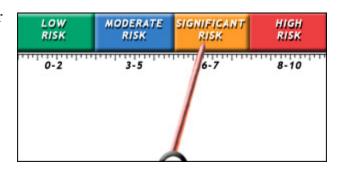
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MONTANA

Most states have structural weaknesses in their tax systems that put them at risk of experiencing gaps between revenues and necessary expenditures in coming years. The Center evaluated each state's likelihood of facing a structural deficit by determining how many of ten "risk factors" applied to each state. Montana is rated as having a significant risk of a structural deficit based on its score of six on the risk scale for structural deficits.



- Montana's income tax preferences for its seniors exceed the US average.
- Montana faces spending pressures from: the number of students with special needs, a growing elderly population, and the number of K-12 students.
- During 2001-2004, Montana increased its cigarette tax and sales tax and cut its personal income tax. This is problematic since income taxes provide stronger growth over the long term than sales or excise taxes.
- Montana has a statutory spending limit that limits expenditures to a growth index based on personal income and a limit on the growth of local property tax revenue.
- Montana remains linked to the federal phase-out of the estate tax, which eliminates a rapidly growing revenue source and costs the state an estimated \$6.2 million per year.
- Two other national studies (Hovey 1998 and Besendorf & Kottlikoff 2002) found that Montana has a structural gap.