

FISCAL NOTE

Bill #: SB317

Title: Reduce taxes on beer produced in Montana by Montana brewers

Primary Sponsor: Alvin Ellis

Status: Introduced

Sponsor signature Date

Chuck Swysgood, Budget Director Date

Fiscal Summary

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
Revenue:		
General Fund	\$(16,753)	\$(17,108)
Cities/Towns	\$(56,841)	\$(58,831)
State Special Revenue (DPHHS)	\$(20,306)	\$(21,017)
Net Impact on General Fund Balance:	\$(16,753)	\$(17,108)

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Significant Local Gov. Impact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Technical Concerns
<input type="checkbox"/>	<input checked="" type="checkbox"/>	Included in the Executive Budget	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Significant Long-Term Impacts
<input checked="" type="checkbox"/>	<input type="checkbox"/>	Dedicated Revenue Form Attached	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

- Under current law, a tax of \$4.30 per barrel of 31 gallons is imposed on each barrel of beer sold in Montana by a wholesaler. Beer tax revenues are distributed 65.11% to cities and towns, 23.26% to the Department of Public health and Human Services (DPHHS), and 11.63% to the state general fund.

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2. Under this proposal, the taxation of beer is based on a sliding scale based upon the number of barrels of beer produced annually by the brewer. Table 1 shows the current law and proposed law beer tax schedule.

Table 1 Beer Tax per Barrel				
Barrels	-----Tax per Barrel-----		-----Change-----	
	Current Law	Proposed Law	\$	%
<=5,000	\$4.30	\$1.30	(\$3.00)	-70%
5,001 to 10,000	\$4.30	\$2.30	(\$2.00)	-47%
10,001 to 20,000	\$4.30	\$3.30	(\$1.00)	-23%
>20,000	\$4.30	\$4.30	\$0.00	0%

3. Under current law, brewers pay an annual license fee of \$500. The revenue collected from this fee is deposited in the state general fund.
4. Under this proposal, brewers producing 20,000 or fewer barrels of beer would pay an annual renewal fee of \$200.
5. Under this proposal, revenue collected from the beer tax and the annual beer license fee will *decrease* by \$93,900 in fiscal 2002 and \$96,956 in fiscal 2003. This decrease in total revenue will *decrease* revenue for cities and towns by \$56,841 in fiscal 2002 and \$58,831 in fiscal 2003, for DPHHS by \$20,306 in fiscal 2002 and \$21,017 in fiscal 2003, and for the state general fund by \$16,753 in fiscal 2002 and \$17,108 in fiscal 2003. Table 2 shows the revenue impacts under this proposal by accounts/funds.

Table 2 Revenue Impacts under this Proposal				
Year	Cities/Towns	DPHHS	General Fund	Total
FY02	\$ (56,841)	\$ (20,306)	\$ (16,753)	\$ (93,900)
FY03	\$ (58,831)	\$ (21,017)	\$ (17,108)	\$ (96,956)

6. The above impact in assumption five is calculated using a 3.5% annual growth rate in the number of barrels of beer sold in Montana. The DOR's "Montana Breweries Monthly Tax Reports" filed in calendar year 2000, and the "Beer Distributor Monthly Tax Reports" filed in calendar year 2000 are used as the base year in making the calculations in assumption five.

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FISCAL IMPACT:

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$(16,753)	\$(17,108)
Cities/Towns (02)	\$(56,841)	\$(58,831)
State Special Revenue (DPHHS) (03)	\$(20,306)	\$(21,017)
 <u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$(16,753)	\$(17,108)
Cities/Towns (02)	\$(56,841)	\$(58,831)
State Special Revenue (DPHHS) (03)	\$(20,306)	\$(21,017)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Under this proposal revenue to local governments is decreased by \$56,841 in fiscal 2002 and \$58,831 in fiscal 2003.