



GOVERNOR GREG GIANFORTE  
DIRECTOR BRENDAN BEATTY

October 5, 2023

Eric Bryson  
Montana Association of Counties  
2715 Skyway Drive, Suite A  
Helena, MT 59602

Kelly Lynch  
Montana League of Cities and Towns  
PO Box 7388  
Helena, MT 59604-7388

Subject: Entitlement Share Growth Calculation for FY 2025

Dear Mr. Bryson and Ms. Lynch:

The Montana Department of Revenue has calculated the entitlement share growth factor for Fiscal Year 2025. The growth factor for the entitlement share will be the maximum allowable percentage: 3% for counties, 3.25% for consolidated governments, and 3.5% for cities.

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.

The calculation yields a growth factor of 1.0436, which is greater than the maximum growth laid out in 15-1-121 (4)(b)(ii) of 1.03 for counties, 1.0325 for consolidated governments and 1.035 for cities. Therefore, the growth factor for the entitlement share is the maximum growth rate by local government type.

Fiscal Year	Alcohol/Gaming/Vehicles	Personal and Corp. Income
FY 2021	\$284,079,507	\$2,031,935,414
FY 2022	\$293,177,636	\$2,687,502,886
FY 2023	\$295,897,970	\$2,564,202,686
Non-Weighted Ratio	1.0205	1.1128
Weighted Ratio	0.7654	0.2782
Growth Factor	1.0436	

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 2.46%, which means the entitlement share payment for Class 8 reimbursements has grown by a factor of 1.0246 for FY 2025.

The passage of HB 303 by the 2021 Legislature increased the exemption threshold for Class 8 personal property from \$100,000 to \$300,000 and reimbursed local governments for lost taxes due to this reduction in tax base. This reimbursement amount is being distributed in the current fiscal year and will continue to be distributed, although it will not grow over time.

HB 212 from the 2023 Legislature further increased the exemption threshold from \$300,000 to \$1,000,000 and reimburses local governments for lost taxes due to this reduction in tax base. These reimbursements will be calculated once data is available by the end of FY 2024 and will be included with the FY 2025 payments and distributed quarterly.

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

Sincerely,

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 Tax, Policy, and Research  
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CC: Ryan Evans, OBPP  
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