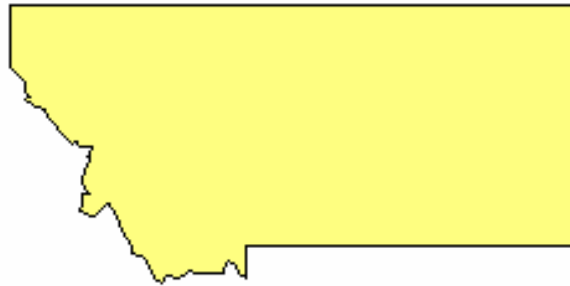


State Handbook of Economic, Demographic, and Fiscal Indicators 2006

Montana



by David Baer

**PUBLIC POLICY INSTITUTE
AARP**

Introduction

The *State Handbook of Economic, Demographic, and Fiscal Indicators 2006* represents the sixth edition of the state handbook series. We produce a new updated handbook biennially. It is an easy-to-use reference book for anyone in search of up-to-date information about state economic, demographic, and fiscal conditions. Policymakers, public officials, and policy analysts will find useful data on such topics as population, poverty rates, per capita state personal income, state and local revenues, expenditures, tax rates, and property tax relief programs. Gender and age comparisons are provided for some of the data. Throughout the book we use the most current data available.

This handbook facilitates state-by-state and state-national comparisons, which can serve a variety of purposes. For example, a state's tax burden can be compared with the national average or with that of other states in the region. Per capita state personal income, unemployment, and median household income can be used to assess how residents in one state fare vis-à-vis those in another.

State Economic, Demographic, and Fiscal Summaries

This part of the book features economic, demographic, and fiscal summaries of the entire United States, each state, and the District of Columbia, along with summaries for the Virgin Islands and Puerto Rico. Most of the book's information is presented in this section. Users will find statistics on several major economic indicators, such as state personal income, median household income, and employment, as well as on population and poverty, distribution of household income, revenues, expenditures, tax rates, and debt ratio measures.

A section on state-specific property tax relief summarizes homestead exemptions and credits, circuit breakers, and tax deferral programs, all of which are defined in the source notes and explanations section at the end of the book. We did not include all of the property tax rates, because they can vary within states, and because data on the varying rates are not easily available. In addition, nominal rates often do not equal effective rates.

Homestead exemptions are reductions in the amount of assessed property value subject to taxation. When reporting homestead exemptions, we note the assessed property value; however, the value of the tax reduction depends not only on the assessed property value but also on the fractional assessment level. For example, the fractional assessment percentage in Alabama is 10 percent for residential property, so the *reported* exemption value of \$4,000 translates into an exemption of \$40,000 in fair market value (\$4,000 divided by 0.1). For this reason, assessed values must first be converted into fair market values before comparing homestead exemptions among states.

The section on state and local general revenues and expenditures shows revenues and expenditures per capita and as a percentage of state personal income, as well as average annual changes from 1992 to 2002. The year 2002 was the most current year that we could obtain revenue and expenditure data from the U.S. Census Bureau. Comparisons can be made between each state and the national average of the amounts spent on expenditure programs. State and local debt information is provided on a per capita basis and per \$1,000 of personal income. The composition of short-term and long-term debt is also presented.

We have made some changes in the contents of the economic, demographic, and fiscal summaries since the 2003 *Handbook*. First, we now provide more current information on poverty rates by age and gender and the percent of households by age and income, thanks to the new American Community Survey (ACS) by the Census Bureau. The ACS features a much larger sample size (about 800,000 households that will increase to 3 million households in 2005) than the Current Population Survey (CPS) (about 100,000 households). State data are available on a more timely basis; instead of having to wait for the decennial census, users can obtain new data yearly.

Since we are now collecting poverty rate data from the ACS instead of the CPS, we no longer report the poverty rate in the economic indicators table (the first table in the state summaries). This is because we cannot make a 10-year comparison of state poverty rates until ACS has 10 years of poverty data.

Second, we added health and long-term care state income tax exemptions and credits. We describe only those state tax exemptions and credits that are more generous than what are available on the federal return. Therefore, we exclude tax exemptions, e.g., medical savings account deductions, which are found in federal adjusted gross income. Further, we exclude state itemized deductions, since we only want to describe tax exemptions and credits that benefit all taxpayers, not just those who itemize. Therefore, all the state health and long-term care tax provisions described here are available to all state filers, whether they itemize or not. Finally, since we are only interested in the general population, we exclude state health and long-term care tax breaks that are targeted specifically for self-employed persons.

Third, we described how the state tax income base is related to the federal income tax base, such as federal adjusted gross income. The state income tax base may be unrelated to the federal base; it may link to federal adjusted gross income (AGI), federal taxable income, or to federal gross income. If state taxable income is unrelated to federal income, we say that the state's income tax base is not directly related to federal income.

Fourth, we highlighted the minimum income levels at which taxpayers must file their state income taxes. Fifth, because some states have local expenditure limits which may affect the amount of property taxes collected, we describe how localities limit the growth of their expenditures.

Tables and U.S. Maps

The handbook provides tables and maps of selected state economic, demographic, and fiscal data (found primarily in the economic, demographic, and fiscal summaries part). This presentation of the data makes it easy to compare any or all states and the District of Columbia on such economic indicators as per capita income or gross state product. The tables provide state rankings for easy comparisons. We do not include Puerto Rico and the Virgin Islands because the data are either unavailable or not as current as state data, in the tables.

Data Sources and Explanations

Data sources and explanations of concepts or terms can be found in this part of the handbook. Most of the information in the handbook comes from the U.S. Bureau of the Census, including poverty rate by age group and household income by age group from the American Community Survey, median household income from the Current Population Survey, population estimates by age group based on decennial census data, and revenues and expenditures from the Census of Governments.

We collected economic data, such as per capita income and gross state product, from the U.S. Bureau of Economic Analysis and employment data from the U.S. Bureau of Labor Statistics. In addition, we obtained tax rate and property tax relief information from a survey of state and local government offices, such as state legislative offices and state and local assessors' offices.

For Puerto Rico and the Virgin Islands, we collected household income, poverty rate, and population data from U.S. decennial census data. Employment data came from the U.S. Bureau of Labor Statistics (Puerto Rico) and the Virgin Island's Bureau of Economic Research. Per capita income came from Puerto Rico's Department of the Treasury and the U.S. Census Bureau (Virgin Islands). Tax rates, general revenue, and general expenditure data came from Puerto Rico's Department of the Treasury, the Virgin Islands Office of Management and Budget (revenues), the U.S. Internal Revenue Service (income tax data), and the Virgin Islands Bureau of Internal Revenue (miscellaneous tax data).

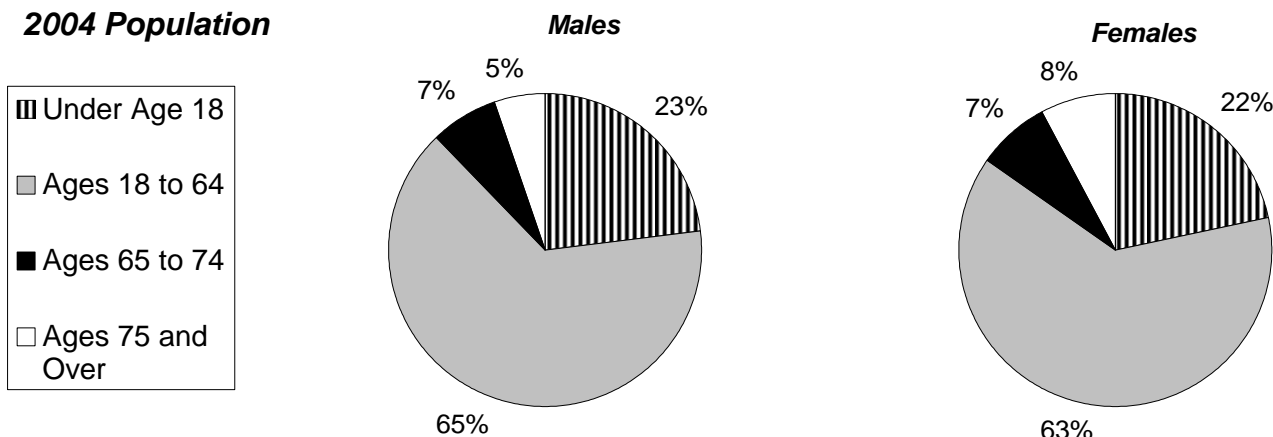
As state and local economic conditions and demographic patterns change, policymakers may consider adjusting their policies on taxes and spending programs. These adjustments become more difficult when economic and demographic changes depart from historical trends. It is our belief that this publication will contribute to more informed public policy decisions by identifying significant economic, demographic, and fiscal changes.

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Economic Indicators	1994		2004		Average Annual Change 1994-2004	
	MT	US	MT	US	MT	US
	Per Capita Income.....	\$17,861	\$22,172	\$27,666	\$33,041	4.5%
Median Household Income.....	\$27,631	\$32,264	\$33,987	\$44,389	2.1%	3.2%
Gross State Product (in millions).....	\$16,961	\$6,865,513	\$27,482	\$11,665,595	4.9%	5.4%
Full- and Part-Time Positions (in thousands).....	497	145,224	597	170,104	1.8%	1.6%
Employed Persons (in thousands).....	411	123,060	462	139,251	1.2%	1.2%
Unemployment Rate.....	5.5%	6.1%	4.4%	5.5%	n/a	n/a

Sources: U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, and the U.S. Bureau of Labor Statistics

2004 Population



Population and Poverty	Population				Poverty Rate	
	1994	2004	Percentage Change 1994-2004		2004	
	MT	MT	MT	US	MT	US
Total Population.....	854,923	926,865	8.4%	12.8%	14.2%	13.1%
Males.....	424,827	462,265	8.8%	13.8%	12.7%	11.6%
Under Age 18.....	120,785	107,103	-11.3%	7.8%	18.2%	18.3%
Ages 18 to 64.....	254,892	299,159	17.4%	16.7%	11.9%	9.6%
Ages 65 to 74.....	28,832	31,582	9.5%	1.6%	4.0%	6.5%
Ages 75 and Over.....	20,318	24,421	20.2%	28.8%	7.9%	6.8%
Females.....	430,096	464,600	8.0%	11.9%	15.6%	14.5%
Under Age 18.....	113,767	100,990	-11.2%	8.1%	20.2%	18.6%
Ages 18 to 64.....	252,373	293,064	16.1%	14.6%	15.0%	13.6%
Ages 65 to 74.....	32,358	34,507	6.6%	-3.6%	9.7%	9.7%
Ages 75 and Over.....	31,598	36,039	14.1%	19.6%	13.5%	13.3%

Source: U.S. Bureau of the Census

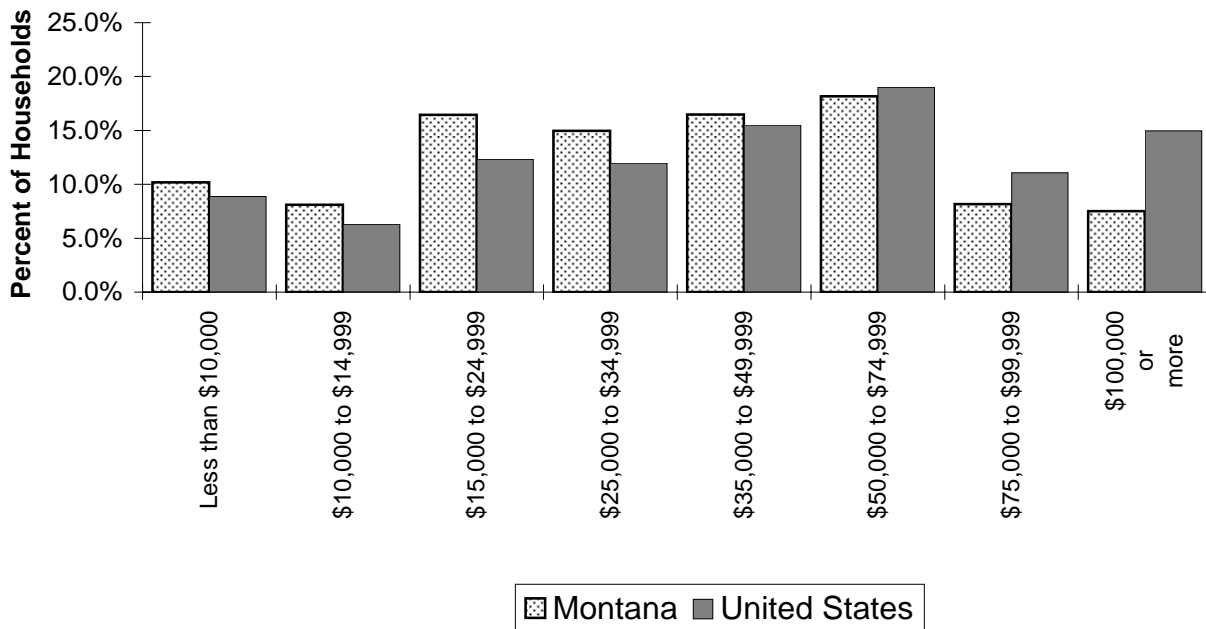
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Percent Distribution of Households by Age of Householder and Income, 2004

Age of Householder	Less than \$10,000	\$10,000 to \$14,999	\$15,000 to \$24,999	\$25,000 to \$34,999	\$35,000 to \$49,999	\$50,000 to \$74,999	\$75,000 to \$99,999	\$100,000 or more	All Households
Under 25 years.....	22.3%	13.7%	19.4%	21.2%	16.1%	6.9%	0.0%	0.3%	100.0%
25 to 44 years.....	8.7%	5.7%	16.9%	17.2%	17.0%	20.4%	8.2%	6.0%	100.0%
45 to 64 years.....	8.6%	6.3%	12.4%	12.2%	15.7%	21.6%	11.7%	11.5%	100.0%
65 years and over.....	12.0%	13.7%	22.6%	14.9%	17.3%	11.4%	3.6%	4.3%	100.0%
Montana (all ages).....	10.2%	8.1%	16.4%	15.0%	16.5%	18.2%	8.2%	7.5%	100.0%
United States (all ages)	8.9%	6.3%	12.3%	12.0%	15.5%	19.0%	11.1%	15.0%	100.0%

Source: U.S. Bureau of the Census

Percent of Households by Household Income Bracket, 2004



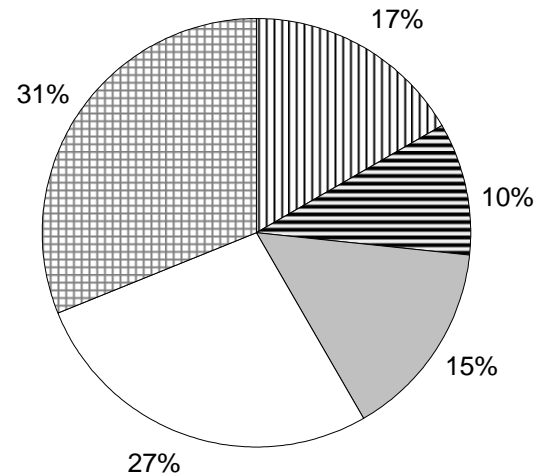
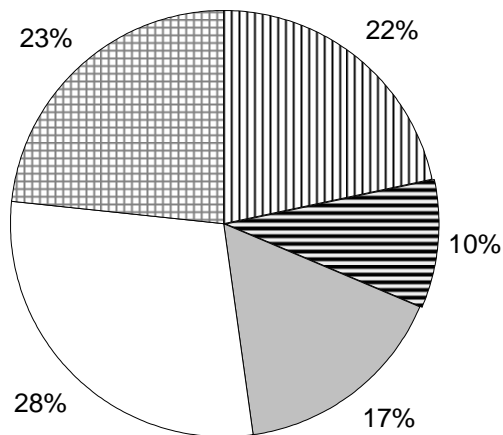
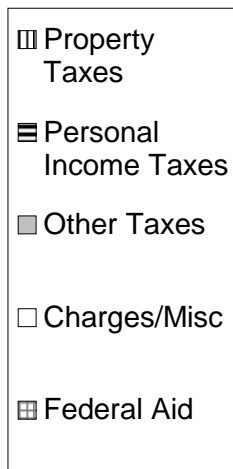
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State and Local General Revenues, FY 2002	General Revenues (millions)	Per Capita		Percent of Personal Income		Average Annual Revenue Change 1992-2002	
		MT	US	MT	US	MT	US
Total General Revenues.....	\$5,122	\$5,625	\$5,851	22.9%	19.3%	4.4%	5.6%
Own Sources.....	\$3,532	\$3,878	\$4,599	15.8%	15.2%	3.3%	5.2%
Taxes.....	\$2,135	\$2,345	\$3,143	9.5%	10.4%	2.9%	4.9%
Property Taxes.....	\$852	\$936	\$969	3.8%	3.2%	1.6%	4.5%
General Sales Taxes.....	\$0	\$0	\$774	0.0%	2.6%	0.0%	5.4%
Personal Income Taxes.....	\$518	\$568	\$705	2.3%	2.3%	4.9%	5.8%
Other Taxes.....	\$765	\$840	\$695	3.4%	2.3%	3.3%	4.3%
Charges/Miscellaneous.....	\$1,397	\$1,533	\$1,456	6.2%	4.8%	3.8%	5.7%
Federal Aid.....	\$1,590	\$1,746	\$1,252	7.1%	4.1%	7.4%	7.2%

Source: U.S. Bureau of the Census (2002 data are the most current available.)

1992 General Revenue

2002 General Revenue



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I. Personal Income Tax (2004)

State Income Tax Base

Montana's income tax base is linked to federal adjusted gross income.

Filing Requirements

Taxpayers must file if their federal adjusted gross income equals or exceeds the following federal adjusted gross income values:

Under age 65	\$3,440 (single); \$6,880 (married, filing jointly; both spouses are under age 65)
Age 65 or older	\$5,280 (single); \$10,560 (married, filing jointly; both spouses are age 65 or older)

Rate Structure

All Taxpayers

<u>Taxable Income</u>	<u>Rate</u>	<u>Taxable Income</u>	<u>Rate</u>
First \$2,300	2.0%	\$18,401 - \$22,900	7.0%
\$2,301 - \$4,600	3.0%	\$22,901 - \$32,100	8.0%
\$4,601 - \$9,200	4.0%	\$32,101 - \$45,900	9.0%
\$9,201 - \$13,800	5.0%	\$45,901 - \$80,300	10.0%
\$13,801 - \$18,400	6.0%	\$80,301 and over	11.0%

Public and Private Pension Exemptions Up to \$3,600 based on income, phased out for persons with adjusted gross income of \$31,800 or greater (single) or \$33,600 (married, filing jointly, when both spouses have pension income)

Social Security Benefits

Only taxpayers whose provisional income* is \$25,000 or higher (single) or \$32,000 or higher (married, filing jointly) are subject to taxation of their Social Security benefits.

*Provisional income consists of federal adjusted gross income, tax-exempt interest, certain foreign-source income, and one-half of the taxpayer's Social Security or Railroad Retirement Tier 1 benefit (U.S. House Committee on the Budget, Omnibus Budget Reconciliation Act of 1993, 103rd Congress, 1st sess., 1993, Conference Report 103-213, p. 594).

Sources: AARP 2005 telephone survey of state legislative staff, state departments of revenue, state controllers' offices, state assessors' offices, and state treasury offices.

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Standard Deductions and Personal Exemptions Combined

Under age 65	\$3,370 - \$5,280 (single); \$6,740 - \$10,560 (married, filing jointly; both spouses are under age 65)
Age 65 or older	\$5,210 - \$7,120 (single); \$10,420 - \$14,240 (married, filing jointly; both spouses are age 65 or older)

Interest Income Deduction

Taxpayers age 65 or older can deduct up to \$800 (single) or \$1,600 (married, filing jointly) in interest income.

Medical Savings Accounts Deduction

Each taxpayer can deduct up to \$3,000 (single) or \$6,000 (married, filing jointly) in annual contributions to a medical savings account plus interest or other income earned on the principal. These contributions cannot be deducted elsewhere, such as an itemized deduction, in order to qualify as a deduction.

Health Insurance Premiums Deduction

Taxpayers who are shareholders of an S corporation can deduct health insurance premiums paid on their behalf by an S corporation. However, the cost of the premiums must be included in the shareholders' federal adjusted gross income in order to be deducted. These premiums cannot be deducted as an itemized deduction.

Federal Income Tax Deduction

On the short form, taxpayers can either deduct federal income taxes paid or the standard deduction; on the long form, taxpayers can deduct federal income taxes paid if they itemize on the Montana form their deductions.

Local Income Taxes None

II. General Sales Tax Rates (2004)

No state or local general sales tax

III. Miscellaneous Tax Rates (2004)

Corporate income (highest marginal rate).....	6.75%	All taxable income
Gasoline (per gallon)	\$0.27	Counties may add a \$0.01 or \$0.02 cent per gallon tax.
Cigarette (per pack of 20).....	\$0.70	
Beer (per gallon).....	\$0.042 to \$0.139	

Sources: AARP 2005 telephone survey of state legislative staff, state departments of revenue, state controllers' offices, state assessors' offices, and state treasury offices.

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IV. Real Property Tax Relief Programs (2005)

Homestead Exemption or Credit..... None

Circuit Breakers

Disabled Veterans Tax Break

Fully disabled veterans whose adjusted income is \$40,618 less (single) or \$46,867 or less (married, filing jointly) or \$35,411 or less (surviving spouse) receive a 50% to 100% reduction in tax rates, depending on income.

Elderly Homeowner and Renter Credit

Requirements

Benefits

Homeowners and renters age 62 or older whose income is less than \$45,000 Up to a \$1,000 refundable credit against income taxes for property taxes paid

Low-Income Property Tax Assistance Program

Requirements

Benefits

Homeowners whose income is \$17,670 or less (single) or \$23,560 or less (married, filing jointly)* The property tax rate is reduced.** The property tax rate reduction only applies to the first \$100,000 of taxable value.

*Homeowners must occupy their home at least seven months out of the year.

**Program works by reducing property tax rates by 20%, 50%, or 70%, depending on household income.

Extended Property Tax Assistance Program (EPTAP)

EPTAP reduces increases in property taxes on qualifying residential properties because of the 2003 reappraisal of property. Allowable property tax increases range from 24% (household income of \$25,000 or less) to 36% (household income less than \$75,000).

To qualify, homeowners must meet the following eligibility criteria:

- Household income must be \$75,000 or less.
- Residential property values must have increased at least 24%.
- Property taxes must have increased at least \$250.
- Homeowners must have owned their homes as of December 31, 2002.

Deferral Program None

Sources: AARP 2005 telephone survey of state legislative staff, state departments of revenue, state controllers' offices, state assessors' offices, and state treasury offices.

V. Real Property Tax Limits, Caps, or Freezes (2005)

Real property values are now reappraised every six years based on fair market value. To mitigate increases in property values because of reassessments, property value increases between appraisals are phased in over a six-year period. The current reappraisal cycle is from January 1, 2003, to December 31, 2008. This means that the fair market value determined in 2003 will not be used, for tax purposes, in calculating property tax liability until 2008. Between 2003 and 2007, annual increases in assessments will be prescribed by the state legislature. Additional tax levies are allowable only with voter approval or for certain emergencies.

Local property tax revenues (not including school districts) can only increase by no more than one-half of the average inflation rate for the prior three years. Increases beyond that are allowable only with voter approval or for certain emergencies. This limitation does not apply to new construction.

Property Tax Rate Limits

\$9.50 per \$100 of assessed value for the state government property tax
\$0.60 per \$100 of assessed value for universities

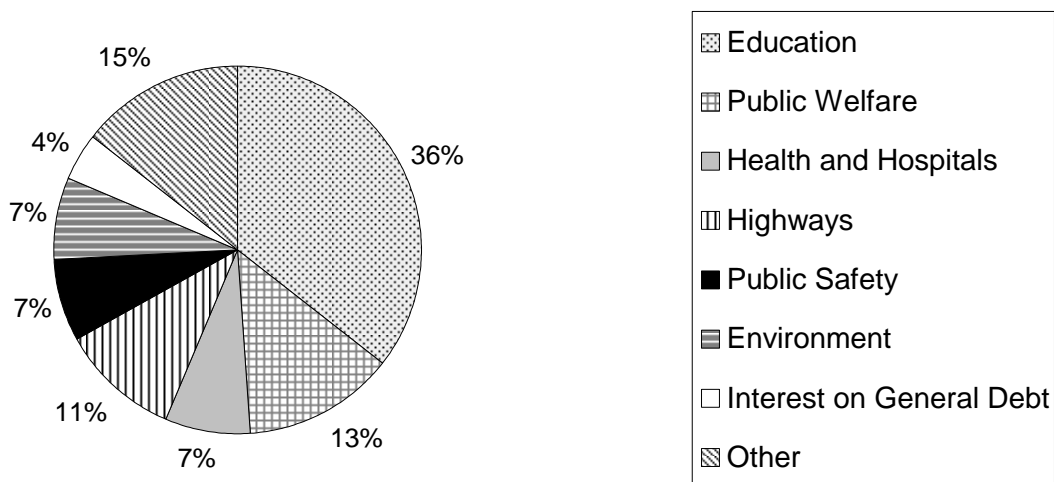
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State and Local General Expenditures, FY 2002	General Expenditures (millions)	Per Capita		Percent of Personal Income		Average Annual Expenditure Change 1992-2002	
		MT	US	MT	US	MT	US
		State/Local Direct General Expenditures	\$5,052	\$5,547	\$6,026	22.6%	19.9%
To State/Local Government	\$5,051	\$5,546	\$6,011	22.6%	19.9%	5.2%	5.9%
Education*	\$1,792	\$1,968	\$2,065	8.0%	6.8%	5.2%	6.2%
Public Welfare	\$671	\$737	\$971	3.0%	3.2%	6.4%	6.1%
Health and Hospitals	\$378	\$415	\$508	1.7%	1.7%	8.2%	5.2%
Highways	\$542	\$596	\$401	2.4%	1.3%	4.2%	5.5%
Public Safety*	\$356	\$391	\$545	1.6%	1.8%	8.4%	6.3%
Environment	\$365	\$401	\$356	1.6%	1.2%	5.8%	5.1%
Interest on General Debt	\$210	\$231	\$262	0.9%	0.9%	-2.8%	3.1%
Other	\$735	\$808	\$904	3.3%	3.0%	5.9%	6.5%
To Federal Government	\$1	\$1	\$15	0.0%	0.1%	n/a	1.9%

*Education includes higher and lower education; public safety includes police, fire, corrections, and protection and inspection.

Source: U.S. Bureau of the Census (2002 data are the most current available.)

State and Local General Expenditures, FY 2002
(excluding payments to federal government)



2002 Debt Ratio Measures	Total Debt Outstanding			Long-term Debt		Short-term Debt	
	Debt (billions)	Per Capita	Per \$1,000 of Personal Income	Debt (billions)	Percent of Total	Debt (billions)	Percent of Total
Montana (State and Local)	\$4.0	\$4,352	\$177.24	\$3.9	99.6%	\$0.01	0.4%
United States	\$1,681.4	\$5,839	\$192.88	\$1,638.1	97.4%	\$43.24	2.6%

Source: U.S. Bureau of the Census