



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: May 28, 2026
 TO: Revenue Interim Committee
 FROM: LFD Revenue Staff
 RE: Updated Revenue Materials from 2017 Special Session

During the 2017 Special Session the LFD was asked to analyze revenue sources that were based on flat fees, and did not implicitly grow with inflation. This analysis provides updated estimates on the amount of revenue the state would receive if these taxes/fees were tied to inflation. The table below summarizes the analysis by source, highlighting the last time each source was adjusted, the percent change if each source was adjusted for inflation since the last change, and the estimated FY 2027 general fund impact if the adjustment was made.

Summary of Adjustments and FY 2027 General Fund Impacts (\$ Millions)			
Tax/Fee name	Year of last change	% Change	FY 2027 impact
Beer Tax	1987	193%	\$5.492
Cigarette Tax	2006	64%	\$9.309
Driver's License Fee	2004	75%	\$4.420
Electrical Energy Tax	1977	455%	\$17.606
Investment License Fee	2019	29%	\$6.563
Tobacco Tax	2006	64%	\$1.867
Vehicle Tax (Light Vehicle Registration)	2005	70%	\$67.807
Wine Tax	1986	199%	\$4.206
Wholesale Energy Tax	2000	93%	\$3.071
General Fund Total			\$120.341

Additionally, the table below provides a summary of impacts over the 2029 biennium by source for both the general fund and state special revenue funds. Finally, each source is detailed in its own subsequent sheet.

Revenue Impact if Adjustments were Implemented in FY 2027			
(\$ Millions)			
	FY 2027	FY 2028	FY 2029
General Fund			
Beer Tax	\$5.492	\$5.101	\$4.945
Cigarette Tax	9.309	8.851	8.185
Driver's License Fee	4.420	4.383	4.413
Electrical Energy Tax	17.606	17.363	17.541
Investment License Fee	6.563	6.723	6.889
Tobacco Tax	1.867	1.807	1.743
Vehicle Tax (Light Vehicle Registration)	67.807	68.246	68.728
Wine Tax	4.206	3.826	3.320
Wholesale Energy Tax	<u>3.071</u>	<u>3.118</u>	<u>3.139</u>
General Fund Total	120.341	119.419	118.903
State Special Revenue			
Beer Tax	\$1.755	\$1.680	\$1.618
Cigarette Tax	12.425	11.990	11.389
Driver's License Fee	1.053	1.060	1.067
Tobacco Tax	2.073	2.005	1.933
Wine Tax	<u>2.038</u>	<u>1.857</u>	<u>1.616</u>
State Special Revenue Total	19.344	18.592	17.624
Total Impact	\$139.685	\$138.012	\$136.527



Beer Tax

Tax Rates

Current tax rate: varies by # barrels produced: \$1.30/barrel (<5,000); \$2.30/barrel (5,001 – 10,000); \$4.30/barrel (10,001+): Tax Rate – [16-1-406, MCA](#) Distribution – [16-1-406, MCA](#)

Last rate change for production above 20,000: 1987

2026 inflation factor: 2.930

Inflation adjusted rate: \$1.30/barrel (<5,000); \$2.30/barrel (5,001 – 10,000); \$4.30/barrel (10,001 – 20,000);

\$9.38/barrel (20,001+)

Potential Consumer Impact

Tax increase per 12-oz can: \$0.035

Tax increase per 6-pack: \$0.21

Other States Comparison

Statistics	Beer Tax Only \$/Barrel	Total Beer & Sales Tax on \$8 6-pack
All States Average Tax	\$7.89	\$0.58
All States Median Tax	\$6.14	\$0.62
Maximum Tax	\$23.81	\$0.91
Montana Tax	\$4.30	\$0.07
Montana Tax if Adjusted	\$12.60	\$0.21
Montana Rank	38	49
Montana Rank if Adjusted	10	46

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented in FY 2027 (\$ Millions)					
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Inflation Adjusted			\$8.338	\$7.744	\$7.507
Current Law	2.905	2.851	2.845	2.643	2.562
GF Impact			5.492	5.101	4.945
State Special Revenue					
Inflation Adjusted			2.665	2.551	2.457
Current Law	1.000	0.952	0.909	0.871	0.838
SSR Impact			1.755	1.680	1.618
Total Impact			\$7.247	\$6.782	\$6.563



Cigarette Tax

Tax Rates

Current tax rate: \$1.70/pack Tax Rate – [16-11-111, MCA](#); Tax Distribution – [16-11-119, MCA](#);

Last rate change: 2006

2026 inflation factor: 1.639

Inflation adjusted rate: \$2.79/pack

Potential Consumer Impact

Tax increase per pack: \$1.09

Other States Comparison

Statistics	Cigarette Tax Total Cigarette	
	Only \$/Pack	& Sales Tax on \$6 pack
All States Average Tax	\$1.95	\$2.27
All States Median Tax	1.79	2.03
Maximum Tax	5.00	5.36
Montana Tax	\$1.70	\$1.70
Montana Tax if Adjusted	\$2.79	\$2.79
Montana Rank	27	32
Montana Rank if Adjusted	14	18

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented in FY 2027 (\$ Millions)					
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Inflation Adjusted			\$27.733	\$26.369	\$24.384
Current Law	18.488	19.231	18.424	17.518	16.199
GF Impact			9.309	8.851	8.185
State Special Revenue					
Inflation Adjusted			37.018	35.720	33.930
Current Law	26.727	25.573	24.592	23.730	22.541
SSR Impact			12.425	11.990	11.389
Total Impact			\$21.734	\$20.841	\$19.574

Assumes demand elasticity of -45%



Driver's License Fee

Tax Rates

Current fee rate: \$40/8-year license

Tax Rates – [61-5-111\(6\), MCA](#) Tax Distribution – [61-5-121, MCA](#)

Last rate change: 2004

2026 inflation factor: 1.752

Inflation adjusted rate: \$70/8-year license

Potential Consumer Impact

Fee increase per 8-year license: \$30

Other States Comparison

License Fee Annual Average (\$/year)	
All States Average Fee	\$7.70
All States Median Fee	\$6.45
Maximum Fee	\$24.50
Montana Fee	\$5.00
Montana Fee if Adjusted	\$8.76
Montana Rank	38
Montana Rank if Adjusted	15

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented in FY 2027 (\$ Millions)					
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Inflation Adjusted			\$10.300	\$10.213	\$10.285
Current Law	6.284	5.826	5.880	5.831	5.871
GF Impact			4.420	4.383	4.413
State Special Revenue					
Inflation Adjusted			2.453	2.470	2.488
Current Law	1.435	1.390	1.400	1.410	1.420
SSR Impact			1.053	1.060	1.067
Total Impact			\$5.472	\$5.443	\$5.481



Electrical Energy Tax

Tax Rates

Current tax rate: \$0.20/MWh Tax Rate – [15-51-101, MCA](#)
 Tax Distribution – [17-2-124\(2\), MCA](#); [15-51-103, MCA](#)

Last rate change: 1977
 2026 inflation factor: 5.552
 Inflation adjusted rate: \$1.11/MWh

Potential Consumer Impact

Increased taxes for electrical generation companies, with some costs passed too consumers

Other States Comparison

With help from NCSL, we were able to compile 14 states that imposed some form of generation or consumption tax on electrical energy. Of these, 9 states impose a general tax on all electricity, 6 states impose a tax on specific electricity generation mostly targeting renewable energy, and 5 states impose a percentage tax on gross revenue for electricity generation companies. The table shown only compares Montana to the other 7 states that impose a \$/MWh tax on all electricity generation. The range for specific generation taxes ranges from \$0.04 per MWh to \$30.00 per MWh, and the gross receipts taxes range from 2.0% to 3.5%.

General Electric Tax (\$/Megawatt hour)	
7 States Average Tax	\$0.58
Median Tax	\$0.60
Maximum Tax	\$1.02
Montana Tax	\$0.20
Montana Tax if Adjusted	\$1.11
Montana Rank	7
Montana Rank if Adjusted	1

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented in FY 2027 (\$ Millions)					
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Inflation Adjusted			\$21.473	\$21.177	\$21.394
Current Law	4.305	3.915	3.868	3.814	3.853
Total Impact			\$17.606	\$17.363	\$17.541



Investment License Fee

Tax Rates

Current tax rate: \$100/individual, \$400/firm

Fee Rate – [30-10-209, MCA](#) and [30-10-904, MCA](#)

Fee Distribution – Excess to general fund: [30-10-115, MCA](#) and [30-10-209\(6\), MCA](#); portfolio notice fee: [30-10-209\(1d\), MCA](#), [30-10-210\(2\), MCA](#) and [30-10-907, MCA](#)

Last rate change: 2019

2026 inflation factor: 1.287

Inflation adjusted rate: \$129/individual, \$515/firm

Potential Consumer Impact

Tax increase: \$29/individual, \$115/firm

Other States Comparison

Statistics	Firm License Fee \$/Year	Individual License Fee \$/Year
All States Average	215	67
All States Median	200	50
Maximum	550	255
Montana Fee	400	100
Montana Fee if Adjusted	\$515	\$129
Montana Rank	2	9
Montana Rank if Adjusted	2	6

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented in FY 2027 (\$ Millions)					
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Inflation Adjusted			\$29.412	\$30.129	\$30.873
Current Law	21.696	22.309	22.849	23.406	23.984
Total Impact			\$6.563	\$6.723	\$6.889



Tobacco Tax

Tax Rates

Current tax rate: \$0.85/oz. Tax Rate – [16-11-111\(7\), MCA](#) Tax Distribution – [16-11-114\(2\), MCA](#); [16-11-119\(3\), MCA](#)

Last rate change: 2006
 2026 inflation factor: 1.639
 Inflation adjusted rate: \$1.39/oz.

Potential Consumer Impact

Tax increase per can of chewing tobacco: \$0.65

Other States Comparison

The tax rates associated with non-cigarette tobacco products vary across states. Most states tax based on the wholesale price, while some states—including Montana—place a different tax rate on chewing tobacco. The combined effective tobacco tax rate in the adjacent table assumes the national average share of 60% of other tobacco product spending is on chewing tobacco. The total tobacco and sales tax calculation assumes an average wholesale price of \$2 for a can of chew.

Statistics	Snuff Tax Only \$/oz	Comb. Eff. Tobacco Tax Rate	Total Tobacco & Sales Tax \$2 Whsl Tin
All States Average Tax	\$1.04	50%	\$1.39
All States Median Tax	\$0.75	36%	\$0.97
Maximum Tax	\$3.00	210%	\$4.98
Montana Tax	\$0.85	51%	\$1.02
Montana Tax if Adjusted	\$1.39	83%	\$1.67
Montana Rank	12 of 25	20	24
Montana Rank if Adjusted	8 of 25	11	16

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented in FY 2027 (\$ Millions)					
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Inflation Adjusted			\$6.368	\$6.164	\$5.943
Current Law	4.828	5.390	4.501	4.357	4.200
GF Impact			1.867	1.807	1.743
State Special Revenue					
Inflation Adjusted			7.071	6.839	6.592
Current Law	5.366	5.172	4.997	4.834	4.659
SSR Impact			2.073	2.005	1.933
Total Impact			\$3.941	\$3.813	\$3.676

Assumes demand elasticity of -45%



Vehicle Tax

Tax Rates

Current tax rate: Age = 0-4 years: \$217; Age = 5-10 years: \$87; Age ≥ 11 years: \$28
 Tax Rate- [61-3-321, MCA](#); Tax Distribution – [61-3-509, MCA](#)

Last rate change: 2005

2026 inflation factor: 1.701

Inflation adjusted rate less offset: Age = 0-4 years: \$369; Age = 5-10 years: \$165; Age ≥ 11 years: \$48

Potential Consumer Impact

Tax increase: Age = 0-4 years: \$152; Age = 5-10 years: \$78; Age ≥ 11 years: \$20

Other States Comparison

Registration fees vary significantly from state to state. The table below assumes a new vehicle with a MSRP of \$40,000 and a weight of 4,000 lbs. roughly equivalent to a new Subaru Outback. The states used in the comparison are the western states of Alaska, Arizona, California, Colorado, Idaho, Montana, New Mexico, Oregon, Washington, and Wyoming.

Statistics	Reg. Fee New \$40K Car \$/Year
Western States Average	\$81
Western States Median	\$43
Maximum	\$446
Montana Fee	\$217
Montana Fee if Adjusted	\$369
Montana Rank	6
Montana Rank if Adjusted	5

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented in FY 2027 (\$ Millions)					
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Inflation Adjusted			\$164.590	\$165.657	\$166.826
Current Law	95.681	96.219	96.783	97.411	98.098
General Fund Impact			\$67.807	\$68.246	\$68.728



Wine Tax

Tax Rates

Current tax rate: \$0.27/liter Tax Rates – [16-1-411\(1\), MCA](#); [16-2-301\(2\), MCA](#)
 Tax Distribution – [16-1-411\(3\), MCA](#); [16-2-301\(2\), MCA](#)

Last rate change: 1986
 2026 inflation factor: 2.994
 Inflation adjusted rate: \$0.81/liter

Potential Consumer Impact

Tax increase per bottle: \$0.40
 Tax increase per 5-oz serving: \$0.08

Other States Comparison

Statistics	Wine Tax Only \$/Liter	Total Wine & Sales Tax on \$15 Bottle
All States Average Tax	\$0.22	\$0.97
All States Median Tax	\$0.18	\$1.04
Maximum Tax	\$0.64	\$1.46
Montana Tax	\$0.27	\$0.20
Montana Tax if Adjusted	\$0.81	\$0.60
Montana Rank	15	48
Montana Rank if Adjusted	3	45

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented in FY 2027 (\$ Millions)					
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Inflation Adjusted			\$6.315	\$5.745	\$4.985
Current Law	2.362	2.575	2.109	1.919	1.665
GF Impact			4.206	3.826	3.320
State Special Revenue					
Inflation Adjusted			3.059	2.788	2.427
Current Law	1.133	1.090	1.022	0.931	0.810
SSR Impact			2.038	1.857	1.616
Total Impact			\$6.243	\$5.683	\$4.936



Wholesale Energy Tax

Tax Rates

Current tax rate: \$0.15/MWh

Tax Rate – [15-72-104\(1\), MCA](#)

Tax Distribution – [15-72-106\(3\), MCA](#)

Last rate change: 2000

2026 inflation factor: 1.926

Inflation adjusted rate: \$0.29/MWh

Potential Consumer Impact

Increased taxes for electrical generation companies, with potential for higher power costs to consumers

Other States Comparison

Unable to find comparable data for other states

Potential Fiscal Impact

Revenue Impact if Inflation Adjustment is Implemented in FY 2027 (\$ Millions)					
	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General Fund					
Inflation Adjusted			\$6.388	\$6.486	\$6.529
Current Law	<u>3.690</u>	<u>3.292</u>	<u>3.317</u>	<u>3.368</u>	<u>3.391</u>
Total Impact			\$3.071	\$3.118	\$3.139