



MONTANA LEGISLATIVE BRANCH

Legislative Fiscal Division

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Director
AMY CARLSON

DATE: May 8, 2026
TO: Legislative Finance Committee
FROM: LFD Revenue Team
RE: General Fund Revenue Update

GENERAL FUND REVENUE SUMMARY

This monthly revenue update analyzes revenue collections through the end of April and is designed to apprise interested members of the legislature on year-to-date revenue collections, congressional action in H.R. 1, and the outlook for FY 2026 relative to the revenue estimate contained in HJ 2.

YTD FY 2026 general fund revenues are \$205.4 million or 7.1% above FY 2025 revenues through the same period. This is in comparison to projected annual growth of 1.1% that was adopted in HJ 2.

Individual income tax collections are stronger than expected through April, and as a result it is now anticipated that general fund revenues will surpass the HJ 2 estimate in FY 2026, despite the estimated \$114 million reduction from H.R. 1.

Furthermore, now that most of this year's tax season activity has been posted to the accounting system, it is possible to start making reasonable predictions on where final year-end revenues will end. The range of extrapolations are from \$337 million above HJ 2 to \$124 million below HJ 2 with most extrapolations well above HJ 2. Currently, the best methodologies for predicting final collections would yield final collections that are \$170 million above HJ 2.

Throughout the remainder of FY 2026 the LFD will continue to monitor year-to-date collections and update the legislature as collections are posted to the accounting system.

END OF YEAR EXTRAPOLATIONS

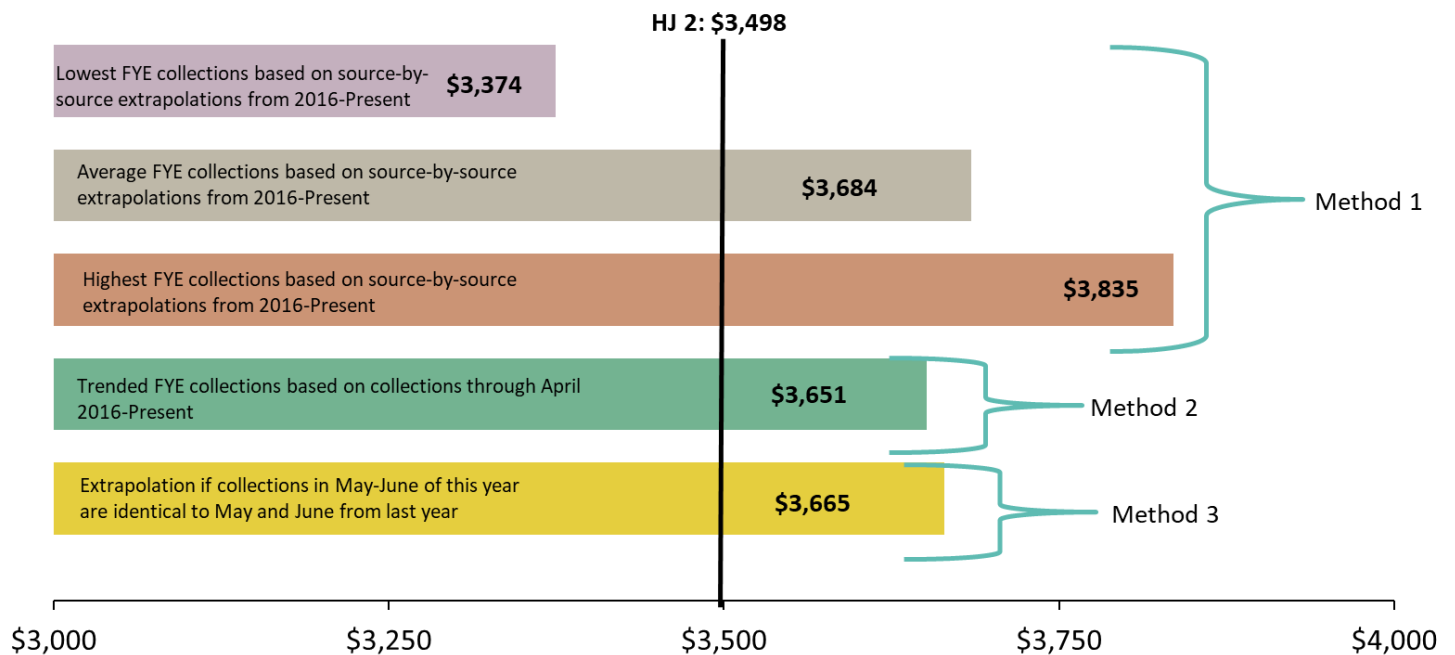
Below are the methods of extrapolation used calculate the end of the year number relative to HJ 2.

Method 1: For the top sources, and the sum of the remaining sources, the percentage of total revenues collected through April was calculated dating back to FY 2016. This year's collections through April for each source were then divided by the average collection percentage since FY 2016. Each source's estimate was then added to create a final year-end collection estimate. Using this method, year-end general fund revenue is estimated to be \$3,684 million. The lowest and highest growth through April by revenue source was also applied to year-to-date collections to provide an upper (\$3,835 million) and lower (\$3,374 million) limit for this methodology.

Method 2: This method uses aggregate collections across all sources through April to predict year-end collections using historical trends. Like Method 1, it utilizes collection patterns since FY 2016. This method predicted final collections of \$3,651 million.

Method 3: This method assumes that collections in May and June of this year will be the same as May and June of last year. If this were the case, then final collections for FY 2026 would total \$3,665 million.

FY 2026 Year-End General Fund Revenue Extrapolations Based on Data Through April (\$ Millions)



YEAR-TO-DATE GENERAL FUND REVENUE

General Fund and School Equalization Revenue Monitoring Report (\$ Millions)

Revenue Source	Actual FY 2025	HJ 2 FY 2026	HJ 2 Est. % Change	April FY 2025	April FY 2026	YTD Difference	YTD % Change	YTD % Change
Largest Six Sources								
Individual Income Tax	\$2,329.580	\$2,263.262	-2.8%	\$2,137.785	\$2,219.580	\$81.795	3.8%	
Corporate Income Tax	321.208	326.235	1.6%	238.916	220.560	(18.356)	-7.7%	
Vehicle Taxes & Fees	135.877	127.009	-6.5%	106.318	104.370	(1.947)	-1.8%	
Oil & Natural Gas Taxes	58.665	69.156	17.9%	31.285	27.242	(4.044)	-12.9%	
Insurance Tax	127.928	129.850	1.5%	71.904	93.753	21.849	30.4%	
Video Gaming Tax	83.535	86.903	4.0%	62.446	64.404	1.957	3.1%	
Other Business Taxes								
Drivers License Fee	6.284	5.817	-7.4%	4.857	4.620	(0.236)	-4.9%	
Investment Licenses	21.858	22.311	2.1%	20.465	21.802	1.336	6.5%	
Lodging Facilities Sales Tax	49.548	48.108	-2.9%	33.306	34.987	1.681	5.0%	
Public Contractor's Tax	9.189	4.812	-47.6%	5.175	6.019	0.844	16.3%	
Railroad Car Tax	3.495	3.931	12.5%	2.950	2.943	(0.007)	-0.2%	
Rental Car Sales Tax	8.080	8.007	-0.9%	5.537	6.812	1.276	23.0%	
Retail Telecom Excise Tax	8.054	7.755	-3.7%	5.397	5.214	(0.182)	-3.4%	
Other Natural Resource Taxes								
Coal Severance Tax	17.346	12.134	-30.0%	13.183	7.265	(5.918)	-44.9%	
Electrical Energy Tax	4.305	5.543	28.8%	3.229	3.105	(0.124)	-3.8%	
Metal Mines Tax	6.511	6.935	6.5%	3.237	3.497	0.260	8.0%	
U.S. Mineral Leasing	24.154	14.133	-41.5%	13.308	14.451	1.144	8.6%	
Wholesale Energy Trans Tax	3.690	3.292	-10.8%	2.833	2.217	(0.616)	-21.8%	
Other Interest Earnings								
Coal Trust Interest Earnings	20.337	21.895	7.7%	15.212	16.276	1.064	7.0%	
TCA Interest Earnings ¹	164.804	104.283	-36.7%	125.503	96.904	(28.599)	-22.8%	
Other Consumption Taxes								
Beer Tax	2.905	2.851	-1.9%	2.117	2.107	(0.010)	-0.5%	
Cigarette Tax	18.488	19.231	4.0%	15.715	15.432	(0.283)	-1.8%	
Liquor Excise Tax	33.261	36.185	8.8%	22.232	21.962	(0.270)	-1.2%	
Liquor Profits	18.443	21.800	18.2%	-	-	-	-	
Lottery Profits	8.630	20.130	133.3%	6.703	17.120	10.417	155.4%	
Marijuana Tax	36.729	33.640	-8.4%	-	-	-	-	
Tobacco Tax	4.828	5.390	11.6%	3.617	3.416	(0.201)	-5.6%	
Wine Tax	2.362	2.575	9.0%	1.771	1.746	(0.025)	-1.4%	
Other Sources								
All Other Revenue	78.703	69.219	-12.1%	58.455	72.622	14.167	24.2%	
Highway Patrol Fines	3.440	3.534	2.7%	2.593	2.502	(0.091)	-3.5%	
Nursing Facilities Fee	3.597	3.609	0.3%	2.294	2.329	0.035	1.5%	
Public Institution Reimbursement:	5.385	5.927	10.1%	3.218	6.385	3.166	98.4%	
Tobacco Settlement	2.903	2.776	-4.4%	2.903	2.694	(0.209)	-7.2%	
General Fund OTO & Transfers		68.541			32.130			
Ongoing General Fund Total	3,459.316	3,429.696	-0.9%	2,898.961	3,072.205	173.244	6.0%	
Total General Fund	3,459.316	3,498.237	1.1%	2,898.961	3,104.336	205.374	7.1%	
Property Tax (SEPTR)	410.249	462.208	12.7%	267.434	286.681	19.247	7.2%	
Total General Revenues	\$4,034.369	\$3,960.446	-1.8%	\$3,291.898	\$3,391.016	\$99.119	3.0%	

¹ In FY 2025 TCA Interest Earnings were deposited into a state special revenue fund. They returned to the general fund in FY 2026.

MAJOR SOURCES

Individual Income Tax: Strong April collections suggest this source will end up above HJ 2 despite reductions from H.R. 1

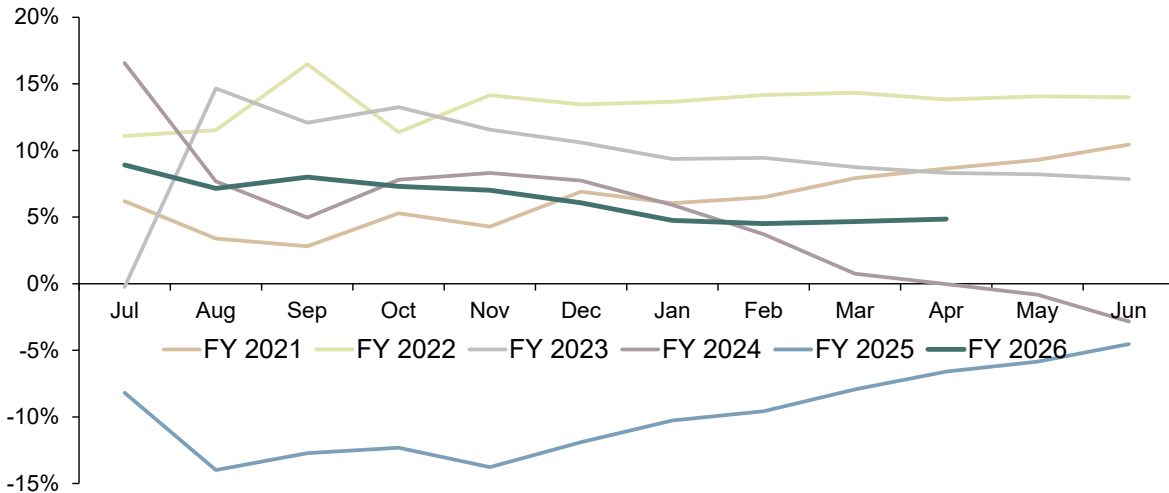
Individual income tax collections through the end of April are \$81.8 million or 3.8% above the year-to-date collections in FY 2025 and are currently above the projected decline of 2.8% anticipated in HJ 2. This increase is in spite of the reduced state income tax liabilities from H.R.1 as discussed in the December 2025 [Quarterly Report](#). The table below shows the year-over-year individual income tax growth by account.

Individual Income Tax (\$ Millions)

Account	YTD 2026	YTD 2025	\$ Difference	% Difference
Withholding	\$1,202.6	\$1,147.0	\$55.5	4.8%
Estimated Payments	360.2	335.1	25.1	7.5%
Current Year Payments	409.7	394.9	14.8	3.7%
Audit, P&I, Amended	80.3	69.3	11.0	15.9%
Refunds	(198.0)	(146.7)	(51.2)	34.9%
Partnership Income Tax	355.4	329.2	26.2	7.9%
Mineral Royalties	9.4	8.9	0.5	5.3%
Total	2,219.6	2,137.8	81.8	3.8%

Withholding typically accounts for over 60% of individual income tax and over one-third of total general revenues. As the figure below shows, withholding growth is often relatively variable in the first half of the year, but often stabilizes by February, absent changes in policy. Withholding is often a good proxy for growth in wage income but can be misleading if a sizeable portion of taxpayers are either over or under withholding, the latter of which happened last fiscal year.

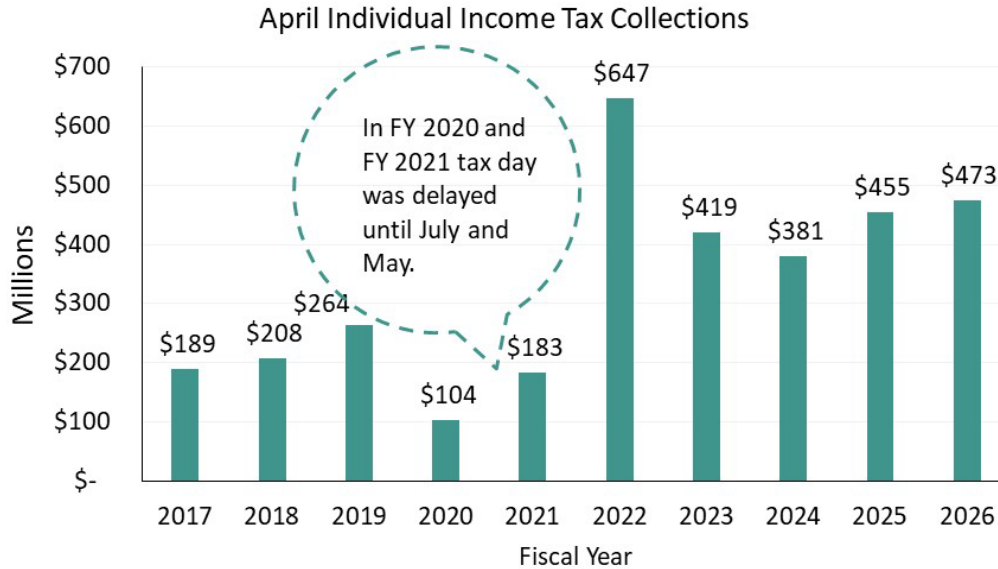
Cumulative Year-over-Year Withholding



Year-to-date withholding growth has held relatively steady near 4.7% since January. This is higher-than-expected, as new withholding rate tables were implemented this past January due to the passage of [HB 337](#) in the 2025 Session. As was mentioned above however, a significant portion of taxpayers were under withholding prior to filing taxes last year, which is likely artificially increasing the year-over-year growth this year.

April Individual Income Tax Collections

The month with the largest individual income tax collections is April, because this is when taxes must be filed. Not only are individual income tax collections high in April, but they are also quite volatile. The figure below shows total individual income tax collections across all accounts in April over the past decade. This April, collections totaled \$473 million, in comparison to \$455 million last year.



Preliminary April Tax Return Data and [HR 1](#)

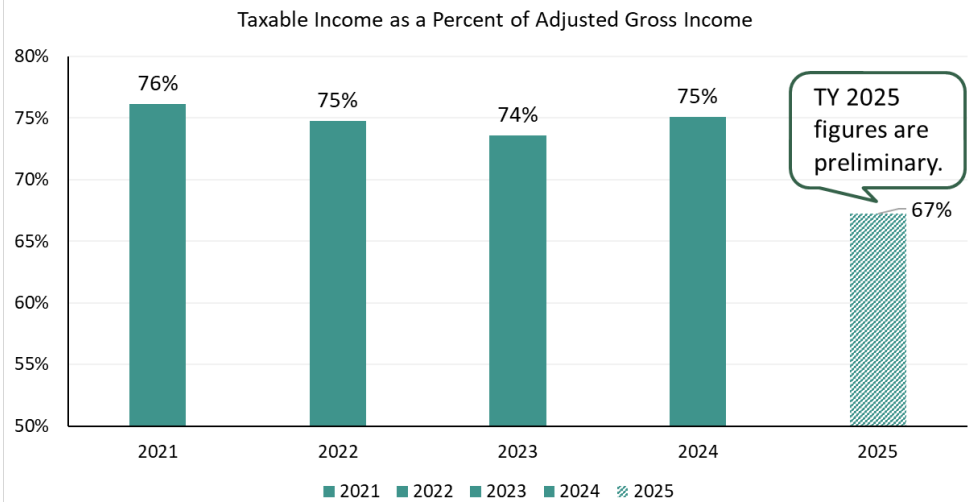
Preliminary tax return data, which includes filed returns through April can provide some insight into metrics that have governed year-to-date trends and this year's tax season. Through April, there have been 437,876 full-year resident returns filed. This is in comparison to 420,460 filed returns through the same period last year. From these returns the Federal Adjusted Gross Income (FAGI) this year totals \$35.0 billion, an increase of 7.6% compared to last year's \$32.5 billion. Capital gains income, which is outlined explicitly on Montana tax forms, grew 15.7%.

While some of the growth in FAGI is certainly attributable to more filers at this point in the fiscal year, the increased number of filers could also be responsible for some of the strong April collections. Growth was still strong after adjusting for the number of filers, as FAGI still grew 5.3% when comparing returns that were filed through in end of April for both the 2024 and 2025 tax years.

While individual income tax collections have been stronger than what was previously anticipated, this does not mean that HR 1 did not impact collections. In fact, various trends that were anticipated did occur. Namely, taxes due at the time of filing decreased compared to last year and more refunds were issued. This can be seen in the table below.

Preliminary Income Tax Metrics (\$ Millions)			
	TY 2024*	TY 2025*	% Change
Tax Owed at Time of Filing	\$198	\$179	-9.8%
Refunds Issued	\$134	\$166	23.8%
Federal Adjusted Gross Income	\$32,483	\$34,962	7.6%
Montana Taxable Income	\$22,983	\$23,497	2.2%
* All figures based on returns through April			

Recall that the major tax provisions in HR 1 were expected to decrease Montana's individual income tax collections by decreasing taxable income. This occurred by increasing standard deductions and allowing certain items (overtime, tips, car loan interest) to be deductible. The figure to the right shows this decline in taxable income relative to FAGI. In the previous four tax years, the share of FAGI that was taxable averaged 75%

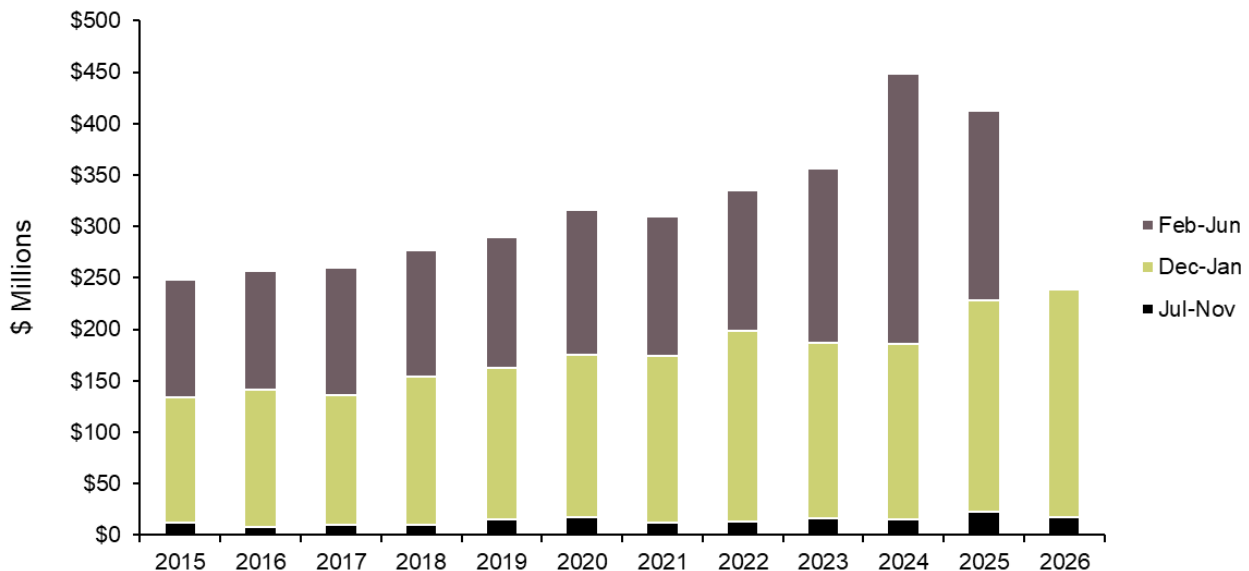


amongst full-year resident filers. While the 2025 data are still preliminary, this year the ratio is 67%. It is likely that this ratio will grow to some extent as extension filers file their taxes, but it is anticipated that a discrepancy will remain compared to prior years.

Property Tax (SEPTR): Expected to end up slightly above HJ 2

Property tax collections that are deposited in the School Equalization and Property Tax Reduction (SEPTR) account are expected to end slightly above HJ 2. In HJ 2 this source was expected to grow by 12.7% and total \$462.2 million. More recent tax assessment data from the Department of Revenue (DOR), coupled with the backfill of federal forest receipts revenue from the renewal of the Secure Rural Schools program, places the total estimate near \$472.8 million. Property taxes are made in two payment periods: one in November, and one in May. At this point in the fiscal year the November payments show up in the accounting system in December and January. The chart below shows the historical split between November payment (which is normally booked in December) and the May payment. Collections for the SEPTR account so far total \$286.7 million, or 7.2% more than was collected at this point in the previous fiscal year. Property tax is typically anticipated to come in close to the estimate, as it is a source that can be estimated with far more accuracy than most other sources.

Property Tax Collections by Fiscal Year and Period

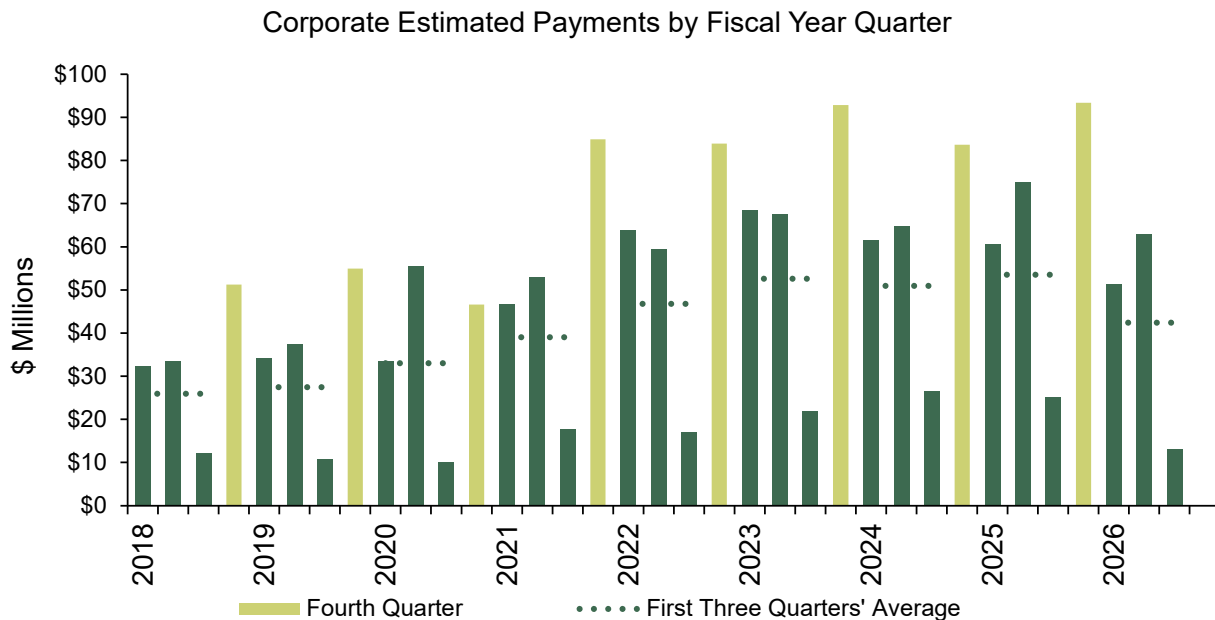


Corporate Income Tax: Below estimate and currently projected to end up below HJ 2

Corporate income tax collections through the end of April are 7.7% or \$18.4 million below this time in FY 2025. This is below the HJ 2 estimate which projected an increase of 1.6%. The table below shows the year-over-year corporate income tax growth by account. As the table shows, the year-over-year decline is primarily a result of decreased estimated payments.

Account	YTD 2026	YTD 2025	\$ Difference	% Difference
Corporation Tax	\$66.7	\$72.0	(\$5.3)	-7.4%
Estimated Payments	\$157.2	\$196.2	(39.0)	-19.9%
Refunds	(14.8)	(40.3)	25.6	-63.3%
Audit, P&I, Amended	11.5	11.0	0.4	3.8%
Total	220.6	\$238.9	(\$18.4)	-7.7%

The figure below shows that estimated payments in the first three quarters of FY 2026 are lower than the preceding four years' payments. While estimated payments are the primary driver of total corporate income tax collections, it can be difficult to ascertain final collections based on the first three quarters due to how large the fourth quarter payment typically is. Nonetheless, the decline in the first three quarters this year is fairly pronounced, meaning much stronger growth will be required in the final quarter to reach HJ 2, which appears unlikely at this point.



Vehicle Fees & Taxes: Above estimate and anticipated to end up above HJ 2

Through April, vehicle taxes & fees have decreased 1.8% or \$1.9 million compared to FY 2025. This is above the estimated decrease of 6.5% that was adopted in HJ 2. There can be fluctuation on when vehicle registrations are posted to the statewide accounting system, but given last year's above-estimate collections, it is expected that this year will end above HJ 2 as well.

Oil & Natural Gas Production Tax: Currently below estimate but the last fiscal quarter's activity may bring collections near HJ 2

Oil and Gas collections are 12.9% or \$4.0 million below collections through the same period last year. These collections are only for sales that happened in the first two quarters of the fiscal year. Over this period, production in Montana averaged about 80,500 barrels per day, the average price Montana producers received over this time was about \$56.80 per barrel, and there were 2 rigs operating in the state each month. This source can be very volatile and is dependent on global oil prices. Since the beginning of the calendar year, West Texas Intermediate (WTI) prices have risen sharply, from about \$57/barrel at the end of 2025 to about \$100/barrel in April. Collections are expected to rise as well before the end of the fiscal year. The following [link](#) has more information on production and price history in Montana.

Insurance Tax: Anticipated to meet or exceed HJ 2

Insurance tax collections through April are 30.4 or \$21.8 million above FY 2025 collections through the same period. Premium insurance taxes, which make up the bulk of this source, is up \$14.4 million over this time last year. However, this may be a timing issue as there was no transfer in April of 2025 and instead the income was recorded in the following month. Fire Marshal Taxes came in at \$15.7 million, an 8.0% increase over the final total last year. Surplus lines premium tax came in 9.4% above last year's total as well. These may indicate increased prices in insuring homes against fire.

Video Gaming Tax: Anticipated to end up near HJ 2

Revenue from video gambling is currently \$2.0 million or 3.1% above collections from this time last year. This is on track to end up near HJ 2, which had a projected increase of 4.0%.

Other Sources

Lodging Facilities Sales Tax: Continued growth, anticipated to end above HJ 2

Collections from the lodging facilities sales tax are 5.0% or \$1.7 million above collections through this time last fiscal year. This is above HJ 2 estimate. Higher than anticipated collections could be due to continued increases in lodging prices, or in lodging purchases, or both.

Coal Severance Tax: Anticipated to be below HJ 2

Coal severance tax collections that are deposited into the general fund are 44.9% or \$5.9 million below last year's collections. In HJ 2 this source was expected to decline by 30.0%. The anticipated decreases were due to continued price declines from the very high levels seen in FY 2023 and FY 2024. In FY 2025, prices averaged \$28/ton, whereas during this fiscal year they have averaged \$23/ton. These prices are still comparatively high when compared to years preceding FY 2023. Furthermore, production has declined approximately 15% compared to this point last year. Finally, [HB 368](#) from the 2025 Session stipulated that \$2 million per year of coal severance tax collections be redirected from the general fund to the Colstrip water infrastructure mitigation account.

U.S. Mineral Leasing: Anticipated to surpass HJ 2 estimate due to bonus lease payments

Royalty payments from U.S. mineral leases are 8.6% or \$1.1 million above collections through this time last fiscal year. This is above the estimate in HJ 2 in part due to bonus payments made on new oil and gas leases in Montana on federal land.

TCA Interest Earnings: Currently above and anticipated to end above estimate

Current TCA interest earnings through April are 22.8% or \$28.6 million below FY 2025 collections through the same period. This is above the 36.7% decrease estimated in HJ 2. This source is impacted by interest rates and the Treasury Cash Account's current cash balance.

Lottery Profits: Above estimate due to FY 2025 transfer occurring in FY 2026, anticipated to end above estimate

Revenue from lottery profits is currently \$10.4 million above the same time last fiscal year. Due to accounting anomalies in FY 2025, the general fund transfer was \$12.3 million lower than expected last fiscal year. The transfer was instead made in the first half of this fiscal year, which will increase FY 2026 totals.

All Other Revenue: Above estimate

Revenue from all other miscellaneous sources is \$14.2 million or 24.2% above collections from the same period last fiscal year. \$21.7 million of the collections are unused funds from the 2023 Session individual income tax rebates. When the rebate bills were passed, there was a general fund transfer to a state special revenue account, and any unused funds would return to the general fund this fiscal year. Other than that transfer, this source can be very volatile, and there have been fewer abandoned property collections this fiscal year. Also to note, there was about \$26.5 million that was being temporarily being stored in the general fund to be used to execute HB 5, section 17. These funds have been removed and are no longer counted under all other revenue.