

ESTATE TAX

Revenue Description

Federal law provides a credit for state inheritance or estate taxes. The Montana estate tax is equal to the maximum credit allowed under the federal estate tax credit. The state inheritance tax was repealed by the passage of Legislative Referendum 116, and does not apply for deaths occurring on or after January 1, 2001. Likewise, the federal deduction on the estate tax expired on January 1, 2005. In 2011, expiration of the federal elimination of the estate tax sunsets and must be renewed or the federal estate tax will be reactivated. Although Montana voters have repealed the inheritance tax and federal law has eliminated the estate tax, the Department of Revenue still collects inheritance and estate tax revenue from unsettled estates of deaths before both taxes were eliminated. All estate and inheritance tax revenue is deposited in the general fund.

Historical and Projected Revenue

Table 1 shows actual general fund revenue from estate and inheritance taxes for FY 1996 through FY 2006 and forecast revenue for FY 2007 through FY 2009.

Table 1 Estate and Inheritance Tax (\$ millions)		
Fiscal Year	General Fund	Percent Change
A 1996	15.404	-58.00%
A 1997	14.562	-5.46%
A 1998	15.727	7.99%
A 1999	18.302	16.38%
A 2000	19.003	3.83%
A 2001	20.286	6.75%
A 2002	13.816	-31.89%
A 2003	13.306	-3.69%
A 2004	11.431	-14.09%
A 2005	4.191	-63.34%
A 2006	1.773	-57.69%
F 2007	0.159	-91.02%
F 2008	0.148	-6.79%
F 2009	0.090	-39.22%

Estate and Inheritance Tax

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2009	0.090

Collections from FY 1996 through FY 2001 show a general upward trend with year-to-year variations. Collections decreased in FY 2002 through FY 2006 and are projected to continue to decrease substantially.

Forecast Methodology and Projection Calculation

The Department of Revenue estimates the total value of the 20 Montana estates owing money for deaths occurring before January 1, 2005 to be \$46.5 million. Nine of the estates have arranged separate annual payment plans with the Department of Revenue that include interest-rate payments on the value of estates. The other 11 estates have yet to create a payment plan with the Department of Revenue. Of the nine estates that have created payment plans, the Department of Revenue estimates the total taxable amount of revenue owed to the state to be \$248,071.

To determine the total estate tax revenue from FY 2007 through FY 2009, this forecast assumes the taxable value of the nine estates with payment plans have approximately the same value per estate as the 11 estates that have not developed payment plans. To determine total estate tax revenue, the annual payments for the nine estates are divided by the fraction 9/20. Table 2 shows total estate tax revenue for FY 2007 through FY 2009.

Table 2			
Estate and Inheritance Tax Revenue			
FY 2007 to FY2009			
<u>Fiscal Year</u>	<u>DOR Estimate</u>	<u>Fraction of Total Estates</u>	<u>Total Revenue</u>
F 2007	\$71,647 /	9/20	= \$159,215
F 2008	\$66,783 /	9/20	= \$148,406
F 2009	\$40,587 /	9/20	= \$90,194

Estate tax revenue is \$159,215 in FY 2007, \$148,406 in FY 2008, and \$90,194 in FY 2009.

Data Sources

Inheritance and Estate Tax information is from the SABHRS MTGL0109 Reports. The Department of Revenue provided information on the value of outstanding estates.