0	0	\$0	*	\$500
2015	*	\$247	*	\$180	*	\$90	*	\$517
2016	*	\$2,030	*	\$85	*	\$1,300	*	\$3,415
2017	20	\$9,841	*	\$150	*	\$60	*	\$10,051
2018	17	\$6,019	0	\$0	*	\$360	*	\$6,379
2019	0	\$0	0	\$0	0	\$0	0	\$0
2020	*	\$150	*	\$150	0	\$0	*	\$300
2021	0	\$0	0	\$0	0	\$0	0	\$0

*\*Not disclosed due to confidentiality concerns.*

## Empowerment Zone Credit: 15-30-2356, MCA and 15-31-134, MCA Legislation: SB 484, 2003 Session

A local government may establish an empowerment zone in an area with chronic high unemployment. Employers in an empowerment zone are eligible for a credit against income or corporation income tax for the first three years' employment for new positions. The credit per new employee is \$500 for the first year, \$1,000 for the second year, and \$1,500 for the third year. To receive the credit, the taxpayer must apply for and receive certification from the Department of Labor and Industry.

If the credit is more than the taxpayer's liability, the excess is not refunded, but may be carried back to the three previous tax years or carried forward for seven years.

Requirements for an empowerment zone are found in 7-21-3701 through 3704, MCA, and conditions to become certified to receive the credit are in 7-21-3710, MCA.

There are several federal credits for employment in specified zones or under specified conditions.

This credit is equivalent to providing an employer a payment for creating a new position and filling it with a resident of an empowerment zone for the first three years. The payment does not depend on the wages paid. Employers may deduct wages paid to new employees for which the credit is taken as a business expense. Since the credit is a fixed amount per employee, it is not possible to calculate general state and federal tax changes per dollar of expenditure, as is done for most credits.

The credit was eliminated starting Tax Year 2022 as a result of SB 399 passed by the 2021 Legislature.

Fewer than 10 individuals have claimed the credit each year. The following table shows the total value of empowerment zone credits against individual income tax for Tax Year 2013 through 2021.

Empowerment Zone Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	*	\$902	0	\$0	0	\$0	*	\$902
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	*	\$500	0	\$0	0	\$0	*	\$500
2017	0	\$0	0	\$0	0	\$0	0	\$0
2018	*	\$918	0	\$0	0	\$0	*	\$918
2019	*	\$7	0	\$0	0	\$0	*	\$7
2020	0	\$0	0	\$0	0	\$0	0	\$0
2021	0	\$0	0	\$0	0	\$0	0	\$0

\*Not disclosed due to confidentiality concerns.

## Energy Conservation Credit: 15-32-109, MCA and 15-30-2319, MCA Legislation: HB 237, 1981 Session

A resident individual taxpayer may take a credit for 25 percent of the costs of energy-conserving investments in a building. The maximum credit is \$500 per taxpayer. If a taxpayer claims a credit that is more than his or her tax liability for the year, the excess is not refunded to the taxpayer and may not be carried forward or backward to another tax year.

The credit originally was 5 percent of the cost, with a maximum of \$150 for a residence and \$300 for other buildings, and any excess credit could be carried forward for seven years. The 2001 Legislature (SB 506) increased the credit to 25 percent of costs, with a limit of \$500. The 2003 Legislature eliminated the carryforward (SB 138). In Tax Year 2005, the department began interpreting the limit of \$500 per taxpayer as allowing taxpayers who own a building together, such as a married couple, to each claim a credit for 25 percent of the share of the cost, with a limit of \$500 each. The 2021 Legislature eliminated this credit starting Tax Year 2022.

Taxpayers may not take either an itemized deduction or a business expense deduction for investments in their own residence. However, an investment an individual makes in a commercial building he or she owns would result in a depreciable asset, so that the cost could be deducted over time.

For a taxpayer who does not itemize deductions on their federal return, the credit provides a 25 percent subsidy for expenditures up to \$2,000. For a taxpayer who itemizes, the subsidy is smaller, because the credit reduces the federal itemized deduction for state taxes. The table on the next page shows state and federal subsidies to a taxpayer who itemizes on both the state and federal returns for a \$100 home energy conservation expenditure. Note that federal taxes are higher because of the smaller itemized deduction for state taxes.

<b>\$100 Home Energy Conservation Expenditure</b>		
<b>Taxpayer Claims Credit, Expenses Not Deductible</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	(\$9.25)	(\$9.49)
State Tax Subsidy	\$25.00	\$25.65
Net Taxpayer Subsidy	\$15.75	\$16.16

The table below shows energy conservation credits from Tax Years 2013 through 2021. The energy conservation credit is essentially a transfer from the state general fund to help a taxpayer purchase private property. In Tax Year 2021, this credit cost the state general fund \$4,085,936. Taxpayers could not use \$460,927 of credits because the credit is non-refundable and cannot be carried forward. Without the credit, \$4,085,936 would have been available to spend on other state programs or taxes could have been reduced by this amount. The energy conservation credit cost an average of \$6.00 per full-year resident taxpayer.

<b>Energy Conservation Credit</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	9,063	\$4,536,016	0	\$0	125	\$68,832	9,188	\$4,604,848
2014	8,499	\$4,360,886	0	\$0	116	\$71,689	8,615	\$4,432,575
2015	7,919	\$4,176,132	0	\$0	92	\$53,482	8,011	\$4,229,614
2016	7,784	\$4,138,900	0	\$0	115	\$62,014	7,899	\$4,200,914
2017	7,266	\$3,970,515	0	\$0	110	\$61,600	7,376	\$4,032,115
2018	7,284	\$4,194,979	0	\$0	91	\$56,720	7,375	\$4,251,699
2019	6,747	\$3,919,022	0	\$0	104	\$62,170	6,851	\$3,981,192
2020	6,856	\$4,063,380	0	\$0	94	\$59,872	6,950	\$4,123,252
2021	7,111	\$4,453,959	0	\$0	133	\$92,904	7,244	\$4,546,863

*\*Not disclosed due to confidentiality concerns.*

Use of the credit was higher in Tax Years 2009 and 2010, when a 10 percent federal credit was available for many of the same expenditures that are eligible for this credit. Congress extended the credit, first through Tax Year 2011 and then through Tax Year 2012, but in both cases the extension was probably too late to have much of an effect on behavior.

# Geothermal Heating System Credit: 15-32-115, MCA Legislation: SB 416, 1991 Session

Taxpayers are allowed a credit against individual income tax or corporation tax for up to \$1,500 of the costs of installing a geothermal heating system (ground-source heat pump) in the taxpayer's principal residence or in a residence the taxpayer constructs. If the credit exceeds the taxpayer's liability, the excess credit will not be refunded, but may be carried forward for up to seven years.

The credit initially was limited to \$250 with a three-year carry-forward and was only for taxpayers who installed a geothermal system in their own principal dwelling. The 2001 Legislature (SB 506) increased the credit to \$1,500 with a seven-year carry-forward. An amendment made by the 2003 Legislature (HB 233) was purely cleanup. The 2005 Legislature (SB 340) made the credit available for residences constructed by the taxpayer so that contractors could take the credit for installing geothermal systems in spec houses.

The 2021 Legislature eliminated this credit starting Tax Year 2022.

Homeowners may not deduct depreciation on their dwellings, and taxpayers may not take this credit and the deduction for energy conserving investments in 15-32-103, MCA. However, a taxpayer who claims the credit for installing a geothermal system in a rental dwelling could also deduct depreciation on the dwelling, including the heating system.

A taxpayer who claims the credit and itemizes deductions will have a smaller federal deduction for state taxes, which will partly offset the federal credit. This may cause a smaller state deduction for federal taxes. The following table shows the state and federal tax subsidies to a taxpayer in the top federal and state tax brackets who makes a \$5,000 investment in a geothermal heating system.

<b>\$5,000 Expenditure for Geothermal Heating System</b>		
<b>Taxpayer Claims \$1,500 State Credit and 30% Federal Credit</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	\$945.00	\$969.76
State Tax Subsidy	\$1,500.00	\$1,433.09
Net Taxpayer Subsidy	\$2,445.00	\$2,402.84

The following table shows credit use in Tax Years 2013 through 2021.

Geothermal Energy System Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	185	\$313,920	0	\$0	*	\$6,257	*	\$320,177
2014	156	\$238,535	0	\$0	*	\$12,000	*	\$250,535
2015	146	\$284,611	0	\$0	*	\$6,284	*	\$290,895
2016	146	\$195,186	0	\$0	11	\$16,000	157	\$211,186
2017	91	\$171,381	0	\$0	*	\$7,500	*	\$178,881
2018	71	\$90,729	0	\$0	*	\$1,000	*	\$91,729
2019	82	\$107,789	0	\$0	*	\$10,000	*	\$117,789
2020	61	\$77,910	0	\$0	*	\$2,565	*	\$80,475
2021	71	\$108,756	0	\$0	*	\$1,500	*	\$110,256

*\*Not disclosed due to confidentiality concerns.*

This credit is equivalent to a transfer from the state general fund to taxpayers to pay part of the cost of residential heating systems. In Tax Year 2021, this credit cost the general fund \$86,401, with the remaining credits able to be claimed in the following tax year. Without the credit, \$96,401 would have been available to spend on other state programs or to reduce taxes. The credit cost \$0.04 per full-year resident taxpayer.

## **Health Insurance for Uninsured Montanans Credit: 15-30-2367, MCA and 15-31-132, MCA Legislation: HB 693, 1991 Session**

An employer with 20 or fewer employees may claim a credit against either income or corporation tax for paying at least 50 percent of the premium for up to 10 employees' health insurance. The credit is \$25 per month multiplied by the percentage of the premium the employer pays, or 50 percent of the premium, whichever is less. The credit may be claimed for up to 36 months and then cannot be claimed again for 10 years.

There is no explicit dollar limit on the credit, but it may not be claimed for more than 10 employees. An employer claiming \$25 per month for 10 employees would claim a credit of \$3,000. If a taxpayer's credit is more than his or her tax liability, the excess credit is not refunded and may not be carried forward or backward to another tax year.

This credit provides a three-year subsidy to small employers who begin offering health insurance for their employees. A taxpayer who claims the credit may also deduct insurance premiums it pays as a business expense for both state and federal taxes. However, a taxpayer who itemizes deductions will have a smaller federal deduction for state taxes, partially offsetting the expense deduction.

The credit an employer receives depends on both the monthly insurance premium per employee and the percentage the employer pays. For insurance with monthly premiums of \$50 or more, the monthly subsidy per employee is \$25 multiplied by the percentage of premiums the employer pays. An employer paying 50 percent of premiums would receive a subsidy of \$12.50 per employee per month. An employer paying 75 percent of premiums would receive a subsidy of \$18.75, and an employer paying 100 percent would receive \$25.

For insurance with monthly premiums of less than \$50, the limit of 50 percent of premium costs may come into play. For example, an employer paying 50 percent of monthly premiums of \$40 would receive a subsidy of \$12.50, and an employer paying 75 percent of premiums would receive \$18.75, the same as with a \$50 premium. However, an employer paying 100 percent of \$40 monthly premiums would receive a subsidy of \$20.

This credit generally is not a percentage of the taxpayer's expenditure. This makes it impossible to show the taxpayer subsidy per \$100 of expenditure, as is done for most other credits. This credit was eliminated by the 2021 Legislature (SB 399) starting Tax Year 2022. The following table shows credits for Tax Years 2013 through 2021.

Health Insurance for Uninsured Montanans								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	152	\$165,558	*	\$1,148	0	\$0	*	\$166,706
2014	101	\$121,701	*	\$11,119	0	\$0	*	\$132,820
2015	67	\$64,671	*	\$7,564	0	\$0	*	\$72,235
2016	45	\$39,526	*	\$1,273	0	\$0	*	\$40,799
2017	52	\$51,629	*	\$1,341	0	\$0	*	\$52,970
2018	55	\$192,024	*	\$401	0	\$0	*	\$192,425
2019	75	\$74,895	*	\$35	*	\$99	*	\$75,029
2020	53	\$51,224	*	\$611	0	\$0	*	\$51,835
2021	39	\$48,318	*	\$630	0	\$0	*	\$48,948

*\*Not disclosed due to confidentiality concerns.*

The Health Insurance for Uninsured Montanans Credit is equivalent to a partial subsidy from the state general fund for group health insurance purchased by small employers. In Tax Year 2021, the credit cost the state general fund \$26,504 in individual income tax revenue. Taxpayers could not use more than \$22,444 of their credits because the credit is non-refundable and cannot be carried forward. Without the credit, \$26,504 would have been available for other programs or tax reductions. The cost of this credit was \$0.04 per full-year resident taxpayer.

## 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.

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 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 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.

<b>\$1,000 Expenditure for Historic Building Rehabilitation</b>		
<b>Taxpayer Claims State and Federal Credits</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	\$181.50	\$186.26
State Tax Subsidy	\$50.00	37.15
Net Taxpayer Subsidy	\$231.50	\$223.40

The following table shows credits taken against individual income tax for Tax Years 2013 through 2019.

<b>Historic Property Preservation Credit</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	32	\$492,477	13	\$63,320	0	\$0	45	\$555,797
2014	21	\$443,810	11	\$53,875	0	\$0	32	\$497,685
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

\*Not disclosed due to confidentiality concerns.

This credit is effectively a subsidy from the state general fund for rehabilitation of privately owned real estate. In Tax Year 2021, credits against the individual income tax cost the state general fund \$32,062, and credits of \$247,469 were carried forward to be used in future years. Without the credit, \$32,062 would have been available to spend on other programs or to reduce taxes. The cost was \$0.05 per full-year resident taxpayer.

## 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 6.9 percent tax bracket, the net effect would be the same as being paid \$6.90 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.

<b>\$100 Expenditure on Infrastructure Fees</b>		
<b>Difference in Taxes and Taxpayer Cost When Taxpayer Claims Credit and Federal and State Expense Deductions</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	(\$37.00)	(\$37.97)
State Tax Subsidy	\$100.00	\$102.62
Net Taxpayer Subsidy	\$63.00	\$64.65

The following table shows credits against individual income tax for Tax Years 2013 through 2021.

Infrastructure User Fee Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	*	\$21,203	*	\$17,211	0	\$0	*	\$38,414
2014	10	\$27,269	*	\$9,327	0	\$0	*	\$36,596
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	0	\$6,484,161
2019	*	\$5,019,787	*	\$23,340	0	\$0	*	\$5,043,127
2020	*	\$4,665,962	*	\$21,494	0	\$0	0	\$4,687,456
2021	*	\$4,682,999	*	\$62,650	0	\$0	*	\$4,745,649

*\*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.

In Tax Year 2021, infrastructure user fee credits against individual income tax cost the state general fund \$77,182, and \$4.7 million in credits were carried forward to be used in future years. Without the credit, \$77,182 would have been available to spend on other state programs or to reduce taxes. The cost was \$0.11 per full-year resident taxpayer.

# 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.

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.

<b>\$100 Contribution to Innovative Educational Program</b>		
<b>Taxpayer Claims Credit, Expenses Not Deductible</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	(\$37.00)	(\$37.97)
State Tax Subsidy	\$100.00	\$102.62
Net Taxpayer Subsidy	\$63.00	\$64.65

The following table shows the credits claimed on individual income tax returns for Tax Years 2016 through 2021.

Innovative Educational Program Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	0	\$0	0	\$0	0	\$0	0	\$0
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

*\*Not disclosed due to confidentiality concerns*

## 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 and 2021.

Media Production Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	0	\$0	0	\$0	0	\$0	0	\$0
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	12	\$1,723,316
2021	18	\$3,991,438	0	\$0	0	\$0	18	\$3,991,438

## Mineral Exploration Credit: 15-32-501 to 15-32-510, MCA Legislation: SB 265, 1999 Session

Taxpayers are allowed a credit against individual or corporation income tax for the full amount of solid mineral or coal exploration expenditures in the state (oil and gas exploration expenditures are not eligible). The credit is available only for expenses incurred up to the time that construction begins on a new mine or the reopening of a previously closed mine. The maximum credit is \$20 million per mine. The credit taken in any year may not be more than 50 percent of the taxpayer's tax liability, but unused credits may be carried forward for 15 years.

An individual may claim the credit directly for exploration expenses incurred by a sole-proprietor business or may claim a share of the credit for exploration expenses incurred by a pass-through entity. The credit was enacted by the 1999 Legislature and has not been amended.

This credit repays up to \$20 million of exploration costs incurred in opening a new mine. Depending on the type of mineral and the accounting treatment chosen, exploration expenditures may be deducted in the year they occur, may be treated as capital costs and deducted over several years, or may be counted as contributing to the value of the mineral deposit, which is deducted over time through depletion. A taxpayer may deduct exploration costs in the appropriate way, whether or not they claim the credit.

An individual who claims the credit and itemizes deductions will have a smaller federal deduction for state taxes, and therefore, pay more in federal tax. This may result in a larger state deduction for federal taxes. The following table shows the net change in state and federal taxes from claiming the credit for \$100 of exploration expenses for a taxpayer in the top state and federal rate brackets.

This credit expired starting Tax Year 2022 (SB 399, 2021 Legislature).

<b>\$100 Mineral Exploration Expenditures</b>		
<b>Difference in Taxes and Taxpayer Cost When Taxpayer Claims Credit as Well as Federal and State Expense Deductions</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	(\$37.00)	(\$37.97)
State Tax Subsidy	\$100.00	\$102.62
Net Taxpayer Subsidy	\$63.00	\$64.65

Fewer than 10 individuals claimed the credit in Tax Year 2021. The following table shows the total value of mineral exploration credits against individual income tax for Tax Years 2013 through 2021.

Mineral Exploration Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	*	\$684	0	\$0	0	\$0	*	\$684
2014	*	\$533	0	\$0	0	\$0	*	\$533
2015	0	\$0	0	\$0	0	\$0	0	\$0
2016	*	\$465	0	\$0	0	\$0	*	\$465
2017	*	\$2,020	0	\$0	0	\$0	*	\$2,020
2018	0	\$0	0	\$0	0	\$0	0	\$0
2019	*	\$1,116	0	\$0	0	\$0	*	\$1,116
2020	*	\$9	0	\$0	0	\$0	0	\$9
2021	0	\$0	0	\$0	0	\$0	0	\$0

*\*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.

The credit is limited to a maximum of \$10,000. 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 \$10,000. 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 \$25,000. A corporation will receive the maximum credit for a gift of \$50,000.

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 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.

<b>\$100 Contribution to Charitable Endowment Fund</b>		
<b>Taxpayer Claims Credit and Federal Itemized Deduction</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	\$22.20	\$22.78
State Tax Subsidy	\$40.00	\$38.43
Net Taxpayer Subsidy	\$62.20	\$61.21

<b>Taxpayer Claims Federal and State Itemized Deductions</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	\$34.45	\$35.35
State Tax Subsidy	\$6.90	\$4.46
Net Taxpayer Subsidy	\$41.35	\$39.81

<b>Difference Due to Credit</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	(\$12.25)	(\$12.57)
State Tax Subsidy	\$33.10	\$33.97
Net Taxpayer Subsidy	\$20.85	\$21.40

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 on the next page shows qualified endowment credits claimed by individuals for Tax Years 2013 through 2021.

## Qualified Endowment Contribution Credit

TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	587	\$2,073,344	*	\$25,526	*	\$25,509	*	\$2,124,379
2014	613	\$2,471,140	10	\$30,592	*	\$9,279	*	\$2,511,011
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

*\*Not disclosed due to confidentiality concerns.*

In Tax Year 2021, credits claimed by individual taxpayers cost the state general fund \$3,356,828. Taxpayers could not use the remaining credits because the credit is non-refundable and cannot be carried forward. Without the credit, \$3,356,828 would have been available to spend on other programs or taxes could have been reduced by this amount. Qualified endowment credits claimed against individual income tax cost other taxpayers an average of \$4.93 per full-year resident taxpayer.

# 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.

<b>\$100 Recycling Equipment Expenditure</b>		
<b>Taxpayer Claims Credit, No Change to Depreciation Deduction</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	(\$9.25)	(\$9.49)
State Tax Subsidy	\$25.00	\$25.65
Net Taxpayer Subsidy	\$15.75	\$16.16

The following table shows use of the recycling credit by individuals for Tax Years 2013 through 2021. This credit is equivalent to a subsidy from the state general fund for the purchase of private property to be used in recycling.

In Tax Year 2021, the credit against individual income tax cost the state general fund \$517,006. Taxpayers could not use the remaining credits because the credit is non-refundable and cannot be carried forward. Without the credit, \$517,006 would have been available to spend on other state programs or to reduce taxes. The cost to other taxpayers was \$0.76 per full-year resident taxpayer.

<b>Recycling Credit</b>								
<b>TY</b>	<b>Residents</b>		<b>Nonresidents</b>		<b>Part-Year Residents</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
2013	82	\$289,907	*	\$216	*	\$763	*	\$290,886
2014	97	\$548,118	*	\$14,872	*	\$285	*	\$563,275
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

*\*Not disclosed due to confidentiality concerns.*

## Research Activities Credit (Expired): 15-31-150, MCA and 15-30-2358, MCA Legislation: HB 638, 1999 Session

Montana provided a 5 percent credit against individual income tax or corporation income tax for any increase in Montana research expenditures over the taxpayer's baseline until 2010. No new credit could be claimed after Tax Year 2010, but unused credits may be carried forward for up to 15 years.

The credit was tied to provisions of the federal research credit in Section 40 of the IRS code, which expired at the end of Tax Year 2011.

The following table shows credits against the individual income tax for Tax Years 2013 through 2021.

Research Activities Credit (Expired)								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	*	\$73,983	*	\$5,240	0	\$0	*	\$79,223
2014	*	\$72,474	*	\$5,240	0	\$0	*	\$77,714
2015	*	\$72,462	*	\$5,235	0	\$0	*	\$77,697
2016	*	\$795	*	\$4,907	0	\$0	*	\$5,702
2017	*	\$4,591	*	\$3,979	0	\$0	*	\$8,570
2018	*	\$1,303	*	\$1,192	0	\$0	*	\$2,495
2019	*	\$26	*	\$1	0	\$0	*	\$27
2020	*	\$2,676	*	\$281	0	\$0	*	\$2,957
2021	*	\$5,775	*	\$5,601	0	\$0	*	\$11,376

*\*Not disclosed due to confidentiality concerns.*

The credit acts as a transfer from the state general fund to pay 5 percent of a taxpayer's eligible research costs. The number of taxpayers claiming the credit was less than 10 for Tax Years 2011 through 2019 and could not be released.

# 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.

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.

<b>\$100 Contribution to Student Scholarship Organization</b>		
<b>Taxpayer Claims Credit</b>		
	<b>Deduction for Federal Taxes</b>	
	<b>Capped</b>	<b>Not Capped</b>
Federal Tax Subsidy	(\$37.00)	(\$37.97)
State Tax Subsidy	\$100.00	\$102.62
Net Taxpayer Subsidy	\$63.00	\$64.65

The table below shows the credits claimed on individual income tax returns for Tax Years 2013 through 2021.

Student Scholarship Organization Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	0	\$0	0	\$0	0	\$0	0	\$0
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

\*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 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 2026. The table below shows the credit use for Tax Year 2021. The credit reduced the tax liability of taxpayers by \$101.409 in Tax Year 2021, a cost of \$0.15 per full-year resident taxpayer.

<b>Trades Education and Training Credit</b>								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	0	\$0	0	\$0	0	\$0	0	\$0
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	7	\$12,959	9	\$6,191	182	\$255,939

# 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 2013 through 2021. For each tax year, the number of taxpayers claiming the credit was less than 10 and could not be released.

Unlocking State Lands Credit								
TY	Residents		Nonresidents		Part-Year Residents		Total	
	#	\$	#	\$	#	\$	#	\$
2013	0	\$0	0	\$0	0	\$0	0	\$0
2014	*	\$1,086	0	\$0	0	\$0	*	\$1,086
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

\*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.

# Income Tax Expenditures by Household Income Tax Year 2020 (\$ million)

Residents	Returns	Taxpayers	Total Household Income* (\$ million)		Tax (\$ million)		Passive Federal Adjustments to Income		State Adjustments to Income		Itemized Deductions		Credits		Total	
			\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total
Less than \$0	5,141	7,321	(\$295.20)	-0.80%	(\$1.80)	-0.10%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.50	0.30%	\$0.50	0.10%
\$0 to \$6,930	48,485	53,131	\$141.50	0.40%	(\$0.10)	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$4.20	2.80%	\$4.20	0.90%
\$6,931 to \$15,351	48,485	54,202	\$540.20	1.50%	\$2.40	0.20%	\$0.10	0.30%	\$0.60	0.70%	\$0.10	0.10%	\$2.70	1.80%	\$3.50	0.70%
\$15,352 to \$23,800	48,485	55,728	\$951.40	2.60%	\$8.80	0.60%	\$0.20	0.70%	\$3.30	4.10%	\$0.70	0.30%	\$2.20	1.40%	\$6.40	1.30%
\$23,801 to \$32,074	48,486	56,558	\$1,352.90	3.70%	\$22.00	1.50%	\$0.40	1.50%	\$6.60	8.10%	\$2.10	0.90%	\$1.80	1.20%	\$10.90	2.20%
\$32,075 to \$41,628	48,485	58,620	\$1,777.80	4.80%	\$41.70	2.80%	\$0.80	2.90%	\$8.70	10.70%	\$5.70	2.50%	\$1.50	1.00%	\$16.70	3.40%
\$41,629 to \$54,442	48,485	63,227	\$2,315.00	6.30%	\$66.70	4.50%	\$1.30	4.90%	\$9.50	11.60%	\$12.80	5.50%	\$1.70	1.10%	\$25.20	5.20%
\$54,443 to \$71,596	48,486	70,652	\$3,035.40	8.30%	\$98.70	6.70%	\$2.10	7.60%	\$10.50	12.90%	\$22.50	9.70%	\$2.50	1.70%	\$37.50	7.70%
\$71,597 to \$95,606	48,485	80,917	\$4,019.20	10.90%	\$142.80	9.70%	\$2.80	10.50%	\$12.10	14.90%	\$34.90	15.10%	\$4.30	2.90%	\$54.20	11.10%
\$95,607 to \$135,437	48,485	88,387	\$5,477.50	14.90%	\$219.70	14.90%	\$4.20	15.40%	\$12.20	15.00%	\$51.90	22.40%	\$7.20	4.80%	\$75.50	15.40%
\$135,438 to \$162,402	16,162	30,241	\$2,385.90	6.50%	\$105.60	7.20%	\$2.00	7.50%	\$4.10	5.00%	\$21.70	9.40%	\$4.20	2.80%	\$32.10	6.50%
\$162,403 to \$228,380	16,162	30,162	\$3,045.40	8.30%	\$144.30	9.80%	\$3.20	11.80%	\$3.90	4.80%	\$25.20	10.90%	\$8.40	5.60%	\$40.60	8.30%
Over \$228,380	16,162	29,871	\$9,340.80	25.40%	\$505.90	34.30%	\$8.60	31.80%	\$4.30	5.30%	\$44.10	19.10%	\$89.90	60.10%	\$147.00	30.00%
Resident Total	489,994	679,017	\$34,087.80	92.80%	\$1,356.70	91.90%	\$25.80	94.90%	\$75.70	93.10%	\$221.70	95.70%	\$131.00	87.60%	\$454.20	92.80%
Nonresidents	52,471	79,500	\$1,651.00	4.50%	\$76.10	5.20%	\$1.00	3.50%	\$3.20	3.90%	\$5.70	2.50%	\$11.20	7.50%	\$21.00	4.30%
Part-Year Residents	28,935	37,346	\$991.10	2.70%	\$42.90	2.90%	\$0.40	1.60%	\$2.40	3.00%	\$4.20	1.80%	\$7.40	4.90%	\$14.50	3.00%
<b>Total</b>	<b>571,400</b>	<b>795,863</b>	<b>\$36,729.90</b>	<b>100.00%</b>	<b>\$1,475.70</b>	<b>100.00%</b>	<b>\$27.10</b>	<b>100.00%</b>	<b>\$81.30</b>	<b>100.00%</b>	<b>\$231.60</b>	<b>100.00%</b>	<b>\$149.60</b>	<b>100.00%</b>	<b>\$489.60</b>	<b>100.00%</b>

\*Montana Source Income for Nonresidents and Part-Year Residents.

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

# Income Tax Expenditures by Household Income Tax Year 2021 (\$ million)

Residents	Returns	Taxpayers	Total Household Income* (\$million)		Tax (\$million)		Passive Federal Adjustments to Income		State Adjustments to Income		Itemized Deductions		Credits		Total	
			\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total	\$ million	% of Total
Less than \$0	4,430	6,376	(\$179.30)	-0.40%	(\$0.60)	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.40	0.10%	\$0.40	0.10%
\$0 to \$7,075	48,747	53,362	\$174.30	0.40%	(\$0.20)	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$0.00	0.00%	\$4.30	1.50%	\$4.30	0.70%
\$7,076 to \$14,425	48,747	54,259	\$587.20	1.30%	\$3.10	0.20%	\$0.10	0.20%	\$0.60	1.00%	\$0.10	0.10%	\$3.30	1.20%	\$4.10	0.70%
\$14,426 to \$22,229	48,748	55,833	\$1,009.40	2.30%	\$11.80	0.60%	\$0.20	0.80%	\$2.10	3.80%	\$0.70	0.30%	\$2.50	0.90%	\$5.60	0.90%
\$22,230 to \$30,337	48,747	56,813	\$1,448.70	3.20%	\$29.20	1.50%	\$0.50	1.60%	\$4.30	7.70%	\$2.20	1.00%	\$2.30	0.80%	\$9.20	1.50%
\$30,338 to \$39,890	48,748	58,966	\$1,913.80	4.30%	\$53.20	2.80%	\$0.80	2.80%	\$5.30	9.50%	\$5.80	2.60%	\$2.80	1.00%	\$14.70	2.50%
\$39,891 to \$52,892	48,747	63,884	\$2,511.80	5.60%	\$80.90	4.20%	\$1.30	4.60%	\$6.20	11.20%	\$12.30	5.50%	\$4.70	1.60%	\$24.60	4.10%
\$52,893 to \$69,960	48,747	71,622	\$3,301.50	7.40%	\$116.60	6.10%	\$2.00	7.10%	\$7.40	13.30%	\$21.00	9.30%	\$7.70	2.70%	\$38.10	6.40%
\$69,961 to \$93,530	48,748	81,986	\$4,384.90	9.80%	\$166.90	8.80%	\$2.70	9.60%	\$8.10	14.60%	\$32.50	14.40%	\$12.30	4.30%	\$55.60	9.30%
\$93,531 to \$132,009	48,747	88,331	\$6,049.10	13.60%	\$257.40	13.50%	\$4.20	14.80%	\$8.60	15.40%	\$45.90	20.40%	\$19.80	6.90%	\$78.50	13.20%
\$132,010 to \$157,989	16,249	29,911	\$2,709.40	6.10%	\$126.10	6.60%	\$2.20	7.60%	\$3.00	5.50%	\$18.90	8.40%	\$10.90	3.80%	\$35.00	5.90%
\$157,990 to \$222,025	16,249	29,745	\$3,628.40	8.10%	\$178.70	9.40%	\$3.60	12.60%	\$2.80	5.10%	\$22.20	9.90%	\$19.60	6.80%	\$48.20	8.10%
Over \$222,025	16,250	29,642	\$13,195.60	29.60%	\$703.20	36.90%	\$9.30	32.50%	\$3.00	5.30%	\$51.00	22.70%	\$164.10	57.30%	\$227.30	38.20%
Resident Total	491,904	680,730	\$40,734.90	91.30%	\$1,726.20	90.50%	\$26.90	94.30%	\$51.40	92.50%	\$212.60	94.40%	\$254.80	89.00%	\$545.70	91.60%
Nonresidents	58,150	87,183	\$2,512.70	5.60%	\$118.40	6.20%	\$1.10	4.00%	\$2.40	4.30%	\$7.90	3.50%	\$19.80	6.90%	\$31.20	5.20%
Part-Year Residents	33,395	43,442	\$1,389.40	3.10%	\$63.00	3.30%	\$0.50	1.60%	\$1.80	3.20%	\$4.60	2.10%	\$11.60	4.10%	\$18.50	3.10%
<b>Total</b>	<b>583,449</b>	<b>811,355</b>	<b>\$44,637.00</b>	<b>100.00%</b>	<b>\$1,907.60</b>	<b>100.00%</b>	<b>\$28.50</b>	<b>100.00%</b>	<b>\$55.50</b>	<b>100.00%</b>	<b>\$225.10</b>	<b>100.00%</b>	<b>\$286.20</b>	<b>100.00%</b>	<b>\$595.40</b>	<b>100.00%</b>

\*Montana Source Income for Nonresidents and Part-Year Residents.

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

# 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, some of the group’s foreign affiliates may be excluded from the process of apportioning income to Montana.

The number of corporations electing to file water’s edge was 687 in Tax Year 2020 and 616 in Tax Year 2019.

The Department’s analyses of the fiscal impact of narrowing the water’s edge provisions by modifying the test for whether a foreign affiliate is included or excluded in the apportionment process show the revenue foregone to be approximately \$2.0 million to \$2.6 million per year. The proposed changes to the existing test for inclusion of affiliates in combined reporting included:

- Requiring all domestically (U.S.) incorporated affiliates be included, even if less than 20 percent of their payroll and property is in the United States
- Requiring a subsidiary of a foreign-owned corporation be included if the subsidiary has more than 20 percent of the average of its payroll and property in the United States
- Requiring a group member be included if it earns more than 20 percent of its income from selling services or intangibles to other members of the group and the other members can deduct the expenses against income
- Requiring all the income considered U.S. income under federal law be reported and used in the apportionment process

Under current state law, a group member or affiliate must be included in the combined report if it is incorporated in a tax haven, and the analysis of revenue foregone included updating the list of tax havens.

However, if the water's edge election was eliminated completely—not just narrowed by the changes in provisions described above—additional revenue to the state is estimated to be three to four times those amounts estimated, or \$6 million to \$8 million. This estimate, which is based upon audit experience, may be conservative, as the number of water's edge filers has almost doubled over the last six years.

## 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 2020 database of corporate taxpayer returns, the total deductions claimed were \$18,707,078. At the general tax rate of 6.75 percent, this is a reduction in tax revenue of \$1,262,728.

# 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.

## Alternative Energy Production Credit (15-32-401 through 407, MCA)

Qualifying taxpayers that invest \$5,000 or more in a commercial system, or net metering system, that generates energy using alternative energy sources, are allowed a credit against corporation income tax of 35 percent of the costs, less any federal or state grants. Alternative energy sources are defined as including, but not limited to:

- solar energy
- wind energy
- geothermal energy
- conversion of biomass
- fuel cells that do not require hydrocarbon fuel
- small hydroelectric generators producing less than one megawatt
- hydroelectric generators that produce 1 megawatt or more and are installed on dams that otherwise do not produce power
- methane from solid waste

Tax credits may be carried forward for seven years. The carry-forward period is extended to 15 years if the equipment is placed in service within the boundaries of a Montana reservation and there is an employment agreement with the tribal government of the reservation in which tribal members will be trained and employed in constructing, maintaining, and operating the system.

The credit was created in 1983 with the passage of HB 755 and has been repealed beginning in Tax Year 2022.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Alternative Energy Production Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	*	\$100
2014	0	\$0
2015	0	\$0
2016	0	\$0
2017	0	\$0
2018	0	\$0
2019	0	\$0
2020	0	\$0

*\*Not disclosed due to confidentiality concerns.*

## Alternative Fuel Motor Vehicle Conversion Credit (15-30-2320, MCA)

Taxpayers are allowed a credit against individual income tax or corporate income tax of up to 50 percent of the cost of converting a motor vehicle to operate on natural gas, liquefied petroleum gas (LPG or propane), liquefied natural gas, hydrogen, electricity, or a fuel of at least 85 percent alcohol or ether.

The credit is limited to \$500 for conversion of a motor vehicle with a gross weight of 10,000 pounds or fewer or \$1,000 for conversion of a vehicle weighing more than 10,000 pounds.

The credit claimed cannot be more than the taxpayer's liability and cannot be carried forward or back. The credit must be claimed for the year in which the conversion was done.

The credit was established in 1993 with the passage of HB 219 and has been repealed beginning in Tax Year 2022.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Alternative Fuel Motor Vehicle Conversion Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	*	\$379
2014	*	\$4,000
2015	*	\$1,000
2016	0	\$0
2017	0	\$0
2018	0	\$0
2019	0	\$0
2020	0	\$0

*\*Not disclosed due to confidentiality concerns.*

## Apprenticeship Credit (15-30-2357 and 39-6-109, MCA)

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.

The tables shows credits claimed on corporate tax returns for Tax Years 2017 through 2020.

<b>Apprenticeship Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2017	0	\$0
2018	*	\$3,068
2019	0	\$0
2020	*	\$18,150

*\*Not disclosed due to confidentiality concerns.*

## **Biodiesel Blending and Storage Tank Credit (15-32-703, MCA)**

Taxpayers can claim a credit of 15 percent of the cost of equipment used in blending biodiesel made from Montana ingredients with petroleum-based diesel. The credit can also be used for storage facilities in a year when the taxpayer is blending, or in the two years before blending began. The total credits that may be claimed over time are \$52,500 for a distributor (wholesaler) and \$7,500 for a retailer.

The credit is subject to some restrictions, including that the taxpayer's biodiesel sales must be greater than 2 percent of the total diesel sales by the end of the third year after the year that the investment is claimed. The unused tax credit can be carried forward up to seven years, but can only be claimed in tax years in which the facility is operating for the purposes of biodiesel blending.

This credit was established in Tax Year 2005 with the passage of HB 756 and has not been claimed by any corporate taxpayers in the last 8 years. This credit has been repealed, beginning with Tax Year 2022.

## Charitable Endowment Credit (15-31-161 and 162, MCA)

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.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Charitable Endowment Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	26	\$50,704
2014	17	\$32,561
2015	15	\$31,436
2016	11	\$25,130
2017	11	\$26,225
2018	13	\$41,806
2019	*	\$23,756
2020	*	\$24,626

*\*Not disclosed due to confidentiality concerns.*

## College Contribution Credit (15-30-2326, MCA)

Individual and corporate taxpayers are allowed a credit equal to 10 percent of donations to the general endowment funds of units of the Montana university system, Montana private colleges, or Montana private college foundations. The maximum credit allowed per year is \$500. The credit claimed may not exceed the taxpayer's liability. The credit must be applied in the tax year in which the donation was made and no carry forward or carry back is allowed. This credit was repealed beginning in Tax Year 2022.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>College Contribution Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	28	\$6,173
2014	31	\$19,300
2015	28	\$6,468
2016	25	\$4,898
2017	28	\$6,756
2018	12	\$2,958
2019	18	\$5,325
2020	15	\$4,971

## Contractor's Gross Receipts Credit (15-50-207, MCA)

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 on the next page shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Contractor's Gross Receipts Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	103	\$613,274
2014	96	\$645,615
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

## **Contributions to Public and Private Schools Credit (15-31-158 and 159, MCA)**

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 was set at \$3 million for Tax Year 2016 and was reduced to \$1 million for Tax Year 2022 and \$2 million for Tax Year 2023.

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.

These credits have not been claimed by any corporate taxpayers.

## Dependent Care Assistance Credit (15-31-131 and 133, MCA)

There are several employer costs for which dependent care credits can be claimed. If the employer provides day care services to employees' dependents or information and referral services to employees, then a credit against corporation tax can be claimed for a share of the costs. The allowed credit is 25 percent of the cost of the day care assistance, with a limit of \$1,575 per employee receiving the assistance. The day care must be provided by a licensed or registered day care provider that meets IRS requirements. The day care services cannot be part of the employee's compensation. The employer can also claim a credit on 25 percent of the cost of providing day care information and referral services to employees (15-31-131, MCA).

Under 15-31-133, MCA, there is a credit allowed against corporation tax for a portion of the cost of setting up a day care facility to be used by the taxpayer's employees' dependents. The credit is the lowest of one of the following:

- 15 percent of the costs incurred
- \$2,500 times the number of dependents the facility accommodates
- \$50,000

To claim the credit, the facility must meet certain criteria. For example, it must accommodate six or more children, be run by a licensed operator, and have been placed in operation by January 1, 2006. The credit is to be claimed over a 10-year period, with one-tenth of the credit claimed each year.

The credit was created in 1989 with the passage of SB 282 and was repealed beginning in Tax Year 2022.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Dependent Care Assistance Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	0	\$0
2014	0	\$0
2015	0	\$0
2016	0	\$0
2017	0	\$0
2018	0	\$0
2019	*	\$22,111
2020	*	\$42,525

*\*Not disclosed due to confidentiality concerns.*

## **Empowerment Zone New Employees Tax Credit (15-31-134, MCA)**

A local government may establish an empowerment zone in an area with chronic high unemployment (7-21-3710, MCA). Employers in an empowerment zone are eligible for a credit against either income tax or corporation income tax for the first three years of employment for new positions. The credit per new employee is \$500 for the first year, \$1,000 for the second year, and \$1,500 for the third year.

To receive the credit, the taxpayer must apply for and receive certification from the Department of Labor and Industry.

The credit was created in Tax Year 2003 with the passage of SB 484 and has not been claimed by any corporate taxpayers in the last 8 years. This credit was repealed beginning in Tax Year 2022.

## Geothermal Heating System Credit (15-32-115, MCA)

Taxpayers are allowed a credit against individual income tax or corporation tax for up to \$1,500 of costs of installing a geothermal heating system (ground-source heat pump) in the taxpayer's principal residence or in a residence the taxpayer constructs. Only one credit may be claimed per residence, and any credit remaining after the year of installation can be carried forward and claimed in succeeding tax years.

This credit could not be claimed by corporate taxpayers, such as builders of residential units, until Tax Year 2006. The change was made by the 2005 Legislature (SB 340). This credit has been repealed beginning in Tax Year 2022.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Geothermal System Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	*	\$1,500
2014	0	\$0
2015	0	\$0
2016	0	\$0
2017	0	\$0
2018	*	\$50
2019	*	\$50
2020	*	\$50

*\*Not disclosed due to confidentiality concerns.*

## Health Insurance for Uninsured Montanans Credit (15-31-132, MCA)

A corporation with 20 or fewer employees working at least 20 hours per week may claim a non-refundable credit of up to \$3,000 against corporation income tax. In order to claim the credit, the employer must pay at least 50 percent of the employee's premium and can claim a credit for a maximum of 10 employees' health or disability insurance (ARM 42.4.2802).

A credit of \$25 a month is allowed if the employer pays 100 percent of the employee's premium. If the employer pays a share of the employee's premium, then the \$25 credit is pro-rated by the same percentage share.

The credit is subject to many restrictions, including that the credit may not exceed 50 percent of the total premium for each employee, may not be claimed for more than 36 consecutive months, and may not be granted to an employer or its successor within 10 years of when the last credit was claimed. The employer must have been in business in Montana for at least 12 months and the credit cannot be carried forward or backward and claimed against another year's taxes.

The credit was established in 1989 with the passage of HB 166 and was repealed beginning in Tax Year 2022.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Health Insurance for Uninsured Montanans Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	15	\$11,741
2014	*	\$5,581
2015	*	\$5,750
2016	*	\$350
2017	*	\$68
2018	*	\$50
2019	*	\$900
2020	*	\$2,810

*\*Not disclosed due to confidentiality concerns.*

## Historic Property Preservation Credit (15-31-151, MCA)

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.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Historic Property Preservation Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	0	\$0
2014	*	\$85,520
2015	*	\$374,586
2016	*	\$39,653
2017	*	\$50
2018	*	\$50
2019	*	\$53
2020	*	\$50

*\*Not disclosed due to confidentiality concerns.*

## Infrastructure Users Fee Credit (17-6-316, MCA)

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.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Infrastructure Users Fee Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	*	\$472,732
2014	*	\$741,261
2015	*	\$1,676,702
2016	*	\$706,524
2017	*	\$276,976
2018	12	\$579,462
2019	12	\$264,738
2020	11	\$398,786

*\*Not disclosed due to confidentiality concerns.*

## Media Production Credit (15-31-1001 through 1012, MCA)

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.

The table shows credits claimed on corporate tax returns for Tax Years 2019 and 2020.

<b>Media Production Credit</b>		
<b>TY</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2018	0	\$0
2019	0	\$0
2020	*	\$5,533,471

*\*Not disclosed due to confidentiality concerns.*

## Mineral Exploration Incentive Credit (15-32-501 through 509, MCA)

Taxpayers are allowed a credit, not to exceed 50 percent of the taxpayer's liability and not greater than \$20 million, for certified mineral exploration expenses. The credit is for the full amount of solid mineral or coal exploration activity in the state (oil and gas exploration expenditures are not eligible). The credit is available only for expenses incurred up to the time that construction of a new mine or reopening of a previously closed mine begins. The credit can be carried forward for 15 years.

The credit was created in Tax Year 1999 with the passage of SB 625 and was repealed beginning in Tax Year 2022.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Mineral Exploration Credit</b>		
<b>Year</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	*	\$534
2014	*	\$25
2015	*	\$25
2016	*	\$25
2017	*	\$25
2018	*	\$25
2019	*	\$25
2020	*	\$25

*\*Not disclosed due to confidentiality concerns.*

## New and Expanded Industry Credit (15-31-124 and 125, MCA)

New or expanding manufacturing industries are allowed a tax credit equal to 1 percent of the total new wages paid in Montana for the first three years of operation or expansion. Expanding operations must increase total full-time jobs by 30 percent or more. "New" industry means a corporation engaging in manufacturing in Montana for the first time.

The credit was created in Tax Year 1975 with the passage of HB 593 and was repealed beginning in Tax Year 2022.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>New and Expanded Industry Credit</b>		
<b>Year</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	0	\$0
2014	*	\$4,221
2015	*	\$2,465
2016	*	\$872
2017	0	\$0
2018	0	\$0
2019	*	\$2,447
2020	0	\$0

*\*Not disclosed due to confidentiality concerns.*

## **Oilseed Crushing and Biodiesel Production Facility Credit (15-32-701 and 702)**

Taxpayers are allowed a credit against individual income tax or corporation tax of 15 percent of the costs of investments in depreciable property in Montana that is used primarily for crushing oilseeds for producing biodiesel or lubricants, or to produce biodiesel or bio-lubricants. The taxpayer can claim credits on investments for the two tax years prior to when the facility begins production or any tax year that the equipment is in production up to January 1, 2015. Unused credits can be carried forward seven years. Taxpayers claiming the credit can still claim depreciation or amortization and other credits allowed by the state.

The credit is subject to several restrictions, including how the credit can be carried forward. Total credits claimed may not exceed \$500,000 and use of the depreciable property for which the credit has been claimed must have begun by Tax Year 2015 for oilseed crushing and biodiesel or bio-lubricant production.

The credit was first enacted by the 2005 Legislature in HB 756. The 2007 Legislature passed HB 166, which:

- extended this credit's life from January 1, 2010, to January 1, 2015
- allowed the credit to apply to bio-lubricants too
- allowed the credit to be claimed on investment in the two tax years prior to when the equipment is used in production

This credit has not been claimed by any corporate taxpayers in the last 8 years, and was repealed beginning in Tax Year 2022.

## Qualified Research Credit (15-31-150, MCA)

Taxpayers may receive a non-refundable tax credit for increases in qualified research expense and basic research payments for research conducted in Montana. The amount of the credit is determined under Section 41 of the IRC, 26 U.S.C. 41, as it read on July 1, 1996, or as subsequently amended. Section 41 of the IRS code provides a credit equal to 20 percent of any increase in research expenditures over the taxpayer's baseline research expenditures. Montana provides a 5 percent credit against individual income tax or corporation income tax for the same increases in expenditures in the state.

The taxpayer may not claim a current year credit after December 31, 2010. Unused credits from any tax year can be carried back for two years or carried forward for up to 15 years and used to reduce tax liability.

The credit was created in Tax Year 1999 with the passage of HB 638 and was repealed beginning in Tax Year 2022.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Qualified Research Credit</b>		
<b>Year</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	*	\$16,264
2014	*	\$1,627
2015	*	\$300
2016	*	\$223
2017	*	\$150
2018	*	\$100
2019	*	\$100
2020	0	\$0

*\*Not disclosed due to confidentiality concerns.*

## Recycling Credit (15-32-601-611, MCA)

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.

The table shows credits claimed on corporate tax returns for Tax Years 2013 through 2020.

<b>Recycling Credit</b>		
<b>Year</b>	<b>Number of Credits Claimed</b>	<b>Total Credits Claimed</b>
2013	*	\$40,379
2014	*	\$114,755
2015	*	\$20,777
2016	*	\$7,605
2017	*	\$12,982
2018	*	\$38,176
2019	*	\$38,232
2020	*	\$132,349

*\*Not disclosed due to confidentiality concerns.*

## **Short-Term Temporary Lodging Credit (15-31-171, MCA)**

The 2007 Legislature created a refundable individual and corporate income tax credit available to lodging establishments that provide free temporary lodging to individuals displaced from their homes due to domestic abuse (HB 240). The 2015 Legislature expanded the statutory definition to include families as well as individuals (SB 175). The tax credit is equal to \$30 for each day of lodging provided, limited to a maximum of five nights of lodging for everyone each year. The individuals must be referred to the lodging establishment by a designated charitable organization. The credit may be claimed only for lodging provided in Montana.

The credit may not be claimed if the individual is displaced by a major disaster declared by the President under federal law (42 U.S.C. 5170 or 5191) and financial assistance for temporary housing assistance is available.

This credit has not been claimed by any corporate taxpayers and was repealed beginning in Tax Year 2022.

## **Unlocking Public Lands Credit (15-30-2380, MCA)**

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.

# 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 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.

## Estimated Impact of Passive (Federal) Corporate Tax Expenditures on Montana Tax Revenue, FYs 2021 and 2022

	FY 2021	FY 2022
<b>Exemptions</b>		
Deferral of income from controlled foreign corporations (normal tax method)	\$6,954,733	\$7,226,579
Deferred taxes for financial firms on certain income earned overseas	\$1,598,715	\$1,804,218
Expensing research and experimentation expenditures	\$847,901	(\$2,839,822)
Exclusion of interest on life insurance savings	\$213,593	\$220,066
Excess of percentage over cost depletion, fuels	\$84,143	\$88,997
Exemption of certain mutuals' and cooperatives' income	\$16,181	\$16,181
Exemption of credit union income	\$256,798	\$284,144
Deferral of gain on sale of farm refiners	\$2,427	\$2,427
Deferral of tax on shipping companies	\$1,618	\$1,618
<b>Deductions</b>		
Accelerated depreciation of machinery and equipment (normal tax method)	\$3,430,441	\$3,145,649
Accelerated depreciation on rental housing (normal tax method)	\$223,302	\$239,484
Deductibility of charitable contributions (education)	\$100,324	\$106,797
Empowerment zones, Enterprise communities, and Renewal communities	\$3,236	\$1,618
Expensing of exploration and development costs, fuels	\$32,363	\$22,654
Expensing of certain multiperiod production costs for farmers	\$1,618	\$1,618
Expensing of certain small investments (normal tax method)	\$6,473	\$12,945
Expensing of exploration and development costs, nonfuel minerals	\$1,618	\$1,618
Expensing of research and experimentation expenditures (normal tax method)	\$847,901	(\$2,839,822)
<b>Other</b>		
Special alternative tax on small property and casualty insurance companies	\$21,036	\$21,036
Special ESOP rules	\$334,953	\$351,135
Special rules for certain film and TV production	\$0	\$0
Tax incentives for preservation of historic structures	\$88,997	\$87,379

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](http://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.

The cost of property tax expenditures are the revenue losses from statewide mills that would have been collected if these programs did not reduce the properties' taxable value. Property tax expenditures can cost other property owners as well due to laws governing local government budgeting procedures. This law allows local governments to increase mills to offset a reduction in the tax base. Property tax expenditures work to lower taxable value for one sub-group of taxpayers, which decreases the tax base and can cause mills to increase so that local jurisdictions can maintain budget levels.

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.

## 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 Land Value Property Tax Assistance Program.

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.

To qualify for this program in Tax Year 2022, homeowners must report a household income below \$23,385 for one qualified homeowner and below \$31,181 for more than one qualified owner. To qualify for PTAP, homeowners must reside in their home for seven months out of the year. PTAP applies to the first \$200,000 of the taxable market value of residential improvements and residential land.

The table below shows that, in Tax Year 2022, there were 21,527 property taxpayers who qualified for PTAP. This program reduced the taxable value of these properties by \$28.007 million, which reduced the state revenue collected by \$2.845 million from the 95 school mills, 1.5 vo-tech mills, and the 6 university mills. Additionally, the reduction in taxable value increased local mills, effectively shifting \$15.293 million in taxes to other taxpayers.

In Tax Year 2022, PTAP participants paid a total of \$18.138 million less that they would have otherwise paid in taxes, an average benefit of \$843 per participant.

## Property Tax Expenditures - PTAP

<b>Tax Year</b>	<b>Participants</b>	<b>Reduction in Taxable Value</b>	<b>Loss in State Revenue</b>	<b>Tax Shifts</b>	<b>Total Tax Benefit to Participants</b>	<b>Avg. Tax Benefit</b>
2005	8,568	\$4,316,852	\$436,002	\$1,817,049	\$2,253,051	\$263
2006	8,192	\$4,130,616	\$417,192	\$1,758,981	\$2,176,173	\$266
2007	7,729	\$3,856,960	\$389,553	\$1,651,280	\$2,040,833	\$264
2008	7,399	\$3,508,914	\$354,400	\$1,533,817	\$1,888,217	\$255
2009	10,716	\$10,088,764	\$1,024,553	\$4,715,210	\$5,739,763	\$536
2010	11,583	\$10,691,795	\$1,086,019	\$5,139,997	\$6,226,016	\$538
2011	13,115	\$11,925,684	\$1,211,511	\$5,769,721	\$6,981,233	\$532
2012	14,013	\$13,130,717	\$1,333,840	\$6,450,295	\$7,784,135	\$555
2013	18,302	\$17,035,076	\$1,730,774	\$8,604,113	\$10,334,886	\$565
2014	19,446	\$18,075,495	\$1,836,544	\$9,333,585	\$11,170,129	\$574
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	22,650	\$27,696,111	\$2,814,211	\$15,725,362	\$18,539,573	\$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

# 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. It applies to residential improvements and up to five acres of land. 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.

The table below shows that, in Tax Year 2022, there were 3,028 property taxpayers who qualified for MDV. This reduced the taxable value of these properties by \$9.573 million, which reduced the state revenue collected by \$972,630 from 95 school equalization mills, 1.5 vo-tech mills, and the 6 university mills. The reduction in taxable value increased the local mills, effectively shifting \$4.971 million to other taxpayers.

In Tax Year 2022, participants of MDV paid \$5.943 million less in taxes because of this program, an average benefit of \$1,963.

## Property Tax Expenditures - DAV

Tax Year	Participants	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Tax Benefit to Participants	Average Tax Benefit
2005	1,457	\$2,700,858	\$272,787	\$1,136,845	\$1,409,632	\$967
2006	1,546	\$2,915,543	\$294,470	\$1,241,555	\$1,536,024	\$994
2007	1,608	\$3,158,974	\$319,056	\$1,352,451	\$1,671,508	\$1,039
2008	1,711	\$3,237,648	\$327,002	\$1,415,241	\$1,742,243	\$1,018
2009	1,643	\$3,768,883	\$383,125	\$1,711,423	\$2,094,548	\$1,275
2010	1,800	\$4,001,902	\$406,865	\$1,904,963	\$2,311,828	\$1,284
2011	2,037	\$4,061,664	\$412,888	\$1,937,029	\$2,349,917	\$1,154
2012	2,095	\$4,230,522	\$429,951	\$2,024,742	\$2,454,693	\$1,172
2013	2,147	\$4,413,666	\$448,579	\$2,156,731	\$2,605,310	\$1,213
2014	2,199	\$4,562,601	\$463,708	\$2,268,044	\$2,731,752	\$1,242
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

# Land Value Property Tax Assistance Program: 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, although there is no maximum on the tax benefit of this program, nor is there an income qualification.

The table below provides some summary data on the properties that received assistance under this program. In Tax Year 2022, there were 166 participants. The reduction in taxable value was equal to \$703,290. The reduction in state taxes was equal to \$71,092. The shift in tax burden to other taxpayers was equal to \$294,711.

## Land Value Property Tax Assistance Program Exemption Tax Expenditure Tax Year 2020 to Tax Year 2022

TY	Exempted Taxable Value	Loss in State Revenue	Tax Shift	Benefit to Participants	Participants	Average Benefit
2020	\$690,142	\$69,748	\$328,471	\$398,219	152	\$2,620
2021	\$663,594	\$67,081	\$281,932	\$349,013	151	\$2,311
2022	\$703,290	\$71,092	\$294,711	\$365,803	166	\$2,204

TY	Market Value of Properties			Associated Tax Savings		
	Min	Median	Max	Min	Median	Max
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

# 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 using this abatement are Class 14 and Class 15, both of which are normally taxed at 3 percent. This program changes the tax rate to 1.5 percent for these properties.

In Tax Year 2022, approximately \$236.551 million in market value was reported in this program, providing for an abatement of approximately \$1.347 million in taxes. Approximately \$330,900 of this amount is a reduction in state revenue; the remaining amount was shifted to other taxpayers.

### Energy Production or Development State and Local Tax Abatement

TY	Market Value	Reduction in Taxable Value	Loss in State Revenue	Tax Shifts	Total Tax Benefit to Participants
2012	\$64,844,968	\$972,675	\$98,466	\$463,966	\$562,432
2013	\$176,656,421	\$2,649,846	\$268,027	\$1,137,804	\$1,405,831
2014	\$240,744,779	\$3,611,173	\$365,159	\$1,556,291	\$1,921,449
2015	\$292,397,489	\$4,252,907	\$429,985	\$1,450,428	\$1,880,413
2016	\$265,608,525	\$3,984,127	\$402,397	\$1,533,187	\$1,935,584
2017	\$311,476,994	\$4,352,038	\$439,556	\$1,641,084	\$2,080,640
2018	\$270,122,970	\$3,793,800	\$383,174	\$1,491,642	\$1,874,816
2019	\$264,778,742	\$3,652,952	\$368,948	\$1,445,754	\$1,814,703
2020	\$168,989,059	\$2,214,106	\$223,625	\$763,286	\$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

## **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. Qualified districts may include urban renewal districts and targeted economic development districts. 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 of a TIF district less the taxable value when it was formed. All local and state mills are levied against the TIF increment value and the TIF district retains this revenue, except for the 6 university mills.

The state only receives revenue for mills levied against TIF increment value from the 6 university mills, so the tax expenditure cost to the state is the revenue generated from the 95 and 1.5 statewide mills on the increment value. Unlike the other property tax expenditure programs, there is not a clear shift to other taxpayers. There are, however, some instances when the creation of a TIF district can lead to increases in property taxes relative to what the mills would have been without the TIF district for taxpayers located inside and outside the TIF.

Development within a TIF district may necessitate an increase of services by local jurisdictions, whether they are school districts, towns, counties, or fire districts. Since local budgets are constrained by 15-10-420, MCA, local governments may propose voted mill levy increases to pay for new services. A voted levy would increase taxes for all property owners located in the jurisdiction, increase TIF revenue, and may increase taxes on property located outside of the TIF district.

If development is intended inside a proposed TIF district, but the improvement does not occur before the TIF base is determined, the TIF district may collect revenue that might have otherwise been used to reduce mills and taxes due by property owners in affiliated taxing jurisdictions.

The following table presents the amount of revenue used by TIFs in Montana by type of jurisdictions for Tax Years 2009 through 2022. In Tax Year 2022, the amount of TIF revenue that came from the 95 state education equalization mills and 1.5 vo-tech mills was \$6.988 million.

## TIF Districts - Revenue Generated by Mill Type

TY	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
2009	\$32,014,815	\$3,069,779	\$6,079,435	\$6,599,541	\$2,853,160	\$778,881	\$19,380,796
2010	\$42,266,864	\$4,057,293	\$7,767,739	\$9,969,301	\$3,905,254	\$995,454	\$26,695,041
2011	\$46,300,358	\$4,438,575	\$9,385,018	\$10,625,763	\$4,264,645	\$1,213,209	\$29,927,210
2012	\$46,053,586	\$4,408,555	\$8,627,610	\$10,660,530	\$4,220,604	\$1,681,498	\$29,598,797
2013	\$48,039,378	\$4,652,871	\$8,694,981	\$9,843,858	\$4,525,461	\$1,873,798	\$29,590,969
2014	\$45,186,770	\$4,324,414	\$7,822,155	\$10,879,496	\$4,910,109	\$1,654,865	\$29,591,039
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	\$13,090,100	\$10,221,322	\$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

# Centrally Assessed Tax Expenditures

The next type of property tax deals with the way Centrally Assessed Properties are valued relative 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.

Intangible personal property can be exempt Class 8 personal property, or exempt personal property owned by a centrally assessed company. The concept of intangible personal property 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.

Unfortunately, these definitions can be ambiguous. 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 calculating the taxable value decrease caused by exempting IPP market value from centrally assessed companies. This decrease is the difference between the taxable value under current law and the taxable value that would exist in the absence of the IPP exemption.

The following table displays the market value of exempt IPP, the impact the exemption has on taxable value, the impact on statewide property taxes, and the estimated amount of tax revenue shifted to local tax taxpayers. In Tax Year 2022, it is estimated state property tax revenues would have been \$18.386 million higher if there was no IPP exemption.

## Intangible Personal Property Exemption State and Local Tax Effects

<b>TY</b>	<b>Exempt Market Value</b>	<b>Reduction in Taxable Value</b>	<b>Loss in State Revenue</b>	<b>Tax Shifts</b>	<b>Total Tax Benefit to Centrally Assessed Companies</b>
2012	\$1,694,045,680	\$106,005,997	\$10,774,142	\$46,527,597	\$57,301,739
2013	\$1,883,034,088	\$117,423,302	\$11,934,115	\$53,480,744	\$65,414,859
2014	\$1,777,563,764	\$112,421,730	\$11,420,628	\$51,779,273	\$63,199,901
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

## **Generally Exempt Property: 15-6-201 to 15-6-242, MCA Legislation: N/A**

Certain property may qualify for a reduced taxable value. This can be a direct reduction or a reduction of assessed value. In addition, Montana does not tax certain types of property or organizations.

For example, Montana exempts the following from property taxation:

- real property owned by federal, state, and local governments
- public libraries
- irrigation districts not operated for gain or profit
- property owned by municipal corporations, fire districts, and some volunteer fire departments
- property owned by a federally recognized tribe located within the boundaries of the reservation and used for essential governmental services

Montana also recognizes the tax-exempt status of the following organizations:

- church property used for religious worship, clergy residence, or educational or youth recreational activities open to the public
- nonprofit agricultural or horticultural societies
- organizations with specific educational facilities
- low-income housing nonprofits; organizations with nonprofit health care facilities
- cemeteries
- public charities
- public museums, art galleries, zoos, or observatories operating as not-for-profit
- nonprofits that lease railroad right-of-way land for less than \$100 per year
- landowners with land within 660 feet on either side of qualifying transmission right-of-way constructed after January 1, 2007
- organizations with a nonprofit veterans' clubhouse
- organizations with nonprofit facilities used in international sports and athletic event competitions or used in training and practicing for such competitions
- nonprofits organized to furnish potable water to its members (other than for agricultural irrigation)
- nonprofits caring for the developmentally disabled, the mentally ill, the vocationally handicapped, the retired, aged, or chronically ill

Some personal property is specifically exempt from property taxation including:

- the first \$300,000 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 used for personal use
- 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
- machinery and equipment used in a canola seed
- oil processing facility, malting barley facility, industrial dairy or milk processing, or in the production of ethanol from grain in the first 10 years
- small electrical generation equipment with a nameplate capacity of less than 1 megawatt
- property subject to registration fees
- certain low-value mobile homes

Some property is contained in the property tax system, such as property owned by a governmental entity, and the tax impact of exempting this property can therefore be estimated. Other types of property are not reported, so the tax impact of exempting these properties cannot be accurately estimated. An example of this would be Class 8 property owners who don't report the value of their business equipment property under \$300,000.

The table below 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.

## TY 2022 Estimated Tax Expenditures for Generally Exempt Property

Exemption Type	Properties	Market Value	Tax Shift	Tax Expenditure
Governmental Exemptions	35,601	12,752,857,136	90,073,678	17,019,160
Non-Profit Health Care	483	1,786,663,883	21,101,156	3,434,566
Religious Exemptions	7,125	1,577,252,181	16,816,562	2,946,607
Charitable Exemptions	1,099	702,617,946	7,646,223	1,312,914
Low Income Housing	401	568,692,238	6,568,646	1,085,530
Educational Exemptions	208	499,104,489	5,769,792	921,399
Developmentally Disabled Org/ Mentally Impaired	339	147,548,564	1,666,077	263,342
Retired/Aged/Chronically Ill	67	142,830,634	1,752,241	273,744
Community Service Building/ Fraternal	321	119,494,075	1,340,086	228,258
Low Value Mobile Home	13,140	86,272,895	615,019	118,263
Art Galleries/Observatories/Zoos/ Museums	106	68,684,234	700,547	130,029
Veteran's Clubhouse	90	22,863,317	251,285	42,830
Cemetery, Mausoleums, Crematories	174	22,096,277	240,954	41,172
Non-Profit Water Association	68	9,830,469	83,699	18,032
Natural Disaster	101	5,253,401	32,627	7,432
Horticulture/Agricultural Societies	3	3,395,057	32,142	6,379
Non-Profit International Athletic Facility	1	397,481	4,534	759
Historic Abatement	3	301,530	3,074	576
Missing	733	135,544,774	1,303,222	242,784
<b>Total</b>	<b>60,063</b>	<b>18,651,700,581</b>	<b>156,001,562</b>	<b>28,093,774</b>

## **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 below contains the market value of exempt cable, the ensuing 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.

### **New Fiber Optic and Coaxial Cable Exemption State and Local Tax Effects**

<b>TY</b>	<b>Exempt Market Value</b>	<b>Reduction in Taxable Value</b>	<b>Loss in State Revenue</b>	<b>Tax Shifts</b>	<b>Total Tax Benefits to Communications Companies</b>
2022	\$20,159,589	\$604,788	\$61,180	\$299,022	\$360,202

# 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 has been no production reported from horizontally recompleted oil wells since FY 2012.

### **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; HB 535, 2005 Session; HB 411, 2015 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 6.3 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 5.8 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 9.5 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

<b>Natural Gas: New Production Tax Holiday</b>						
<b>Fiscal Year</b>	<b>Working Interest Value</b>	<b>Actual Tax Rate</b>	<b>Tax Revenue</b>	<b>Normal Tax Rate</b>	<b>Normal Tax Revenue</b>	<b>Tax Expenditure</b>
2018	\$1,542,607	0.800%	\$12,341	9.300%	\$143,462	\$131,122
2019	\$5,124,041	0.800%	\$40,992	9.300%	\$476,536	\$435,543
2020	\$2,736,537	0.800%	\$21,892	9.300%	\$254,498	\$232,606
2021	\$1,978,145	0.800%	\$15,825	9.300%	\$183,967	\$168,142
2022	\$4,350,072	0.800%	\$34,801	9.300%	\$404,557	\$369,756

### Natural Gas: Drilled Before 1999 and Average Less Than 60 MCF/Day in Prior Calendar Year

Fiscal Year	Working Interest Value	Actual Tax Rate	Tax Revenue	Normal Tax Rate	Normal Tax Revenue	Tax Expenditure
2018	\$9,532,877	11.300%	\$1,077,216	15.100%	\$1,439,464	\$362,249
2019	\$9,185,609	11.300%	\$1,037,974	15.100%	\$1,387,027	\$349,053
2020	\$7,009,932	11.300%	\$792,122	15.100%	\$1,058,500	\$266,377
2021	\$11,994,832	11.300%	\$1,355,416	15.100%	\$1,811,220	\$455,803
2022	\$15,146,522	11.300%	\$1,711,557	15.100%	\$2,287,125	\$575,567

### Oil: New Production Tax Holiday

Fiscal Year	Working Interest Value	Actual Tax Rate	Tax Revenue	Normal Tax Rate	Normal Tax Revenue	Tax Expenditure
2018	\$29,850,102	0.800%	\$238,801	9.300%	\$2,776,060	\$2,537,259
2019	\$201,183,177	0.800%	\$1,609,465	9.300%	\$18,710,035	\$17,100,570
2020	\$148,706,257	0.800%	\$1,189,650	9.300%	\$13,829,682	\$12,640,032
2021	\$84,746,206	0.800%	\$677,970	9.300%	\$7,881,397	\$7,203,428
2022	\$144,010,262	0.800%	\$1,152,082	9.300%	\$13,392,954	\$12,240,872

### Oil: Incremental Production

Fiscal Year	Working Interest Value	Actual Tax Rate	Tax Revenue	Normal Tax Rate	Normal Tax Revenue	Tax Expenditure
2018	\$0	5.800%	\$0	9.300%	\$0	\$0
2019	\$0	6.100%	\$0	9.300%	\$0	\$0
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

### Oil: Stripper Well Production

Fiscal Year	Working Interest Value	Actual Tax Rate	Tax Revenue	Normal Tax Rate	Normal Tax Revenue	Tax Expenditure
2018	\$21,519,867	4.904%	\$1,055,394	9.300%	\$2,001,348	\$945,954
2019	\$23,569,091	6.300%	\$1,484,853	9.300%	\$2,191,925	\$707,072
2020	\$21,540,485	1.351%	\$290,929	9.300%	\$2,003,265	\$1,712,336
2021	\$21,368,574	2.792%	\$596,592	9.300%	\$1,987,277	\$1,390,685
2022	\$30,833,673	5.963%	\$1,838,490	9.300%	\$2,286,532	\$1,029,042

<b>Sum</b>			
<b>Fiscal Year</b>	<b>Natural Gas Expenditures</b>	<b>Oil Tax Expenditures</b>	<b>Oil and Natural Gas Tax Expenditures</b>
2018	\$493,371	\$3,483,213	\$3,976,583
2019	\$784,596	\$17,807,642	\$18,592,238
2020	\$498,983	\$14,956,239	\$15,455,222
2021	\$623,946	\$9,275,352	\$9,899,298
2022	\$945,324	\$13,269,914	\$14,215,237

# 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.

The summary table below describes the distributions.

Revenue Source	Share Provision	Share Cycle	FY 2021 Shared Amount	FY 2022 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	\$40,531,049	\$74,569,778
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	\$5,961,186	\$3,824,075
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	\$11,663,072	\$8,506,255
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	\$458,089	\$465,221
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	\$8,882,303	\$8,010,272

Revenue Source	Share Provision	Share Cycle	FY 2021 Shared Amount	FY 2022 Shared Amount
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	\$144,119,959	\$148,646,026

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.

The next two tables show total combined revenue distributed to the counties. This revenue is shared with schools, cities, and towns.

## Shared Revenue by County - FY 2021

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	\$0	\$0	\$0	\$1,298,956	\$1,298,956
Big Horn	\$27,196	\$958	\$4,292,678	\$1,892,598	\$0	\$0	\$1,116,801	\$7,330,231
Blaine	\$723,070	\$2,784	\$0	\$38,557	\$0	\$0	\$926,854	\$1,691,265
Broadwater	\$0	\$0	\$0	\$0	\$0	\$18	\$894,703	\$894,720
Carbon	\$736,106	\$124	\$0	\$124,510	\$96,070	\$0	\$1,476,024	\$2,432,833
Carter	\$22,358	\$81	\$0	\$9,522	\$362,019	\$0	\$346,242	\$740,222
Cascade	\$0	\$0	\$0	\$0	\$0	\$0	\$11,015,946	\$11,015,946
Chouteau	\$44,766	\$286	\$0	\$4,405	\$0	\$0	\$1,471,079	\$1,520,537
Custer	\$0	\$0	\$0	\$190	\$0	\$0	\$2,135,444	\$2,135,634
Daniels	\$11,656	\$32	\$0	\$459	\$0	\$0	\$712,327	\$724,474
Dawson	\$933,980	\$2,762	\$0	\$206,261	\$0	\$0	\$2,355,515	\$3,498,518
Deer Lodge	\$0	\$0	\$0	\$0	\$0	\$0	\$1,638,459	\$1,638,459
Fallon	\$6,445,455	\$20,851	\$0	\$574,838	\$0	\$0	\$881,220	\$7,922,363
Fergus	\$580	\$4	\$0	\$1,057	\$0	\$0	\$1,807,901	\$1,809,542
Flathead	\$0	\$0	\$0	\$0	\$0	\$0	\$10,582,338	\$10,582,338
Gallatin	\$0	\$0	\$0	\$63	\$0	\$0	\$10,207,605	\$10,207,668
Garfield	\$9,943	\$29	\$0	\$1,111	\$0	\$0	\$399,616	\$410,699
Glacier	\$464,366	\$1,332	\$0	\$3,034	\$0	\$0	\$1,612,748	\$2,081,479
Golden Valley	\$4,987	\$0	\$0	\$0	\$0	\$0	\$127,051	\$132,038
Granite	\$0	\$0	\$0	\$0	\$0	\$0	\$627,384	\$627,384
Hill	\$181,722	\$1,184	\$0	\$3,613	\$0	\$0	\$2,702,978	\$2,889,497
Jefferson	\$0	\$0	\$0	\$0	\$0	\$2,449	\$1,466,038	\$1,468,487
Judith Basin	\$0	\$0	\$0	\$0	\$0	\$0	\$518,414	\$518,414
Lake	\$0	\$0	\$0	\$0	\$0	\$0	\$2,475,845	\$2,475,845
Lewis & Clark	\$0	\$0	\$0	\$0	\$0	\$0	\$7,846,744	\$7,846,744
Liberty	\$180,158	\$627	\$0	\$0	\$0	\$0	\$726,783	\$907,568
Lincoln	\$0	\$0	\$0	\$0	\$0	\$0	\$2,073,164	\$2,073,164
Madison	\$0	\$0	\$0	\$0	\$0	\$0	\$1,227,140	\$1,227,140
McCone	\$519	\$0	\$0	\$1,159	\$0	\$0	\$633,071	\$634,748
Meagher	\$0	\$0	\$0	\$56	\$0	\$978	\$372,716	\$373,750
Mineral	\$0	\$0	\$0	\$0	\$0	\$0	\$687,969	\$687,969
Missoula	\$0	\$0	\$0	\$0	\$0	\$0	\$15,901,302	\$15,901,302
Musselshell	\$207,836	\$550	\$3,068,908	\$294,973	\$0	\$0	\$643,259	\$4,215,527
Park	\$0	\$0	\$0	\$408	\$0	\$325,639	\$2,241,451	\$2,567,499
Petroleum	\$10,358	\$103	\$0	\$4,763	\$0	\$0	\$128,828	\$144,052
Phillips	\$730,727	\$3,413	\$0	\$90,472	\$0	\$0	\$755,701	\$1,580,313
Pondera	\$68,686	\$404	\$0	\$1,059	\$0	\$0	\$1,204,283	\$1,274,431
Powder River	\$5,233,452	\$12,101	\$0	\$456,963	\$0	\$0	\$599,441	\$6,301,957
Powell	\$0	\$0	\$0	\$0	\$0	\$0	\$821,984	\$821,984
Prairie	\$41,742	\$175	\$0	\$27,686	\$0	\$0	\$372,578	\$442,180
Ravalli	\$0	\$0	\$0	\$0	\$0	\$0	\$3,456,286	\$3,456,286
Richland	\$17,315,153	\$63,432	\$205,054	\$217,126	\$0	\$0	\$1,977,903	\$19,778,668
Roosevelt	\$4,393,527	\$14,378	\$0	\$92,068	\$0	\$0	\$1,681,961	\$6,181,934
Rosebud	\$177,400	\$642	\$3,370,721	\$1,727,247	\$0	\$0	\$4,203,433	\$9,479,444

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
Sanders	\$0	\$0	\$0	\$0	\$0	\$0	\$1,912,673	\$1,912,673
Sheridan	\$1,216,907	\$2,990	\$0	\$8,343	\$0	\$0	\$1,289,200	\$2,517,439
Silver Bow	\$0	\$0	\$0	\$0	\$0	\$2,059,490	\$5,506,824	\$7,566,314
Stillwater	\$48,972	\$193	\$0	\$1,983	\$0	\$4,427,344	\$1,577,447	\$6,055,939
Sweet Grass	\$349	\$1	\$0	\$0	\$0	\$2,066,386	\$672,608	\$2,739,344
Teton	\$59,464	\$288	\$0	\$0	\$0	\$0	\$1,085,631	\$1,145,383
Toole	\$377,988	\$2,134	\$0	\$59,600	\$0	\$0	\$1,461,691	\$1,901,413
Treasure	\$0	\$0	\$0	\$322	\$0	\$0	\$195,562	\$195,884
Valley	\$105,621	\$567	\$0	\$9,050	\$0	\$0	\$1,119,014	\$1,234,252
Wheatland	\$0	\$0	\$0	\$98	\$0	\$0	\$407,602	\$407,700
Wibaux	\$747,897	\$1,937	\$0	\$107,549	\$0	\$0	\$479,381	\$1,336,764
Yellowstone	\$8,110	\$12	\$725,710	\$43	\$0	\$0	\$22,058,841	\$22,792,715
<b>Total</b>	<b>\$40,531,049</b>	<b>\$134,369</b>	<b>\$11,663,072</b>	<b>\$5,961,186</b>	<b>\$458,089</b>	<b>\$8,882,303</b>	<b>\$144,119,959</b>	<b>\$211,750,026</b>

## Shared Revenue by County - FY 2022

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	\$991	\$0	\$0	\$1,331,841	\$1,332,832
Big Horn	\$79,876	\$1,749	\$3,349,375	\$1,224,079	\$0	\$0	\$1,174,449	\$5,829,528
Blaine	\$1,420,223	\$17,312	\$0	\$21,659	\$0	\$0	\$985,400	\$2,444,594
Broadwater	\$0	\$0	\$0	\$0	\$0	\$18	\$922,802	\$922,820
Carbon	\$1,400,426	\$11,267	\$0	\$65,405	\$126,983	\$0	\$1,507,227	\$3,111,308
Carter	\$38,995	\$477	\$0	\$6,107	\$338,238	\$0	\$354,611	\$738,428
Cascade	\$0	\$0	\$0	\$0	\$0	\$0	\$11,355,115	\$11,355,115
Chouteau	\$98,739	\$1,451	\$0	\$1,145	\$0	\$0	\$1,563,034	\$1,664,368
Custer	\$0	\$0	\$0	\$190	\$0	\$0	\$2,198,794	\$2,198,985
Daniels	\$22,456	\$499	\$0	\$407	\$0	\$0	\$742,026	\$765,388
Dawson	\$1,707,554	\$18,009	\$0	\$82,046	\$0	\$0	\$2,430,411	\$4,238,020
Deer Lodge	\$0	\$0	\$0	\$0	\$0	\$0	\$1,673,742	\$1,673,742
Fallon	\$11,339,303	\$129,333	\$0	\$483,667	\$0	\$0	\$902,448	\$12,854,751
Fergus	\$1,363	\$20	\$0	\$653	\$0	\$0	\$1,896,005	\$1,898,040
Flathead	\$0	\$0	\$0	\$0	\$0	\$0	\$10,881,890	\$10,881,890
Gallatin	\$0	\$0	\$0	\$0	\$0	\$0	\$10,544,519	\$10,544,519
Garfield	\$24,443	\$299	\$0	\$622	\$0	\$0	\$418,695	\$444,059
Glacier	\$1,047,648	\$12,414	\$0	\$821	\$0	\$0	\$1,586,157	\$2,647,039
Golden Valley	\$3,370	\$0	\$0	\$0	\$0	\$0	\$130,435	\$133,805
Granite	\$0	\$0	\$0	\$0	\$0	\$1,142	\$641,013	\$642,155
Hill	\$393,763	\$5,953	\$0	\$3,001	\$0	\$0	\$2,812,742	\$3,215,459
Jefferson	\$0	\$0	\$0	\$0	\$0	\$1,784	\$1,455,280	\$1,457,064
Judith Basin	\$0	\$0	\$0	\$0	\$0	\$0	\$536,544	\$536,544
Lake	\$0	\$0	\$0	\$0	\$0	\$0	\$2,532,892	\$2,532,892
Lewis & Clark	\$0	\$0	\$0	\$0	\$0	\$0	\$8,088,746	\$8,088,746
Liberty	\$383,734	\$4,853	\$0	\$3,087	\$0	\$0	\$786,860	\$1,178,534
Lincoln	\$0	\$0	\$0	\$0	\$0	\$0	\$2,118,639	\$2,118,639
Madison	\$0	\$0	\$0	\$0	\$0	\$0	\$1,255,979	\$1,255,979
McCone	\$3,459	\$47	\$0	\$1,068	\$0	\$0	\$669,206	\$673,781
Meagher	\$0	\$0	\$0	\$0	\$0	\$0	\$386,549	\$386,549
Mineral	\$0	\$0	\$0	\$0	\$0	\$0	\$700,753	\$700,753
Missoula	\$0	\$0	\$0	\$0	\$0	\$0	\$16,526,786	\$16,526,786
Musselshell	\$365,208	\$3,330	\$1,154,750	\$201,598	\$0	\$0	\$662,627	\$2,387,513
Park	\$0	\$0	\$0	\$0	\$0	\$476,667	\$2,286,877	\$2,763,544
Petroleum	\$34,639	\$606	\$0	\$4,882	\$0	\$0	\$135,923	\$176,050
Phillips	\$1,044,613	\$18,417	\$0	\$187,583	\$0	\$0	\$783,411	\$2,034,024
Pondera	\$279,672	\$3,365	\$0	\$783	\$0	\$0	\$1,277,768	\$1,561,589
Powder River	\$9,008,525	\$75,782	\$0	\$357,780	\$0	\$0	\$609,731	\$10,051,817
Powell	\$0	\$0	\$0	\$0	\$0	\$0	\$841,291	\$841,291
Prairie	\$71,012	\$965	\$0	\$18,177	\$0	\$0	\$387,191	\$477,345
Ravalli	\$0	\$0	\$0	\$0	\$0	\$0	\$3,535,083	\$3,535,083
Richland	\$32,007,446	\$411,279	\$234,790	\$221,363	\$0	\$0	\$2,057,776	\$34,932,653
Roosevelt	\$8,311,232	\$97,465	\$0	\$102,453	\$0	\$0	\$1,734,525	\$10,245,674
Rosebud	\$442,447	\$7,373	\$2,285,730	\$721,343	\$0	\$0	\$4,251,429	\$7,708,322

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
Sanders	\$0	\$0	\$0	\$0	\$0	\$0	\$1,943,441	\$1,943,441
Sheridan	\$2,218,269	\$19,832	\$0	\$8,398	\$0	\$0	\$1,371,593	\$3,618,092
Silver Bow	\$0	\$0	\$0	\$0	\$0	\$2,285,456	\$5,670,391	\$7,955,847
Stillwater	\$102,458	\$1,260	\$0	\$2,184	\$0	\$3,504,598	\$1,604,608	\$5,215,109
Sweet Grass	\$924	\$5	\$0	\$0	\$0	\$1,740,607	\$686,912	\$2,428,448
Teton	\$131,875	\$1,876	\$0	\$0	\$0	\$0	\$1,127,387	\$1,261,138
Toole	\$949,941	\$13,500	\$0	\$19,926	\$0	\$0	\$1,547,239	\$2,530,605
Treasure	\$0	\$0	\$0	\$323	\$0	\$0	\$203,282	\$203,605
Valley	\$240,206	\$3,448	\$0	\$10,026	\$0	\$0	\$1,155,404	\$1,409,085
Wheatland	\$0	\$0	\$0	\$0	\$0	\$0	\$421,562	\$421,562
Wibaux	\$1,365,192	\$12,741	\$0	\$72,286	\$0	\$0	\$488,587	\$1,938,806
Yellowstone	\$30,767	\$448	\$1,481,610	\$22	\$0	\$0	\$22,750,399	\$24,263,245
<b>Total</b>	<b>\$74,569,778</b>	<b>\$875,374</b>	<b>\$8,506,255</b>	<b>\$3,824,075</b>	<b>\$465,221</b>	<b>\$8,010,272</b>	<b>\$148,646,026</b>	<b>\$244,897,001</b>

# Bentonite Tax

## Bentonite Revenue

Revenue is distributed according to a statutory formula (15-39-110, MCA). Two counties produce bentonite: Carbon and Carter.

## Bentonite Distribution

<b>County</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Carbon	\$142,160	\$97,973	\$96,070	\$126,983
Carter	\$872,855	\$501,251	\$362,019	\$338,238
<b>Total</b>	<b>\$1,015,015</b>	<b>\$599,224</b>	<b>\$458,089</b>	<b>\$465,221</b>

# 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 FY 1990 (15-23-703, MCA). Coal gross proceeds are currently allocated in five counties.

## Coal Gross Proceeds Distribution

<b>County</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Big Horn	\$5,139,430	\$5,979,797	\$4,292,678	\$3,349,375
Musselshell	\$962,756	\$2,614,286	\$3,068,908	\$1,154,750
Richland	\$189,850	\$228,614	\$205,054	\$234,790
Rosebud	\$3,094,962	\$3,041,148	\$3,370,721	\$2,285,730
Yellowstone	\$1,755,749	\$1,337,217	\$725,710	\$1,481,610
<b>Total</b>	<b>\$11,142,748</b>	<b>\$13,201,062</b>	<b>\$11,663,072</b>	<b>\$8,505,255</b>

# 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)

## Federal Mineral Royalties Distribution

County	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Beaverhead	\$3,062.67	\$1,357.44	\$494.10	\$494.31	\$0	\$991.46
Big Horn	\$2,057,260	\$1,911,082	\$2,953,182	\$2,172,795	\$1,892,598	\$1,224,079
Blaine	\$32,680	\$40,887	\$34,603	\$35,369	\$38,557	\$21,659
Broadwater	\$0	\$0	\$0	\$0	\$0	\$0
Carbon	\$121,120	\$126,341	\$139,042	\$167,674	\$124,510	\$65,405
Carter	\$12,327	\$10,000	\$10,490	\$10,667	\$9,522	\$6,107
Cascade	\$0	\$0	\$0	\$0	\$0	\$0
Chouteau	\$6,378	\$5,101	\$3,292	\$3,227	\$4,405	\$1,145
Custer	\$11,181	\$973	\$13,750	\$370	\$190	\$191
Daniels	\$338	\$456	\$479	\$554	\$459	\$407
Dawson	\$105,409	\$122,605	\$133,708	\$172,981	\$206,261	\$82,046
Deer Lodge	\$15	\$14	\$0	\$0	\$0	\$0
Fallon	\$479,203	\$442,872	\$636,332	\$1,004,898	\$574,838	\$483,667
Fergus	\$2,489	\$39,920	\$729	\$741	\$1,057	\$653
Flathead	\$0	\$16	\$0	\$0	\$0	\$0
Gallatin	\$22	\$84	\$63	\$63	\$63	\$0
Garfield	\$1,388	\$1,376	\$6,763	\$1,429	\$1,111	\$622
Glacier	\$5,540	\$2,677	\$3,341	\$8,157	\$3,034	\$821
Golden Valley	\$164.84	\$74.10	\$74.81	\$0	\$0	\$0
Granite	\$0	\$0	\$0	\$0	\$0	\$0
Hill	\$3,288	\$11,747	\$3,593	\$2,910	\$3,613	\$3,001
Jefferson	\$139	\$134	\$0	\$0	\$0	\$0
Judith Basin	\$0	\$0	\$0	\$0	\$0	\$0
Lake	\$0	\$0	\$0	\$0	\$0	\$0
Lewis And Clark	\$0	\$0	\$0	\$0	\$0	\$0
Liberty	\$5,150	\$7,326	\$4,560	\$65,495	\$0	\$3,087
Lincoln	\$0	\$0	\$0	\$0	\$0	\$0
Madison	\$37	\$369	\$0	\$0	\$0	\$0
McCone	\$9,521	\$2,245	\$1,645	\$1,358	\$1,159	\$1,068
Meagher	\$0	\$0	\$0	\$0	\$56.02	\$0
Mineral	\$0	\$0	\$0	\$0	\$0	\$0
Missoula	\$0	\$0	\$0	\$0	\$0	\$0
Musselshell	\$32,025	\$20,440	\$13,969	\$214,463	\$294,973	\$201,598
Park	\$2	\$0.55	\$268	\$115	\$408	\$0
Petroleum	\$4,540	\$5,341	\$3,285	\$5,274	\$4,763	\$4,882
Phillips	\$132,766	\$21,537	\$290,363	\$200,666	\$90,472	\$187,583

<b>County</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Pondera	\$3,426	\$0	\$1,414	\$1,164	\$1,059	\$783
Powder River	\$220,202	\$271,395	\$366,237	\$467,987	\$456,963	\$357,780
Powell	\$3	\$3	\$0	\$0	\$0	\$0
Prairie	\$30,896	\$32,306	\$33,962	\$37,067	\$27,686	\$18,177
Ravalli	\$0	\$0	\$0	\$0	\$0	\$0
Richland	\$266,541	\$229,860	\$182,925	\$248,659	\$217,126	\$221,363
Roosevelt	\$0	\$163,390	\$77,291	\$152,715	\$92,068	\$102,453
Rosebud	\$1,638,466	\$1,823,378	\$1,379,457	\$1,532,661	\$1,727,247	\$721,343
Sanders	\$0	\$0	\$0	\$0	\$0	\$0
Sheridan	\$7,373	\$10,632	\$9,633	\$10,106	\$8,343	\$8,398
Silver Bow	\$157	\$151	\$0	\$0	\$0	\$0
Stillwater	\$2,488	\$401	\$784	\$384	\$1,983	\$2,184
Sweet Grass	\$4	\$0.55	\$155	\$452	\$0	\$0
Teton	\$265	\$26	\$0	\$0	\$0	\$0
Toole	\$28,243	\$33,853	\$31,974	\$41,599	\$59,600	\$19,926
Treasure	\$103,242	\$23,841	\$399	\$324	\$322	\$323
Valley	\$4,435	\$734	\$14,224	\$27,184	\$9,050	\$10,026
Wheatland	\$27	\$28	\$98	\$98	\$98	\$0
Wibaux	\$122,851	\$123,967	\$138,655	\$140,998	\$107,549	\$72,286
Yellowstone	\$53	\$58	\$52	\$52	\$43	\$22
<b>Total</b>	<b>\$5,474,714</b>	<b>\$5,489,000</b>	<b>\$6,491,282</b>	<b>\$6,731,148</b>	<b>\$5,961,186</b>	<b>\$3,824,075</b>

# 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.

## Metalliferous Mines Distribution

County	FY 2019	FY 2020	FY 2021	FY 2022
Broadwater	\$0	\$53	\$18	\$18
Silver Bow	\$1,433,035	\$1,481,772	\$2,059,490	\$2,285,456
Granite	\$1,265	\$69	\$0	\$1,142
Jefferson	\$208,254	\$17,560	\$2,449	\$1,784
Meagher	\$299	\$1,234	\$978	\$0
Park	\$314,747	\$444,165	\$325,639	\$476,667
Stillwater	\$2,281,334	\$3,447,439	\$4,427,344	\$3,504,598
Sweet Grass	\$1,070,023	\$1,607,719	\$2,066,386	\$1,740,607
<b>Total</b>	<b>\$5,308,957</b>	<b>\$7,000,009</b>	<b>\$8,882,303</b>	<b>\$5,724,816</b>

# 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 FY 2022, 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.

Shared revenue from oil and natural gas production is shown in the table on the next page. The majority of oil and natural gas production takes place in Montana's eastern counties, so these counties have the largest 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.

The following two tables 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.

## Oil and Natural Gas Distribution

County	FY 2019	FY 2020	FY 2021	FY 2022
Big Horn	\$89,562	\$43,940	\$27,196	\$79,876
Blaine	\$714,956	\$523,058	\$723,070	\$1,420,223
Carbon	\$871,871	\$672,320	\$736,106	\$1,400,426
Carter	\$24,517	\$17,467	\$22,358	\$38,995
Chouteau	\$19,704	\$23,733	\$44,766	\$98,739
Custer	\$453	\$363	\$0	\$0
Daniels	\$0	\$9,015	\$11,656	\$22,456
Dawson	\$1,316,607	\$909,151	\$933,980	\$1,707,554
Fallon	\$8,302,739	\$5,837,782	\$6,445,455	\$11,339,303
Fergus	\$169	\$270	\$580	\$1,363
Garfield	\$18,227	\$10,112	\$9,943	\$24,443
Glacier	\$719,199	\$347,451	\$464,366	\$1,047,648
Golden Valley	\$0	\$0	\$4,987	\$3,370
Hill	\$76,256	\$100,954	\$181,722	\$393,763
Liberty	\$230,830	\$138,442	\$180,158	\$383,734
McCone	\$9,068	\$1,659	\$519	\$3,459
Musselshell	\$294,541	\$209,124	\$207,836	\$365,208
Petroleum	\$20,363	\$8,985	\$10,358	\$34,639
Phillips	\$682,969	\$323,974	\$730,727	\$1,044,613
Pondera	\$156,129	\$28,491	\$68,686	\$279,672
Powder River	\$5,892,406	\$5,048,938	\$5,233,452	\$9,008,525
Prairie	\$94,076	\$62,064	\$41,742	\$71,012
Richland	\$22,568,970	\$14,818,637	\$17,315,153	\$32,007,446
Roosevelt	\$6,811,662	\$4,242,173	\$4,393,527	\$8,311,232
Rosebud	\$322,174	\$199,396	\$177,400	\$442,447
Sheridan	\$1,856,259	\$1,182,467	\$1,216,907	\$2,218,269
Stillwater	\$5,313	\$28,964	\$48,972	\$102,458
Sweet Grass	\$1,229	\$448	\$349	\$924
Teton	\$97,632	\$39,017	\$59,464	\$131,875
Toole	\$626,479	\$89,474	\$377,988	\$949,941
Valley	\$255,883	\$147,470	\$105,621	\$240,206
Wibaux	\$1,213,403	\$786,771	\$747,897	\$1,365,192
Yellowstone	\$14,899	\$7,785	\$8,110	\$30,767
<b>Total</b>	<b>\$53,308,546</b>	<b>\$35,859,898</b>	<b>\$40,531,049</b>	<b>\$74,569,778</b>

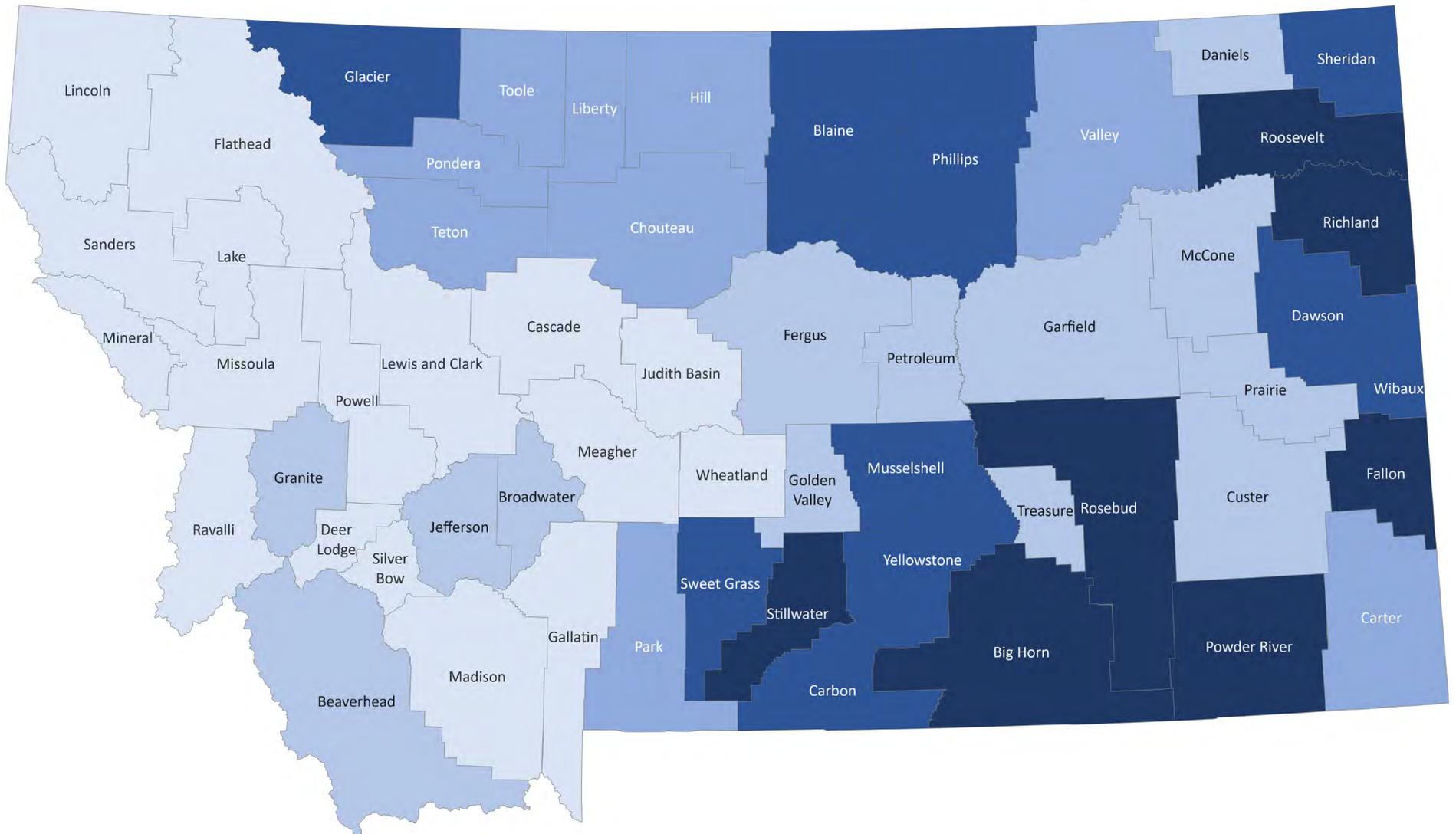
## Oil and Natural Gas Resource Distribution Account

County	FY 2019	FY 2020	FY 2021	FY 2022
Big Horn	\$0	\$243	\$958	\$1,749
Blaine	\$1	\$2,053	\$2,784	\$17,312
Carbon	\$1	\$2,367	\$124	\$11,267
Carter	\$0	\$60	\$81	\$477
Chouteau	\$0	\$142	\$286	\$1,451
Custer	\$0	\$1	\$0	\$0
Daniels	\$0	\$131	\$32	\$499
Dawson	\$2	\$3,026	\$2,762	\$18,009
Fallon	\$1	\$24,628	\$20,851	\$129,333
Fergus	\$0	\$2	\$4	\$20
Garfield	\$0	\$28	\$29	\$299
Glacier	\$1	\$1,812	\$1,332	\$12,414
Hill	\$1	\$602	\$1,184	\$5,953
Liberty	\$0	\$490	\$627	\$4,853
McCone	\$0	\$0	\$0	\$47
Musselshell	\$0	\$478	\$550	\$3,330
Petroleum	\$0	\$88	\$103	\$606
Phillips	\$3	\$1,759	\$3,413	\$18,417
Pondera	\$0	\$452	\$404	\$3,365
Powder River	\$8	\$17,835	\$12,101	\$75,782
Prairie	\$0	\$237	\$175	\$965
Richland	\$43	\$63,784	\$63,432	\$411,279
Roosevelt	\$21	\$23,606	\$14,378	\$97,465
Rosebud	\$1	\$719	\$642	\$7,373
Sheridan	\$2	\$3,483	\$2,990	\$19,832
Stillwater	\$0	\$2	\$193	\$1,260
Sweet Grass	\$0	\$1	\$1	\$5
Teton	\$0	\$289	\$288	\$1,876
Toole	\$1	\$1,575	\$2,134	\$13,500
Valley	\$1	\$534	\$567	\$3,448
Wibaux	\$1	\$2,458	\$1,937	\$12,741
Yellowstone	\$0	\$50	\$12	\$448
<b>Total</b>	<b>\$89</b>	<b>\$152,935</b>	<b>\$134,369</b>	<b>\$875,374</b>

The following map shows total natural resource revenue shared with local governments for FY 2022.

### FY 2022 Total Natural Resource Shared Revenue by County

■ \$0 ■ \$1-\$100K ■ \$100K-\$1M ■ \$1M-\$3M ■ \$3M+



# 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 FY 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 FY 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 rate 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 rate is 1.03 (3 percent) for counties, 1.0325 for consolidated local governments, and 1.035 for cities and towns. Growth rates are not applied to payments to Tax Increment Finance districts.

The growth rates are not applied to each local government’s individual Entitlement Share Payment. Instead, the county growth rate is applied to the sum of all the counties’ Entitlement Share Payments; the city/town growth rate applies to the sum of all the cities’ and towns’ Entitlement Share Payments; and the consolidated local governments’ growth rate 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 FY 2016 calculation.

## **2017**

The legislature prescribed a growth rate of 1.005 for FY 2018 and 1.0187 for 2019, with the stipulation that the entitlement share for FY 2020 would be calculated as if normal growth rates have been applied in FYs 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 also adjusted the school funding formula to compensate local school districts for lost property tax revenue.

In the current year, FY 2023, total Entitlement Share Payments are \$153,425,879. The following tables show four years of payments.

## County Entitlement Share Payment

County	FY 2020	FY 2021	FY 2022	FY 2023
Beaverhead	\$615,494	\$629,618	\$637,881	\$675,452
Big Horn	\$254,902	\$265,849	\$272,663	\$345,804
Blaine	\$494,111	\$504,469	\$511,132	\$567,272
Broadwater	\$576,251	\$587,949	\$594,773	\$625,032
Carbon	\$745,379	\$762,361	\$771,963	\$806,074
Carter	\$271,513	\$275,847	\$278,637	\$292,821
Cascade	\$1,650,108	\$1,720,424	\$1,761,589	\$1,909,085
Chouteau	\$1,126,498	\$1,144,832	\$1,156,559	\$1,251,351
Custer	\$724,070	\$740,426	\$750,585	\$800,787
Daniels	\$547,134	\$555,103	\$560,646	\$617,018
Dawson	\$1,517,420	\$1,543,764	\$1,559,237	\$1,657,328
Fallon	\$574,570	\$583,700	\$589,802	\$625,180
Fergus	\$690,347	\$705,699	\$715,613	\$780,183
Flathead	\$5,116,626	\$5,250,780	\$5,326,192	\$5,560,657
Gallatin	\$3,546,618	\$3,664,146	\$3,730,250	\$3,963,467
Garfield	\$346,183	\$351,373	\$354,911	\$385,834
Glacier	\$844,269	\$864,101	\$875,720	\$932,136
Golden Valley	\$86,554	\$88,217	\$89,230	\$94,627
Granite	\$440,628	\$448,769	\$453,561	\$473,758
Hill	\$1,035,130	\$1,058,476	\$1,073,000	\$1,163,211
Jefferson	\$1,028,801	\$1,050,734	\$1,063,084	\$1,100,216
Judith Basin	\$417,479	\$424,520	\$428,626	\$448,388
Lake	\$1,277,778	\$1,314,244	\$1,334,480	\$1,395,210
Lewis and Clark	\$2,524,012	\$2,600,799	\$2,644,143	\$2,777,226
Liberty	\$592,717	\$601,725	\$607,863	\$669,727
Lincoln	\$1,105,529	\$1,133,143	\$1,148,652	\$1,193,251
Madison	\$913,405	\$931,540	\$941,871	\$979,972
McCone	\$528,897	\$536,587	\$541,958	\$599,249
Meagher	\$212,332	\$216,305	\$218,746	\$231,903
Mineral	\$421,288	\$429,907	\$434,755	\$449,065
Missoula	\$5,589,037	\$5,739,715	\$5,824,244	\$6,115,742
Musselshell	\$323,047	\$330,048	\$334,424	\$353,917
Park	\$846,407	\$868,630	\$880,851	\$915,992
Petroleum	\$98,473	\$100,042	\$101,090	\$113,986
Phillips	\$393,593	\$401,447	\$406,063	\$451,852
Pondera	\$753,873	\$767,273	\$775,902	\$846,741
Powder River	\$508,744	\$516,756	\$521,616	\$548,994

<b>County</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Powell	\$321,425	\$329,999	\$334,970	\$357,597
Prairie	\$272,205	\$276,406	\$279,176	\$298,521
Ravalli	\$1,804,359	\$1,856,439	\$1,885,081	\$1,965,468
Richland	\$917,800	\$935,889	\$947,812	\$1,048,017
Roosevelt	\$904,935	\$922,585	\$934,674	\$1,028,818
Rosebud	\$2,825,408	\$2,873,040	\$2,897,836	\$2,958,812
Sanders	\$1,221,442	\$1,246,551	\$1,260,085	\$1,296,498
Sheridan	\$906,097	\$919,657	\$928,976	\$1,066,761
Stillwater	\$1,070,910	\$1,092,051	\$1,103,821	\$1,140,027
Sweet Grass	\$425,802	\$433,958	\$438,728	\$460,510
Teton	\$708,630	\$721,891	\$729,991	\$772,345
Toole	\$832,452	\$846,641	\$855,325	\$937,079
Treasure	\$156,539	\$159,081	\$160,642	\$172,363
Valley	\$451,840	\$461,895	\$468,491	\$517,742
Wheatland	\$214,975	\$219,293	\$221,790	\$236,743
Wibaux	\$363,754	\$369,528	\$372,830	\$388,350
Yellowstone	\$4,712,724	\$4,872,838	\$4,965,468	\$5,285,108
<b>Total</b>	<b>\$56,850,517</b>	<b>\$58,247,060</b>	<b>\$59,058,004</b>	<b>\$62,649,266</b>

## City/Town Entitlement Share Payment

County	City/Town	FY 2020	FY 2021	FY 2022	FY 2023
Beaverhead	Dillon	\$621,233	\$641,702	\$651,050	\$675,831
Beaverhead	Lima	\$26,651	\$27,636	\$28,079	\$29,146
Big Horn	Hardin	\$795,924	\$818,528	\$828,670	\$853,200
Big Horn	Lodge Grass	\$30,102	\$31,647	\$32,345	\$34,017
Blaine	Chinook	\$252,488	\$259,758	\$263,042	\$270,955
Blaine	Harlem	\$157,964	\$162,627	\$164,738	\$169,821
Broadwater	Townsend	\$296,770	\$306,754	\$311,296	\$322,138
Carbon	Bearcreek	\$6,103	\$6,398	\$6,530	\$6,848
Carbon	Bridger	\$186,599	\$191,569	\$193,807	\$200,055
Carbon	Fromberg	\$38,905	\$40,646	\$41,429	\$43,316
Carbon	Joliet	\$53,418	\$55,853	\$56,949	\$59,733
Carbon	Red Lodge	\$406,879	\$419,199	\$424,766	\$438,185
Carter	Ekalaka	\$68,377	\$70,395	\$71,320	\$73,426
Cascade	Belt	\$116,235	\$119,546	\$121,040	\$124,570
Cascade	Cascade	\$90,383	\$93,534	\$94,941	\$98,209
Cascade	Great Falls	\$8,777,069	\$9,061,267	\$9,191,538	\$9,541,810
Cascade	Neihart	\$5,983	\$6,200	\$6,298	\$6,522
Chouteau	Big Sandy	\$75,704	\$78,349	\$79,527	\$82,768
Chouteau	Fort Benton	\$211,325	\$218,274	\$221,422	\$229,185
Chouteau	Geraldine	\$22,558	\$23,549	\$23,985	\$25,007
Custer	Ismay	\$1,612	\$1,684	\$1,717	\$1,791
Custer	Miles City	\$1,350,893	\$1,393,334	\$1,412,558	\$1,459,968
Daniels	Flaxville	\$7,851	\$8,148	\$8,279	\$8,577
Daniels	Scobey	\$144,277	\$149,075	\$151,261	\$157,133
Dawson	Glendive	\$770,945	\$795,462	\$806,672	\$836,784
Dawson	Richey	\$15,636	\$16,290	\$16,593	\$17,276
Fallon	Baker	\$271,508	\$280,453	\$284,597	\$296,252
Fallon	Plevna	\$16,429	\$17,067	\$17,349	\$17,983
Fergus	Denton	\$34,766	\$35,919	\$36,435	\$37,896
Fergus	Grass Range	\$11,839	\$12,288	\$12,490	\$12,963
Fergus	Lewistown	\$985,013	\$1,015,312	\$1,029,076	\$1,062,655
Fergus	Moore	\$21,110	\$21,883	\$22,245	\$23,853
Fergus	Winifred	\$16,074	\$16,800	\$17,129	\$17,907
Flathead	Columbia Falls	\$748,105	\$773,794	\$785,763	\$814,713
Flathead	Kalispell	\$3,275,871	\$3,386,576	\$3,438,060	\$3,577,959
Flathead	Whitefish	\$891,581	\$925,004	\$940,614	\$979,667
Gallatin	Belgrade	\$836,031	\$871,010	\$887,465	\$931,100
Gallatin	Bozeman	\$4,695,154	\$4,886,072	\$4,975,225	\$5,228,938
Gallatin	Manhattan	\$177,227	\$184,453	\$187,827	\$197,677
Gallatin	Three Forks	\$190,431	\$198,444	\$202,066	\$210,997

<b>County</b>	<b>City/Town</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Gallatin	West Yellowstone	\$299,849	\$308,150	\$311,946	\$321,972
Garfield	Jordan	\$46,554	\$48,243	\$49,012	\$50,997
Glacier	Browning	\$75,806	\$79,505	\$0	\$0
Glacier	Cut Bank	\$650,979	\$669,143	\$677,423	\$697,247
Golden Valley	Lavina	\$11,189	\$11,772	\$12,032	\$12,696
Golden Valley	Ryegate	\$26,071	\$27,062	\$27,508	\$28,571
Granite	Drummond	\$43,865	\$45,424	\$46,116	\$47,793
Granite	Philipsburg	\$128,829	\$133,192	\$135,155	\$140,233
Hill	Havre	\$1,582,582	\$1,632,216	\$1,654,776	\$1,712,557
Hill	Hingham	\$11,817	\$12,286	\$12,504	\$13,309
Jefferson	Boulder	\$176,824	\$182,795	\$185,502	\$191,944
Jefferson	Whitehall	\$189,984	\$195,898	\$198,574	\$204,767
Judith Basin	Hobson	\$30,453	\$31,486	\$31,962	\$33,062
Judith Basin	Stanford	\$60,475	\$62,408	\$63,288	\$65,396
Lake	Polson	\$695,845	\$719,401	\$730,098	\$757,453
Lake	Ronan	\$352,891	\$363,779	\$368,739	\$381,343
Lake	St. Ignatius	\$62,356	\$65,340	\$66,688	\$70,749
Lewis and Clark	East Helena	\$617,491	\$632,829	\$639,893	\$657,556
Lewis and Clark	Helena	\$4,462,845	\$4,613,117	\$4,682,848	\$4,869,178
Liberty	Chester	\$120,906	\$125,057	\$126,884	\$131,736
Lincoln	Eureka	\$136,219	\$141,132	\$143,657	\$149,628
Lincoln	Libby	\$576,979	\$593,265	\$600,652	\$619,913
Lincoln	Rexford	\$19,132	\$19,823	\$20,135	\$20,868
Lincoln	Troy	\$172,516	\$177,653	\$179,995	\$185,681
Madison	Ennis	\$147,502	\$152,334	\$154,522	\$160,585
Madison	Sheridan	\$65,273	\$68,123	\$69,405	\$72,585
Madison	Twin Bridges	\$44,023	\$45,815	\$46,592	\$48,640
Madison	Virginia City	\$28,326	\$29,328	\$29,772	\$30,832
McCone	Circle	\$93,522	\$96,484	\$97,864	\$101,782
Meagher	White Sulphur Springs	\$151,643	\$156,412	\$158,564	\$163,716
Mineral	Alberton	\$67,896	\$70,079	\$71,069	\$73,443
Mineral	Superior	\$182,863	\$187,983	\$190,312	\$196,300
Missoula	Missoula	\$9,040,744	\$9,363,870	\$9,514,630	\$9,937,429
Musselshell	Melstone	\$13,713	\$14,175	\$14,405	\$14,913
Musselshell	Roundup	\$289,725	\$299,036	\$303,214	\$313,270
Park	Clyde Park	\$43,970	\$45,483	\$46,148	\$47,705
Park	Livingston	\$1,234,113	\$1,273,182	\$1,290,992	\$1,333,632
Petroleum	Winnett	\$27,882	\$28,786	\$29,206	\$30,136
Phillips	Dodson	\$16,462	\$17,026	\$17,276	\$17,853
Phillips	Malta	\$302,609	\$312,238	\$316,539	\$327,780

<b>County</b>	<b>City/Town</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Phillips	Saco	\$24,133	\$24,990	\$25,374	\$26,261
Pondera	Conrad	\$371,144	\$383,268	\$388,750	\$402,421
Pondera	Valier	\$51,740	\$53,741	\$54,661	\$57,691
Powder River	Broadus	\$80,211	\$82,685	\$83,792	\$86,369
Powell	Deer Lodge	\$476,987	\$491,985	\$498,658	\$514,410
Prairie	Terry	\$93,277	\$96,172	\$97,481	\$100,697
Ravalli	Darby	\$165,084	\$169,780	\$171,890	\$176,906
Ravalli	Hamilton	\$1,115,244	\$1,145,484	\$1,159,322	\$1,195,132
Ravalli	Pinesdale	\$43,024	\$46,030	\$47,417	\$51,025
Ravalli	Stevensville	\$208,597	\$216,842	\$220,630	\$229,559
Richland	Fairview	\$141,999	\$146,470	\$148,479	\$153,505
Richland	Sidney	\$866,394	\$895,544	\$908,802	\$944,996
Roosevelt	Bainville	\$52,030	\$53,664	\$54,397	\$56,188
Roosevelt	Culbertson	\$116,213	\$120,050	\$121,784	\$127,222
Roosevelt	Froid	\$25,138	\$26,035	\$26,449	\$27,441
Roosevelt	Poplar	\$141,477	\$145,869	\$147,849	\$152,812
Roosevelt	Wolf Point	\$400,554	\$413,758	\$419,735	\$435,258
Rosebud	Colstrip	\$953,374	\$975,251	\$984,960	\$1,008,151
Rosebud	Forsyth	\$345,029	\$355,142	\$359,694	\$370,819
Sanders	Hot Springs	\$52,270	\$54,475	\$55,489	\$57,958
Sanders	Plains	\$240,902	\$247,623	\$250,684	\$259,037
Sanders	Thompson Falls	\$354,665	\$364,023	\$368,267	\$378,308
Sheridan	Medicine Lake	\$26,802	\$27,792	\$28,234	\$29,246
Sheridan	Outlook	\$5,180	\$5,382	\$5,472	\$5,678
Sheridan	Plentywood	\$301,303	\$310,527	\$314,717	\$326,275
Sheridan	Westby	\$25,029	\$25,842	\$26,200	\$27,466
Silver Bow	Walkerville	\$39,772	\$42,095	\$43,139	\$45,584
Stillwater	Columbus	\$472,654	\$485,396	\$491,304	\$506,640
Sweet Grass	Big Timber	\$230,839	\$238,650	\$242,239	\$252,082
Teton	Choteau	\$193,697	\$200,996	\$204,281	\$212,104
Teton	Dutton	\$52,438	\$54,083	\$54,823	\$56,589
Teton	Fairfield	\$105,192	\$108,660	\$110,239	\$114,318
Toole	Kevin	\$22,911	\$23,620	\$23,941	\$24,675
Toole	Shelby	\$537,146	\$553,423	\$560,805	\$581,583
Toole	Sunburst	\$36,593	\$38,007	\$38,639	\$40,115
Treasure	Hysham	\$35,199	\$36,481	\$37,074	\$39,020
Valley	Fort Peck	\$17,474	\$18,330	\$18,714	\$19,605
Valley	Glasgow	\$569,382	\$586,718	\$594,680	\$616,406
Valley	Nashua	\$37,401	\$38,716	\$39,307	\$40,752
Valley	Opheim	\$12,944	\$13,356	\$13,546	\$14,009

<b>County</b>	<b>City/Town</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Wheatland	Judith Gap	\$15,099	\$15,663	\$15,911	\$16,487
Wibaux	Wibaux	\$106,570	\$109,853	\$111,300	\$114,612
Yellowstone	Billings	\$14,936,309	\$15,442,079	\$15,674,315	\$16,307,418
Yellowstone	Broadview	\$29,828	\$30,778	\$31,200	\$32,191
Yellowstone	Laurel	\$993,693	\$1,026,277	\$1,041,098	\$1,076,742
<b>Total</b>		<b>\$74,296,057</b>	<b>\$76,788,080</b>	<b>\$77,852,816</b>	<b>\$80,904,609</b>

### Consolidated Government Entitlement Share Payment

<b>Consolidated Government</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Deer Lodge	\$1,592,652	\$1,638,459	\$1,661,390	\$1,722,535
Silver Bow	\$5,165,427	\$5,324,246	\$5,403,905	\$5,614,160
<b>Total</b>	<b>\$6,758,079</b>	<b>\$6,962,705</b>	<b>\$7,065,294</b>	<b>\$7,336,696</b>

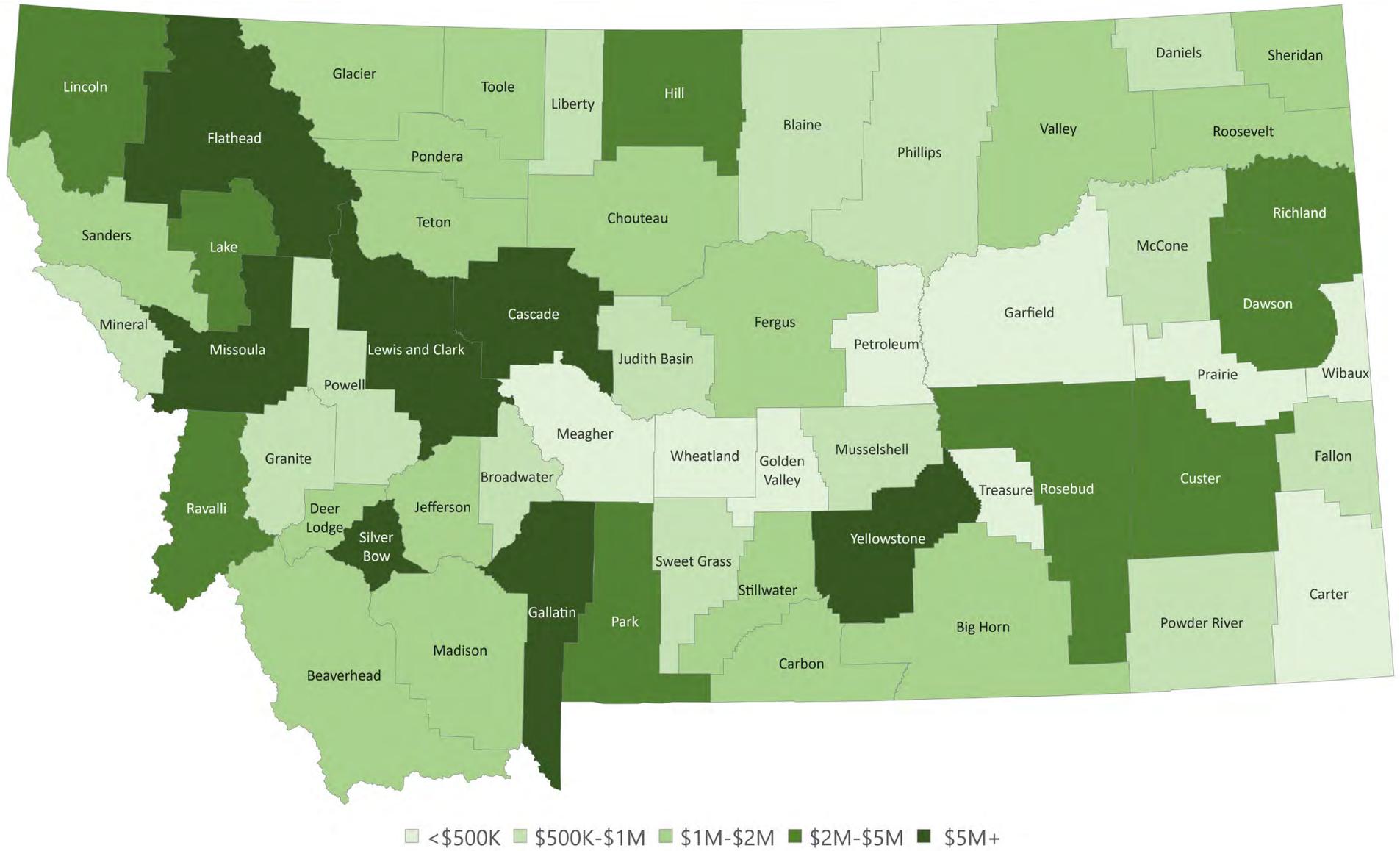
## Tax Increment Financing Entitlement Share Payment

<b>County</b>	<b>TIF</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Big Horn	Hardin Industrial Infrastructure	\$777	\$777	\$5,201	\$5,240
Cascade	East Industrial Park	\$0	\$0	\$924	\$1,606
Cascade	International Malting Plant	\$3,517	\$3,517	\$8,386	\$9,479
Cascade	Great Falls Urban Renewal	\$2,245	\$2,245	\$30,360	\$30,364
Cascade	Great Falls International Airport	\$23	\$23	\$3,359	\$3,359
Cascade	West Bank Urban Renewal	\$4,684	\$4,684	\$11,507	\$11,507
Cascade	Manchester Exit Industrial	\$1,856	\$1,856	\$1,856	\$0
Cascade	Montana Milling Industrial	\$2,648	\$2,648	\$2,648	\$0
Chouteau	Fort Benton	\$0	\$0	\$6,198	\$6,200
Chouteau	1 TIFD	\$6,075	\$6,075	\$0	\$0
Custer	Downtown TIF District	\$0	\$0	\$6,557	\$11,758
Fergus	Lewistown Urban	\$0	\$0	\$11,090	\$11,091
Gallatin	Bozeman Downtown	\$56,050	\$56,050	\$56,050	\$59,104
Gallatin	North-East Urban Renewal	\$1,353	\$1,353	\$1,353	\$1,354
Gallatin	North 7th Urban Renewal	\$37,926	\$37,926	\$43,117	\$46,397
Jefferson	16RT	\$36,612	\$36,612	\$0	\$0
Flathead	Glacier Rail Park TEDD	\$0	\$0	\$15	\$18
Flathead	Kalispell Downtown URD	\$0	\$0	\$6,379	\$6,379
Flathead	Old School Technology	\$3,057	\$3,057	\$0	\$0
Flathead	Old School Technology G	\$0	\$0	\$3,483	\$3,483

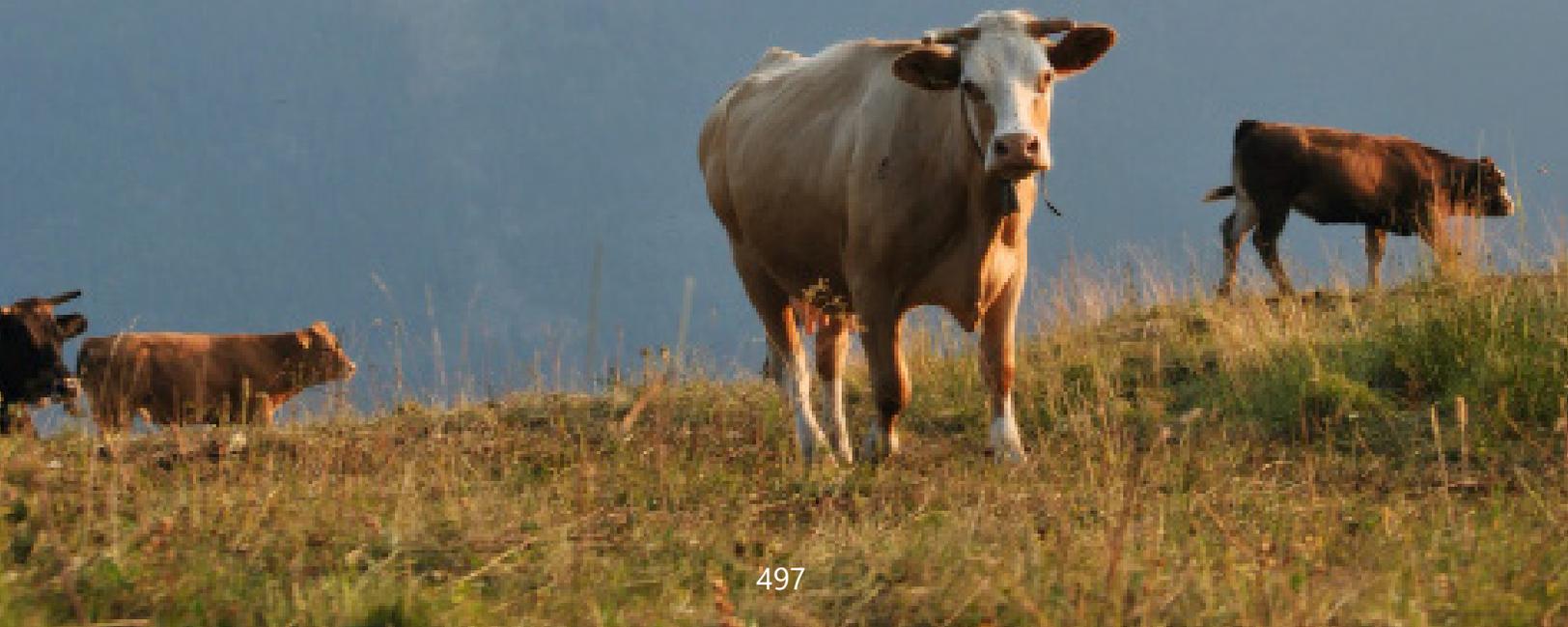
<b>County</b>	<b>TIF</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Flathead	Kalispell B	\$42,671	\$0	\$0	\$0
Flathead	Kalispell C	\$243,128	\$243,128	\$276,078	\$278,344
Flathead	Whitefish	\$248,865	\$0	\$0	\$0
Lake	Polson	\$13,081	\$13,081	\$15,211	\$18,215
Lewis and Clark	Capital Hill	\$0	\$0	\$10,076	\$10,078
Lewis and Clark	Helena URD	\$0	\$0	\$29,294	\$29,300
Lewis and Clark	Railroad URD	\$0	\$0	\$8,335	\$8,335
Lincoln	Riverside	\$8,147	\$8,147	\$8,645	\$9,437
Missoula	Urban Renewal District III (1-1D)	\$277,850	\$277,850	\$349,156	\$349,420
Missoula	Technology District (20-3E)	\$15,365	\$0	\$15,583	\$15,642
Missoula	North Reserve Scott Street	\$0	\$0	\$20,235	\$22,806
Missoula	Urban Renewal District II (1-1C)	\$400,286	\$400,286	\$440,146	\$440,149
Missoula	Urban Renewal District II (4-1C)	\$42,305	\$42,305	\$45,998	\$45,998
Missoula	Front Street URD (1-1F)	\$53,975	\$53,975	\$63,387	\$63,392
Missoula	River Front URD (1-1R)	\$9,316	\$9,316	\$14,874	\$16,378
Missoula	Bonner Mill Industrial District	\$13,986	\$13,986	\$23,897	\$26,032
Missoula	The Wye	\$0	\$0	\$21,176	\$21,200
Park	West End Industrial	\$13,189	\$13,189	\$15,016	\$15,016
Park	Livingston Urban Renewal	\$40,967	\$40,967	\$45,380	\$49,425
Ravalli	North Stevensville Industrial	\$21,710	\$21,710	\$21,710	\$21,710
Silver Bow	Ramsey TIFD	\$140,482	\$140,482	\$151,306	\$0
Silver Bow	Eastside TIFD	\$8,840	\$0	\$0	\$0
Silver Bow	1TD South Butte TEDD	\$0	\$0	\$2,744	\$9,904
Silver Bow	Butte Uptown URA 1UP	\$0	\$0	\$11,054	\$11,217

<b>County</b>	<b>TIF</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Silver Bow	Harrison Ave URD	\$0	\$0	\$23,824	\$29,031
Yellowstone	North 27th Street	\$76,855	\$76,855	\$0	\$0
Yellowstone	East Billings	\$146,654	\$146,654	\$171,479	\$171,479
Yellowstone	South Billings Blvd	\$256,218	\$256,218	\$287,861	\$292,587
Yellowstone	Laurel	\$72,175	\$72,175	\$83,439	\$84,059
Yellowstone	Lockwood TEDD	\$0	\$0	\$10,259	\$10,512
Yellowstone	Expanded North 27th Street	\$134,966	\$134,966	\$259,374	\$266,797
<b>Total</b>		<b>\$2,437,856</b>	<b>\$2,122,115</b>	<b>\$2,624,019</b>	<b>\$2,523,801</b>

## FY 2022 Entitlement Share Revenue by County



**We serve Montana by  
providing high quality  
services, ensuring  
equity and fairness, and  
constantly improving  
efficiency.**



<b>AD VALOREM TAX</b>	A tax based on the value of property, such as real estate or a particular good.
<b>ADULT-USE CANNABIS</b>	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.
<b>ARMS-LENGTH TRANSACTION</b>	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.
<b>BRITISH THERMAL UNIT (BTU)</b>	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.
<b>CAPITAL GAIN</b>	The profit an investor gains from selling an investment (property, stocks, bonds, mutual funds, etc.) that has increased in value over its purchase price.
<b>CARRYBACK</b>	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.
<b>CARRYFORWARD</b>	To adjust an amount against succeeding amounts, or to transfer it to the next period.
<b>CARRYOVER</b>	See carryforward.
<b>C CORPORATION</b>	Any corporation that is, in general, taxed separately from its shareholders.
<b>CENTRALLY ASSESSED PROPERTIES</b>	Large utilities, pipelines, airlines, and railroads, operating in more than one county or state, valued by the department.
<b>COAL SEVERANCE TAX</b>	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).
<b>COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION, AND LIABILITY ACT (CERCLA)</b>	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.
<b>DECEDENT</b>	A person who has died.
<b>DECILE</b>	A method of dividing a set of values or statistics into 10 equally large groups.

<b>EMPOWERMENT ZONE</b>	A financially distressed area that receives tax credits, grants, and other advantages to help revitalize the area.
<b>ESTATE TAX</b>	A tax on the net value of the estate of a deceased person before transfer to person's heirs.
<b>EXCISE TAX</b>	A tax on the use or consumption of a certain products, such as gasoline, cigarettes, or alcohol.
<b>HOMESTEAD EXEMPTION</b>	A type of property tax relief whereby the assessed value of a home, on which property tax is based, is reduced. Following SB 157 of the 2015 session, Montana no longer has a homestead exemption.
<b>HORIZONTAL WELL</b>	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.
<b>INPATIENT BED DAY</b>	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.
<b>LICENSE TAX</b>	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.
<b>LIMITED LIABILITY COMPANY (LLC)</b>	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.
<b>MARKET VALUE</b>	The value at which property would change hands between a willing buyer and a willing seller.
<b>MEDICAL CANNABIS</b>	Marijuana or marijuana products that are purchased from a dispensary by registered cardholder.
<b>MILLAGE RATE</b>	Tax per dollar of assessed value of property, where the rate is referred to in "mills." A mill is one-tenth of a cent.
<b>NET OPERATING LOSS</b>	Occurs when a company's allowable tax deductions are greater than its taxable income.
<b>OFFSET</b>	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.

<b>ORPHAN SHARE</b>	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.
<b>PROOF GALLON</b>	A gallon of spirits that is 50 percent alcohol by volume.
<b>PROPERTY TAX ASSISTANCE PROGRAM (PTAP)</b>	Property tax relief program for property owners who meet certain qualifications.
<b>PASS-THROUGH ENTITY</b>	An entity that passes its income, loss, deductions or credits to its owners, who may include partners, shareholders, beneficiaries, and investors.
<b>STATE GENERAL FUND</b>	The primary fund of the state, composed mainly of revenue from taxes and used to budget for state operations.
<b>SUB-JOBBER</b>	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.
<b>RESIDENT BED DAY</b>	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.
<b>S CORPORATION</b>	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.
<b>SIMPLIFIED EMPLOYEE PENSION (SEP) PLAN</b>	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).
<b>SAVINGS INCENTIVE MATCH PLAN FOR EMPLOYEES (SIMPLE) PLAN</b>	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).
<b>SPECIAL JURISDICTION OR SPECIAL TAXING DISTRICT</b>	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.

<b>STRIPPER WELL</b>	An oil or gas well nearing the end of its economically useful life.
<b>STATUTE</b>	A written law passed by the Legislature.
<b>SUITS INDEX</b>	A measure of tax progressiveness.
<b>TAXABLE INCOME</b>	The income factored in calculating how much tax an individual or company owes, usually the gross income minus any deductions, exemptions, or other adjustments.
<b>TAXABLE VALUE</b>	A percentage of property value used to calculate property tax.
<b>TAX EXPENDITURES</b>	Any reduction in government revenue through provisions in tax laws, such as deductions, exclusions, deferrals, exemptions, and preferential tax rates.
<b>TAX GAP</b>	The difference between total amounts of taxes owed to the government and the amount it actually receives.
<b>TAX INCREMENT FINANCING (TIF)</b>	A method of public financing used to encourage development and redevelopment in financially distressed areas.
<b>TAX LIABILITY</b>	The total amount of tax an individual or entity owes the government after credits and advance payments (such as withholding and estimated payments).
<b>TREASURE STATE ENDOWMENT PROGRAM AND FUND (TSEP AND TSEF)</b>	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.
<b>VALUATION</b>	The process of determining the current value of an asset, such as a home.
<b>WEST TEXAS INTERMEDIATE (WTI)</b>	A grade of crude oil used as a benchmark in oil pricing.

<b>ARM</b>	Administrative Rules of the State of Montana
<b>BTU</b>	British Thermal Unit
<b>CERCLA</b>	Comprehensive Environmental Response, Compensation, and Liability Act of 1980
<b>DOR</b>	Department of Revenue
<b>DPHHS</b>	Department of Public Health and Human Services
<b>EPTAP</b>	Extended Property Tax Assistance Program
<b>FERC</b>	Federal Energy Regulatory Commission
<b>MCA</b>	Montana Code Annotated
<b>MDV</b>	Montana Disabled Veteran Property Tax Relief Program
<b>MMHNCC</b>	Montana Mental Health Nursing Care Center
<b>NCSL</b>	National Conference of State Legislatures
<b>NOL</b>	Net Operating Loss
<b>PSC</b>	Public Service Commission
<b>PTAP</b>	Property Tax Assistance Program
<b>RIC</b>	Revenue Interim Committee
<b>TDD</b>	Telecommunications Device for the Deaf
<b>TIF</b>	Tax Increment Financing
<b>TSEF</b>	Treasure State Endowment Fund
<b>TSEP</b>	Treasure State Endowment Program
<b>WTP</b>	West Texas Intermediate



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