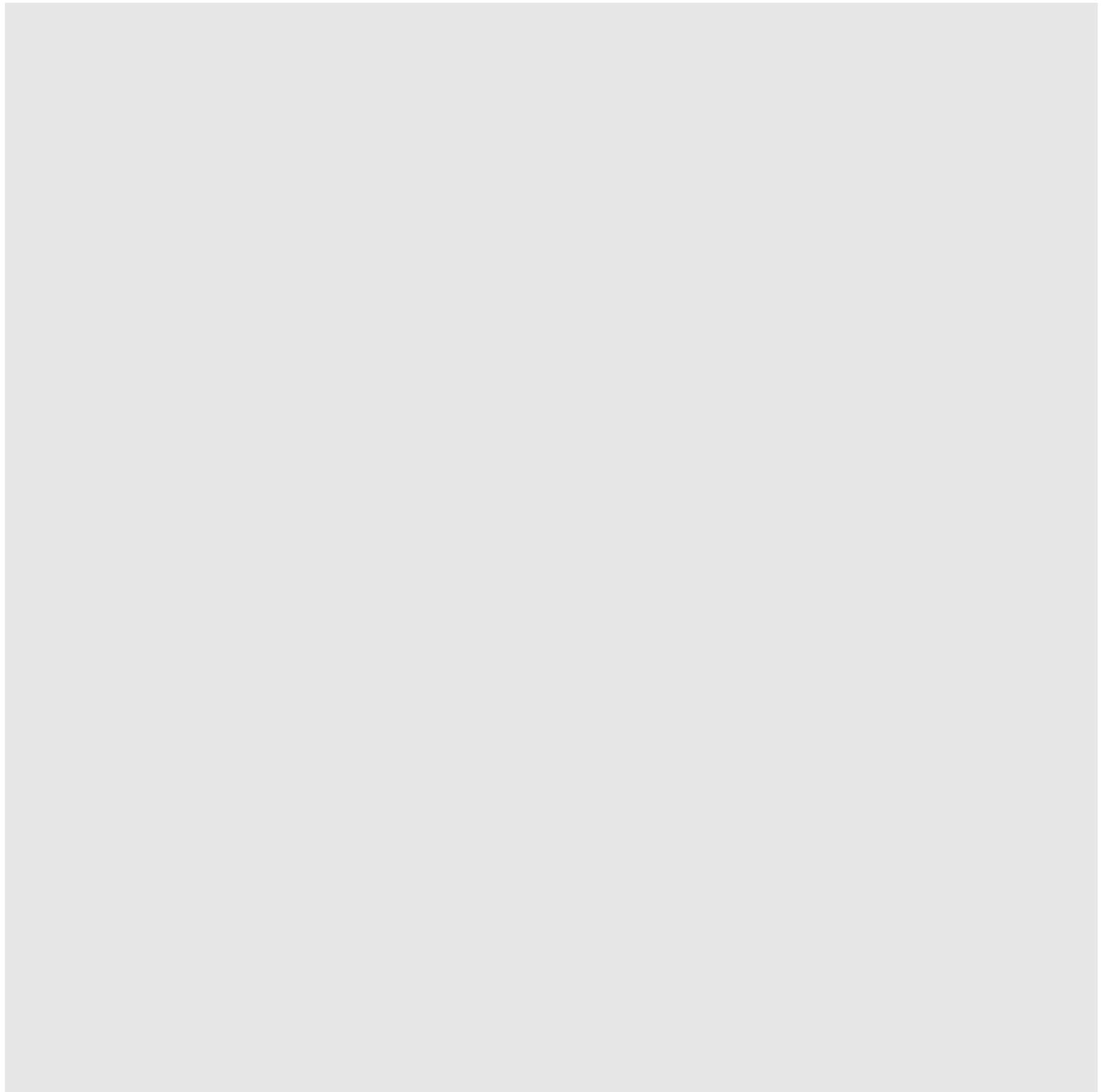


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TOPICAL TOP STORY

'Montana's economy is kicking a little': Lawmakers cautiously optimistic after revenue report

HOLLY K. MICHELS holly.michels@lee.net Jan 10, 2018 Updated 5 min ago



Sen. Llew Jones, R-Conrad, listens to testimony during the first day of the special legislative session on Nov. 14, 2017.

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Thom Bridge, thom.bridge@helenair.com

HELENA – Lawmakers are cautiously optimistic after a revenue report released Wednesday showed the state may bring in more money than estimates that triggered a special session in November.

“I wouldn’t want folks to get too excited too early, but it definitely shows that Montana’s economy is kicking a little. It’s a lot more positive than right before the special session,” said Sen. Llew Jones, a Republican from Conrad.

General fund revenue through the end of December is \$180.8 million, or 18.2 percent ahead of the last fiscal year’s collections to the same point.

On Wednesday, both Democrats and Republicans stressed that some of the improved picture is because of \$63 million in fund transfers authorized by the Legislature.

The Legislative Fiscal Division, which produced the report, still projects collections to come in below the official estimate lawmakers adopted and used as the basis to build the budget.

But that's still an improvement over the financial picture during the special session.

The fiscal division now projects that revenues could come in anywhere from \$52 million to \$77 million less than projections adopted by lawmakers during the regular session. That’s much improved from the \$137 million the governor's office predicted the state to be down when the special session started in November.

Lawmakers made \$94 million in cuts and transfers during the special session in November to fill the revenue hole.

“This still leaves us with a much better look than we had going into the special session,” said Rep. Nancy Ballance, a Republican from Hamilton.

The Legislative Fiscal Division created a couple of different estimates to get a broad sense of the projections, said Amy Carlson, head of the division.

The division will produce reports monthly for the next six months. Carlson, like legislators, cautioned that until the final numbers are in, the reports are all estimates and projections.

“The variability is substantial,” she said. Timing “can make a pretty substantial difference. There are pretty substantial things that will still occur.”

For Ballance, the report had several bright spots.

Collections for individual income tax look better than they did going into the special session. Collections year-to-date are up 8.8 percent over last year, but still off from the 13.1 percent projected in the original revenue estimate from a year ago.

Ballance cautioned that some of the increase could be due to people paying income taxes before the end of the year to avoid changes in the federal tax bill that cap deductions for state income taxes.

The same is true of property tax collections. Wednesday’s report says property tax collections are up by \$40.5 million, or 53.7 percent over last year, though that’s attributed to low December payments last year.

Ballance said while she’s optimistic those payments will rebound to be closer to the estimate from which the budget is built, she wants more time to see.

“Based on everything I was reading after the federal tax law passed, people were quickly understanding that they were not going to be able to deduct their property taxes if they waited and filed in 2018, so they were filing those taxes early. Because individual income tax was going to be the same, people could also be filing income tax early.”

Corporate income tax is another bright spot, Ballance said.

The report shows that estimated payments are up through the first half of fiscal year 2018. Estimated payments typically make up 80 percent of corporate tax income collections, so if that growth continues, it means the final numbers could end up close to what lawmakers projected last year.

Corporate income tax is up 36 percent, or \$24.3 million, though the report attributes that in part to a large one-time audit.

“That could truly be a bright spot if that continues going forward,” Ballance said.

Jones said that rumors of the need for a second special session caused by still-lagging state revenues should be quelled by the report.

“I would be shocked if there’s another special session,” Jones said. “Something would have to drastically change from what we’re seeing now.”

Lawmakers were divided over the impacts of the federal tax changes, on which Wednesday’s report was silent. The state Department of Revenue has predicted some negative effects of the bill, including a possible special session, but Republicans have questioned that.

For lawmakers there was consensus over one thing: Even very preliminary, very early indications that lean toward good are better than a bad report.

“For me, it makes me feel really good it doesn’t look worse,” Ballance said. “I would classify it as mildly optimistic with still not enough data to say for sure.”