

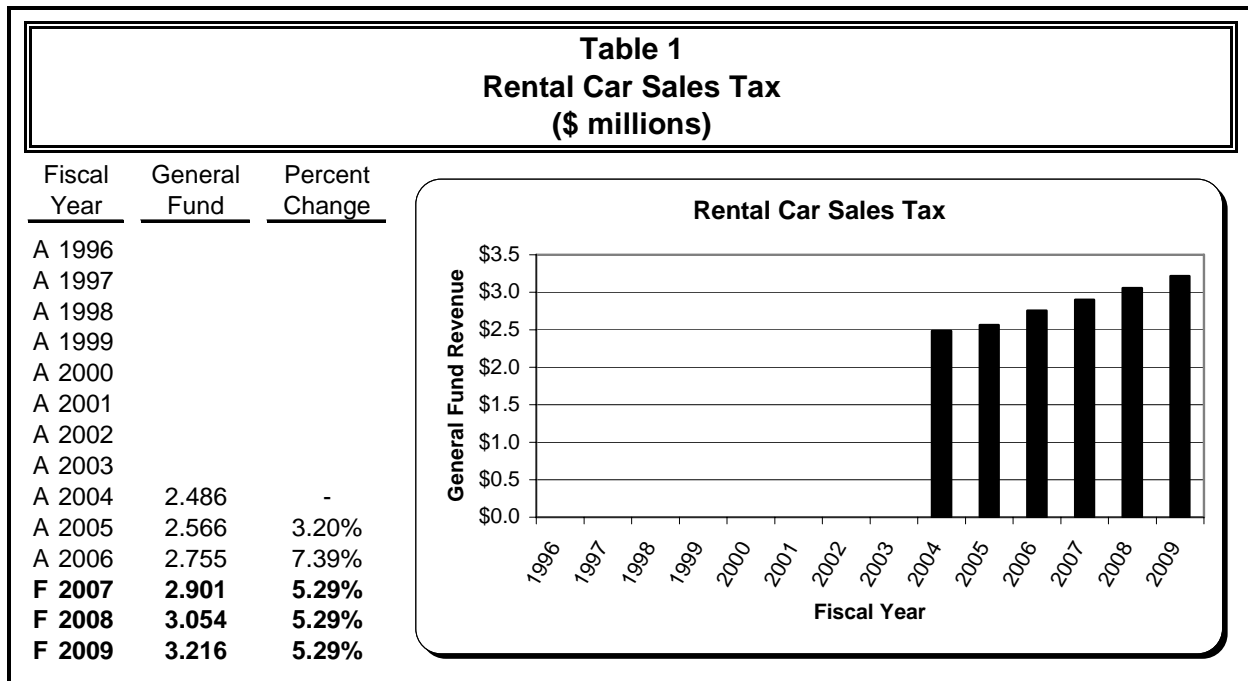
RENTAL CAR SALES TAX

Revenue Description

In accordance with 15-68-102, MCA, Montana imposes a 4% tax on rental vehicle sales. The rental vehicle sales tax collections began in FY 2004. All revenue from the rental car sales tax is allocated to the general fund (15-68-820, MCA).

Historical and Projected Revenue

Table 1 shows actual general fund revenue from the rental car sales tax for FY 1996 through FY 2006 and forecast revenue for FY 2007 through FY 2009.



The rental car sales tax has only been collected for three fiscal years. Rental car sales tax revenue grew 3.20% in FY 2004 and 7.39% in FY 2005. The average growth rate of these two years, 5.29%, is used to forecast rental car sales tax revenue for FY 2007 through FY 2009.

Forecast Methodology and Projection Calculation

Rental car sales tax revenue is forecast using the average growth rate from FY 2004, the first year of the tax, to FY 2006. Revenue from the rental car sales tax during this period grew at a rate of 5.29% per year.

To forecast revenue for FY 2007 through FY 2009, the previous year's revenue is multiplied by 1.0529, or 105.29%. Table 2 shows rental car sales tax revenue from FY 2007 through FY 2009. Rental car sales tax revenue is forecast to be \$2.901 million in FY 2007, \$3.054 million in FY 2008, and \$3.216 million in FY 2009.

Table 2					
Rental Car Sales Tax Revenue					
FY 2007 to FY 2009					
(\$ millions)					
Fiscal Year	Previous Year's Revenue	x	Growth Rate	=	Total Revenue
2007	\$2.755	x	105.29%	=	\$2.901
2008	\$2.901	x	105.29%	=	\$3.054
2009	\$3.054	x	105.29%	=	\$3.216

Data Sources

Rental car sales tax revenue data is from SABRHS Report MTGL109.