

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.



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
www.montax.org**

**Professor Douglas J. Young
www.djyoung.org
Click on "Papers"**

MONTANA TAXES

COMPARISONS

WITH

OTHER

STATES

This publication has been made possible
by the following:

Douglas J. Young, Professor of Economics
and the Extension Service
Montana State University—Bozeman

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 taxes levied by all levels of Montana government (state, counties, cities and towns, school districts, etc.) - is the 8th lowest in the nation on a per capita basis and 11th lowest as a percentage of income. Montana taxes are also lower 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	\$5,028	6	10.5%	6
Colorado	\$4,359	13	9.0%	34
Idaho	\$3,670	27	10.1%	13
Montana	\$3,158	43	8.6%	40
Nevada	\$3,245	39	6.6%	49
North Dakota	\$3,637	30	9.2%	33
Oregon	\$3,719	24	9.4%	26
South Dakota	\$3,079	47	7.9%	45
Utah	\$3,446	35	9.6%	22
Washington	\$4,334	15	8.9%	35
Wyoming	\$3,714	25	7.0%	48
U.S. Average	\$4,283		9.7%	
Region Average	\$3,763		8.0%	

Source: Tax Foundation Special Report, No. 163, “State-Local Tax Burdens.
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	\$1,843	\$591	\$230	\$2,665	28	10.7%
Colorado	\$164	\$1,783	\$670	\$211	\$2,828	21	11.3%
Idaho	\$0	\$1,459	\$578	\$211	\$2,248	46	9.0%
Montana	\$261	\$1,351	\$0	\$266	\$1,878	51	7.5%
Nevada	\$0	\$1,687	\$529	\$239	\$2,455	38	9.8%
North Dakota	\$76	\$1,176	\$506	\$196	\$1,954	50	7.8%
Oregon	\$883	\$1,656	\$0	\$156	\$2,695	27	10.8%
South Dakota	\$0	\$1,344	\$878	\$176	\$2,398	40	9.6%
Utah	\$136	\$1,706	\$748	\$266	\$2,856	18	11.4%
Washington	\$0	\$1,793	\$796	\$241	\$2,831	20	11.3%
Wyoming	\$0	\$1,378	\$807	\$162	\$2,347	42	9.4%
U.S. Median	\$76	\$1,625	\$670	\$185	\$2,703		10.8%

Table 9(b) - Estimated Tax Burden: Income Level = \$75,000							
	Income	Property	Sales	Auto	Total	Rank	% of Income
California	\$114	\$4,460	\$1,213	\$631	\$6,417	19	8.6%
Colorado	\$1,854	\$1,290	\$1,363	\$548	\$5,055	38	6.7%
Idaho	\$2,758	\$1,118	\$1,155	\$393	\$5,424	36	7.2%
Montana	\$2,781	\$777	\$0	\$660	\$4,218	45	5.6%
Nevada	\$0	\$2,539	\$1,038	\$469	\$4,046	47	5.4%
North Dakota	\$788	\$2,049	\$1,024	\$386	\$4,247	43	5.7%
Oregon	\$3,446	\$2,156	\$0	\$284	\$5,886	30	7.8%
South Dakota	\$0	\$1,596	\$1,663	\$314	\$3,573	48	4.8%
Utah	\$2,678	\$1,159	\$1,427	\$514	\$5,778	33	7.7%
Washington	\$0	\$2,762	\$1,630	\$473	\$4,865	39	6.5%
Wyoming	\$0	\$978	\$1,513	\$458	\$2,949	51	3.9%
U.S. Median	\$2,248	\$2,222	\$1,224	\$409	\$5,995		8.0%

Table 9(c) - Estimated Tax Burden: Income Level = \$150,000							
	Income	Property	Sales	Auto	Total	Rank	% of Income
California	\$4,891	\$5,295	\$2,029	\$1,102	\$13,317	16	8.9%
Colorado	\$5,212	\$1,650	\$2,250	\$1,226	\$10,337	39	6.9%
Idaho	\$8,397	\$1,784	\$1,965	\$396	\$12,542	27	8.4%
Montana	\$7,929	\$946	\$0	\$833	\$9,708	40	6.5%
Nevada	\$0	\$3,695	\$1,618	\$636	\$5,949	46	4.0%
North Dakota	\$3,191	\$3,341	\$1,648	\$409	\$8,590	42	5.7%
Oregon	\$9,823	\$2,668	\$0	\$287	\$12,778	24	8.5%
South Dakota	\$0	\$2,547	\$2,638	\$330	\$5,515	48	3.7%
Utah	\$7,378	\$1,431	\$2,223	\$547	\$11,580	32	7.7%
Washington	\$0	\$3,025	\$2,702	\$547	\$6,274	45	4.2%
Wyoming	\$0	\$1,550	\$2,414	\$1,025	\$4,990	50	3.3%
U.S. Median	\$6,625	\$3,101	\$2,046	\$547	\$12,596		8.4%

Source: Tax Rates & Tax Burdens in the District of Columbia/A Nationwide Comparison, 2008

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.

	Rate	Apportionment Formula
California*	8.84%	Double wtd. Sales
Colorado*	4.63%	Sales
Idaho*	7.60%	Double wtd. Sales
Montana*	6.75%	3 Factor
Nevada		No State Income Tax
North Dakota*	2.1-6.4%	3 Factor
Oregon*	6.6-7.9%	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, 2010.

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.

	Per Capita		% of Income	
	Amount	Rank	Amount	Rank
California	\$341	41	0.80%	48
Colorado	\$318	46	0.76%	49
Idaho	\$286	51	0.89%	45
Montana	\$562	10	1.70%	6
Nevada	\$1,006	1	2.51%	1
North Dakota	\$540	16	1.54%	11
Oregon	\$298	49	0.85%	47
South Dakota	\$409	30	1.17%	28
Utah	\$352	38	1.13%	32
Washington	\$623	8	1.53%	13
Wyoming	\$296	50	0.65%	51
U.S. Average	\$464		1.20%	
Region Average	\$457		1.23%	

Source: US Bureau of the Census for FY2007

Excludes Washington's B&O tax.

Montana Property Taxes

Montana's effective tax rates on residential property are lower than the U.S. average and slightly lower than the region average. The effective tax rates on industrial property are higher than 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.

State/Metropolitan Area	Median Home Price	Tax(s)	Rank	Effective Tax Rate	Rank
California, Los Angeles	418,900	4,901	6	1.17%	26
Colorado, Denver	225,200	1,199	45	0.53%	50
Idaho, Boise	191,000	985	49	0.52%	51
Montana, Billings*	129,200	972	50	0.75%	39
Nevada, Las Vegas	235,300	2,663	20	1.13%	32
North Dakota, Fargo	140,200	2,702	18	1.93%	9
Oregon, Portland	286,100	3,322	12	1.16%	27
South Dakota, Sioux Falls	144,400	1,657	37	1.15%	31
Utah, Salt Lake City	234,200	1,437	42	0.61%	46
Washington, Seattle	380,500	2,757	16	0.73%	41
Wyoming, Cheyenne*	126,700	893	52	0.71%	43
U.S. Average	220,228	\$2,695		1.27%	
Region Average	228,336	\$2,135		0.94%	

Sources of Median Sales Prices: Nat. Assoc. of REALTORS except where *. For * locations, 2007 statewide median home data was derived from a variety of sources.

\$25,000,000 Land and Building—\$18,750,000 Machinery and Equipment—\$15,000,000 Inventories—\$3,750,000 Fixtures			
State	Tax	Effective Tax Rate	Rank
California	565,126	0.90%	34
Colorado	908,896	1.45%	10
Idaho	509,843	0.82%	29
Montana	616,930	0.99%	26
Nevada	541,417	0.87%	25
North Dakota	532,027	0.85%	22
Oregon	743,069	1.19%	36
South Dakota	380,375	0.61%	33
Utah	543,021	0.87%	28
Washington	376,034	0.60%	46
Wyoming	409,196	0.66%	43
U.S. Average	836,735	1.34%	
Region Average	556,903	0.89%	

National Taxpayers Conference—"50—State Property Tax Comparison Study" - Payable 2008

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 ²	10.55%	No	7.1%
Colorado	4.63%	No	3.3%
Idaho	7.8%	No	5.2%
Montana	6.9%	Limited³	4.6%
Nevada	No Income Tax		
North Dakota	4.86%	No	3.3%
Oregon	11.0%	Limited ²	7.4%
South Dakota	No Income Tax		
Utah	5.0%	No	3.4%
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 33% 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 Including a 1% surtax on incomes over \$1,000,000.

³ Montana limits the amount of Federal taxes which can be deducted to \$10,000 for a married couple filing jointly and \$5,000 for individuals.. Oregon's limit is \$5,600.

⁴ Excludes Washington's B&O tax.

Source: Federation of Tax Administrators (January 1, 2010) 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 slightly about average as a percentage of income.

Table 6—Average Individual Income Tax Burden—2007

	\$ Per Capita Amount	Rank	% of Income	Rank
California	\$1,477	7	3.5%	6
Colorado	\$1,000	19	2.4%	32
Idaho	\$949	23	2.9%	18
Montana	\$875	29	2.6%	24
Nevada	No Income Tax			
North Dakota	\$497	41	1.4%	42
Oregon	\$1,515	6	4.3%	2
South Dakota	No Income Tax			
Utah	\$976	21	3.1%	13
Washington	No Income Tax			
Wyoming	No Income Tax			
U.S. Average	\$955		2.5%	

Source: Calculations by Doug Young from US Bureau of Census for FY2007
Excludes Washington's B&O tax.