

# Legislative Fiscal Division

## Revenue Estimate Profile

### Wine Tax

**Revenue Description:** A wine tax is levied on table wines imported into Montana by wine distributors or by the Department of Revenue (DOR), who is authorized to sell wines to retail liquor establishments throughout the state. A tax is also imposed on hard cider imported by a table wine distributor or DOR. A portion of wine tax revenue is returned to Native American tribes per an agreement between DOR and the tribes.

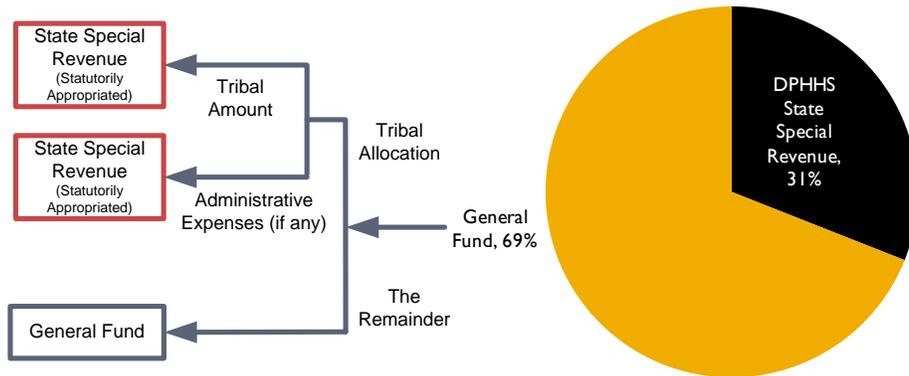
**Statutory Reference:**

- Tax Rate (MCA) – 16-1-411(1), 16-2-301(2)
- Tax Distribution (MCA) – 16-1-411(3), 16-2-301(2)
- Date Due – 15<sup>th</sup> day of the month following the sale from the distributor’s warehouse (16-1-411(2))

**Applicable Tax Rate(s):** A tax of \$0.27 is imposed per liter of wine and a tax of \$0.037 per liter is imposed on hard cider. An additional tax of \$0.01 per liter is imposed on table wine sold by a table wine distributor to an agent.

**Distribution:** The \$0.01 per liter tax is deposited into the general fund. After expenses and tribal allocations, other wine tax revenue is distributed 69.0% to the general fund and 31.0% to the Department of Public Health and Human Services (DPHHS) alcohol account. The general fund distribution is reduced by the amount of the tribal agreements.

Distribution Chart:



**Collection Frequency:** Monthly

**% of Total General Fund Revenue:**

FY 2004 – 0.10%	FY 2007 – 0.10%	FY 2010 – 0.12%
FY 2005 – 0.10%	FY 2008 – 0.09%	FY 2011 – 0.11%
FY 2006 – 0.10%	FY 2009 – 0.11%	FY 2012 – 0.11%

**Revenue Estimate Methodology:**

Data

The state accounting system (SABHRS) and DOR provide data for the wine tax estimates. The SABHRS data includes total fiscal year tax collection data. The DOR data provides the information related to historic tribal distributions. IHS projections of population over age 21 are used for future per capita consumption.

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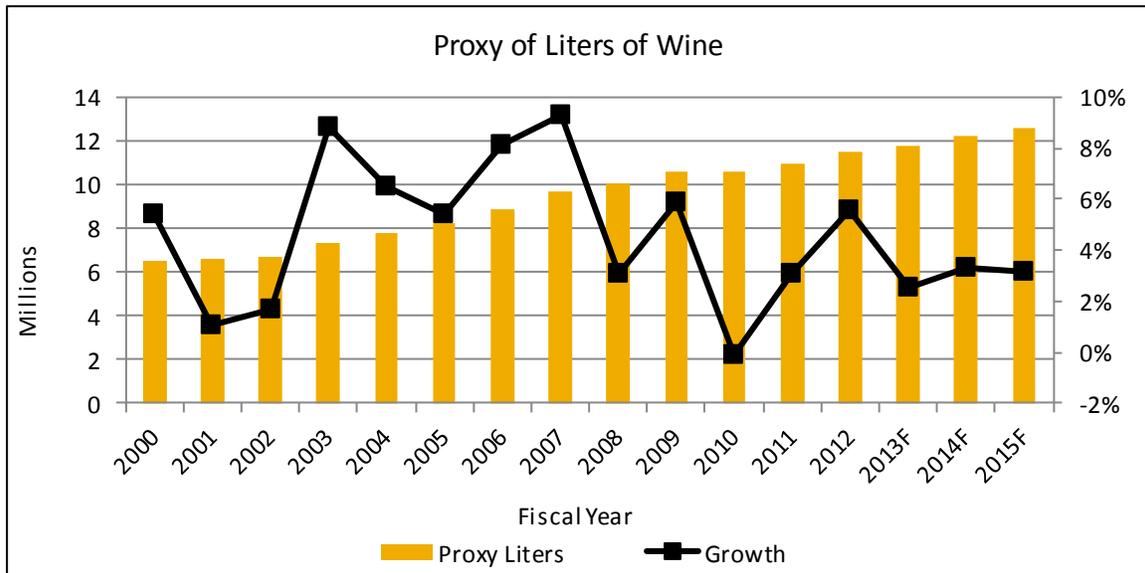
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Wine tax collections are made up of the collections of two taxes, the wine tax and the hard cider tax. Although each tax is individually established in statute, no distinction between the taxes is made when preparing the estimates. In the past several years, the cider tax has contributed no more than 0.1% of the total wine tax collections. If cider tax collections become more significant, the wine tax methodology will be adapted to forecast hard cider tax separately.

Wine projections are based on the number of liters of wine consumed. SABHRS data is used to produce a proxy number of liters by dividing the total tax receipts by the wine tax rate.

#### Analysis

Growth in wine tax collections, measured in liters of wine, has followed a consistent upward trend through time. The trend is apparent in the figure below.

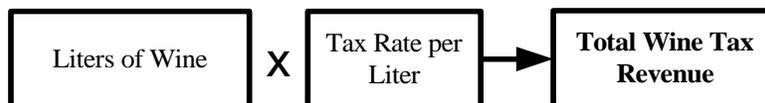


Proxy liters of wine is modeled against Montana population over age 21 to produce an estimate of future proxy liters. The tax rate is applied to produce future tax revenues.

#### Adjustment and Distribution

The wine taxes are distributed between two funds; the general fund receives 69% and the DPHHS alcohol state special revenue account receives 31%. The general fund distribution is reduced by tribal reimbursements. At this time, three of the seven tribal governments—Blackfeet, Fort Belknap, and Fort Peck—receive wine tax dollars. These tribal governments adhere to Montana wine tax laws. The state of Montana collects the tribes' portion of the tax, and quarterly distributes the collections based on a formula (per capita wine consumption times tribal membership times the Montana tax rate).

#### **Forecast Methodology:**



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#### Revenue Estimate Assumptions:

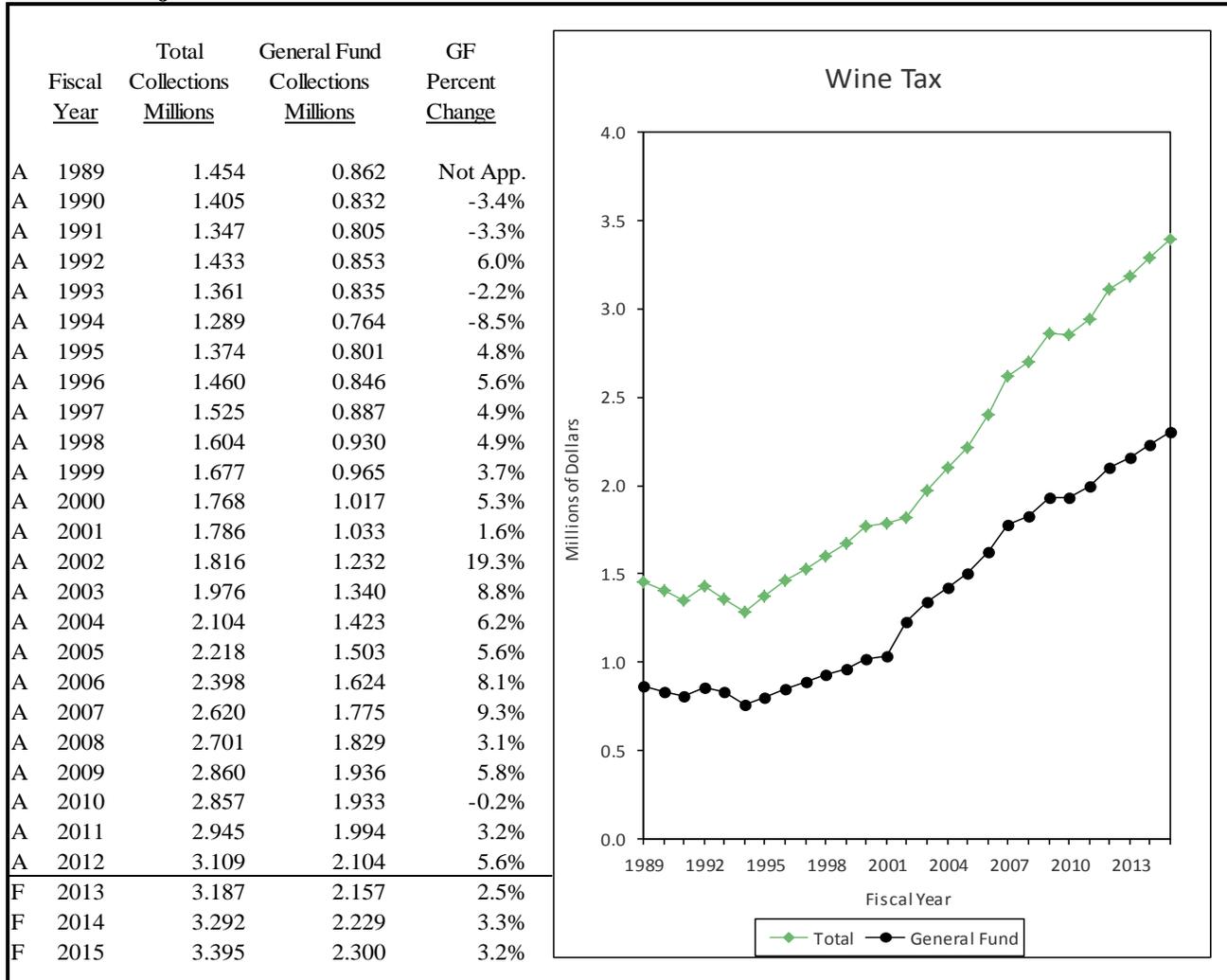
	t	Total Tax	GF Tax	Liters	Tax Rate	Gf Allocation	Tribal
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>\$ Per Liter</u>	<u>Percent</u>	<u>Millions</u>
Actual	2002	1.816	1.232	6.725	0.27	69.0%	0.021
Actual	2003	1.976	1.340	7.319	0.27	69.0%	0.024
Actual	2004	2.104	1.423	7.794	0.27	69.0%	0.029
Actual	2005	2.218	1.503	8.215	0.27	69.0%	0.029
Actual	2006	2.398	1.624	8.880	0.27	69.0%	0.031
Actual	2007	2.620	1.775	9.703	0.27	69.0%	0.034
Actual	2008	2.701	1.829	10.005	0.27	69.0%	0.036
Actual	2009	2.860	1.936	10.592	0.27	69.0%	0.038
Actual	2010	2.857	1.933	10.580	0.27	69.0%	0.039
Actual	2011	2.945	1.994	10.907	0.27	69.0%	0.039
Actual	2012	3.109	2.104	11.515	0.27	69.0%	0.042
Forecast	2013	3.187	2.157	11.805	0.27	69.0%	0.042
Forecast	2014	3.292	2.229	12.195	0.27	69.0%	0.042
Forecast	2015	3.395	2.300	12.576	0.27	69.0%	0.043
Total Tax = Liters × Tax Rate							
GF Tax = Liters × Tax Rate × GF Allocation - Tribal							

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#### Revenue Projection:



**Data Source(s):** SABHRS, Department of Revenue

**Contacts:** Department of Revenue