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FEATURED

## Montana officials now aren't as concerned about a loss of revenue from federal tax cuts

By TOM LUTEY [tlutey@billingsgazette.com](mailto:tlutey@billingsgazette.com) Jan 19, 2018 Updated 1 hr ago



The Montana State Capitol building in Helena.

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Montana officials now say federal tax cuts will create a manageable reduction in state revenue collections — this after forecasting deep losses requiring an emergency session of the state Legislature.

State Budget Director Dan Villa said Thursday that federal tax changes would result in a \$12 million loss in state tax collections for the current tax year and \$15.9 million for tax year 2019. The lost revenue stems from federal cuts to the corporate income tax and elimination of the federal health mandate for individuals.

The losses were not enough to force a special session of the Montana Legislature as Department of Revenue Director Mike Kadas had feared two weeks ago, when tax officials expected federal tax collections to open a \$29-million-a-year hole in state coffers. No cuts to state programs will result.

Initially, Department of Revenue analysts had expected a revenue loss of more than \$70 million a year. A closer look at the new federal tax cuts passed just before Christmas proved otherwise.


The state no longer expects that it will have to duplicate a 20 percent federal deduction for pass-through aid earlier that Montana of the way state and federal tax law interact.



But state Senate Majority Leader Fred Thomas, R-Stevensville, countered with a legal opinion from legislative staff, which concluded that doubling the deduction was avoidable.

The debate over the 20 percent deduction isn't likely to arise again until April 2019 when individual income tax returns under the new federal rules are first filed. At that point, Montana's Legislature will be in regular session to fix any issue.

**OFFICE OF THE COMPTROLLER**  
State of Montana



To: Governor Bullock

From: Dan Wills, Budget Director

Date: 1/19/2018

RE: General Fund Impact of Federal Tax Legislation

The Department of Revenue has completed its analysis of federal tax law changes passed by Congress in December 2017. The Revenue Team in the Office of Budget and Program Planning has reviewed the Department's work and advised me of the final year implementation, consistent with current findings and has applied the adjustments to the general fund balance sheet used during the November Special Session to reflect new federal tax policy.


While revenue losses are not, they are not significant enough in nature to necessitate implementation of 2017-2018 MCA reductions nor a special session at this time.

Despite federal income tax 2018 reform that requires no general fund revenues, losses in both corporate and insurance premium revenues will be partially offset by increases in Montana individual income tax caused by the federal legislation. The net impact to the general fund is projected to be a loss of \$20.8 million for the 2018 revenues.

I have attached an updated general fund balance sheet reflecting federal legislative action as well as received from the Department of Revenue, the Legislative Service Division and by email for your information.

**Attachments:**  
 - GFB for Year Ending January 1, 2018  
 - Legal Memo from DWP January 11, 2018  
 - Legislative Service Division Legal Memo January 11, 2018  
 - DWP Report Year Ending January 1, 2018  
 - General Fund Balance Sheet reflecting Federal Impact

WILLIAM WILLS, Comptroller, Public Safety  
 Revenue Administration

 Impact of federal tax cuts on Montana revenue collections  
 By TOM LUTEY tlutey@billingsgazette.com Updated 9 hrs ago