The Montana Taxpayers Association was formed in 1921 when a group of concerned Montanans from 19 counties met to discuss the problems of local and state government. It is the third oldest state organization and is financed solely through voluntary dues from those who live and do business in Montana.

Eighty years later, the association continues on that path started long ago, with members from all 56 counties in the state and a Board of Directors representing the basic economic groups in Montana. The Association continues to focus on finding solutions toward equitable taxation and fiscal policy in Montana and proving a reputable source of non-partisan, common sense ideas on the subject of state taxation.

Montana
Taxpayers Association
SINCE 1921
montax.org

For further information, contact the local area Chamber of Commerce, the local economic development organization or the following:

Montana Taxpayers Association (406) 442-2130 or
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Click on "Papers"

MONTANA TAXES

COMPARISONS

WITH

OTHER

STATES

This publication has been made possible
by the following:

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Montana Taxpayers Association

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Purpose

This guide summarizes Montana's state and local taxes, and compares them with other states in the region. It also lists Montana's rankings among all fifty states for various taxes. The guide is intended to provide clear and accurate information for individuals and businesses considering locating in Montana.

Montana Taxes—Overall State & Local Tax Burden

Montana imposes taxes on property, natural resources, and corporate and personal income. Montana also taxes alcohol, tobacco, gasoline, and other selected items, but has no general sales tax. The overall tax burden—taking into account the various taxies levied by all levels of Montana government (state, counties, cities and towns, school districts, etc.) - is the 20th lowest in the nation on a per capita basis and 11th lowest as a percentage of income. Montana is slightly higher than average on a regional basis.

Table 1—Total State and Local Taxes

	Dollars Per Capita		Percent Of Income	
	Amount	U.S. Rank*	Amount	U.S. Rank*
California	$4,752	10	10.5%	6
Colorado	$3,989	26	9.0%	34
Idaho	$3,400	40	10.1%	13
Montana	**$3,670**	**31**	**8.6%**	**40**
Nevada	$4,023	25	6.6%	49
North Dakota	$4,618	13	9.2%	33
Oregon	$3,525	37	9.4%	26
South Dakota	$3,209	45	7.9%	45
Utah	$3,354	41	9.6%	22
Washington	$4,331	19	8.9%	35
Wyoming	$6,947	3	7.0%	48
U.S. Average	**$4,294**		**9.7%**	
Region Average	**$4,165**		**8.0%**	

Source: Tax Foundation (August 2008 No. 163) (Tables 6 and 7).
Note: Rank 1 = Highest Taxes; Rank 50 = Lowest Taxes

Total Tax Burden by Income Level

The estimated burden on a family of three of all personal taxes—income, property, general sales, and auto taxes—is provided in the tables below for three different income levels. Montana taxes are below national averages at all income levels.

Table 9(a) - Estimated Tax Burden: Income Level = $25,000

	Income	Property	Sales	Auto	Total	Rank	% of Income
California	$0	$1,786	$628	$298	$2,711	35	10.8%
Colorado	$183	$1,786	$740	$266	$2,975	22	11.9%
Idaho	$49	$1,786	$630	$203	$2,667	38	10.7%
Montana	**$332**	**$1,786**	**$0**	**$285**	**$2,403**	**48**	**9.6%**
Nevada	$0	$1,786	$566	$273	$2,625	42	10.5%
North Dakota	$87	$1,786	$551	$201	$2,625	43	10.5%
Oregon	$945	$1,786	$0	$160	$2,891	25	11.6%
South Dakota	$0	$1,786	$867	$180	$2,833	29	11.3%
Utah	$230	$1,786	$799	$271	$3,085	19	12.3%
Washington	$0	$1,786	$817	$257	$2,860	26	11.4%
Wyoming	$0	$1,786	$846	$215	$2,847	28	11.4%
U.S. Median	$123	$1,786	$687	$211	$2,860		11.4%

Table 9(b) - Estimated Tax Burden: Income Level = $75,000

	Income	Property	Sales	Auto	Total	Rank	% of Income
California	$1,216	$2,083	$1,237	$842	$5,378	40	7.2%
Colorado	$2,280	$1,105	$1,380	$806	$5,570	38	7.4%
Idaho	$3,200	$1,268	$1,197	$330	$5,995	32	8.0%
Montana	**$2,559**	**$1,865**	**$0**	**$689**	**$5,113**	**43**	**6.8%**
Nevada	$0	$2,251	$1,072	$486	$3,809	47	5.1%
North Dakota	$594	$3,881	$1,038	$333	$5,846	34	7.8%
Oregon	$3,931	$2,099	$0	$249	$6,278	29	8.4%
South Dakota	$0	$2,760	$1,518	$294	$4,572	45	6.1%
Utah	$3,149	$1,246	$1,430	$508	$6,333	27	8.4%
Washington	$0	$1,698	$1,561	$457	$3,715	48	5.0%
Wyoming	$0	$1,326	$1,512	$665	$3,503	49	4.7%
U.S. Median	$2,559	$2,391	$1,249	$393	$6,355		8.5%

Table 9(c) - Estimated Tax Burden: Income Level = $150,000

	Income	Property	Sales	Auto	Total	Rank	% of Income
California	$6,687	$4,037	$1,998	$1,223	$13,945	25	9.3%
Colorado	$5,362	$2,103	$2,196	$1,445	$11,107	40	7.4%
Idaho	$8,018	$3,368	$1,986	$393	$13,764	27	9.2%
Montana	**$6,987**	**$3,551**	**$0**	**$1,026**	**$11,564**	**39**	**7.7%**
Nevada	$0	$4,286	$1,643	$666	$6,595	47	4.4%
North Dakota	$2,715	$7,390	$1,612	$430	$12,147	36	8.1%
Oregon	$9,886	$3,996	$0	$309	$14,191	24	9.5%
South Dakota	$0	$5,255	$2,305	$350	$7,910	45	5.3%
Utah	$7,264	$2,372	$2,152	$609	$12,398	34	8.3%
Washington	$0	$3,233	$2,528	$593	$6,353	48	4.2%
Wyoming	$0	$2,525	$2,326	$1,180	$6,031	49	4.0%
U.S. Median	$6,604	$4,743	$1,980	$593	$13,916		9.3%

Source: Tax Rates & Tax Burdens in the District of Columbia/A Nationwide Comparison, 2007

Montana Corporate License Tax

Montana imposes a corporate license tax on net income earned in Montana. Montana's rate is about average when compared to surrounding states.

Table 7— State Corporate Income Tax

	Rate	Apportionment Formula
California*	8.84%	Double wtd. Sales
Colorado*	4.63%	3 Factor/Sales & Property
Idaho*	7.60%	Double wtd. Sales
Montana*	**6.75%**	**3 Factor**
Nevada		No State Income Tax
North Dakota*	2.6-7.0%	3 Factor
Oregon*	6.60%	Sales
South Dakota		No State Income Tax
Utah*	5.00%	3 Factor/Double wtd. Sales
Washington		No State Income Tax
Wyoming		No State Income Tax

*State has adopted substantial portions of the UDITPA
Source: Federation of Tax Administrators, January 1, 2008.

Sales Taxes

Montana has no general sales tax but levies selective (excise) taxes on gasoline, alcohol, tobacco, lodgings and other items. Montana ranks relatively high on its use of selective taxes.

Table 8—Selective (Excise) Taxes

	Per Capita		% of Income	
	Amount	Rank	Amount	Rank
California	$323	41	0.84%	48
Colorado	$300	45	0.78%	49
Idaho	$289	48	0.99%	40
Montana	**$550**	**12**	**1.83%**	**6**
Nevada	$990	1	2.59%	1
North Dakota	$511	16	1.58%	11
Oregon	$295	46	0.91%	46
South Dakota	$385	28	1.21%	27
Utah	$352	36	1.23%	26
Washington	$569	9	1.54%	12
Wyoming	$281	49	0.72%	50
U.S. Average	**$437**		**1.22%**	
Region Average	**$440**		**1.22%**	

Source: US Bureau of the Census for FY2006
Excludes Washington's B&O tax.

Montana Property Taxes

Montana's effective tax rates on residential property are lower than the U.S. average, but slightly higher than the region average. The effective tax rates on industrial property are higher than both the region average. As in most other states, property taxes vary from school district to school district according to the local mill levy. The following two tables compare property taxes in the largest city of each state for residential and industrial property. Effective tax rates are property taxes divided by the market value of the property.

Table 2—Effective Property Tax Rates—Residential Property

State/Metropolitan Area	Median Home Price	Tax(s)	Rank	Effective Tax Rate	Rank
California, Los Angeles	593,000	6,884	2	1.16%	31
Colorado, Denver	255,200	1,363	48	0.53%	51
Idaho, Boise	212,800	1,386	47	0.65%	47
Montana, Billings*	**219,700**	**2,526**	**23**	**1.15%**	**33**
Nevada, Las Vegas	307,900	3,474	13	1.13%	35
North Dakota, Fargo	139,000	2,693	22	1.94%	9
Oregon, Portland	298,300	3,560	12	1.19%	28
South Dakota, Sioux Falls	142,300	1,693	40	1.19%	30
Utah, Salt Lake City	233,100	1,446	45	0.62%	48
Washington, Seattle	395,300	3,184	15	0.81%	39
Wyoming, Cheyenne*	180,700	1,299	49	0.72%	42
U.S. Average	**241,700**	**$2,942**		**1.30%**	
Region Average	**279,660**	**$2,664**		**1.01%**	

Sources of Median Sales Prices: Nat. Assoc. of REALTORS; Calculations by Minnesota Ctr for Public Finance Res.
*Estimated using Freddie Mac and adjusted for the 2006-07 regional median home value change reported by the National Association of REALTORS.

Table 3—Effective Property Tax Rates—Industrial Property

$25,000,000 Land and Building—$12,500,000 Machinery and Equipment—$10,000,000 Inventories—$2,500,000 Fixtures

State	Tax	Effective Tax Rate	Rank
California	404,720	0.81%	36
Colorado	854,120	1.71%	12
Idaho	448,307	0.90%	33
Montana	**716,026**	**1.43%**	**19**
Nevada	489,302	0.98%	29
North Dakota	520,558	1.04%	26
Oregon	382,034	0.76%	39
South Dakota	514,250	1.03%	27
Utah	475,514	0.95%	30
Washington	449,956	0.90%	32
Wyoming	356,500	0.71%	41
U.S. Average	**642,194**	**1.28%**	
Region Average	**510,117**	**1.02%**	

National Taxpayers Conference—"50—State Property Tax Comparison Study" - Payable 2006

Montana Income Taxes

Montana has a modestly progressive personal income tax. The top tax rate of 6.9% is the 14th highest in the nation, but Montana is one of only six states that allows Federal taxes to be deducted on the state return. Montana's effective marginal rate ranks about in the middle of other states in the region.

Table 4—Top Tax Rates on Ordinary Income

	Statutory Rate	Fed Tax Deductible?	Effective Marginal Rate[1]
California[3]	9.3%	No	6.7%
Colorado	4.63%	No	3.3%
Idaho	7.8%	No	5.6%
Montana	**6.9%**	**Limited[2]**	**5.0%**
Nevada	No Income Tax		
North Dakota	5.54%	No	4.0%
Oregon	9.0%	Limited[2]	6.5%
South Dakota	No Income Tax		
Utah	5.0%	No	3.6%
Washington[4]	No Income Tax		
Wyoming	No Income Tax		

1. Effective marginal rate is the income tax burden on an additional dollar of ordinary income from living in the indicated state in comparison with living in a state with no income tax, taking account of the deductibility of state income taxes on Federal returns. Taxpayer is assumed to be in the 28% Federal bracket, top state bracket, itemizes deductions, and has exceeded the limit on deductions of Federal taxes on state returns. Effective rates are lower if the taxpayer is in a higher Federal bracket and/or has not exceeded the limit on deductions.

2. Montana limits the amount of Federal taxes which can be deducted to $10,000 for a married couple filing jointly. Oregon's limit is $5,600.

3. An additional 1% tax is imposed on taxable income over $1 million.

4. Excludes Washington's B&O tax.

Source: Federation of Tax Administrators (January 1, 2008) and Doug Young

Capital Gains

Most states tax capital gains as ordinary income. However, several states provide special treatment, sometimes limited to gains realized from—or invested in—the state. Montana is unique in providing a *tax credit of 2% on all capital gains, whether invested in Montana or not.*

Table 5—Taxation of Capital Gains

California	Exclude 50% of gain on CA small business stock held > 5 years
Colorado	Exclude gains on CO property/stock held > 5 years
Idaho	Exclude 40% of "qualifying" gain
Montana	**Tax credit = 2% of gain**
Nevada	No Income Tax
North Dakota	Exclude 30% of long term gains "allocable" to ND
Oregon	As Ordinary Income
South Dakota	No Income Tax
Utah	Tax credit if 70% of gross proceeds invested in UT small business corp.
Washington	No Income Tax
Wyoming	No Income Tax

Source: Doug Young from State Tax websites

State and local individual income taxes in Montana are below average on a per capita basis and about average as a percentage of income.

Table 6—Average Individual Income Tax Burden—2006

	$ Per Capita Amount	Rank	% of Income	Rank
California	$1,418	7	3.7%	6
Colorado	$902	20	2.3%	33
Idaho	$846	26	2.9%	18
Montana	**$817**	**29**	**2.7%**	**21**
Nevada	No Income Tax			
North Dakota	$433	41	1.3%	42
Oregon	$1,513	6	4.7%	2
South Dakota	No Income Tax			
Utah	$896	21	3.1%	16
Washington	No Income Tax			
Wyoming	No Income Tax			
U.S. Average	**$934**		**2.5%**	

Source: Calculations by Doug Young from US Bureau of Census for FY2006
Excludes Washington's B&O tax.