



**Dan Bucks**  
Director

# Montana Department of Revenue



**Brian Schweitzer**  
Governor

To: Dan Bucks, Director  
 From: Dan Dodds, Senior Economist  
 Date: December 2, 2011  
 Subject: Withholding Through November

Withholding payments received during the month of November are significantly lower than last year. This appears to be due to the timing of weekends and the Thanksgiving holiday during the month. Payments that would have been received in November in other years were received in October and the beginning of December this year.

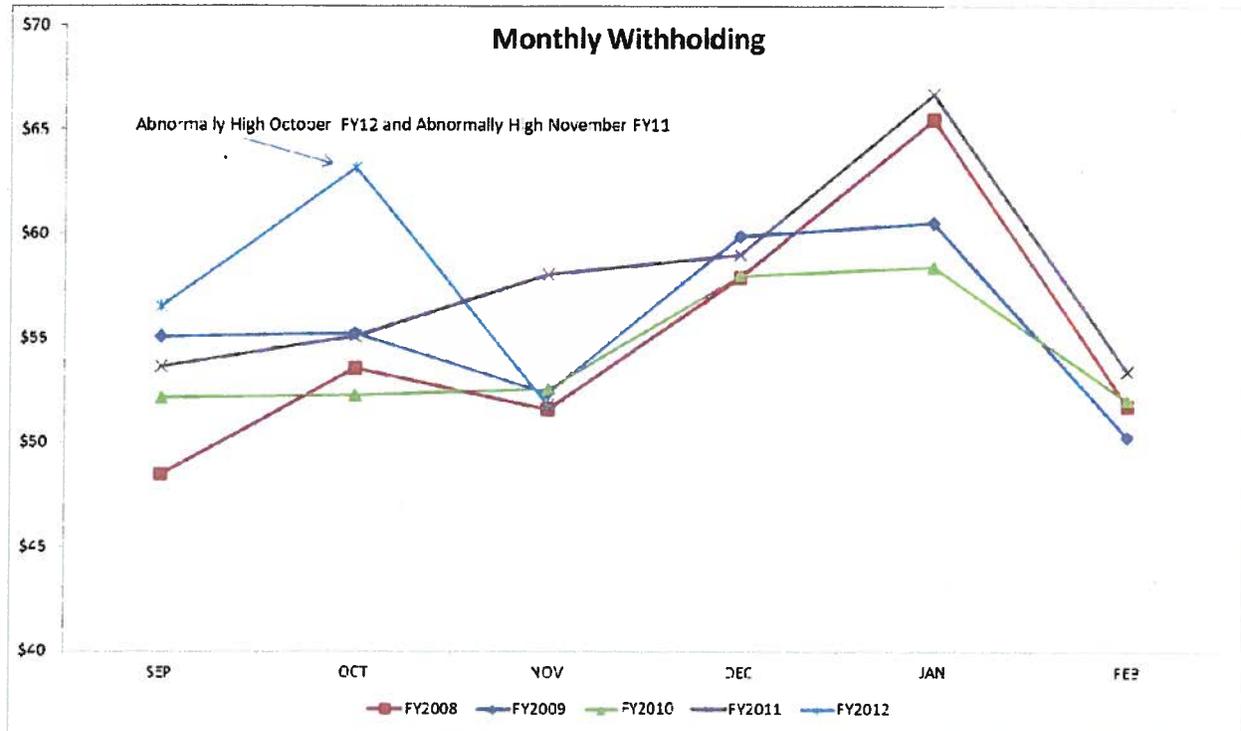
The following table shows monthly withholding collections for the last five years.

	Monthly Withholding Collections												
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FYE
FY2008	51.786	51.927	48.426	53.522	51.546	57.888	65.465	51.708	53.523	52.341	50.629	54.247	0.463
FY2009	54.012	50.678	55.061	55.217	52.377	59.869	60.501	50.240	52.622	56.354	44.676	55.360	0.948
FY2010	51.721	50.216	52.153	52.274	52.589	57.972	58.407	51.998	55.228	52.668	50.180	57.819	1.178
FY2011	52.981	55.938	53.589	55.048	58.020	58.972	66.691	53.367	58.006	54.268	55.961	59.621	1.163
FY2012	54.622	58.369	56.523	63.165	51.821								

Since last spring, monthly withholding generally had been running \$2 million to \$3 million higher than the previous year. For October, withholding was \$8 million higher than the previous year, while for November, it was \$6 million lower than the previous year.

As the following graph shows, the pattern of monthly withholding receipts has been unusual both this year and last year. In a typical year, withholding is fairly steady through October, decreases slightly in November, and then increases in December and January because of increased employment and hours worked during the holiday shopping season.

Last year, the seasonal increase in withholding began in November. This year, there was a large jump in withholding in October, and then a decline in November.

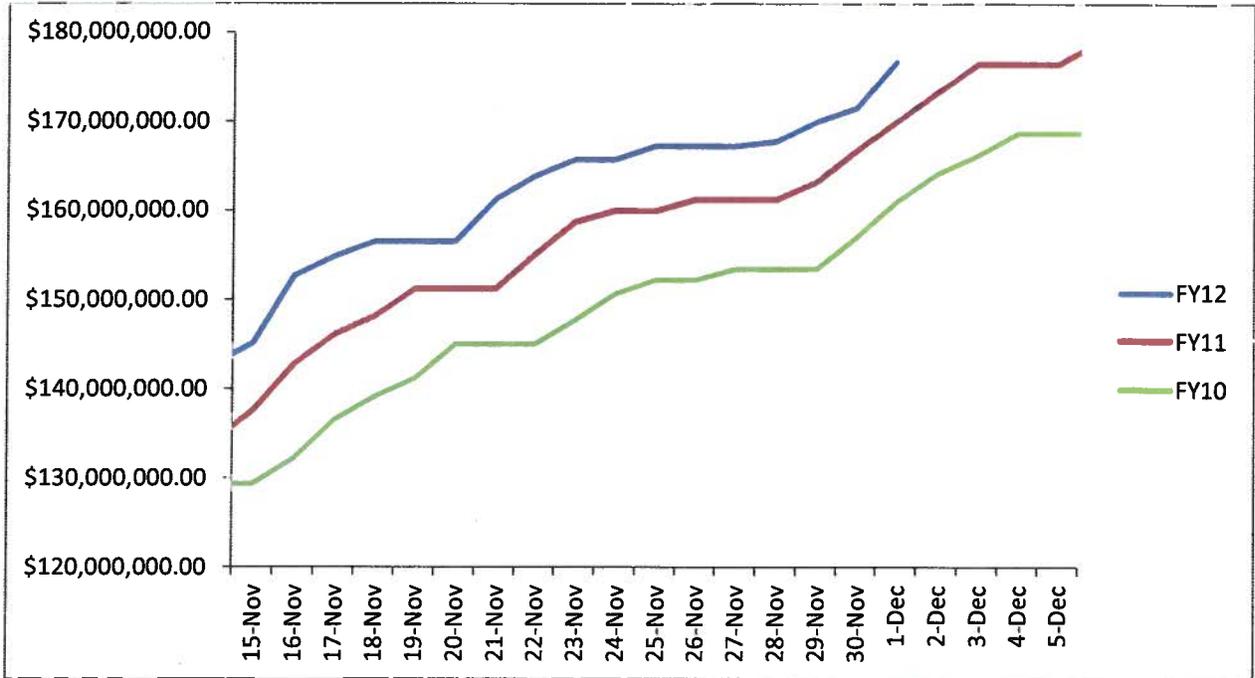


Looking at daily collections shows that the large swings in the month-end collections numbers do not reflect actual changes in collection trends and shows how timing of collections affects the month-end numbers.

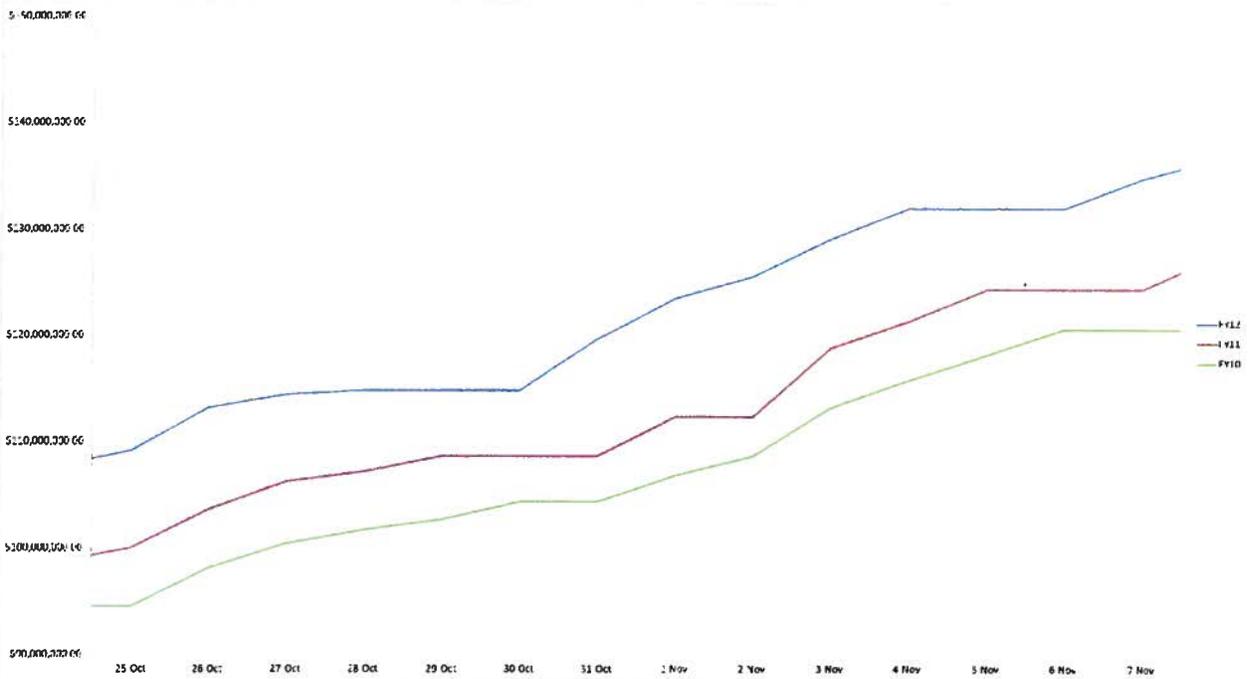
The next two graphs show cumulative collections since September 1 for the last three years. The first shows the second half of November and the beginning of December, and the second shows a period around the end of October. Both show a stair-step pattern: Cumulative collections grow during the work-week and are flat on weekends and holidays when no payments are received and processed.

The lines showing cumulative collections in the last half of November for the last three years are very similar. The lines for later years are higher because of revenue growth, and the flat spots in the lines occur one day earlier each year as weekends and the Thanksgiving holiday occur a day earlier.

The very end of the line for FY 2012 shows a kink that is not there in the other years. In FY 2010, there was only one day left in the month after the Thanksgiving holiday weekend, and in FY 2011, there were only two days. Employers appear to have submitted withholding payments before the holiday, and collections were strong immediately after the weekend. In FY 2012, there were three days left in the month, and more employers appear to have waited until after the weekend to submit withholding payments. This led to relatively slow collections the final days of November followed by a jump in collections on December 1.



The next graph shows collections around the end of October. This year, October 31 fell on a Monday, and there was a large jump in collections that day. More employers appear to have submitted withholding before the last weekend in October than in previous years



Simply because of the calendar, revenue that would have been received in November in other years was received in October and December this year.

This illustrates some of the problems with reporting a snapshot of collections as of the end of the month and comparing that snapshot with the same snapshot from a year earlier. Collections during a month may be higher or lower than normal solely because of the timing of weekends and holidays near the end of the month. When collections during a month are high or low because of timing, it throws off the basis for comparison the next year. With many tax types being due at the end of a month, the fraction of payments received by the end of the month will vary from year to year even without effects from weekends and holidays. Some other states wait a couple of weeks after the end of the month and report revenue that was received for a tax period. This gives a better year-to-year comparison.