

**Tobacco Tax**

**Revenue Description**

Taxes are levied on all non-cigarette tobacco products sold in Montana. A tax is assessed on the number of ounces of moist snuff sold, and a tax is assessed on the wholesale value of all other non-cigarette tobacco products sold. Tobacco products shipped from Montana to be sold and consumed elsewhere are not subject to the tax.

**Statutory Reference**

Tax Rate – [16-11-111\(7\), MCA](#)

Tax Distribution – [16-11-114\(2\), MCA](#); [16-11-119\(3\), MCA](#)

Date Due – [16-11-111\(8\), MCA](#)

**Applicable Tax Rates**

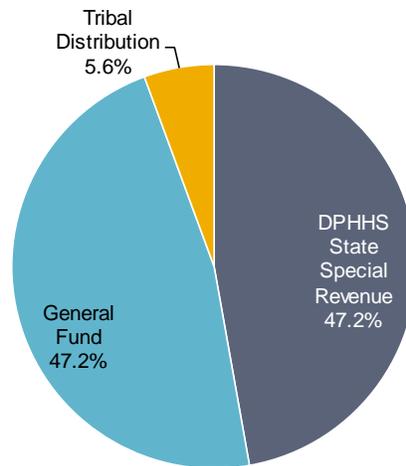
Tobacco products – 50% of the wholesale price

Moist snuff – \$0.85 per ounce

**Collection Frequency:** Monthly

**Distribution**

Tobacco tax revenue is distributed between the general fund, the Department of Public Health and Human Services (DPHHS) Health and Medicaid Initiatives state special revenue fund, and to five tribal governments according to intergovernmental agreements between the Department of Revenue (DOR) and the tribes. Tobacco tax dollars are distributed to Blackfeet, Fort Belknap, Rocky Boy, Fort Peck, Northern Cheyenne, and Crow according to the following formula: (1.5) x (Montana per capita tobacco product consumption) x (enrolled tribal population) x (tax rate).



**Comparison of Legislative and Executive Forecasts**

There are no material differences between the legislative and executive branch forecasts.

| Tobacco Tax<br>(\$ Millions) |           |           |         |           |
|------------------------------|-----------|-----------|---------|-----------|
|                              | FY 2015   | FY 2016   | FY 2017 | Total     |
| Executive Forecast           | \$6.160   | \$6.380   | \$6.600 | \$19.140  |
| Legislative Forecast         | 6.235     | 6.413     | 6.579   | 19.227    |
| Difference                   | (\$0.075) | (\$0.033) | \$0.021 | (\$0.087) |
| % Difference                 | -1.2%     | -0.5%     | 0.3%    | -0.5%     |

**Forecast Risks**

- Changing Montana population
- Value of Montana retail sales

**Revenue Estimate Methodology**Data

The tobacco tax estimate is based on data obtained from DOR, SABHRS, and IHS. Details on tax collections by month, distributor, snuff vs other collections, and tribal distributions are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by IHS.

Analysis

Ounces of moist snuff and wholesale value of other non-cigarette tobacco products are forecast separately using the same methodology. Both values are forecast with regression models using the independent, IHS-provided values for Montana population over the age of 18 and Montana retail sales. The models are separate because the relationships between the variables and changing snuff sales are different than the relationships between the variables and changing value of other tobacco products.

After applying the appropriate tax rate to each value to determine gross taxes, forecasts for credits and discounts are subtracted to find the net revenue. Credits and discounts are each forecast using a three year rolling average.

**Revenue Estimate Assumptions**

| FY     | Total Tax<br>\$ Millions | GF Tax<br>\$ Millions | Ounces<br>Moist Snuff<br>(Millions) | Value Other<br>Products<br>\$ Millions | Montana<br>Pop >= 18<br>(Millions) | Montana<br>Retail Sales<br>\$ Millions |
|--------|--------------------------|-----------------------|-------------------------------------|--|------------------------------------|--|
| A 2002 | \$2.229                  | \$2.183               | 0.000                               | \$17.828                               | 0.689                              | \$10,223                               |
| A 2003 | 2.360                    | 2.305                 | 0.000                               | 18.884                                 | 0.698                              | 10,767                                 |
| A 2004 | 3.626                    | 3.562                 | 8.080                               | 4.160                                  | 0.709                              | 11,665                                 |
| A 2005 | 6.452                    | 4.024                 | 8.460                               | 5.000                                  | 0.721                              | 12,481                                 |
| A 2006 | 9.119                    | 4.360                 | 7.982                               | 5.697                                  | 0.732                              | 13,458                                 |
| A 2007 | 9.810                    | 4.670                 | 8.305                               | 6.129                                  | 0.743                              | 14,256                                 |
| A 2008 | 9.872                    | 4.699                 | 8.758                               | 5.513                                  | 0.753                              | 14,973                                 |
| A 2009 | 10.479                   | 4.990                 | 8.965                               | 6.320                                  | 0.761                              | 13,957                                 |
| A 2010 | 11.210                   | 5.334                 | 9.453                               | 6.972                                  | 0.768                              | 14,212                                 |
| A 2011 | 11.492                   | 5.477                 | 9.924                               | 6.664                                  | 0.774                              | 15,249                                 |
| A 2012 | 12.024                   | 5.709                 | 10.398                              | 6.674                                  | 0.783                              | 16,485                                 |
| A 2013 | 12.387                   | 5.853                 | 11.120                              | 6.420                                  | 0.791                              | 17,303                                 |
| A 2014 | 12.563                   | 5.929                 | 11.512                              | 6.357                                  | 0.800                              | 17,857                                 |
| F 2015 | 13.057                   | 6.235                 | 11.964                              | 6.490                                  | 0.808                              | 18,615                                 |
| F 2016 | 13.429                   | 6.413                 | 12.439                              | 6.450                                  | 0.815                              | 19,403                                 |
| F 2017 | 13.773                   | 6.579                 | 12.925                              | 6.328                                  | 0.822                              | 20,340                                 |

