

## **Liquor Profits (16-1 through 16-6, MCA)**

### **1. Model Characteristics**

- A 40% markup on the state's base costs covers the costs of the state liquor system. Net income from liquor operations is calculated as gross liquor sales less the cost of goods sold, liquor taxes (liquor excise tax and liquor license tax), commissions, discounts, and liquor operating expenses.

### **2. Model Data – based on Liquor Excise and License Tax Model**

- IHS Economics provides data for Montana population over 20 years of age and per capita income.
- Historic and year to date revenues come from SABHRS.

### **3. Key Variables – based on Liquor Excise and License Tax Model**

- Montana population over 20 years of age.
- Predicted cost per bottle is calculated using historic costs and applying a growth rate derived by a regression model.

### **4. Other Important Points**

- Liquor gross sales have experienced an average annual increase of 5.94% between 2004 and 2014.
- Liquor bottles sold experienced an average annual increase of 3.41% between FY 2008 and FY 2014.
- Cost per liquor bottle sold experienced an average annual increase of 0.87% between FY 2008 and FY 2014.
- Commissions, discounts, cost of goods sold and operating expenses are calculated using simple historical growth rates.