

REVENUE AND TAX POLICY INITIATIVES

Revenue and Tax Policy Changes

Figure 2 shows the total general fund revenue impacts of legislation enacted by the 63rd Legislature. Figure 3 shows the revised general fund revenue estimates by source which is the sum of SJ 2 estimates and all enacted legislation impacts. These revised estimates are used to determine the overall financial condition of the general fund for the 2015 biennium.

Figure 2

General Fund Revenue by Major Source -- Legislation Passed by 63rd Legislature			
General Revenue Impact (\$ Millions)			
Revenue Source	FY 2013	FY 2014	FY 2015
Individual Income Tax	\$0.000	(\$0.078)	(\$0.104)
Property Tax	0.000	(1.334)	(2.248)
Corporation Tax	0.000	0.000	0.000
Vehicle Taxes & Fees	0.003	1.223	1.214
Oil Severance Tax	0.000	0.000	0.000
Insurance Tax	0.000	0.000	0.000
Video Gaming Tax	0.000	0.000	0.000
All Remaining Sources	0.269	0.322	0.329
Total Estimated General Fund Impact	\$0.272	\$0.133	(\$0.809)

Figure 3

Senate Joint Resolution 2 Plus Legislation Impacts							
General Fund Revenue Estimates							
(\$ Millions)							
Source of Revenue	Actual FY 2012	Estimated FY 2013	Estimated FY 2014	Estimated FY 2015	Estimated FY 12-13	Estimated FY 14-15	Cumulative % of Total
Large Sources							
Individual Income Tax	\$898.851	\$983.953	\$1,039.082	\$1,104.794	\$1,882.804	\$2,143.876	51.1%
Property Tax	236.662	241.741	245.287	252.416	478.403	497.703	63.0%
Corporation Income Tax	127.771	150.658	154.096	155.022	278.429	309.118	70.4%
Vehicle Taxes & Fees	99.954	100.836	102.659	103.342	200.790	206.002	75.3%
Oil & Natural Gas Production Tax	97.560	98.750	99.336	97.427	196.310	196.763	80.0%
Insurance Tax & License Fees	58.951	59.932	52.021	54.052	118.883	106.073	82.5%
Video Gambling Tax	53.824	57.706	59.929	62.117	111.530	122.046	85.4%
Other Business Taxes							
Driver's License Fee	4.369	3.867	4.435	3.969	8.236	8.403	85.6%
Estate Tax	0.060	-	-	-	0.060	-	85.6%
Investment License Fee	6.961	7.210	7.457	7.714	14.171	15.171	86.0%
Lodging Facility Use Tax	15.606	17.314	18.365	19.477	32.920	37.842	86.9%
Public Contractors Tax	(3.042)	1.140	3.259	3.259	(1.902)	6.518	87.0%
Railroad Car Tax	2.273	2.157	2.320	2.437	4.430	4.757	87.2%
Rental Car Sales Tax	3.420	3.539	3.632	3.744	6.959	7.376	87.3%
Telecommunications Excise Tax	21.459	22.606	23.236	23.823	44.065	47.059	88.5%
Other Natural Resource Taxes							
Coal Severance Tax	12.350	12.864	14.857	15.906	25.214	30.763	89.2%
Electrical Energy Tax	4.481	4.442	4.521	4.565	8.923	9.086	89.4%
Metalliferous Mines Tax	10.010	10.904	10.595	10.039	20.914	20.634	89.9%
US Mineral Royalty	31.057	36.989	30.953	29.009	68.046	59.962	91.3%
Wholesale Energy Tax	3.427	4.038	4.140	4.217	7.465	8.357	91.5%
Other Interest Earnings							
Coal Trust Interest	25.840	24.451	24.354	24.262	50.291	48.616	92.7%
Treasury Cash Account Interest	2.654	2.779	2.346	2.778	5.433	5.124	92.8%
Other Consumption Taxes							
Beer Tax	2.956	3.052	3.067	3.085	6.008	6.152	93.0%
Cigarette Tax	31.483	30.991	30.433	29.499	62.474	59.932	94.4%
Liquor Excise & License Tax	17.037	18.206	19.284	20.431	35.243	39.715	95.3%
Liquor Profits	9.500	10.604	11.080	11.760	20.104	22.839	95.9%
Lottery Profits	13.061	14.477	14.342	15.076	27.538	29.418	96.6%
Tobacco Tax	5.709	5.821	6.005	6.197	11.530	12.202	96.9%
Wine Tax	2.104	2.144	2.218	2.291	4.248	4.509	97.0%
Other Sources							
All Other Revenue	47.258	32.864	32.548	32.856	80.123	65.404	98.5%
Highway Patrol Fines	4.385	4.427	4.467	4.508	8.812	8.975	98.8%
Nursing Facilities Fee	5.077	4.876	4.740	4.603	9.953	9.343	99.0%
Public Institution Reimbursements	14.562	16.332	17.802	18.440	30.894	36.243	99.8%
Tobacco Settlement	3.322	3.552	3.519	3.486	6.874	7.005	100.0%
Total General Fund	\$1,870.954	\$1,995.222	\$2,056.385	\$2,136.601	\$3,866.176	\$4,192.986	100.0%

Figure 4 shows the revenue impacts of legislation enacted by the 63rd Legislature summarized by bill number. For the three-year period, FY 2013 through 2015, total general fund revenues were decreased by \$0.4 million. Figure 4 also summarizes the total revenue impacts for all funds for the same period.

Figure 4

		Impact of Enacted Legislation by Bill Number General Fund & Total Funds (\$ Millions)				
Bill No	Short Title	General Fund	General Fund	General Fund	3-Year	3-Year
		FY 2013	FY 2014	FY 2015	General Fund	Total Funds
HB0006	Renewable resource grants	\$0.000	\$0.000	\$0.000	\$0.000	\$37.724
HB0010	Long-range information technology appropriations	-	-	-	-	-
HB0011	Treasure state endowment program	-	-	-	-	21.700
HB0016	Revise involuntary commitment and emergency detention laws	-	0.139	0.139	0.279	0.279
HB0037	Allow temporary leasing of water rights	-	-	-	-	0.020
HB0039	Revise school finance laws to correct implementation problems	-	-	-	-	-
HB0073	Revise wolf hunting laws	-	-	-	-	0.189
HB0081	Revise securities restitution assistance fund laws	(0.272)	(0.272)	(0.272)	(0.817)	-
HB0089	Allow de minimus refund of abandoned property or closed estates	-	(0.005)	(0.005)	(0.011)	(0.011)
HB0095	Require contributions on working retiree compensation	-	-	-	-	-
HB0141	Revise gambling control laws	-	-	-	-	0.754
HB0163	Eliminate trophy fees for mountain lions	-	-	-	-	(0.040)
HB0170	Authorize a 3-day nonresident upland bird license	-	-	-	-	0.197
HB0189	Revise hail insurance maximum	-	-	-	-	-
HB0250	Require navigator, insurance producer certification for exchanges	-	-	-	-	0.008
HB0256	Revise landowner notification requirements under MFSA	-	-	-	-	0.068
HB0273	Remove sunset on allowing nonresidents to hunt with sponsor or family	-	-	-	-	0.132
HB0274	Revise laws related to licensing of outfitters and guides	-	-	-	-	(0.050)
HB0336	Generally revise highway patrol retirement system laws	-	-	-	-	-
HB0354	Establish a wildfire project suppression fund	-	-	-	-	1.000
HB0355	Eliminate the 5-year look back for alcohol and drug driving offenses	0.042	0.246	0.246	0.533	0.533
HB0377	Increase contributions and funding for TRS, revise GABA	-	-	-	-	-
HB0401	Revising certain hunting license application fees	-	-	-	-	2.519
HB0402	License and regulate wineries selling and shipping wine directly to MT consumers	-	(0.008)	0.017	0.009	0.009
HB0403	Revising fees collected by district court clerks	-	-	-	-	0.029
HB0414	Permit registration of motor vehicle to those having interest in real property	-	1.243	1.243	2.486	2.765
HB0444	Provide tax credit for access to state lands	-	-	(0.015)	(0.015)	(0.015)
HB0454	Provide funding for PERS defined benefit plan, revise GABA	-	-	-	-	-
HB0498	Generally revise state issued id requirements	-	0.092	0.100	0.192	0.192
HB0524	Removing grocery, pharmacy requirement on off-premises beer, wine license	-	0.103	0.141	0.244	0.244
HB0545	Allow employer to fund total cost of qualifying employee's health insurance	-	-	(0.010)	(0.010)	(0.010)
HB0559	Generally revise motor vehicle laws	0.003	0.032	0.023	0.058	0.067
HB0591	Increase the fees for licensing of commodity weighing devices	-	-	-	-	0.245
HB0605	Generally revise resort district laws	-	0.000	0.000	0.001	0.001
HB0607	Expand electronic title, lien filing, and registration pilot program	-	-	-	-	0.020
HB0626	Increase percentage of motor vehicle revenue for veterans' accounts	-	-	-	-	0.346
SB0047	Revise mine safety training and inspections laws	-	-	-	-	0.160
SB0096	Lower the business and equipment tax	-	(1.331)	(2.245)	(3.576)	(3.576)
SB0117	Allow deductions for other state college savings plans	-	(0.078)	(0.079)	(0.157)	(0.157)
SB0123	Provide for hunters against hunger	-	-	-	-	0.293
SB0136	Revise veterans home loan program laws	-	(0.070)	(0.149)	(0.220)	(0.220)
SB0162	Transfer hail insurance program from D of Revenue to the D of Agriculture	-	(0.007)	(0.007)	(0.014)	(0.194)
SB0175	Generally revise public education funding	-	-	-	-	45.900
SB0178	Allow FWP to retain percentage of Class B-10 license fee when portion returned	-	-	-	-	0.096
SB0183	Revise licensing laws regarding military service experience	-	-	-	-	0.006
SB0215	Move board of horseracing to the department of commerce	-	-	-	-	-
SB0226	Revise laws relating to dyed diesel and vehicles dedicated to animal husbandry	-	-	-	-	(0.025)
SB0231	Revise tax exemption laws regarding tribal recreational property	-	(0.003)	(0.003)	(0.006)	(0.006)
SB0264	Revise laws related to portable electronics insurance	-	-	-	-	0.012
SB0275	Revise driver license laws related to veteran status	-	0.048	0.048	0.095	0.104
SB0280	Allow mediation for dispute of property valuation	-	0.002	0.017	0.019	0.019
SB0355	Water court review of claims exempt from filing	-	-	-	-	1.200
SB0364	Generally revise laws related to solid waste management	-	-	-	-	0.025
SB0369	Revise state cabin site leasing laws	-	-	-	-	0.188
SB0392	Increase authority of commissioner of political practices for noncompliance	-	0.002	0.002	0.005	0.005
SB0410	Authorizing transfers to implement provisions of House Bill 2	0.500	-	-	0.500	14.000
Total Impact		\$0.272	\$0.133	(\$0.809)	(\$0.404)	\$126.743

General Fund Revenue Bill Highlights

A complete summary of each general fund and selected non-general fund revenue sources can be found in “*Volume 2 – Revenue Estimates*.” Each summary provides information on the particular source of revenue including a description, the applicable tax or fee rates, distribution mechanisms, and other useful information. A legislation impact table (if applicable) is shown summarizing all bills that impact the particular source of revenue. It should be noted that the revenue projection figures and graphs in the *LFD Legislative Fiscal Report 2015 Biennium, Volume 2 – Revenue Estimates* are based on SJ 2 estimates plus the impacts, if any, of enacted legislation. The corresponding revenue estimate assumption figures reflect only assumptions pertinent to the SJ 2 revenue estimates and have not been updated for the impacts of enacted legislation.

The following is a brief summary of each enacted bill that impacts general fund and selected non-general fund sources estimated by the legislature. Included in each summary is the particular revenue sources affected.

House Bill 16 – Affects general fund revenue source: “Public Institution Reimbursements.” This bill revises involuntary commitment and emergency detention laws, which will increase the number of emergency detentions and admissions to the Montana State Hospital.

House Bill 39 – The legislation changes the distribution of school district unreserved fund balances to the state and counties. Monies that are allocated to the State School Oil and Gas Impact Account and the County School Oil and Gas Impact Fund under current law will be allocated to the School Facility and Technology Account under HB 39. There is no impact on the state general fund.

House Bill 81 – Affects general fund revenue source: “All Other Revenue.” This legislation requires 4.5% of total fees collected annually under 30-10-209 (1)(a), MCA, to be deposited into the securities restitution fund instead of the general fund.

House Bill 89 – Affects general fund revenue source: “All Other Revenue.” The legislation provides for a refund of unclaimed property of \$2,000 or less on a closed estate, regardless of the value of the estate, without having to reopen it. The legislation is effective October 1, 2013.

House Bill 141 – Affects general fund revenue source: “Video Gambling Tax.” Adjusts fees associated with video gambling machines and card tournaments. The largest impact comes from additional fees for video gambling machines of \$20, \$15, \$10, or \$5 depending on how many quarters of the year the machine is registered for. There are also fee adjustments for live card tournaments which results in a much smaller increase in revenue. The video gambling machine fee adjustment is effective July 1, 2013. Changes to the card tournament fees become effective October 1, 2013.

House Bill 250 – Affects general fund revenue source: “Insurance Tax & License Fees.” This legislation provides for a navigator to be certified under the authority of the insurance commissioner. Fees would be collected by the State Auditor’s Office for such certification.

House Bill 355 – Affects general fund revenue source: “All Other Revenue.” This legislation changes the look-back window currently used to determine if a person is subject to enhanced criminal penalties and driver licensing sanctions for a second or subsequent driving under the influence or excessive blood alcohol (DUI/BAC) conviction from 5 years to 20 years. The change will increase the number of offenders subject to enhanced penalties.

House Bill 402 – Affects general fund revenue source: “Liquor Profits.” This bill creates a direct shipment endorsement for wineries licensed or registered in Montana, which allows the winery to sell and ship up to 18 9-liter

cases of wine annually to an individual for personal use. The bill also eliminates the wine, and combined beer and wine connoisseur's license.

House Bill 414 – Affects general fund revenue sources: “Motor Vehicle Fee and Vehicle Tax.” This bill allows for individuals who have an abode in Montana, but are not considered Montana residents, to title and register their vehicles in Montana. The change affects both vehicle taxes and motor vehicle fees.

House Bill 444 – Affects general fund revenue source: “Individual Income Tax.” This legislation provides an individual income tax credit of \$500 (not to exceed \$2,000) for qualified access to state land that was previously inaccessible to the public, starting in calendar year 2014.

House Bill 498 – Affects general fund revenue source: “All Other Revenue.” The legislation changes the expiration or term of a state-issued identification card based upon the age of an applicant which increases general fund revenue. It also changes the fees charged for an identification card to a per year fee based on the expiration date of the card. Revenue increases \$92,400 in FY 2014 and \$99,672 in FY 2015 for a biennial total of \$192,072. The legislation is effective July 1, 2013.

House Bill 524 – Affects general fund revenue source: “Liquor Profits.” This legislation eliminates the requirement that a retail licensee selling beer or wine for off-premise consumption be operated as a bona fide grocery store or a drugstore licensed as a pharmacy. It allows any entity that receives approval from local building, health, or fire officials to be licensed to sell beer or wine for off-premise consumption.

House Bill 545 – Affects general fund revenue source: “Individual Income Tax.” This bill allows employers to pay all or a portion of qualified employees' disability insurance coverage if the employer does not offer group health insurance or the cost of the employer offered health insurance exceeds 9.5% of the employee's household income. The bill also excludes the employer-paid premium from adjusted gross income.

House Bill 559 – Affects general fund revenue source: “Motor Vehicle Fee and Vehicle Tax.” This bill has several provisions that affect both vehicle taxes and motor vehicle fees:

- Allows vehicles with collegiate plates to be registered permanently, if they meet the age standard
- Allows motor homes that register permanently to bear generic specialty or collegiate plates
- Removes the termination date (January 1, 2015) for the use of past standard license plate designs, and on the option to reuse plate numbers on new issue plates
- Eliminates the requirement for the use of a county number prefix on small license plates
- Clarifies penalties for speed limit violations in special speed limit zones

House Bill 605 – Affects general fund revenue source: “All Other Revenue.” The legislation provides a process for annexation of property into a resort area district, requires a proposal for annexation and a \$250 review fee to be submitted to the Department of Commerce for designation as a resort area, and requires an election in the area proposed to be annexed. General fund revenue increases \$250 in FY 2014 and \$250 in FY 2015 for a biennial total of \$500. The legislation is effective on passage and approval.

House Bill 607 – Affects general fund revenue source: “Motor Vehicle Fee.” This legislation allows for an optional expedited title service for a \$50 fee.

Senate Bill 96 – Affects general fund revenue source: “Property Tax.” The legislation reduces the taxes assessed on class eight business equipment by providing a tax rate of 1.5% on the first \$6 million of taxable market value and 3% for all taxable market value in excess of \$6 million. The legislation also exempts the first \$100,000 in market value of this property owned by a taxpayer, up from \$20,000. The exemption is available for all owners of class 8 business

equipment tax. Reimbursements are provided to the university system, local governments, local schools, and TIFs from the general fund for reductions in property tax revenue due to the legislation. The net cost of SB 96 is \$18.5 million over the 2015 biennium.

Senate Bill 108 – Affects general fund revenue source: “Individual Income Tax.” This bill would extend the sunset date for the charitable endowment credit from the end of CY 2013 to the end of CY 2019. *The revenue estimate contained in SJR 2 did not include a revenue impact from expiration of the credit, so the revenue impact of this bill is already assumed in both the OBPP and LFD revenue estimates.*

Senate Bill 117 – Affects general fund revenue source: “Individual Income Tax.” This bill would expand the Family Education Savings Account exemption to include deposits to out-of-state accounts

Senate Bill 136 – Affects general fund revenue source: “Coal Trust Interest.” The legislation provides for an additional \$15 million from the permanent coal tax trust fund to fund loans to first-time eligible veteran home buyers. The money is from investments by the Board of Investments from the permanent coal tax trust fund. The program is administered by the Board of Housing. Interest earned from the permanent fund investments and deposited to the general fund is reduced after the bill becomes effective July 1, 2013.

Senate Bill 162 – Affects general fund revenue source: “All Other Revenue.” The legislation transfers the administrative responsibilities of collecting hail insurance fees, previously administered by the Department of Revenue, to the Department of Agriculture. The legislation caps the Department of Agriculture’s transfer to the general fund at \$100,000. The transfer would decrease by \$6,854 in each fiscal year for a total decrease of \$13,708 for the 2015 biennium. The legislation is effective January 1, 2014.

Senate Bill 175 – This legislation revises K-12 funding and the funding formula. This bill redirects a portion of the oil and natural gas production tax revenue to a newly created state special fund, but has no effect on general fund revenue.

Senate Bill 226 – Affects general fund revenue source: “Diesel Tax.” This bill allows the use of dyed (non-taxed) fuel to be used in a motor vehicle that has been equipped with a permanently affixed feed-delivery box, used exclusively for the feeding of livestock.

Senate Bill 231 – Affects general fund revenue source: “Property Tax.” This bill allows for an abatement equal to 15% of the taxable value of class 4 residential property with gray water systems built after June 30, 2011. This abatement will last 10 years. Under previous law, class 4 residential property with a gray water system is be taxed like other residential property. The abatement is assumed to apply to property assessed beginning January 1, 2012, and paying property taxes in FY 2013. There are expected to be up to ten applications for property tax abatements for gray water systems each year. The 15% abatement will reduce taxable value for the average household by \$475. This will reduce general fund revenue (the 95 mills and the 1.5 mills) by \$450 in FY 2013, by \$900 in FY 2014 and by \$1,350 in FY 2015. The abatements would reduce 6-mill special revenue by \$30 in FY 2013, \$60 in FY 2014, and \$90 in FY 2015.

Senate Bill 275 – Affects general fund revenue sources: “Driver's License Fee” and “All Other Revenue.” The legislation provides for Montana residents who have a veteran status, upon providing documentation of such status, to be provided a driver’s license or identification card that shall include the word “veteran” on the face of the card. For those who add “veteran” to an identification card within the first two years, additional general fund revenue would \$2,120 for FY 2014 and \$2,120 for FY 2015 for a biennial total of \$4,240. The legislation is effective January 1, 2014.

Senate Bill 280 – Affects general fund revenue source: “All Other Revenue.” The legislation allows owners of property to enter into mediation with the Department of Revenue. The mediation is non-binding and the cost must be split between the taxpayer and the Department of Revenue. The taxpayer must pay a \$100 fee for a request for mediation. General fund revenue increases \$1,500 in FY 2014 and \$17,400 in FY 2015 for a biennial total of \$18,900.

The legislation is effective on passage and approval with the section containing the mediation and \$100 fee effective January 1, 2015.

Senate Bill 369 – Affects general fund revenue sources: “Capital Land Grant Interest and Income” and “Common School Interest and Income.” The legislation requires the Board of Land Commissioners to sell the cabin and home sites on school trust lands by July 2035. Distributable revenue from common school trust lands is deposited to the guarantee account and used to fund schools.

Senate Bill 392 – Affects general fund revenue source: “All Other Revenue.” The legislation provides for an expedited process to resolve formal complaints alleging violations of 13-35-225(1) and (2), MCA (election materials not to be anonymous). Potential fines of up to \$500 or three times the amount of the unlawful contributions or expenditures, whichever is greater, increase general fund revenue by a small amount in the 2015 biennium. The legislation applies to proceedings begun on or after October 1, 2013.

Senate Bill 410 – Affects general fund revenue source: “All Other Revenue.” By July 1, 2013, the legislation requires the state treasurer to transfer \$500,000 from the central stores account within the internal service fund to the general fund. The legislation is effective on passage and approval and terminates June 30, 2015.