

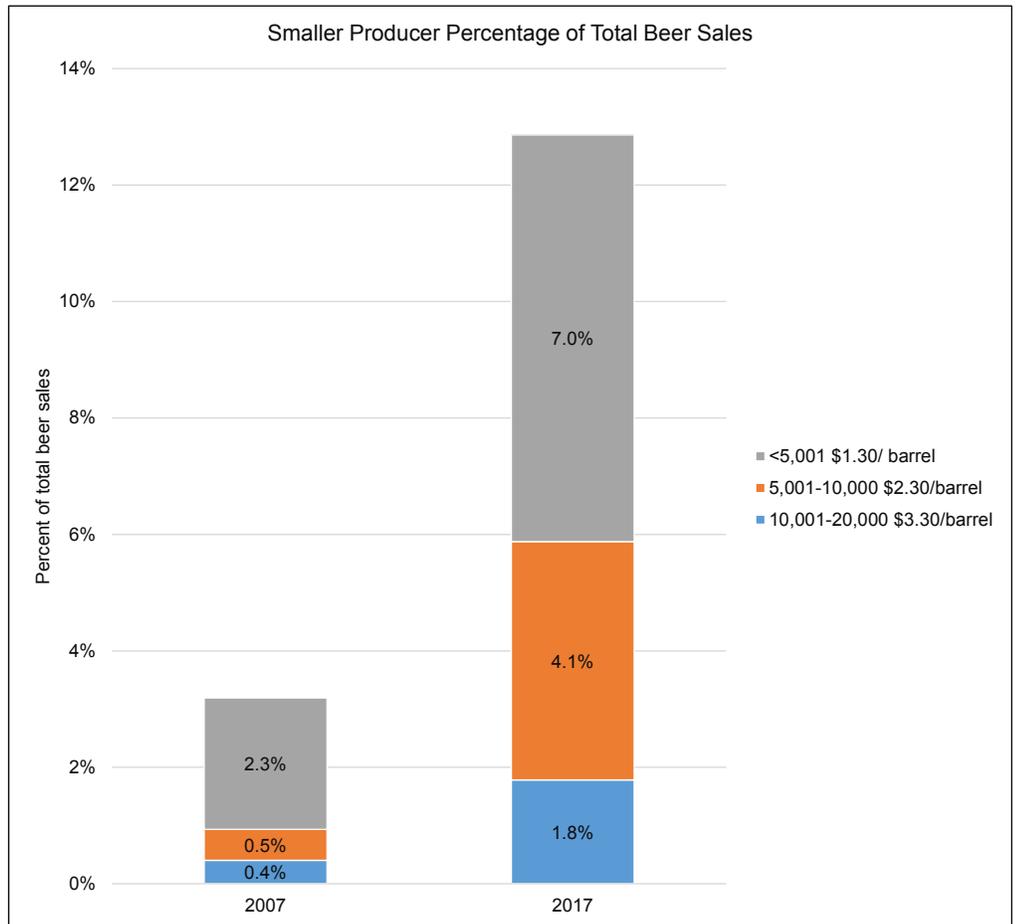
Percentage of Smaller Producer Total Beer Sales in Montana

This chart compares the percentage of market share by volume of small breweries in Montana during 2007 and 2017.

Beer is taxed by 31-gallon barrels on a sliding scale according to production levels. As the total share of beer sales in Montana has shifted towards small breweries over the last decade, the effective tax rate has declined.

In 2007, when the market share of small breweries was less than 4%, the effective tax rate was \$4.21 per barrel. By 2017 the market share of small breweries had risen to nearly 13% and the effective tax rate was \$3.99 per barrel. This has made the growth in tax collection for beer stagnant even though total beer consumption during the same time period grew by roughly 5%. Total collections in both 2010 and 2017 were roughly \$4.0 million.

Prior to 2017 there were four tax tiers: \$1.30 per 31-gallon barrel for production of less than 5,000 barrels; \$2.30 for 5,000-10,000 barrels; \$3.30 for 10,000 to 20,000 barrels; and \$4.30 per barrel for all production over 20,000 barrels.



Legislation passed during the 2017 legislative session (HB 541) removed the \$3.30 tax tier that accounted for the smallest share of total sales and now all production over 10,000 barrels is taxed at \$4.30.

HB 541 also changed the maximum sales for a brewery to be considered "small" from 10,000 to a maximum production of 60,000 barrels per year. As a result, breweries making more than 10,000 but less than 60,000 barrels per year may now operate tap rooms and charge customers for up to 48 ounces of beer per day — up to 2,000 barrels annually of on-premises consumption.