

# Consumption Taxes

**Beer Tax**

**Cigarette Tax**

**Liquor Excise & License Tax**

**Liquor Profits**

**Lottery Profits**

**Tobacco Tax**

**Video Gambling Tax**

**Wine Tax**



***Legislative Fiscal Division***





# BEER TAX

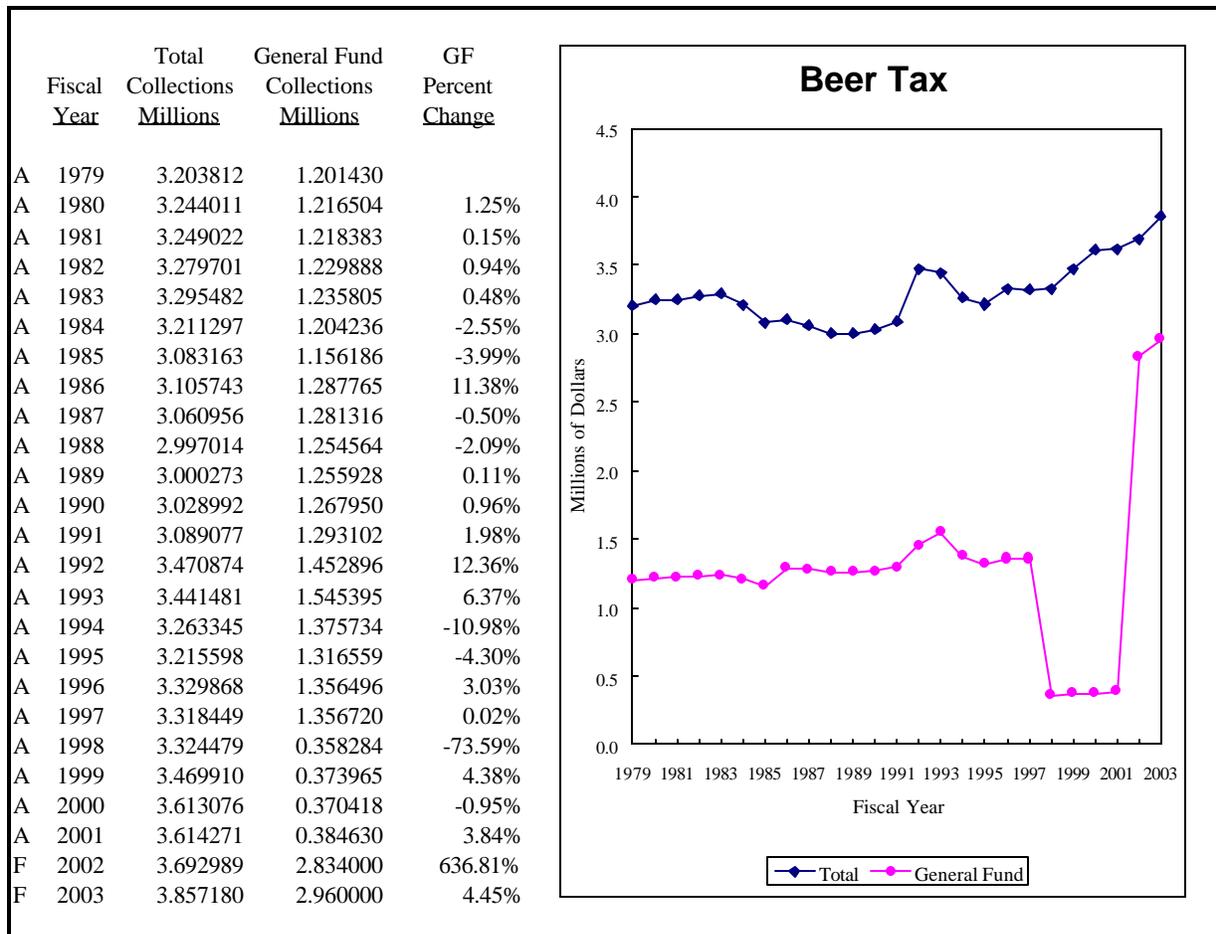
**Revenue Description:** A tax is levied on each barrel of beer produced in or imported into Montana based on the amount produced. A small portion of the revenue from the beer license tax is returned to Indian tribes per an agreement between the Department of Revenue and the tribes.

**Applicable Tax Rate(s):** The per barrel tax varies based on barrels of production: 1) up to 5,000 barrels - \$1.30; 2) 5,001 to 10,000 barrels - \$2.30; 3) 10,001 to 20,000 barrels - \$3.30; and 4) over 20,000 barrels - \$4.30.

**Distribution:** Beer tax revenue is distributed 76.74 percent to the general fund and 23.26 percent to the DPHHS alcohol account. The general fund portion is reduced by the amount of the tribal distribution.

- Barrels of Beer
- Montana Population
- Montana Employment
- Montana Per Capita Consumption
- Montana Disposable Income

## Revenue Projection:



(in millions)	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$2.885	\$2.801	\$2.834	\$3.013	\$2.826	\$2.960
Difference	-	(0.084)	(0.051)	-	(0.187)	(0.053)



# CIGARETTE TAX

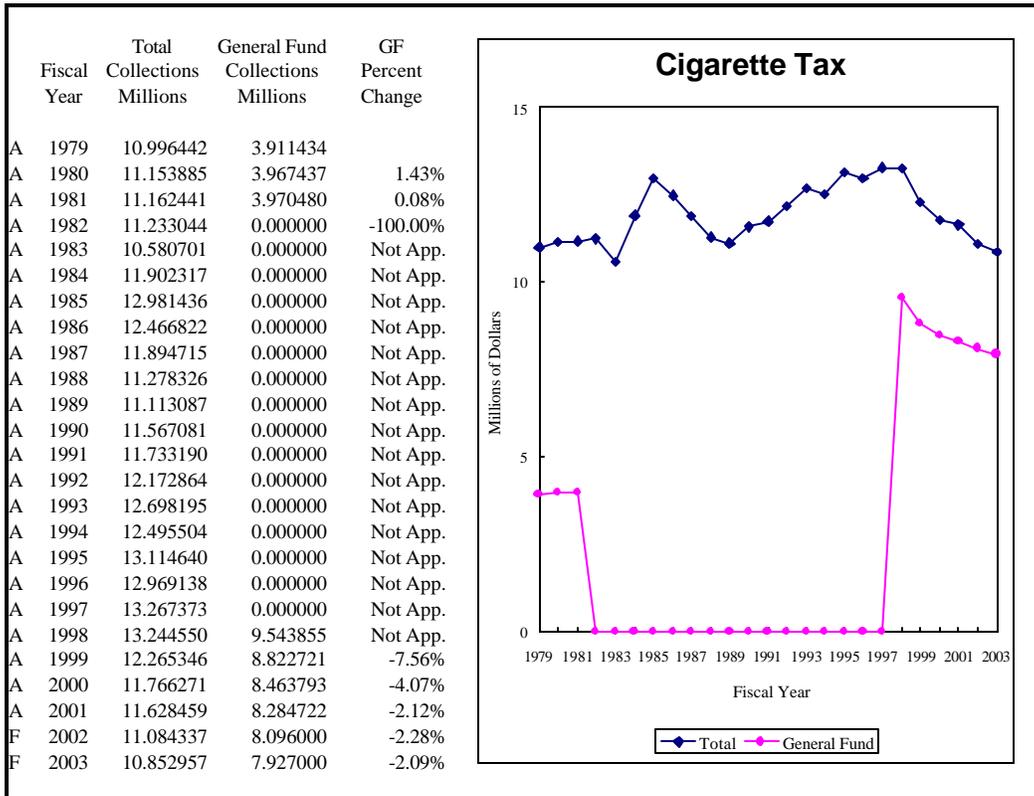
**Revenue Description:** The cigarette tax is an excise tax imposed on all cigarettes sold or possessed in Montana. The tax is imposed on the retail consumer, but is collected by wholesalers or retailers through the use of tax insignia. The insignia are purchased from the state and affixed to each package of cigarettes. The tax does not apply to quota cigarettes sold on an Indian reservation. In practice, the tax is levied on all cigarettes and the wholesaler receives a refund for the amount within the quota that has been sold within the boundaries of an Indian reservation. Each tribe's quota is equal to 150.0 percent of the national average for individual consumption of cigarettes multiplied by the enrolled tribal member population, or any other amount agreed to in a state-tribal agreement. The state has agreements with five tribes in Montana.

**Applicable Tax Rate(s):** Wholesalers pay a license fee of \$50.00 and each retailer pays a license fee of \$5.00. License fees are renewable each year and are non-transferable. The excise tax on cigarettes is \$0.18 per twenty-cigarette pack. When a pack contains more than 20 cigarettes, the tax is prorated at 1/20th of \$0.18 for each cigarette in excess of 20 cigarettes.

**Distribution:** All wholesaler and retailer license fees are deposited in the general fund. After deductions for tribal refunds, the cigarette tax is distributed:

- 11.11% - DPHHS for veterans' nursing home operation and maintenance
- 73.04% - General Fund
- 15.85% - Long-Range Building Program

## Revenue Projection:



(in millions)	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LED	HJR	Exec	LED
Estimates	\$8.057	\$7.991	\$8.096	\$7.889	\$7.879	\$7.927
Difference	-	(0.066)	0.039	-	(0.010)	0.038

## 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 for 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 small portion of the excise tax revenue is returned to Indian tribes per an agreement with the department.

### Applicable Tax Rate(s):

#### Excise Tax Rate

- 16.0% 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 sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax
- 13.8% 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 sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax

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

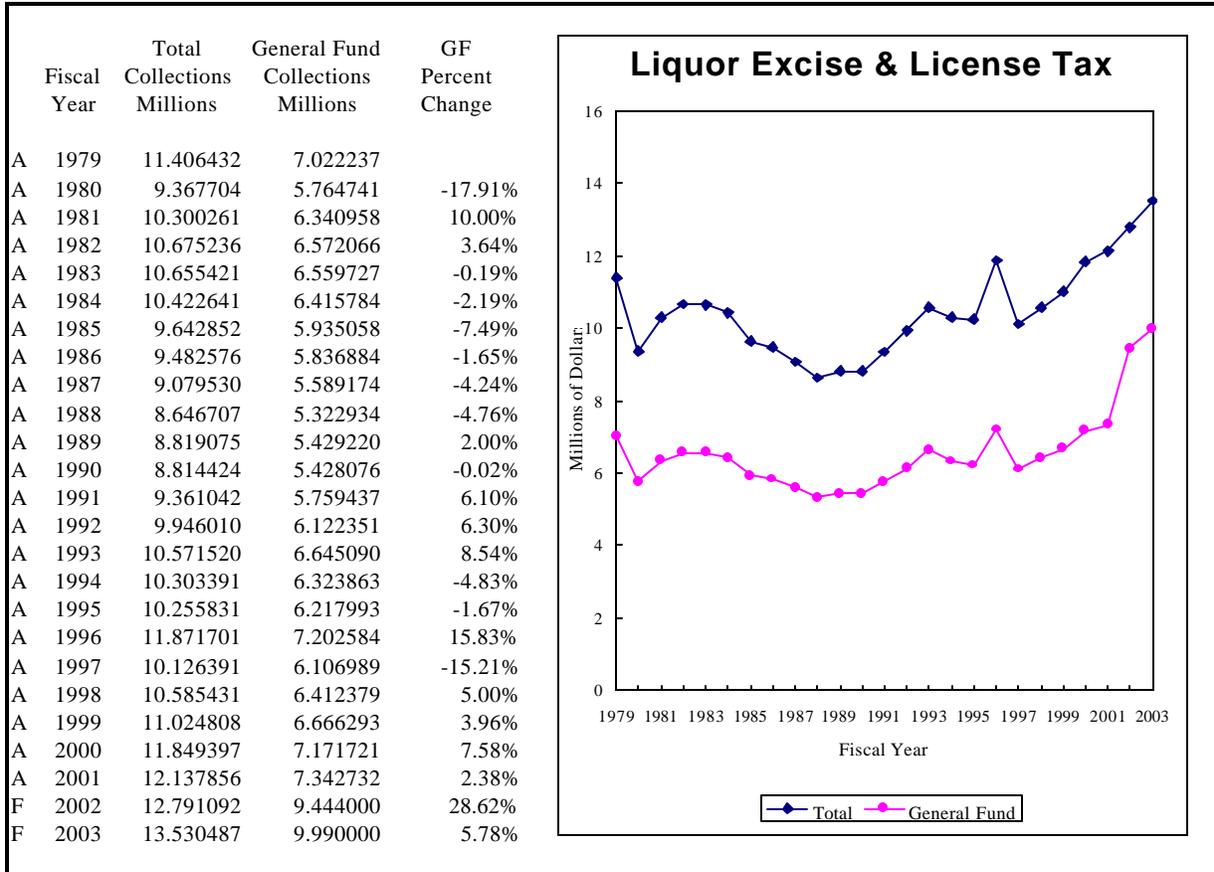
The license tax must be charged and collected on all liquor brought into the state and taxed by DOR. The retail selling price must be computed by adding to the cost of the liquor the state markup as designated by the department. The license tax must be figured in the same manner as the state excise tax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

#### Distribution:

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

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

**Revenue Projection:**



(in millions)	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$9.661	\$9.463	\$9.444	\$10.220	\$10.019	\$9.990
Difference	-	(0.198)	(0.217)	-	(0.201)	(0.230)

# LIQUOR PROFITS

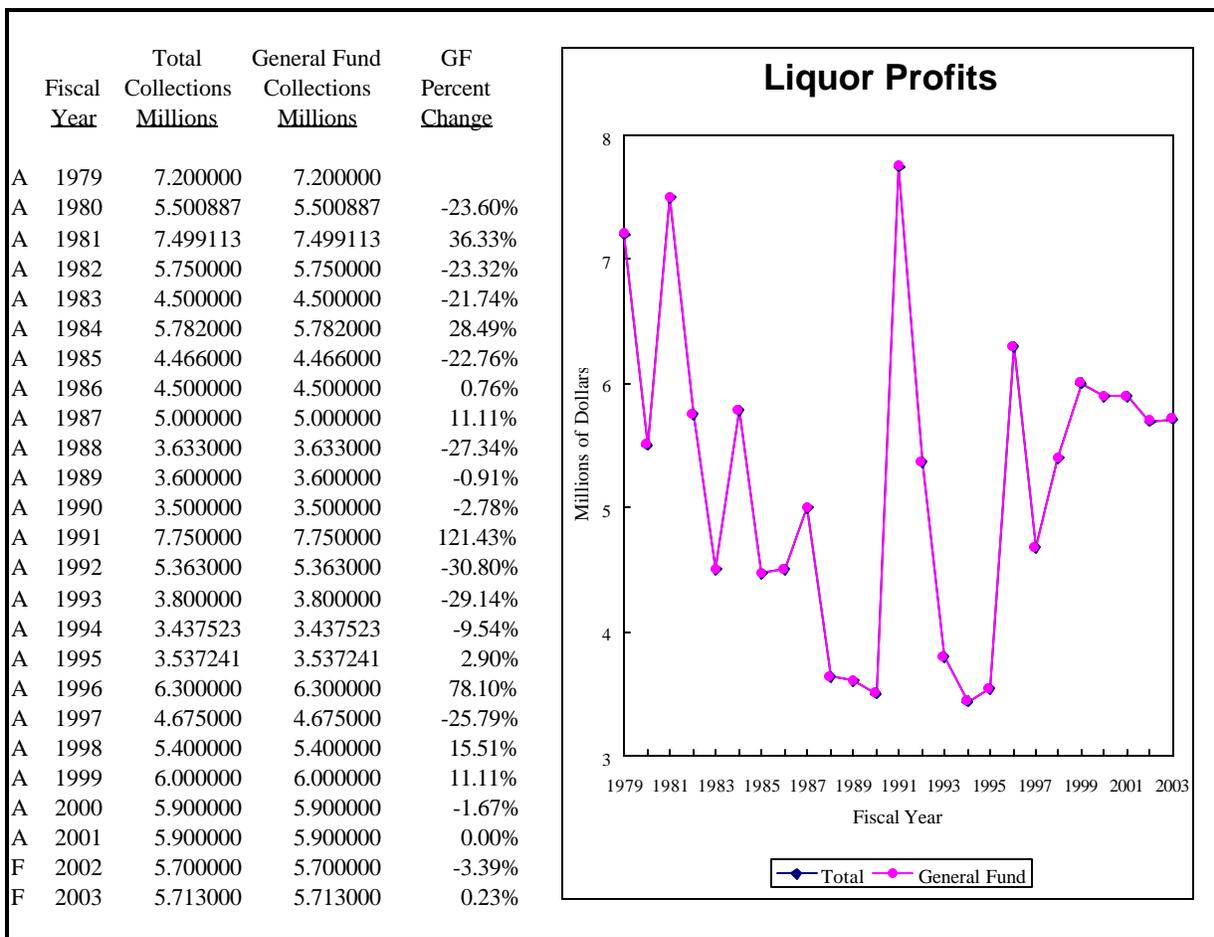
**Revenue Description:** The Department of Revenue (DOR) is authorized to sell liquor and wine to retail liquor establishments throughout the state. These sales result in profits and taxes that are deposited in various state accounts. Tax revenues generated from liquor excise and license taxes, as well as wine taxes, are estimated under separate methodologies.

Liquor profits received by the state are primarily generated by a mark-up on the sale of liquor and wine, less costs such as commissions and discounts. House Bill 348 enacted by the 2001 legislature phased-in liquor store commission increases based on sales volume over a three-year period beginning fiscal 2003. A 40.0 percent mark-up is added to the state's base cost for liquor. The state's mark-up on wine (excluding hard cider) varies according to the size of the container and whether or not it is fortified wine or table wine. The mark-up percentage for both liquor and wine is determined by administrative rule (see ARM 42.11.104).

**Applicable Tax Rate(s):** N/A

**Distribution:** Liquor profits are usually deposited in the general fund annually.

## Revenue Projection:



(in millions)	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$5.831	\$5.771	\$5.700	\$5.845	\$5.814	\$5.713
Difference	-	(0.060)	(0.131)	-	(0.031)	(0.132)

# LOTTERY PROFITS

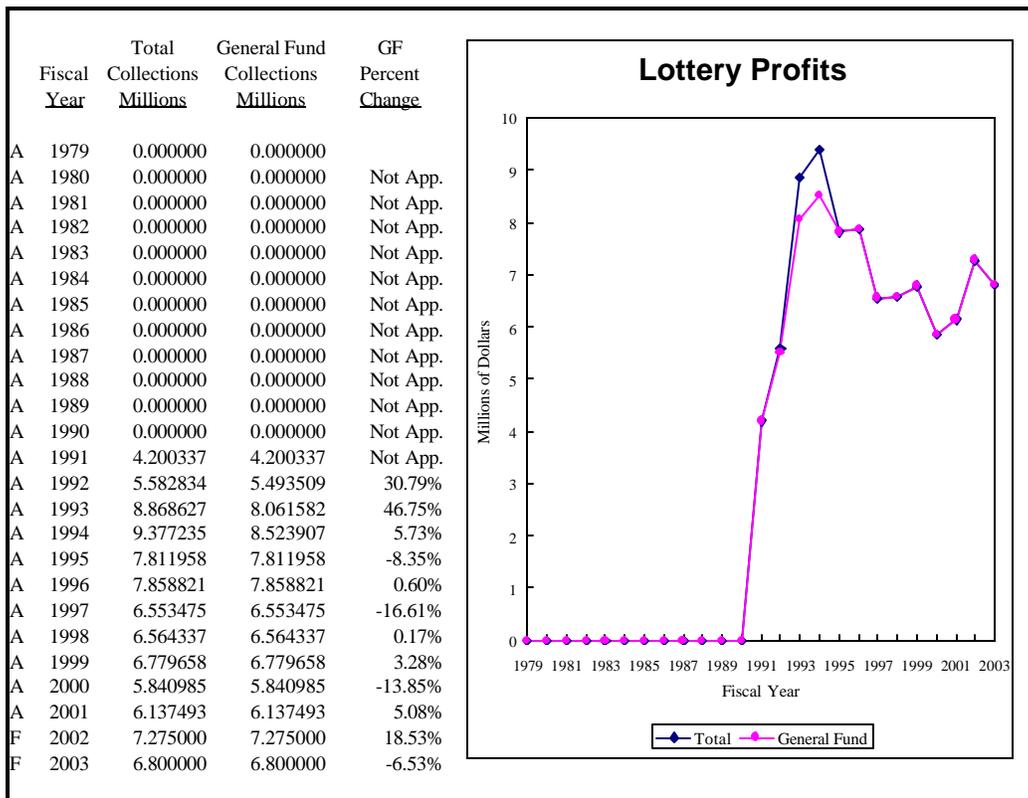
**Revenue Description:** The Montana state lottery was enacted by legislative referendum and became effective January 1, 1987. The first lottery game was launched in June 1987. A lottery is generally defined as “any procedure in which one or more prizes are distributed among persons who have paid for a chance to win a prize”. The games are administered by the Department of Commerce. By law, a minimum of 45.0 percent of the money paid for tickets or chances must be paid out as prize money.

Lottery revenue is derived from ticket sales, sales agents license fees, and unclaimed prizes. Revenue is initially deposited into an enterprise fund known as the state lottery fund.

**Applicable Tax Rate(s):** There is no actual tax rate involved. However, applicants for sales agent licenses are charged a \$50.00 fee to cover the cost of investigating and processing the applications.

**Distribution:** All gross lottery revenue not used for prizes, commissions, and operating expenses, together with the interest earned (on the gross revenue while the gross revenue is in the enterprise fund), is considered net revenue. This net revenue is transferred to the general fund. Senate Bill 55, passed by the 1999 legislature, requires the Department of Commerce to submit a 2003 biennium budget for the lottery enterprise fund for appropriation by the legislature. By controlling the appropriations, the legislature has better control over the amount transferred to the general fund.

## Revenue Projection:



(in millions)	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$6.249	\$7.360	\$7.275	\$6.178	\$6.320	\$6.800
Difference	-	1.111	1.026	-	0.142	0.622

# TOBACCO TAX

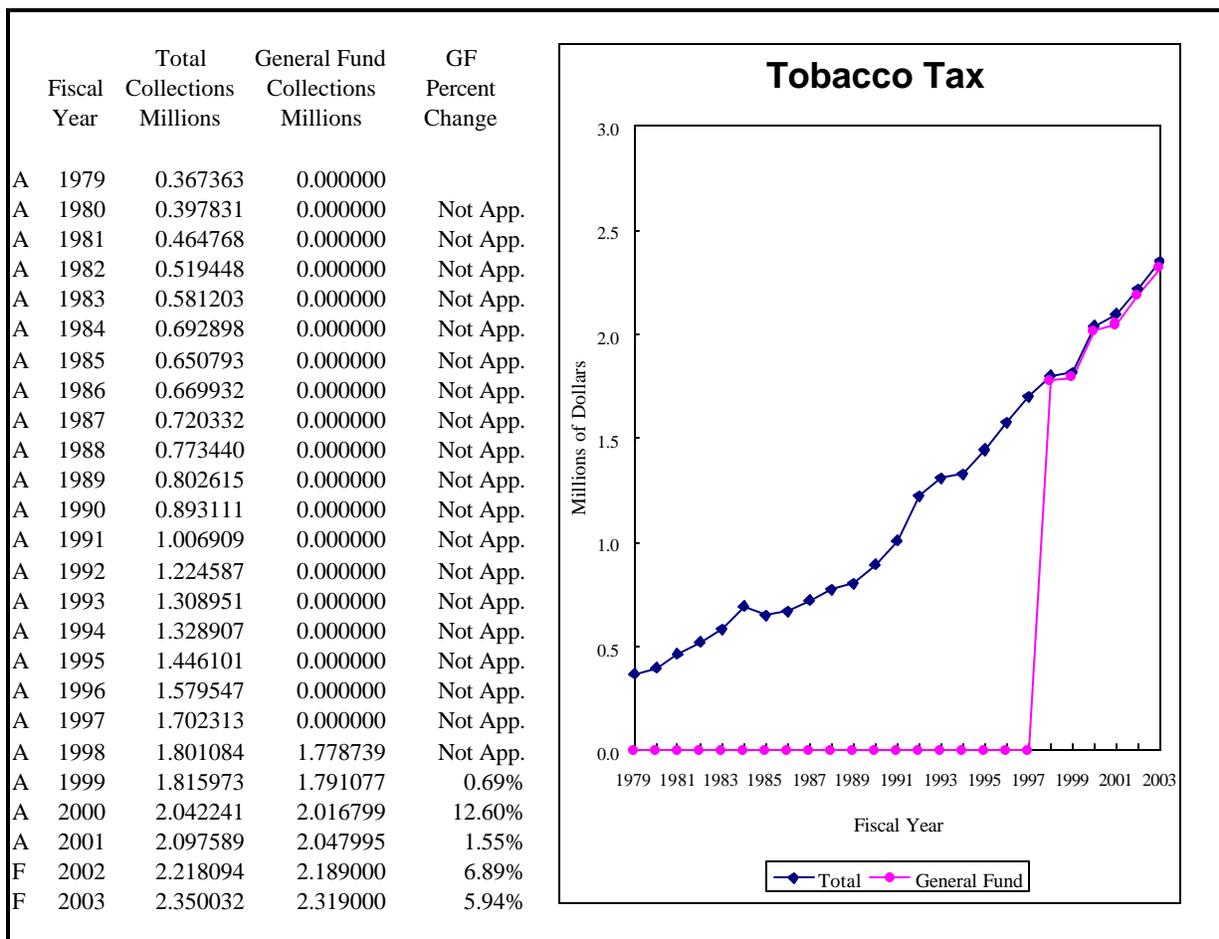
**Revenue Description:** A tax of 12.5 percent of the wholesale price of tobacco products other than cigarettes is collected by the Department of Revenue (DOR). The tax is considered to be a direct tax on retail consumers, but is collected by the wholesaler. Tobacco products shipped from Montana and destined for retail sale and consumption outside the state are not subject to the tax. The wholesaler must pay DOR the taxes in full less a 5.0 percent discount for the wholesaler's collection and administrative expense. The wholesaler is entitled to a refund for tobacco products that remain unsold.

The state has a tobacco agreement with only one tribe in Montana. In the agreement with the Blackfeet Tribe, the state collects a tax imposed by the Tribe and forwards the revenue to the Tribe. Indian consumers of tobacco on other reservations pay the tobacco tax.

**Applicable Tax Rate(s):** The tax is 12.5 percent of the wholesale price of (non-cigarette) tobacco products.

**Distribution:** All proceeds, less distributions paid according to tribal agreements, are deposited into the general fund.

## Revenue Projection:



(in millions)	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$2.265	\$2.225	\$2.189	\$2.400	\$2.356	\$2.319
Difference	-	(0.040)	(0.076)	-	(0.044)	(0.081)

# VIDEO GAMBLING TAX

**Revenue Description:** Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees that generate revenue. Numerous fees are paid by operators for both video gambling machines and for non-video games such as poker. In addition, persons pay an annual fee for the right to assemble, produce, or manufacture video gambling machines or associated equipment. The video gambling tax is paid by licensed video gambling machine operators. License holders are charged a tax of 15.0 percent of the gross income from each licensed video gambling machine. The Department of Justice (DOJ) issues video gambling licenses and permits and collects the fees and taxes. With the enactment of House Bill 124 by the 2001 legislature, all of the video gambling tax is deposited into the general fund.

## Applicable Tax Rate(s):

### License Fees

- Video Gambling Machine Permit - \$200 annually, \$25 machine transfer processing fee
- Video Gambling Manufacturer License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application. The manufacture license may be waived by the DOJ if the manufacture is also a licensed distributor or route operator.
- Video Gambling Machine Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- Distributor License - \$1,000 annually. The distributor license may be waived by the DOJ if the distributor is also a licensed operator or manufacturer. An additional application fee is charged distributors to cover processing costs of the initial application.
- Route Operator License - \$1,000 annually. The operator license may be waived by the DOJ if the operator is also a licensed distributor or manufacturer. An additional application fee is charged operators to cover processing costs of the initial application.
- Bingo/Keno Manufacture License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application.
- Gambling Establishment Operator License – An amount equal to the actual DOJ costs of determining licensure qualifications
- Antique Slot Machine Seller Permit - \$50 annually
- Live Card Game Table - \$250 annually for the first table and \$500 for each additional table
- Card Game Dealer License - \$75 for the first year, \$25 for each subsequent year
- Pinochle Tournament Permit - \$25
- Card Room Contractor License - \$150 annually
- Bingo/Keno Permit - \$250 annually
- Bingo/Keno Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- Sports Tab Game Seller License - \$100 annually. An additional application fee is charged to cover processing costs of the initial application.
- Casino Night Permit - \$25

### Gambling Taxes

- Video - 15.0% of gross income per video gambling machine
- Bingo/Keno – 1.0% of gross proceeds
- Sport Tabs - \$1.00 for each 100 sport tabs sold

### Distribution:

#### License Fees

All license fee revenue is retained by DOJ to cover administrative costs, except for \$100 of the live card game table fee and \$100 of the video gambling machine permit fee. These amounts are statutorily appropriated for distribution to local governments.

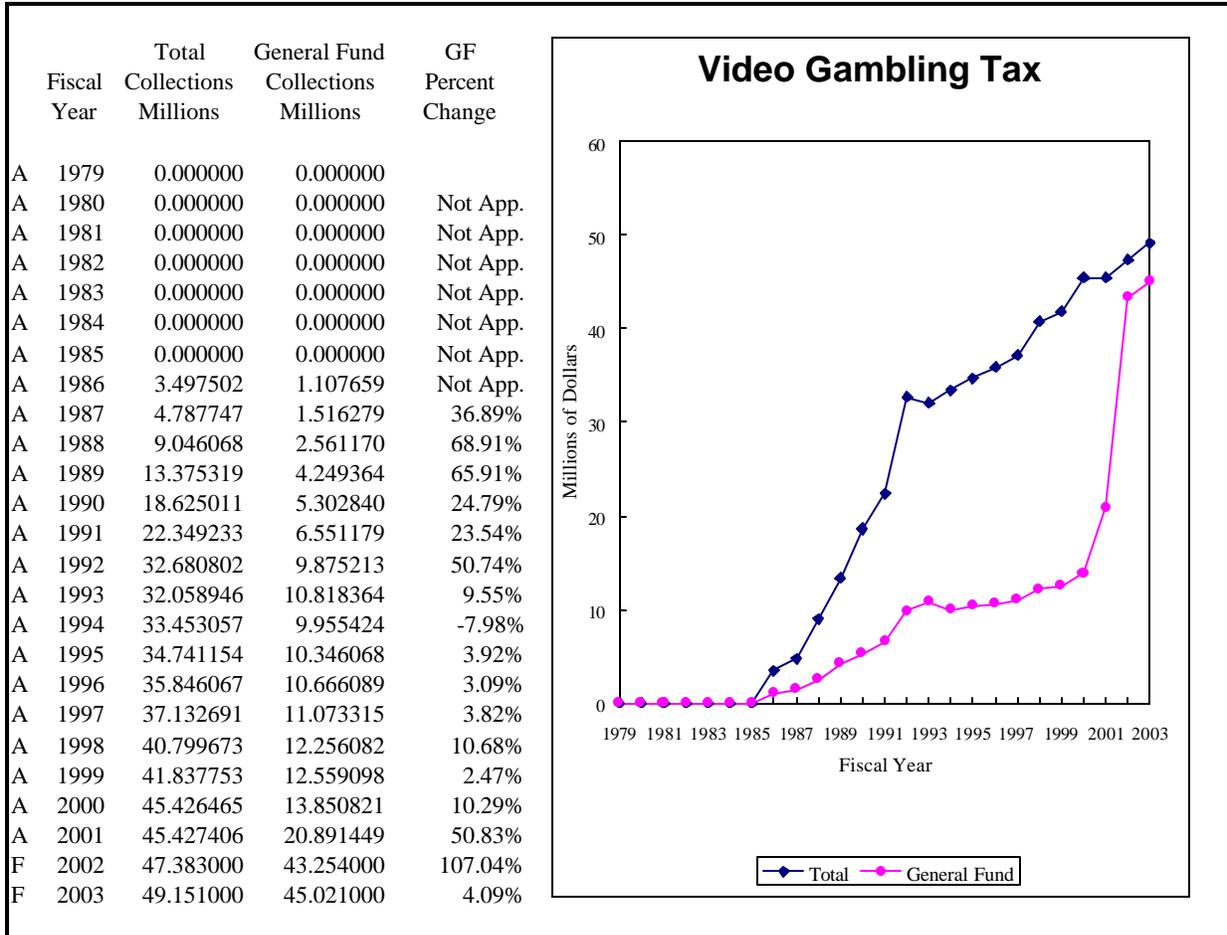
#### Gambling Taxes

Video - All of video gambling tax receipts are deposited into the general fund.

Bingo/Keno – All collections are statutorily appropriated for distribution to the municipality or county in which the game is located.

Sport Tabs – All collections are retained by DOJ for administration purposes.

**Revenue Projection:**



(in millions)	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$41.518	\$43.563	\$43.254	\$45.192	\$45.171	\$45.021
Difference	-	2.045	1.736	-	(0.021)	(0.171)

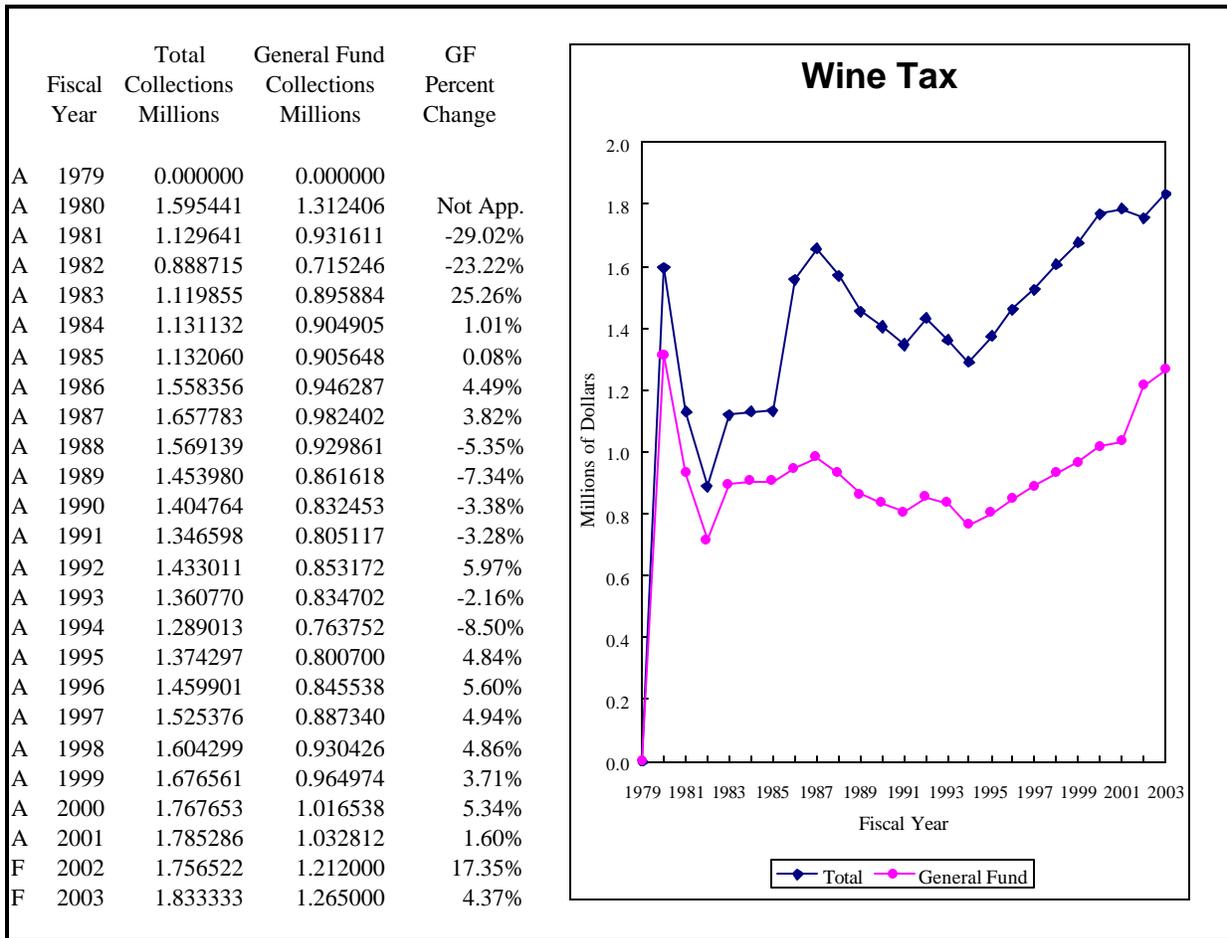
# WINE TAX

**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 Indian tribes per an agreement between DOR and the tribes.

**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. Other wine tax revenue is distributed 69.0% to the general fund and 31.0% to the DPHHS alcohol account. The general fund distribution is reduced by the amount of the tribal agreements.

## Revenue Projection:



(in millions)	Fiscal 2002			Fiscal 2003		
	HJR	Exec	LFD	HJR	Exec	LFD
Estimates	\$1.300	\$1.189	\$1.212	\$1.357	\$1.200	\$1.265
Difference	-	(0.111)	(0.088)	-	(0.157)	(0.092)