



GOVERNOR GREG GIANFORTE
DIRECTOR BRENDAN BEATTY

October 28, 2024

Eric Bryson
Montana Association of Counties

Kelly Lynch
Montana League of Cities and Towns

Subject: Entitlement Share Growth Calculation for FY 2026

Dear Mr. Bryson and Ms. Lynch:

The Montana Department of Revenue has calculated the entitlement share growth factor for Fiscal Year 2026. The growth factor for the entitlement share will be 0.78%.

The entitlement share growth factor is based on ratios generated using two state revenue factors for the three most recently completed fiscal years. The first ratio is generated using the combined revenues for the vehicle taxes and fees, gaming revenue and alcohol taxes referenced in MCA, 15-1-121(2). The second ratio is created using the combined statewide revenues for individual income taxes and corporation income taxes.

Both ratios are generated by dividing the sum of the revenue for the most recent and second-most recent completed fiscal years by the sum of the revenue for the second- and third-most recent completed fiscal years.

Finally, the two ratios are weighted and summed together, with the first ratio receiving a 0.75 weight and the second ratio receiving a 0.25 weight.

While alcohol, gaming, and vehicles has seen modest growth over the last three years, personal and corporate income taxes have fallen since the high year of FY 2022, when federal stimulus in response to the COVID-19 pandemic caused a surge in collections. This decline drives down the growth rate of the entitlement share.

Fiscal Year	Alcohol/Gaming/Vehicles	Personal and Corp. Income
FY 2022	\$293,177,636	\$2,687,502,886
FY 2023	\$295,897,970	\$2,564,202,686
FY 2024	\$304,200,417	\$2,556,228,687
Non-Weighted Ratio	1.0187	0.9750
Weighted Ratio	0.7640	0.2438
Growth Factor	1.0078	

Since FY 2018, entitlement share reimbursements for the Class 8 property tax base reductions from the 2011 and 2013 Legislatures have been tied to the maximum mill calculation set out in 15-10-420 (1)(a) MCA. This calculation is half the average rate of inflation of the previous three years. The most recently available calculation is 2.80%, which means the entitlement share payment for Class 8 reimbursements has grown by a factor of 1.0280 for FY 2026.

The passage of HB 303 by the 2021 Legislature and HB 212 by the 2023 Legislature increased the exemption threshold for Class 8 personal property from \$100,000 to \$300,000 and then to \$1 million respectively. Local governments were reimbursed for lost taxes due to this reduction in tax base. These reimbursements will continue to be distributed but do not grow over time.

A schedule of payments by local government entity can be found on our website at <https://mtrevenue.gov/dor-publications/entitlement-share-payments/>.

Any questions can be directed to me by email dylan.cole@mt.gov or by phone (406) 444-6634.

CC: Ryan Evans, OBPP
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