

**Liquor Excise and License Tax**

**Revenue Description**

The Department of Revenue (DOR) is the only liquor wholesaler in the state of Montana. An excise tax and a license tax are collected both on liquor sold by DOR and liquor purchased outside the state (by airlines and passenger rail) for consumption within the state.

**Statutory Reference**

Tax Rate – Excise tax: [16-1-401, MCA](#); License tax: [16-1-404, MCA](#)

Tax Distribution – Excise tax: [16-1-401, MCA](#) & [16-2-108, MCA](#); License tax: [16-1-404, MCA](#)

Date Due – Excise tax is collected at the time of sale and distributed by the 10<sup>th</sup> day of each month. License tax is collected at the time of sale.

**Applicable Tax Rates**

All liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed the liquor is taxed a percentage rate on the retail selling price based on the following number of proof gallons of liquor handled nationwide by that company in the calendar year preceding imposition of the tax:

Excise Tax Rate

- 3.0% – Less than 20,000 proof gallons
- 8.0% – 20,000 to 50,000 proof gallons
- 13.8% – 50,001 to 200,000 proof gallons
- 16.0% – More than 200,000 proof gallons

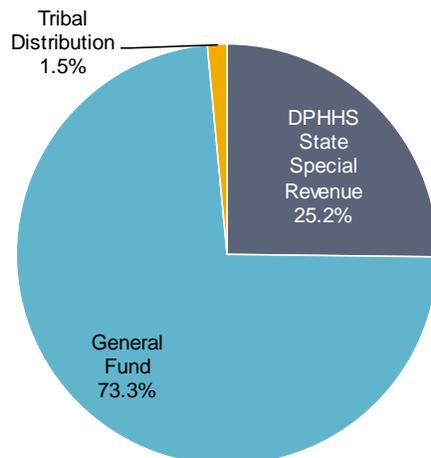
License Tax Rate

- 10.0% – More than 200,000 proof gallons
- 8.6% – Not more than 200,000 proof gallons

**Collection Frequency:** Both the liquor excise tax and the license tax on liquor are collected at the time of the sale and delivery of liquor. Deposits to the general fund are made monthly.

**Distribution**

Liquor excise and license 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. Liquor tax dollars are distributed to Blackfeet, Fort Belknap, and Fort Peck according to the following formula: (per capita liquor consumption) x (tribal membership) x (Montana tax rate).



**Comparison of Legislative and Executive Forecasts**

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

Liquor Excise & License Tax (\$ Millions)				
	FY 2015	FY 2016	FY 2017	Total
Executive Forecast	\$19.340	\$20.160	\$20.520	\$60.020
Legislative Forecast	19.086	19.720	20.446	59.252
Difference	\$0.254	\$0.440	\$0.074	\$0.768
% Difference	1.3%	2.2%	0.4%	1.3%

**Forecasting Risks**

- Change in rate of CPI growth
- Departure of sales growth from historic trends

**Revenue Estimate Methodology**Data

The liquor profits estimate is based on data obtained from DOR, SABHRS, IBARS, and HIS. Details on number of units sold, and average cost per unit are provided by DOR; fiscal year tax collections are from SABHRS; the present law operational budget for the DOR liquor division is from IBARS; forecasts for independent economic variables are produced by IHS. IHS data provide regressors to model the average cost per unit of alcohol.

Analysis

Analysis shows a constant upward trend in liquor sales in Montana. Accordingly, unit sales is regressed in a linear trend model to determine the future unit sales.

Gross liquor profits are calculated by multiplying the average cost per unit by the number of units sold. The average cost per unit is forecast with a regression model using the independent, IHS-provided values for national CPI. Additionally, the model employs the previous year's average cost per unit as an auto-regressive component. The number of units sold is modeled with an annual linear time trend.

Liquor taxes are calculated by applying the tax rates to the retail sales price of liquor sold. The tax rate is lower for companies that produce less than 200,000 gallons; however, at this time the lower tax rates are not considered.

**Consumption Taxes**

**Liquor Excise and License Tax**

**Revenue Estimate Assumptions**

FY	Total Tax \$ Millions	GF Tax \$ Millions	Effective Cost/Unit	Unit Sales (Millions)	Annual % Change CPI
A 2002	\$12.896	\$9.514	\$10.553	5.280	1.8%
A 2003	13.644	10.042	10.689	5.491	2.2%
A 2004	14.615	10.718	10.838	5.781	2.2%
A 2005	15.619	11.468	11.036	6.028	3.0%
A 2006	17.312	12.709	11.456	6.439	3.8%
A 2007	19.042	13.982	11.908	6.816	2.6%
A 2008	20.335	14.925	12.196	7.091	3.7%
A 2009	17.325	12.651	12.263	7.322	1.4%
A 2010	21.308	15.626	12.154	7.414	1.0%
A 2011	21.792	15.989	12.119	7.670	2.0%
A 2012	23.222	17.037	12.284	8.090	2.9%
A 2013	24.161	17.724	12.557	8.042	1.7%
A 2014	25.123	18.418	12.635	8.468	1.6%
F 2015	26.035	19.086	12.678	8.724	1.2%
F 2016	26.899	19.720	12.727	8.979	1.3%
F 2017	27.890	20.446	12.831	9.234	1.8%

**Revenue Projection**

