

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

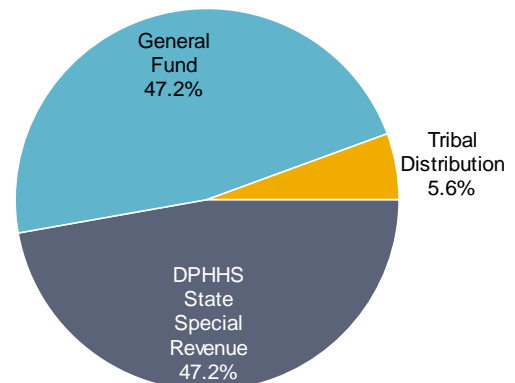
Tobacco products – 50% of the wholesale price

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: $(1.5) \times (\text{Montana per capita tobacco product consumption}) \times (\text{enrolled tribal population}) \times (\text{tax rate})$. The pie chart shows the FY 2014 distribution of tobacco tax revenue.



Summary of Legislative Action: No impacting legislation was enacted in the 2015 session.

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 versus 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

This section contains the assumptions used to generate the revenue estimates contained in House Joint Resolution 2. It does not reflect changes, if any, enacted by the 2015 Legislature.

FY	Total Tax \$ Millions	GF Tax \$ Millions	Ounces Moist Snuff (Millions)	Value Other Products \$ Millions	Montana Pop >= 18 (Millions)	Montana Retail Sales \$ Millions
A 2002	\$2.229	\$2.183	0.000	\$17.828	0.689	\$10,224
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	0.782	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	0.799	17,890
F 2015	13.058	6.233	11.920	6.568	0.807	18,437
F 2016	13.445	6.396	12.352	6.630	0.814	19,000
F 2017	13.785	6.559	12.861	6.463	0.822	20,046

Revenue Projection

