



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: March 23, 2018

TO: Joint Subcommittee on the Changing Economy and Impacts to the Long-Term Viability of Montana's Tax Structure

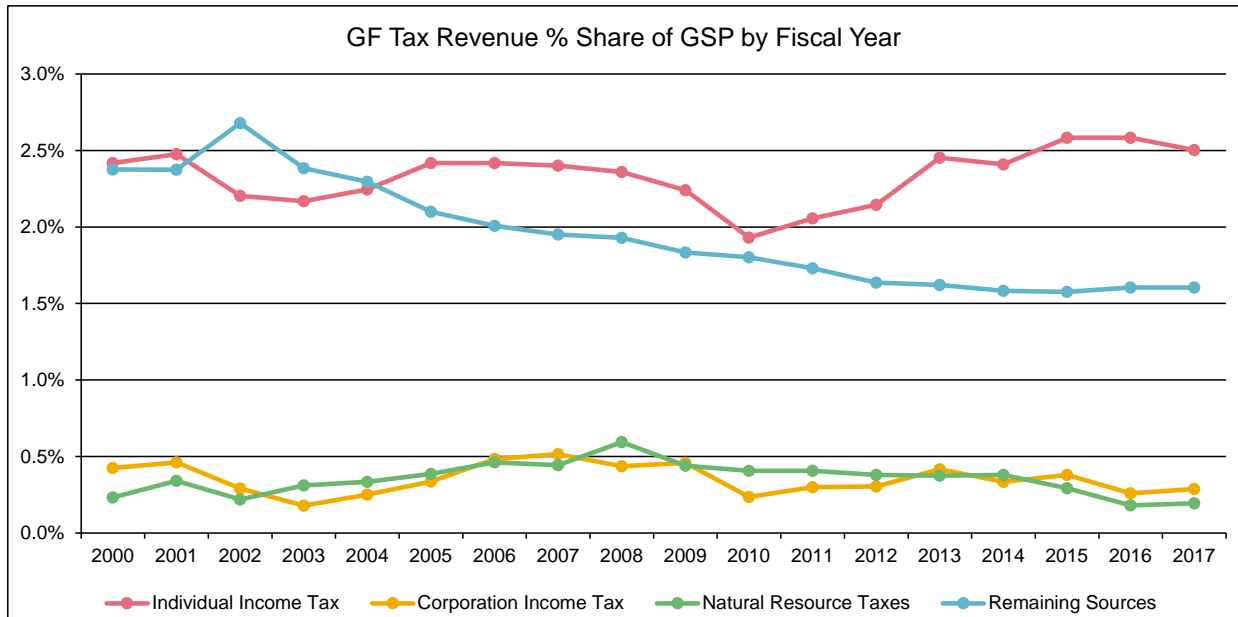
FROM: Stephanie Morrison

RE: Requested Follow-up for March 13, 2018 Meeting

This memo contains several short responses to requests for further information based on the reports provided at the meeting on March 13, 2018. All original materials are available online here: <http://leg.mt.gov/css/Committees/Interim/2017-2018/Revenue-and-Transportation/Taxes-Changing-Economy/Meetings/Mar-2018/mar-2018.asp>

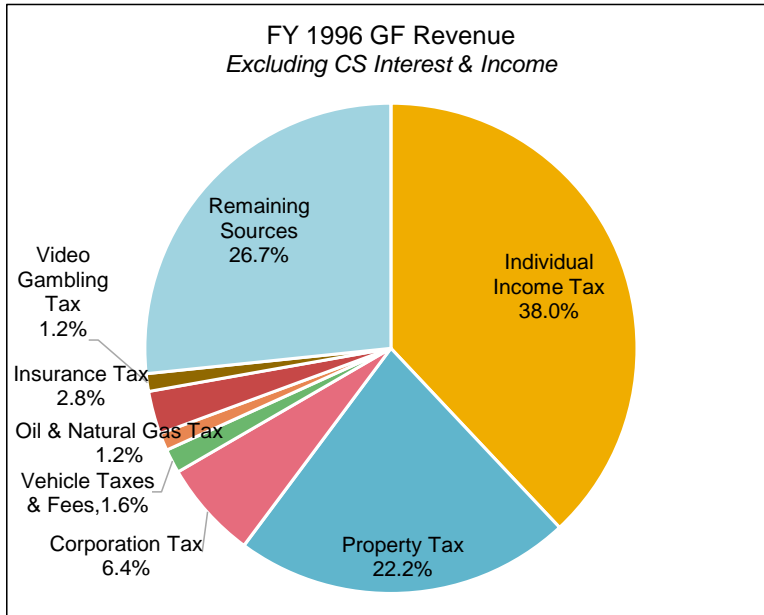
- 1) **Request:** Show individual, corporation and natural resource taxes separately; they are combined on the bottom chart on page 1 of [General Fund Revenue Trends Reorganized](#).

Response: The chart below shows individual, corporation, and natural resource taxes separately as a share of Montana gross state product, and includes the combined remaining sources.



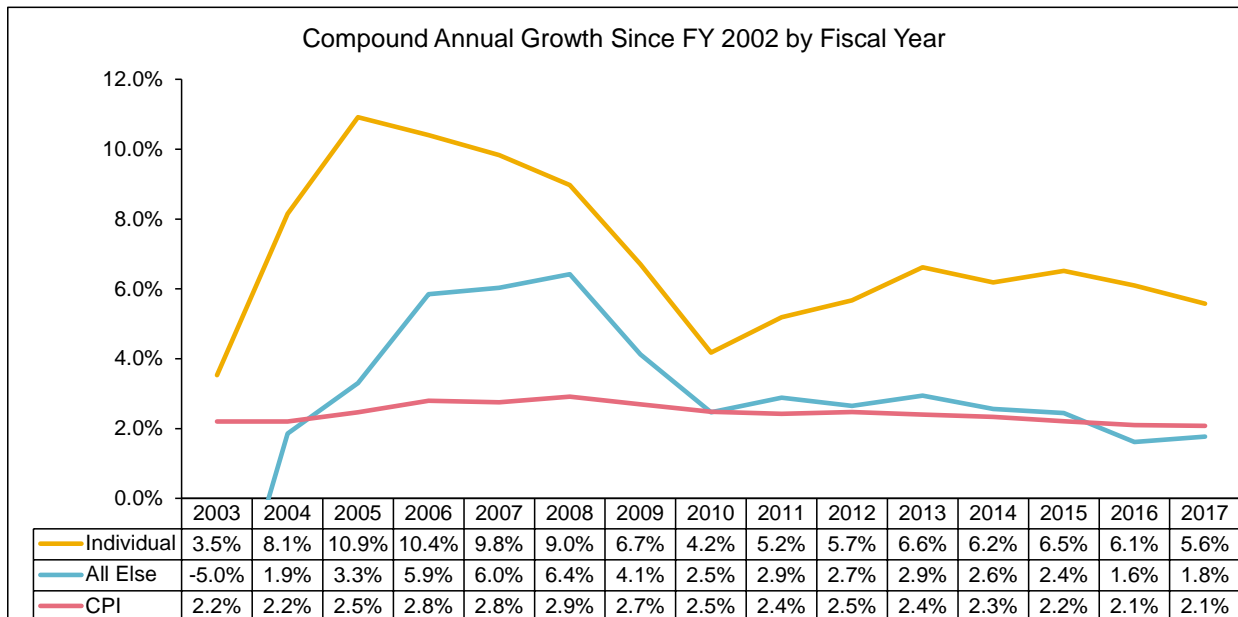
- 2) **Request:** Exclude Common Schools Interest & Income (due to the no-net-impact of the K-12 funding switch) from the first pie chart on page 2 of [General Fund Revenue Proportions](#) in order to be consistent with other comparisons.

Response: The pie chart below is updated to exclude Common Schools Interest & Income from the “Remaining Sources” category.



- 3) **Request:** Show that the increasing general fund reliance on individual income tax is due to the stronger relative growth of individual income tax.

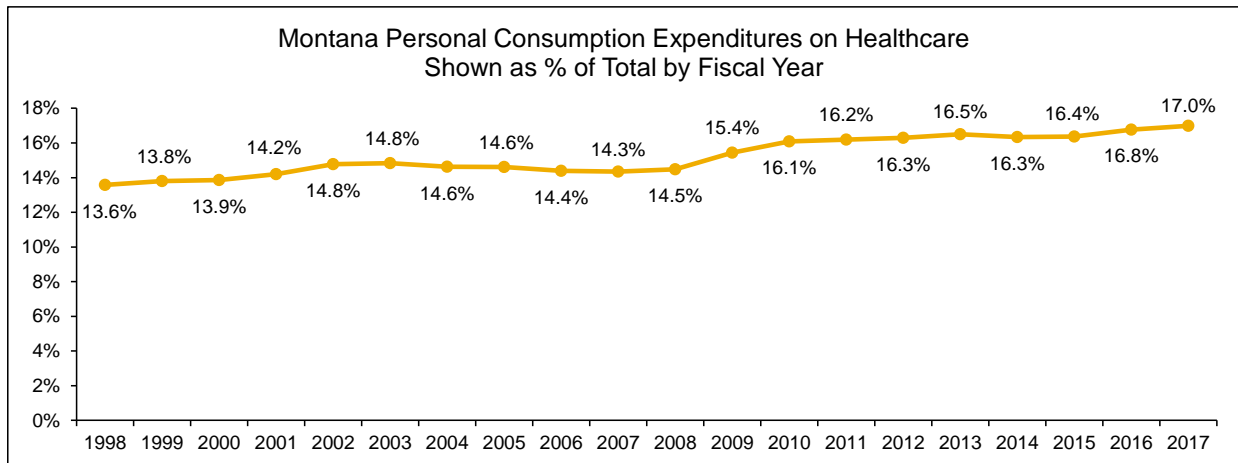
Response: The relative growth of individual income tax as illustrated in [General Fund Revenue Proportions](#) is compared below to all other general fund revenue sources combined, as well as inflation as measured by the All-Urban Consumer Price Index (CPI).



The previous chart shows that while all other sources combined grew an average of 1.8% annually from FY 2002 to FY 2017—a bit below the average annual inflation growth of 2.1% over the same period—individual income tax grew at an average annual rate of 5.6%.

- 4) **Request:** Following up on [Industry Comparison of Taxes Collected on \\$1 million in Sales Analysis](#), show how has healthcare spending as a share of total consumer spending changed over time.

Response: The chart below illustrates healthcare spending as a share of total consumer spending. Since FY 1998, the share of total spending on healthcare by Montana consumers has grown from 13.6% to 17.0%. The extended forecast from IHS Markit calls for continued growth in health care spending as a share of total spending—reaching 21% by 2047.



- Request:** Provide further breakout between nonprofit and for-profit organizations of taxes paid by the hospital industry.

Response: Based on easily accessible information, there are four for-profit hospitals in Montana: Community Medical Center in Missoula, Kalispell Regional Medical Center, Great Falls Clinic Medical Center, and Advanced Care Montana in Billings. Given the small number of for-profit hospitals, further detail on taxes paid by type of organization is not allowed in order to comply with the Department of Revenue’s standard for maintaining taxpayer confidentiality.

Additional Information

The most recent [Montana Hospital Report](#) (2014) by the Montana Attorney General’s Office provides detailed information on non-profit hospitals in Montana. Based on the 2014 report, nonprofit hospitals provided nearly \$215 million in total community benefits in FY 2011.

The 2017 Biennium Revenue & Transportation Interim Committee studied the Nonprofit Reporting of Community Benefits; a summary of materials is provided on page 17 of the Committee’s final report, [Taxation with Representation](#).

- 5) **Request:** Show the top chart on page 2 of [General Fund Trends Relative to Gross State Product: Expanded](#), which depicts general fund revenue as a share of total by type, as a dollar amount.

Response: The following chart is shows general fund revenue by type as a dollar amount.

