

BEER TAX

Revenue Description

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

<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

From total beer tax revenue, 76.74% is distributed to the state general fund and 23.26% is distributed to the Department of Public Health and Human Services to fund alcohol treatment programs. Approximately 2% of the 76.74% beer tax revenue allocated to the general fund is remitted to the Blackfeet, Fort Peck, and Fort Belknap Reservations in compliance with revenue sharing agreements with the tribes.

Historical and Projected Revenue

Table 1 shows actual general fund revenue from the beer tax for FY 1996 through FY 2006 and forecast revenue for FY 2007 through FY 2009.

Table 1 Beer Tax General Fund Revenue (\$ millions)		
Fiscal Year	General Fund	Percent Change
A 1996	\$1.356	-
A 1997	\$1.357	0.05%
A 1998	\$0.358	-73.59%
A 1999	\$0.374	4.38%
A 2000	\$0.370	-0.95%
A 2001	\$0.385	3.84%
A 2002	\$2.511	552.88%
A 2003	\$2.718	8.25%
A 2004	\$2.837	4.37%
A 2005	\$2.840	0.09%
A 2006	\$2.908	2.39%
F 2007	\$2.946	1.33%
F 2008	\$2.985	1.32%
F 2009	\$3.024	1.31%

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2009	3.024

HB 166 (1997 Special Session) decreased the general fund share of beer tax revenue from 41.86% to 11.63%, which caused a large drop in general fund revenue for FY 1998 to FY 2001. The significant increase in general fund beer tax revenue in FY 2002 is due to HB 124 (2001 Session), which raised the general fund share of beer tax revenue from 11.63% to 76.74%. General fund beer tax revenue is projected to increase about 1.3% yearly for FY 2007 through FY 2009 based on increases in per capita consumption and population growth.

Forecast Methodology and Projection Calculation

The forecast is made in three steps. First, the per capita consumption of beer is calculated. Second, total revenue is projected by multiplying per capita consumption by the total Montana population. Third, total revenue is allocated to the appropriate fund.

Estimate Per Capita Beer Consumption

To forecast Montana per capita beer consumption, the increase in Montana per capita consumption over time was used. Although Montana law sets the legal drinking age at 21, total Montana population was used for this forecast. Total population growth was used because total Montana population fit the per capita consumption trend over time better than Montana population over age 20.

Table 2 shows the calculation of the per capita consumption of beer in Montana from FY 1994 through FY 2006 and the projected per capita consumption for FY 2007 through 2009.

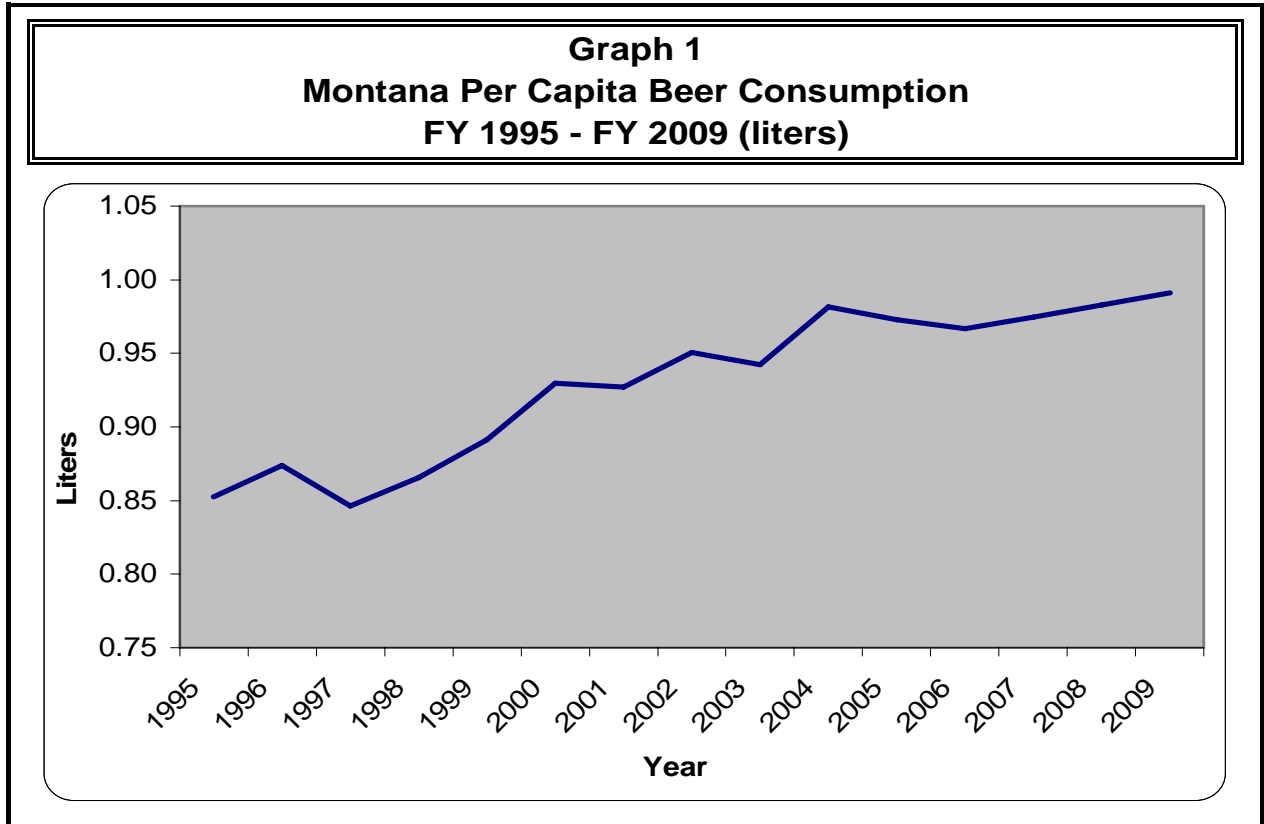
Montana per capita beer consumption is total beer tax divided by the average tax rate¹ and the Montana population. Between FY 1994 and FY 2006, Montana per capita

Table 2					
Actual and Forecasted Per Capita Consumption					
Fiscal Year	Total Beer Tax Collections	Average Beer Tax Rate	Total Population	Per Capita Consumption Barrels	% Chg.
A 1994	\$3,263,346	÷ \$4.30	÷ 863,109	= 0.879	-
A 1995	\$3,215,598	÷ \$4.30	÷ 877,407	= 0.852	-3.07%
A 1996	\$3,329,868	÷ \$4.30	÷ 886,321	= 0.874	2.51%
A 1997	\$3,238,663	÷ \$4.30	÷ 890,120	= 0.846	-3.15%
A 1998	\$3,324,479	÷ \$4.30	÷ 893,221	= 0.866	2.29%
A 1999	\$3,443,466	÷ \$4.30	÷ 898,361	= 0.891	2.99%
A 2000	\$3,613,076	÷ \$4.30	÷ 903,666	= 0.930	4.31%
A 2001	\$3,614,271	÷ \$4.30	÷ 906,741	= 0.927	-0.31%
A 2002	\$3,673,818	÷ \$4.24	÷ 911,527	= 0.951	2.54%
A 2003	\$3,680,560	÷ \$4.25	÷ 919,105	= 0.942	-0.88%
A 2004	\$3,852,302	÷ \$4.23	÷ 927,989	= 0.981	4.15%
F 2005	\$3,853,435	÷ \$4.23	÷ 936,579	= 0.973	-0.89%
F 2006	\$3,866,022	÷ \$4.24	÷ 943,111	= 0.967	-0.60%
Average Growth FY 1994 - FY 2006					0.83%
F 2007	\$3,917,778	÷ \$4.24	÷ 947,913	= 0.975	0.83%
F 2008	\$3,969,497	÷ \$4.24	÷ 952,565	= 0.983	0.83%
F 2009	\$4,021,600	÷ \$4.24	÷ 957,168	= 0.991	0.83%

¹ The average tax rate is found by multiplying the tax rates by the number of barrels sold in each of the four categories and dividing by the total number of barrels of beer sold.

beer consumption increased an average of 0.83% annually. This growth rate is expected to continue through FY 2009.

Graph 1 shows the actual and projected Montana per capita beer consumption over time.



Forecast Total Beer Tax Revenue

Table 3 shows the forecast calculation of beer tax revenue through FY 2009. The per capita consumption forecast is multiplied by population estimates and the average tax rate per barrel to get total beer tax revenue. Total beer tax revenue is projected to increase 1.34% in FY 2007, 1.32% in FY 2008, and 1.31% in FY 2009 due to per capita consumption and population increases.

Fiscal Year	Per Capita Consumption (Barrels)	Total Population	Average Tax	Total Revenue	% Change
F 2007	0.975	x 947,913	x \$4.24	= \$3,917,778	1.34%
F 2008	0.983	x 952,565	x \$4.24	= \$3,969,497	1.32%
F 2009	0.991	x 957,168	x \$4.24	= \$4,021,600	1.31%

Allocation of Beer Tax Revenue

Table 4 shows the general fund allocation of beer tax revenues for FY 2007 through FY 2009. The general fund receives 76.74% of the total revenue less revenue sharing agreement payments to the tribes. Tribal payments averaged 2% of the general fund beer tax allocation from FY 2000 through FY 2005 and are estimated to remain constant at 2% of the general fund allocation for FY 2007 through FY 2009.

Table 4					
Beer Tax Allocation for FY 2007 through FY 2009					
<u>Fiscal Year</u>	<u>Total Collections</u>	<u>General Fund Allocation Percent</u>	<u>General Fund Allocation Dollars</u>	<u>Tribal Share</u>	<u>General Fund Revenue</u>
F 2007	\$3,917,778	x 76.74%	= \$3,006,503	- \$60,130	= \$2,946,372
F 2008	\$3,969,497	x 76.74%	= \$3,046,192	- \$60,924	= \$2,985,267
F 2009	\$4,021,600	x 76.74%	= \$3,086,176	- \$61,724	= \$3,024,451

Beer tax revenue allocated to the general fund is \$2.946 million in FY 2007, \$2.985 million in FY 2008, and \$3.024 million in 2009.

Data Sources

The beer tax revenue data is found in SABHRS Report MTGL0109. The Department of Revenue provided tribal data and beer tax collections by brewery size. Montana population estimates are from *Global Insight* Research Service, July 2006.