
Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

Revenue Description: The Department of Revenue (DOR) is authorized to sell liquor to retail liquor establishments throughout the state. These sales result in profits and taxes that are deposited in various state accounts. An excise tax is collected both on liquor sold by DOR and liquor purchased outside the state, by airlines and railroads (carriers), for consumption within the state. The department also collects a license tax on the sale of liquor. A portion of the excise tax revenue is returned to Native American tribes through an agreement with DOR.

Statutory Reference:

Tax Rate (MCA) – Excise tax (16-1-401), License tax (16-1-404)

Tax Distribution (MCA) – Excise tax (16-1-401 & 16-2-108), License tax (16-1-404)

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

Applicable Tax Rate(s):

Excise Tax Rate

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 nationwide in the calendar year preceding imposition of the tax:

- 3.0% - < 20,000 proof gallons
- 8.0% - 20,000 to 50,000 proof gallons
- 13.8% - 50,001 to 200,000 proof gallons
- 16.0% - Over 200,000 proof gallons

The amount of excise taxes paid by carriers includes additional factors related to departures and passenger miles.

License Tax Rate

- 10.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
- 8.6% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax

The license tax must be charged and collected on all liquor brought into the state and taxed by DOR. The retail selling price must be computed by adding to the cost of the liquor the state markup as designated by the department. The license tax must be figured in the same manner as the state excise tax and is in addition to the state excise tax.

Distribution:

Excise tax revenue, less amounts distributed to the tribes, is deposited in the enterprise fund for transfer to the general fund.

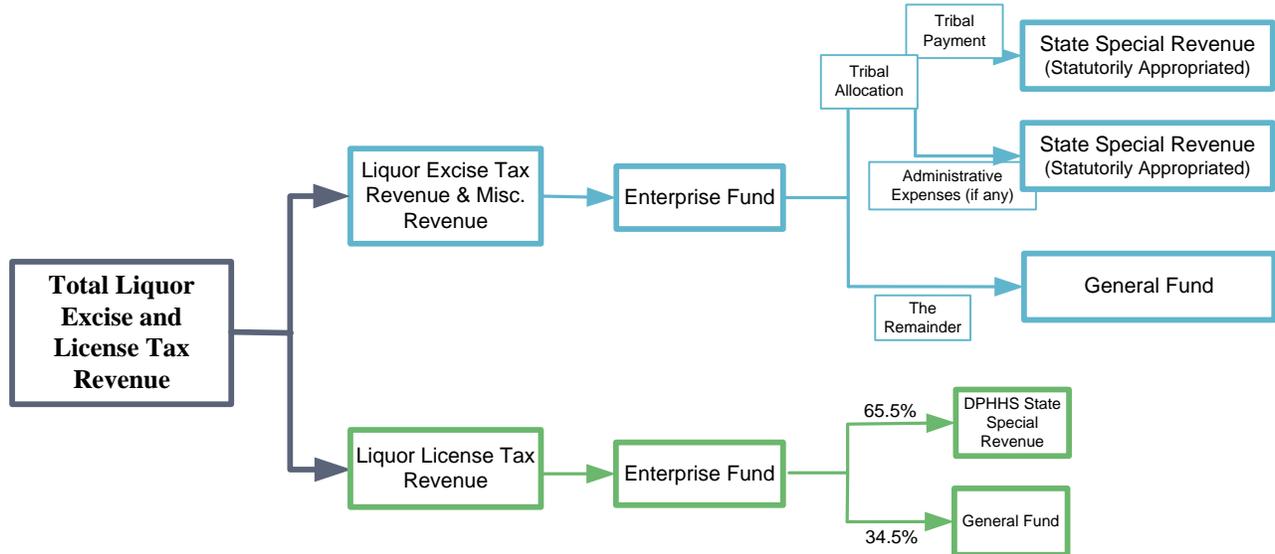
License tax revenue is allocated to the enterprise fund for transfer 34.5 % to the general fund and 65.5% to the Department of Public Health and Human Services (DPHHS) for alcohol treatment and rehabilitation programs.

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Distribution Chart:



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.

% of Total General Fund Revenue:

| | | |
|-----------------|-----------------|-----------------|
| FY 2004 – 0.78% | FY 2007 – 0.76% | FY 2010 – 0.96% |
| FY 2005 – 0.75% | FY 2008 – 0.76% | FY 2011 – 0.90% |
| FY 2006 – 0.74% | FY 2009 – 0.70% | FY 2012 – 0.91% |

Revenue Estimate Methodology:

Data

The liquor excise and the liquor license tax estimates are based on data obtained from DOR, IHS, and the state accounting system (SABHRS). The DOR data provides the details of monthly liquor sales and costs, IHS projects the change in the consumer price index (CPI), and historic tax revenue data from SABHRS confirms the adequacy of the estimates.

Total liquor taxes are made up of two taxes, an excise tax and a license tax. While each tax has a different rate, both taxes are assessed on the retail sales price of the commodity. The tax rate is lower for companies that produce less than 200,000 gallons; however, for the purpose of estimating future liquor taxes, these lower tax rates are not considered. The rate of the excise tax is estimated at 16% of the price and the license tax is estimated at 10% of the price.

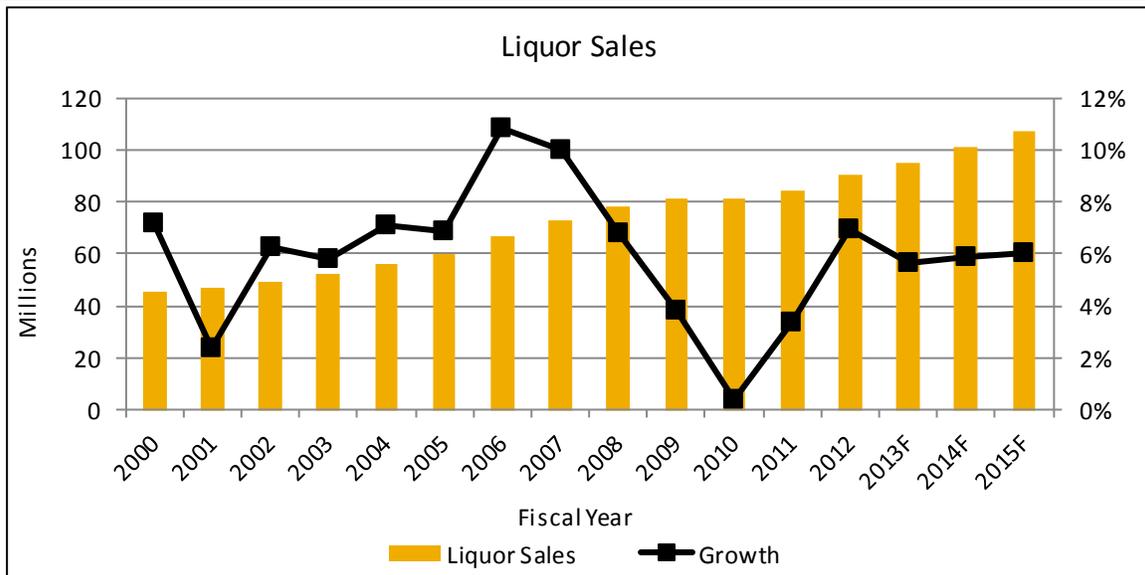
Analysis

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

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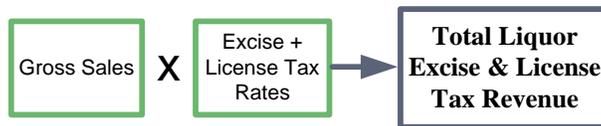


The liquor taxes estimate is calculated by applying growth rates to base year values of both the number of liquor units sold and the per unit price of liquor. The sales of liquor units are estimated by applying a three-year average growth factor. The annual growth factor for the forecast period is 4.9%. The growth rate for the price per liquor unit is estimated using the past year price as the base. This price is adjusted in subsequent years by the change in the CPI, adjusted by the long term ratio of the change in the cost of liquor units to the change in the CPI. Total units and sales per unit are multiplied to produce total estimated gross liquor sales. The final step is to apply both tax rates to the estimate of liquor sales to determine the estimate for the combined liquor excise and license taxes.

Adjustment and Distribution

Liquor taxes are distributed to the general fund after a reduction for tribal reimbursements. Three of the seven tribal governments—Blackfeet, Fort Belknap, and Fort Peck—receive liquor tax dollars. These tribal governments adhere to the Montana liquor tax laws. The state of Montana collects the tribes’ portion of the liquor taxes and quarterly distributes those collections based on a formula (per capita liquor consumption times tribal membership times the Montana tax rate). After reducing the excise tax revenue by the tribal distribution, the revenue is distributed to the enterprise fund and then to the general fund. The license tax is distributed to the enterprise fund and then to the general fund and DPHHS.

Forecast Methodology:



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Revenue Estimate Assumptions:

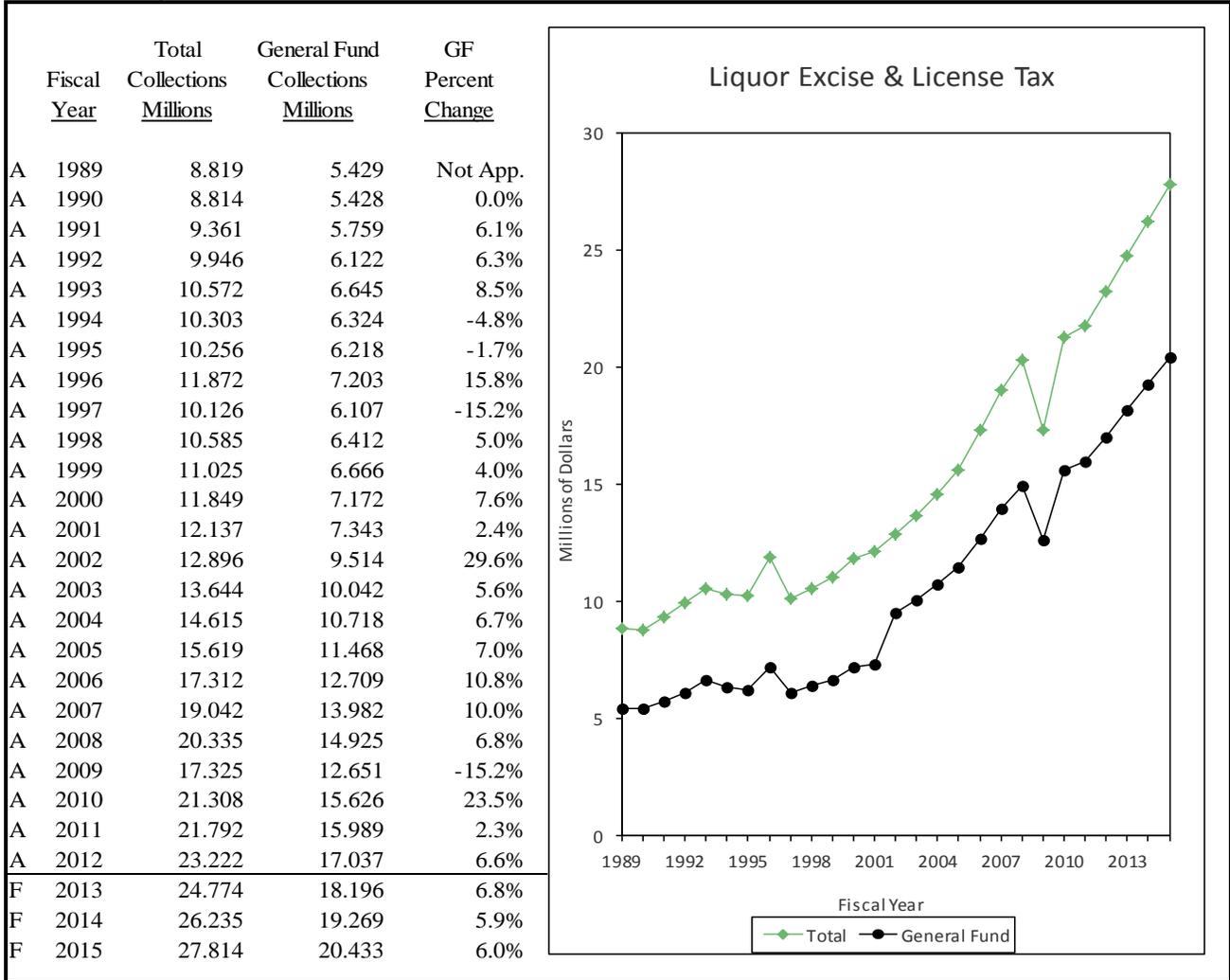
| | t | Total Tax | GF Tax | Tribal | Gross Sales - Taxes | Excise Rate | License Rate | GF License Allocation |
|--|---------------|-----------------|-----------------|-----------------|---------------------|----------------|----------------|-----------------------|
| | <u>Fiscal</u> | <u>Millions</u> | <u>Millions</u> | <u>Millions</u> | <u>Millions</u> | <u>Percent</u> | <u>Percent</u> | <u>Percent</u> |
| Actual | 2002 | 12.896 | 9.514 | 0.133 | 49.615 | 16.0% | 10.0% | 34.5% |
| Actual | 2003 | 13.644 | 10.042 | 0.165 | 52.479 | 16.0% | 10.0% | 34.5% |
| Actual | 2004 | 14.615 | 10.718 | 0.216 | 56.212 | 16.0% | 10.0% | 34.5% |
| Actual | 2005 | 15.619 | 11.468 | 0.217 | 60.069 | 16.0% | 10.0% | 34.5% |
| Actual | 2006 | 17.312 | 12.709 | 0.242 | 66.600 | 16.0% | 10.0% | 34.5% |
| Actual | 2007 | 19.042 | 13.982 | 0.264 | 73.255 | 16.0% | 10.0% | 34.5% |
| Actual | 2008 | 20.335 | 14.925 | 0.288 | 78.250 | 16.0% | 10.0% | 34.5% |
| Actual | 2009 | 17.325 | 12.651 | 0.310 | 81.224 | 16.0% | 10.0% | 34.5% |
| Actual | 2010 | 21.308 | 15.626 | 0.314 | 81.535 | 16.0% | 10.0% | 34.5% |
| Actual | 2011 | 21.792 | 15.989 | 0.313 | 84.196 | 16.0% | 10.0% | 34.5% |
| Actual | 2012 | 23.222 | 17.037 | 0.335 | 89.987 | 16.0% | 10.0% | 34.5% |
| Forecast | 2013 | 24.774 | 18.196 | 0.337 | 95.283 | 16.0% | 10.0% | 34.5% |
| Forecast | 2014 | 26.235 | 19.269 | 0.357 | 100.902 | 16.0% | 10.0% | 34.5% |
| Forecast | 2015 | 27.814 | 20.433 | 0.374 | 106.974 | 16.0% | 10.0% | 34.5% |
| Total Tax = Gross Sales × Excise Rate + Gross Sales × License Rate | | | | | | | | |
| GF Tax = Gross Sales × Excise Rate - Tribal + Gross Sales × License Rate × GF License Allocation | | | | | | | | |

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Revenue Projection:



Data Source(s): SABHRS, Department of Revenue

Contacts: Department of Revenue