

BEER TAX

Revenue Description

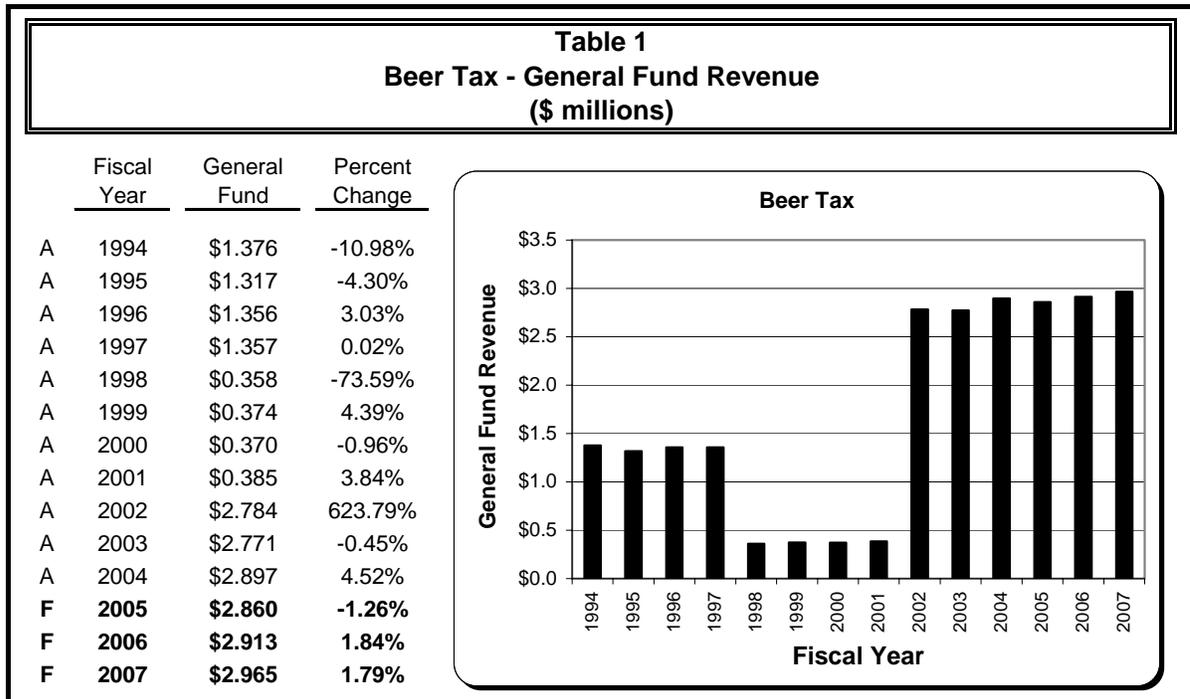
Section 16-1-406, MCA, directs the Department of Revenue to collect a tax on each barrel (a barrel consists of 31 gallons) of beer sold in Montana by a wholesaler at the rate shown below:

<u>Barrels Produced by a Brewer</u>	<u>Tax Rate Per Barrel</u>
Less than or equal to 5,000	\$1.30
5,001 to 10,000	\$2.30
10,001 to 20,000	\$3.30
Greater than 20,000	\$4.30

Beer tax revenues are distributed 76.74% to the state general fund and 23.26% to the Department of Public Health and Human Services. A small portion of beer tax revenue is transferred from the general fund to the tribes of the Blackfeet, Fort Peck, and Fort Belknap Reservations. These tribes have revenue sharing agreements with the state.

Historical and Projected Revenue

Table 1 shows historical and projected general fund revenue from the beer tax for FY 1994 through FY 2007.



The 1997 special session passed HB 166, decreasing the general fund share of beer tax revenue from 41.86% to 11.63%. This caused a large drop in general fund revenue for FY 1998. Increased general fund revenue for FY 2002 was due to HB 124, passed in the 2001 session. This measure raised the general fund share of beer tax revenue from 11.63% to 76.74%. The forecast projects beer tax revenue to drop in FY 2005 but increase in FY 2006 and FY 2007.

Forecast Methodology and Projection Calculation

The forecast is made in four steps. First, per capita consumption of beer is estimated. Second, state population (age 20 and over) and per capita consumption of beer are projected through FY 2007. Third, total collections are projected. Fourth, total collections are allocated to the general fund and those tribes with revenue sharing agreements.

Table 2 shows the calculation of the per capita consumption of beer in Montana from FY 1994 through FY 2004. Column three is the weighted average FY 2003 tax rate for beer. To obtain the average tax rate for beer, each tax rate is multiplied by the percent of beer subject to that tax rate.

Table 2							
Actual and Forecast Per Capita Consumption							
Fiscal Year	Total Beer Tax Collections	/	Average Beer Tax Rate	/	Population Age 20 and Over	= Per Capita Consumption in Barrels	% Change
A 1994	\$3,263,346	/	\$4.25	/	612,266	= 1.2541	
A 1995	\$3,215,598	/	\$4.25	/	622,454	= 1.2155	-3.08%
A 1996	\$3,329,868	/	\$4.25	/	628,525	= 1.2466	2.55%
A 1997	\$3,238,663	/	\$4.25	/	632,534	= 1.2047	-3.36%
A 1998	\$3,324,479	/	\$4.25	/	637,392	= 1.2272	1.87%
A 1999	\$3,443,466	/	\$4.25	/	643,296	= 1.2595	2.63%
A 2000	\$3,613,076	/	\$4.25	/	652,506	= 1.3029	3.44%
A 2001	\$3,614,271	/	\$4.25	/	661,618	= 1.2854	-1.34%
A 2002	\$3,673,818	/	\$4.25	/	670,416	= 1.2894	0.31%
A 2003	\$3,680,560	/	\$4.25	/	678,104	= 1.2771	-0.95%
A 2004	\$3,852,302	/	\$4.25	/	684,580	= 1.3241	3.68%
F 2005						1.2958	-2.14%
F 2006						1.3091	1.03%
F 2007						1.3225	1.03%

To calculate per capita beer consumption, total collections are divided by the weighted average tax rate and by population. Per capita consumption of beer in Montana was 1.3241 barrels in FY 2004. Per capita consumption for FY 2005 is forecast to be the average of per capita consumption for FY 2000 through FY 2004. Growth of per capita consumption in FY 2006 and FY 2007 is forecast to be the average change in per capita consumption from FY 2000 through FY 2004.

Table 3 gives a forecast calculation of general fund beer tax revenue through FY 2007. The consumption forecast is multiplied by population estimates and the average tax rate per barrel to get total tax collections.

Table 3						
Forecast Total Collections						
<u>Fiscal Year</u>	<u>Per Capita Consumption (Barrels)</u>		<u>Population Age 20 and Over</u>		<u>Weighted Average Tax</u>	<u>Total Collections</u>
2005	1.2958	X	690,604	X	\$4.25	= \$3,803,142
2006	1.3091	X	696,153	X	\$4.25	= \$3,873,089
2007	1.3225	X	701,425	X	\$4.25	= \$3,942,514

Table 4 shows the general fund allocation of beer tax. Total collections are multiplied by 76.74%, the general fund allocation before revenue sharing payments to tribal governments. The tribal share is estimated to be 2% of the general fund allocation each year. This figure represents the approximate ratio of combined tribal population within the Blackfeet, Fort Peck and Fort Belknap Reservations to state population (all ages).

Table 4						
Beer Tax Allocation for FY 2005 through FY 2007						
<u>Fiscal Year</u>	<u>Total Collections</u>		<u>General Fund Allocation Percent</u>	<u>Dollars</u>	<u>Tribal Share</u>	<u>General Fund Revenue</u>
F 2005	\$3,803,142	X	76.74%	= \$2,918,531	- \$58,371	= \$2,860,160
F 2006	\$3,873,089	X	76.74%	= \$2,972,208	- \$59,444	= \$2,912,764
F 2007	\$3,942,514	X	76.74%	= \$3,025,485	- \$60,510	= \$2,964,975

Projections of general fund collections are \$2.860 million in FY 2005, \$2.913 million in FY 2006, and \$2.965 million in FY 2007.