
Legislative Fiscal Division

Revenue Estimate Profile

Beer Tax

Revenue Description: A tax is levied on each barrel of beer (31 gallons) produced in or imported into Montana based on the amount produced. A portion of the revenue from the beer tax is returned to Native American tribes per an agreement between the Department of Revenue (DOR) and the tribes.

Statutory Reference:

Tax Rate (MCA) – 16-1-406

Distribution (MCA) – 16-1-406

Date Due – end of the month and collected in the next month (16-1-406(2))

Applicable Tax Rate(s): The per-barrel tax varies based on barrels of production:

up to 5,000 barrels - \$1.30

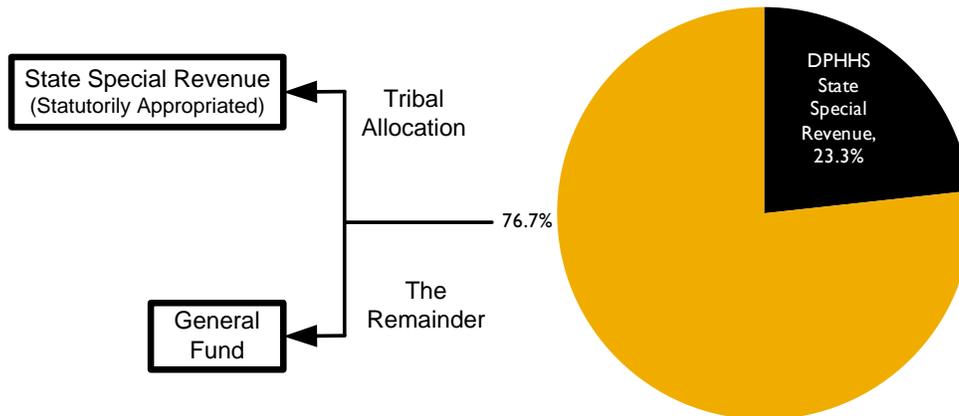
5,001 to 10,000 barrels - \$2.30

10,001 to 20,000 barrels - \$3.30

over 20,000 barrels - \$4.30

Distribution: Beer tax revenue is distributed 76.7% to the general fund and 23.3% to the DPHHS state special revenue alcohol account. The general fund portion is reduced by the amount of the tribal distribution.

Distribution Chart:



Collection Frequency: Monthly

% of Total General Fund Revenue:

FY 2004 – 0.21%

FY 2007 – 0.17%

FY 2010 – 0.19%

FY 2005 – 0.19%

FY 2008 – 0.16%

FY 2011 – 0.17%

FY 2006 – 0.17%

FY 2009 – 0.17%

FY 2012 – 0.16%

Revenue Estimate Methodology:

Data

The beer tax estimate is based on data obtained from DOR and the state accounting system (SABHRS). The DOR data provides details of taxes paid at each of the four incremental tax rates and information on tribal distributions. SABHRS data shows total fiscal year tax collections.

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The DOR data are used to develop an effective tax rate and determine a “proxy” for barrels of beer consumed. The effective tax rate is a weighted average of beer sales by tax rate and is calculated as follows:

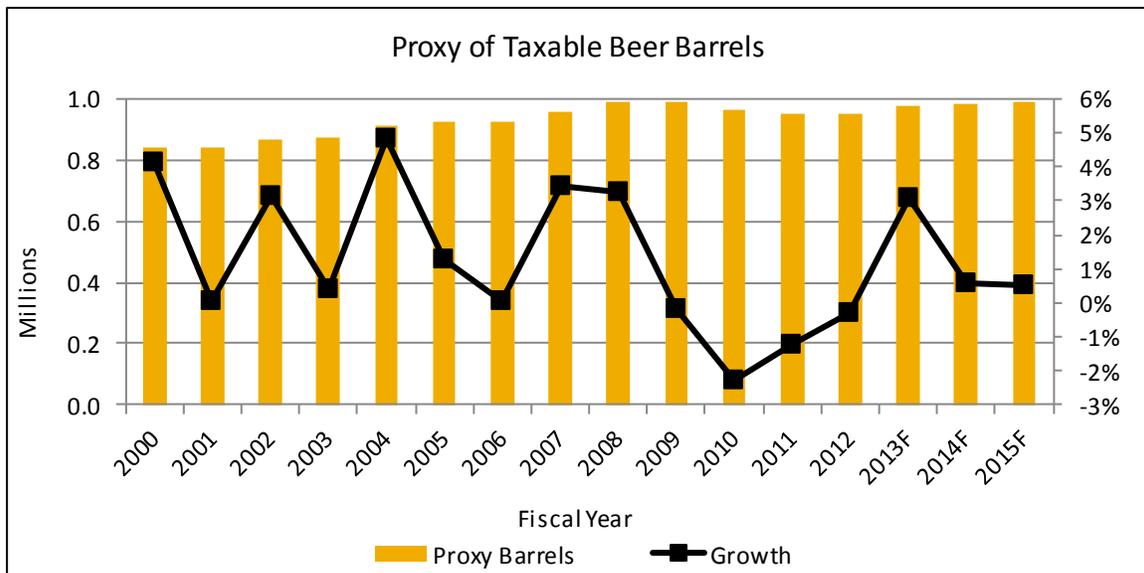
$$ETR = (\text{Rate}_{\$4.30} * \% \text{Taxed}_{\$4.30}) + (\text{Rate}_{\$3.30} * \% \text{Taxed}_{\$3.30}) + (\text{Rate}_{\$2.30} * \% \text{Taxed}_{\$2.30}) + (\text{Rate}_{\$1.30} * \% \text{Taxed}_{\$1.30})$$

In the estimated period, the effective tax rate is \$4.15 per barrel.

SABHRS data are used in conjunction with DOR data to derive the number of taxable barrels sold in the state; total tax collected in each fiscal year divided by the effective tax rate yields the number of taxable barrels.

Analysis

Beer tax data show a constant trend for taxable barrels sold in Montana, as demonstrated in the figure below. The proxy of taxable barrels sold is regressed against Montana retail sales and Montana population over the age of 21 to determine the future taxable barrels of beer that will be sold in Montana.



Adjustment and Distribution

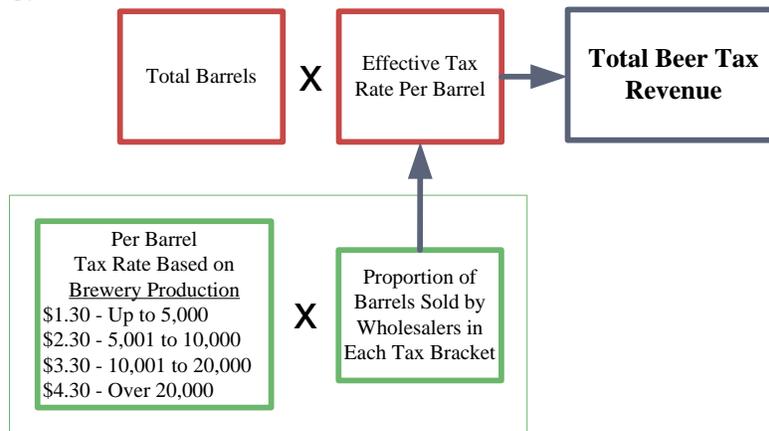
Beer taxes are distributed between two funds: the general fund at 76.7% and the DPHHS alcohol state special revenue account at 23.3%. The general fund distribution is reduced by tribal reimbursements. Three of the seven tribal governments—Blackfeet, Fort Belknap and Fort Peck—receive beer tax dollars. These tribal governments adhere to the Montana beer tax laws. The state of Montana collects the tribes’ portion of the beer tax and quarterly distributes those collections based on a formula (per capita beer consumption times tribal membership times the Montana tax rate).

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Forecast Methodology:



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 2011 Legislature that may affect future estimates of this revenue source.

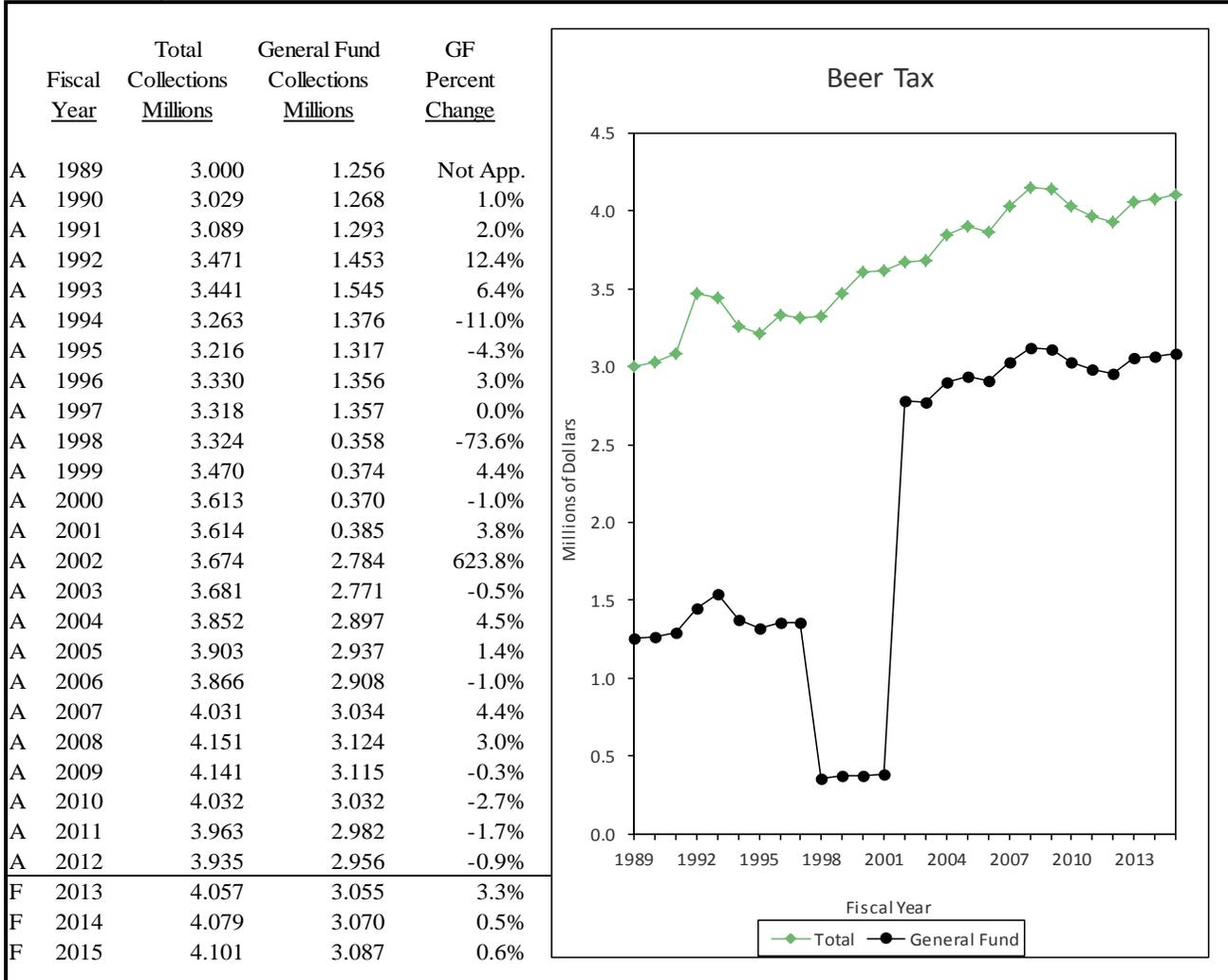
	t	Total Tax	GF Tax	Barrels	Tax Rate	Effective Tax Rate	GF Allocation	Tribal
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>\$ Per Barrel</u>	<u>\$ Per Barrel</u>	<u>Percent</u>	<u>Millions</u>
Actual	2002	3.674	2.784	0.867	4.30	4.24	76.7%	0.035
Actual	2003	3.681	2.771	0.871	4.30	4.23	76.7%	0.053
Actual	2004	3.852	2.897	0.913	4.30	4.22	76.7%	0.059
Actual	2005	3.903	2.937	0.924	4.30	4.22	76.7%	0.059
Actual	2006	3.866	2.908	0.925	4.30	4.18	76.7%	0.059
Actual	2007	4.031	3.034	0.957	4.30	4.21	76.7%	0.059
Actual	2008	4.151	3.124	0.988	4.30	4.20	76.7%	0.061
Actual	2009	4.141	3.115	0.986	4.30	4.20	76.7%	0.063
Actual	2010	4.032	3.032	0.964	4.30	4.18	76.7%	0.063
Actual	2011	3.963	2.982	0.952	4.30	4.16	76.7%	0.060
Actual	2012	3.935	2.956	0.949	4.30	4.15	76.7%	0.063
Forecast	2013	4.057	3.055	0.978	4.30	4.15	76.7%	0.058
Forecast	2014	4.079	3.070	0.984	4.30	4.15	76.7%	0.060
Forecast	2015	4.101	3.087	0.989	4.30	4.15	76.7%	0.060
		Total Tax = Barrels × Effective Tax Rate						
		GF Tax = Barrels × Effective Tax Rate × GF Allocation - Tribal						

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Revenue Projection:



Data Source(s): SABHRS, Bureau of Economic Analysis, U.S. Dept. of Commerce, MT Department of Labor and Industry

Contacts: Department of Revenue