

WINE TAX

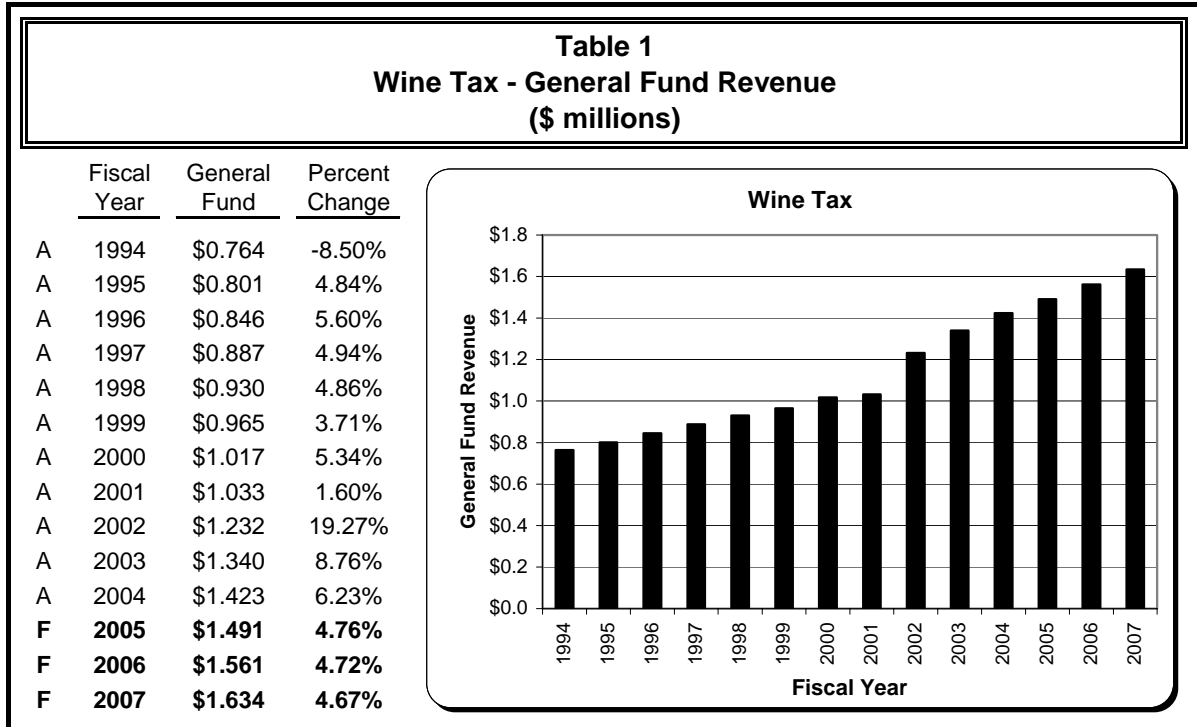
Revenue Description

Section 16-1-411, MCA, directs the Department of Revenue to collect a tax of 27 cents on each liter of table wine and 3.7 cents on each liter of hard cider imported by a distributor or the department. Revenues from the hard cider tax are insignificant (less than 0.08% of total collections in FY 2004) and thus are treated as wine tax revenues in the following analysis.

Wine tax revenues are distributed 69% to the state general fund and 31% to the Department of Public Health and Human Services. About 2% of the general fund wine tax revenue is allocated to tribes that have revenue sharing agreements with the state. Currently this includes the tribes of the Blackfeet, Fort Peck, and Fort Belknap Reservations.

Historical and Projected Revenue

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



The forecast projects wine tax revenue to increase approximately 4.7% annually in FY 2005 through FY 2007. FY 2002 wine tax revenue increased 19.27%. This large

increase was due to HB 124, passed in the 2001 session, which increased the general fund share of wine tax revenue from 59% to 69%.

Forecast Methodology and Projection Calculation

The general fund share of the wine tax is prepared in three steps:

1. Estimate per capita consumption of wine for FY 2005 through FY 2007 using per capita consumption from FY 1994 through FY 2004.
2. Multiply the estimates of per capita consumption by population and the tax rate (\$0.27/liter) to obtain estimates of total collections through FY 2007.
3. Determine the wine tax allocation to the general fund.

Table 2 shows actual total wine tax collections, the tax rate, state population age 20 and older, per capita consumption, and percent change in per capita consumption for FY 1989 through FY 2004.

Table 2							
Per Capita Consumption of Wine (in liters)							
Fiscal Year	Total Collections	/	\$ Tax	/	Population Age 20 and Over	= Per Capita Consumption	Percent Change
1989	\$1,453,980	/	\$ 0.27	/	553,683	= 9.726	-7.70%
1990	\$1,404,764	/	\$ 0.27	/	559,846	= 9.293	-4.45%
1991	\$1,346,598	/	\$ 0.27	/	571,050	= 8.734	-6.02%
1992	\$1,433,011	/	\$ 0.27	/	585,317	= 9.068	3.82%
1993	\$1,360,770	/	\$ 0.27	/	599,363	= 8.409	-7.27%
1994	\$1,289,016	/	\$ 0.27	/	612,266	= 7.797	-7.27%
1995	\$1,360,600	/	\$ 0.27	/	622,454	= 8.096	3.83%
1996	\$1,440,310	/	\$ 0.27	/	628,525	= 8.487	4.84%
1997	\$1,503,390	/	\$ 0.27	/	632,534	= 8.803	3.72%
1998	\$1,600,500	/	\$ 0.27	/	637,392	= 9.300	5.65%
1999	\$1,661,112	/	\$ 0.27	/	643,296	= 9.564	2.83%
2000	\$1,767,654	/	\$ 0.27	/	652,506	= 10.033	4.91%
2001	\$1,786,403	/	\$ 0.27	/	661,618	= 10.000	-0.33%
2002	\$1,815,798	/	\$ 0.27	/	670,416	= 10.031	0.31%
2003	\$1,976,257	/	\$ 0.27	/	678,104	= 10.794	7.60%
2004	\$2,104,165	/	\$ 0.27	/	684,580	= 11.384	5.47%
2005						11.826	3.88%
2006						12.285	3.88%
2007						12.762	3.88%

The annual growth rate in per capita consumption for FY 2005 through FY 2007 is projected at 3.88%, which is the average annual growth rate from FY 1995 through FY 2004.

As shown in Table 3, forecasts for total wine tax collections are the product of estimated adult population, per capita consumption and the tax rate of \$0.27 per liter.

Table 3						
Projected Wine Tax Collections						
FY 2005 through FY 2007						
<u>Fiscal Year</u>	<u>Population Age 20 and</u>	<u>Per Capita Consumption</u>	<u>Tax</u>	<u>Total Collections</u>		
F 2005	690,604	X 11.83	X \$0.27	=		\$2,205,090
F 2006	696,153	X 12.28	X \$0.27	=		\$2,309,102
F 2007	701,425	X 12.76	X \$0.27	=		\$2,416,912

Table 4 shows the general fund allocation of projected wine tax revenues. The general fund receives 69% of the total revenue less revenue sharing agreement payments to the tribes. Tribal payments averaged 2% of general fund wine tax collections from FY 2000 through FY 2004. This percentage is used to estimate tribal payments for FY 2005 through FY 2007.

Table 4						
Calculation of General Fund Wine Tax Allocation						
FY 2005 through FY 2007						
<u>Fiscal Year</u>	<u>Total Collections</u>	<u>General Fund Allocation Percent</u>	<u>Dollars</u>	<u>Tribal Refunds</u>	<u>General</u>	
2005	\$2,205,090	X 69%	= \$1,521,512	- \$30,430	=	\$1,491,082
2006	\$2,309,102	X 69%	= \$1,593,281	- \$31,866	=	\$1,561,415
2007	\$2,416,912	X 69%	= \$1,667,669	- \$33,353	=	\$1,634,316