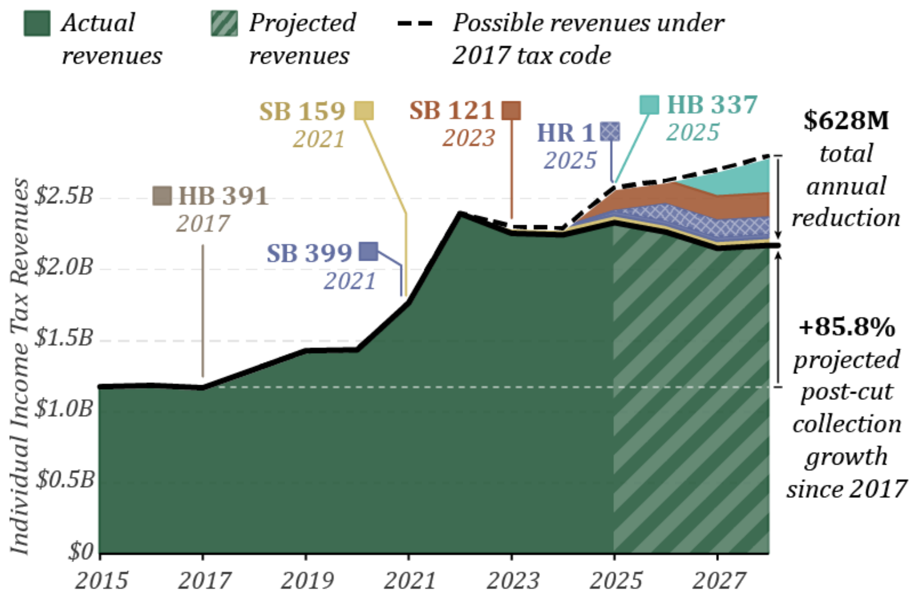
Estimated Revenue Impact of Income Tax Legislation, 2017-2025

Potential revenue reductions total $628 million in FY 2028, assuming legislation has no effect on taxpayer decisions



Source: Legislative Fiscal Division analysis. Estimated cost of bills shown in first year of full implementation.

A series of income tax cuts passed by the Montana Legislature between 2017 and 2025 could reduce state individual income tax collections by a potential $628 million annually as of Fiscal Year 2028. Even with those cuts in effect, income tax revenues have seen strong growth over the past decade with FY 2028 projected collections representing an 85.8% increase compared to FY 2017.

This analysis of recent changes to the state's tax system was produced as part of a History of Individual Income Tax and Property Tax Changes, a supplement to the 2029 Biennium Outlook Report LFD presented to the legislature in June. As part of that work, LFD estimated the potential impact on state income tax revenue resulting from the following bills:

- **HB 391 (2017)** – Created a state Earned Income Tax Credit (EITC) equal to 3.0% of the federal EITC, a refundable tax credit for low- and moderate-income taxpayers
- **SB 159 (2021)** – Reduced the state's top marginal tax rate from 6.9% to 6.75%
- **SB 399 (2021)** – Changed state income tax calculations to start with federal taxable income and collapsed the number of state tax brackets from seven to two, with a top-bracket rate of 6.5%. With Montana income tax calculations tied to the federal income definition, tax changes made by Congress in HR 1 (2025) further reduced state revenues
- **SB 121 (2023)** – Lowered the top-bracket tax rate from 6.5% to 5.9% and expanded the state EITC to 10% of the federal credit
- **HB 337 (2025)** – Raised the income threshold where the top-bracket tax rate takes effect and lowers the top-bracket rate to 5.4% in incremental steps concluding in 2027. The bill also expanded the state EITC to 20% of the federal credit

LFD's estimates are static, meaning they do not account for the possibility of tax code changes resulting in significant impacts to the state economy or taxpayer decisions. One example of potential impacts would be high-income taxpayers switching residency to Montana from other states with higher income tax rates.

Additional data analyses on taxes, the state budget, and Montana's shifting economic picture are available in LFD's 2029 Biennium Outlook. A prior Chart of the Week also explored how individual income tax revenues compare to other funding sources that contribute to the state General Fund.