

## Beer Tax

### Revenue Description

A tax is levied on each barrel (31 gallons) of beer produced in or imported into Montana according to the number of barrels produced annually by a given brewer.

### Statutory Reference

Tax Rate – [16-1-406, MCA](#)

Distribution – [16-1-406, MCA](#)

Date Due – end of the month and collected in the next month ([16-1-406\(2\), MCA](#))

### Applicable Tax Rates

The per-barrel tax varies according to number of barrels produced:

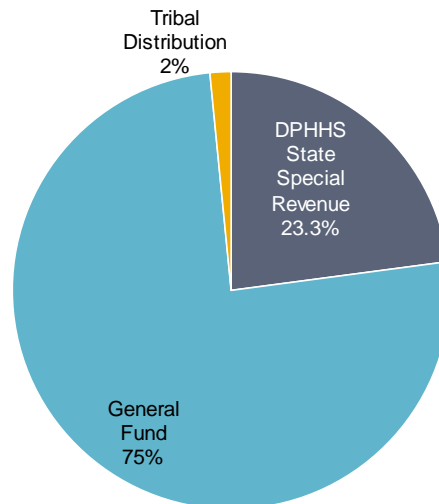
- Up to 5,000 barrels – \$1.30
- 5,001 to 10,000 barrels – \$2.30
- 10,001 to 20,000 barrels – \$3.30
- Over 20,000 barrels – \$4.30

**Collection Frequency:** Monthly

### Distribution

Beer tax revenue is distributed between the general fund, the Department of Public Health and Human Services (DPHHS) state special revenue alcohol account, and three tribal governments according to intergovernmental agreements between the Department of Revenue (DOR) and the tribes. Beer tax dollars are distributed to Blackfeet, Fort Belknap, and Fort Peck according to the following formula: (per capita beer consumption) x (tribal membership) x (Montana tax rate).

The following chart shows the FY 2014 distribution of beer tax revenue.



**Comparison of Legislative and Executive Forecasts**

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

Beer Tax (\$ Millions)				
	FY 2015	FY 2016	FY 2017	Total
Executive Forecast	\$3.030	\$3.040	\$3.050	\$9.120
Legislative Forecast	3.110	3.169	3.229	9.509
Difference	(\$0.080)	(\$0.129)	(\$0.179)	(\$0.389)
% Difference	-2.6%	-4.1%	-5.6%	-4.1%

**Forecasting Risks**

- Value of Montana retail sales
- Changing Montana population
- Changing Montana per capita income
- Rate of change in effective tax rate

**Revenue Estimate Methodology**Data

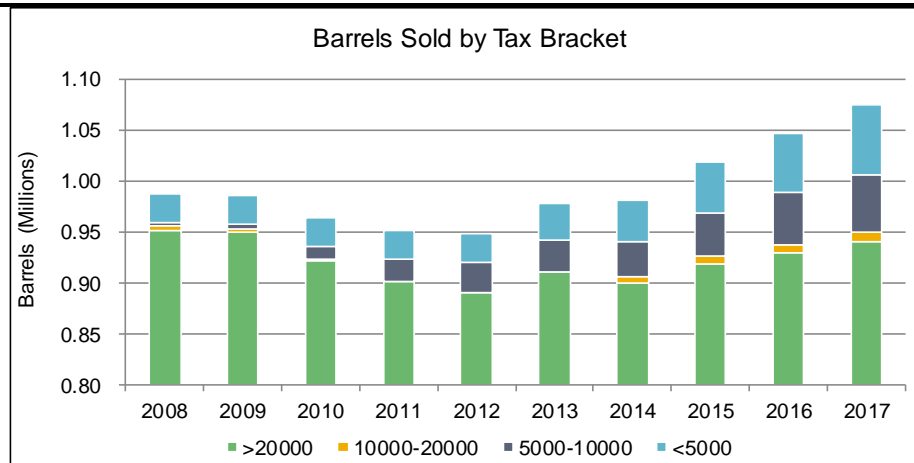
The beer tax estimate is based on data obtained from DOR, SABHRS, and IHS. Details on tax collections by rate and tribal distributions are provided by DOR; fiscal year tax collections are from SABHRS; forecasts for independent economic variables are produced by IHS.

DOR data are used to develop an effective tax rate accounting for number of barrels sold in each tax bracket. IHS data provide regressors to model number of barrels sold.

Analysis

Total tax collections are calculated by multiplying the number of barrels sold in a given year by the effective tax rate in that year. The number of barrels sold is forecast with a regression model using the independent, IHS-provided values for Montana retail sales, Montana population over the age of 21, and Montana per capita income. Additionally, the model employs the previous year's barrels sold as an auto-regressive component.

The effective tax rate is on a consistent downward trend; as the number of small brewers increases, there are more barrels being sold in the lower tax brackets. In the chart below, the number of barrels sold in each bracket is stacked to illustrate the changing composition of the beer market. This analysis assumes that the decrease in the effective rate continues through the biennium by applying the current rate of change going forward.



## Revenue Estimate Assumptions

FY	Total Tax \$ Millions	GF Tax \$ Millions	Effective Tax Rate \$ Per Barrel	Approximate Barrels Sold (Millions)	Montana Retail Sales \$ Millions	Monana Pop >= 21 Millions	Montana Per Capita Income \$ Thousands
A 2002	\$3.674	\$2.784	\$4.24	0.867	\$10,223	0.648	\$33.941
A 2003	3.681	2.771	4.23	0.871	10,767	0.656	35.666
A 2004	3.852	2.897	4.22	0.913	11,665	0.667	37.941
A 2005	3.903	2.937	4.22	0.924	12,481	0.678	39.384
A 2006	3.866	2.908	4.18	0.925	13,458	0.690	39.823
A 2007	4.031	3.034	4.21	0.957	14,256	0.702	41.122
A 2008	4.151	3.124	4.20	0.988	14,973	0.712	42.418
A 2009	4.141	3.115	4.20	0.986	13,957	0.720	44.378
A 2010	4.032	3.032	4.18	0.964	14,212	0.727	46.548
A 2011	3.963	2.982	4.16	0.952	15,249	0.734	48.543
A 2012	3.935	2.956	4.15	0.949	16,485	0.742	50.597
A 2013	4.034	3.033	4.12	0.978	17,303	0.751	52.643
A 2014	4.021	3.023	4.10	0.982	17,857	0.760	54.617
F 2015	4.129	3.110	4.07	1.014	18,615	0.768	56.651
F 2016	4.208	3.169	4.04	1.040	19,403	0.776	58.925
F 2017	4.287	3.229	4.02	1.067	20,340	0.783	61.200

## Revenue Projection

