

WINE TAX

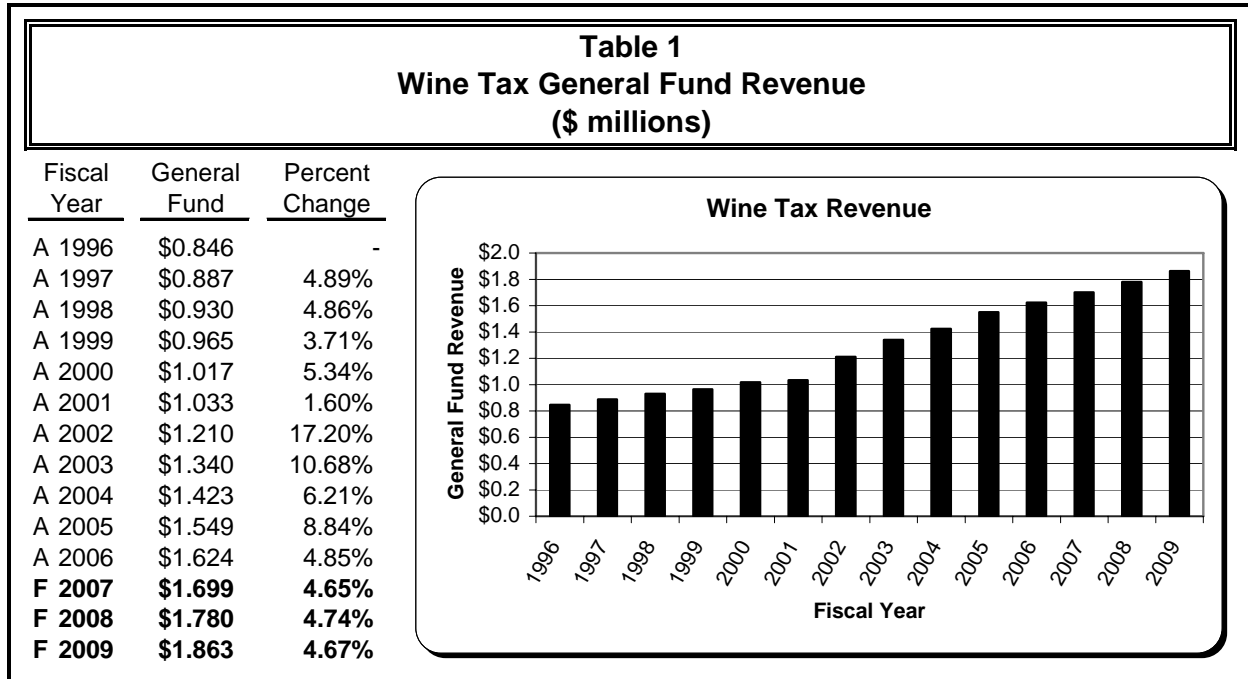
Revenue Description

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. Additionally, a tax of 1 cent per liter of wine is levied on table wine sold by a table wine dealer to an agent, pursuant to 16-2-301, MCA.

Wine tax revenues are distributed 69% to the state general fund and 31% to the Department of Public Health and Human Services. Approximately 2% of the wine 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 wine tax for FY 1996 through FY 2006 and forecast revenue for FY 2007 through FY 2009.¹



FY 2002 wine tax revenue increased 17.2% due to HB 124 (2001 Session), which increased the general fund share of wine tax revenue from 59% to 69%. This forecast

¹ Revenues from the hard cider tax are insignificant (less than 0.10% of total collections) and thus are treated as wine tax revenues in this analysis.

projects general fund wine tax revenue to increase about 4.7% per year for FY 2007 through FY 2009, based on a 3.93% increase in per capita consumption and population growth.

Forecast Methodology and Projection Calculation

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

1. Estimate liters of per capita wine consumption for FY 2007 through FY 2009 using per capita consumption from FY 1995 through FY 2006.
2. Multiply the estimates of per capita consumption by population and the tax rate (\$0.27/liter) to obtain estimates of total revenue through FY 2009.
3. Determine the wine tax allocation to the general fund.

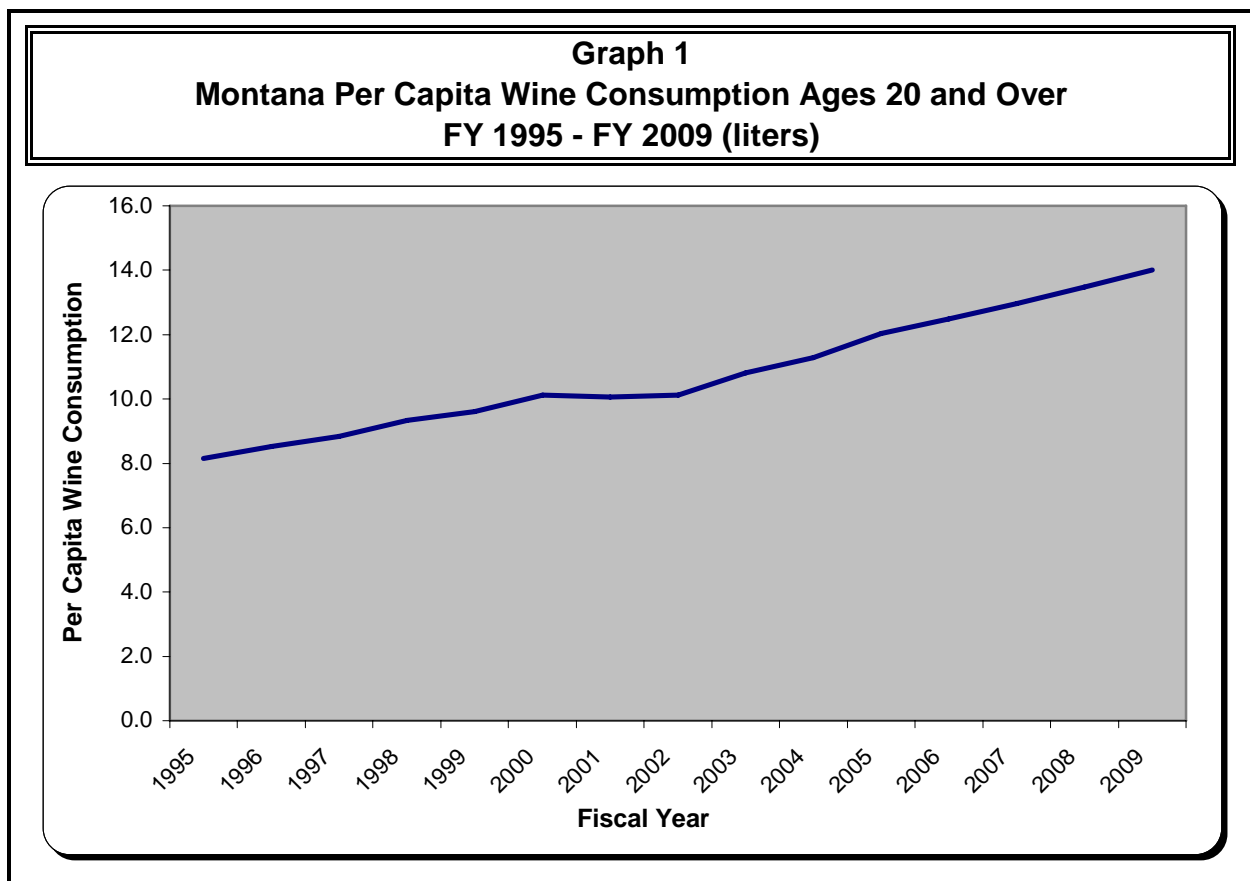
Estimate Per Capita Wine Consumption

Table 2 shows total wine tax revenue, the wine tax rate, Montana population age 20 and older, per capita wine consumption by liter, percent change in per capita consumption for FY 1990 through FY 2009, and the corresponding percent change in Montana population age 20 and over.

Table 2 Actual and Projected Per Capita Wine Consumption in Liters Fiscal Years 1990 through 2009								
Fiscal Year	Total Revenue	÷	Tax	÷	Montana Population Age 20 and Over	=	Per Capita Consumption Liters	% Chg.
A 1990	\$1,404,764	÷	\$0.27	÷	556,051	=	9.36	-
A 1991	\$1,346,598	÷	\$0.27	÷	564,864	=	8.83	-5.64%
A 1992	\$1,433,011	÷	\$0.27	÷	577,920	=	9.18	4.01%
A 1993	\$1,360,770	÷	\$0.27	÷	592,546	=	8.51	-7.39%
A 1994	\$1,289,016	÷	\$0.27	÷	605,921	=	7.88	-7.36%
A 1995	\$1,360,600	÷	\$0.27	÷	617,844	=	8.16	3.52%
A 1996	\$1,440,310	÷	\$0.27	÷	626,025	=	8.52	4.47%
A 1997	\$1,503,390	÷	\$0.27	÷	630,621	=	8.83	3.62%
A 1998	\$1,600,500	÷	\$0.27	÷	634,738	=	9.34	5.77%
A 1999	\$1,661,112	÷	\$0.27	÷	640,322	=	9.61	2.88%
A 2000	\$1,767,654	÷	\$0.27	÷	647,450	=	10.11	5.24%
A 2001	\$1,786,403	÷	\$0.27	÷	657,293	=	10.07	-0.45%
A 2002	\$1,815,798	÷	\$0.27	÷	664,620	=	10.12	0.52%
A 2003	\$1,976,257	÷	\$0.27	÷	677,260	=	10.81	6.81%
A 2004	\$2,104,165	÷	\$0.27	÷	691,073	=	11.28	4.34%
A 2005	\$2,284,989	÷	\$0.27	÷	703,231	=	12.03	6.72%
A 2006	\$2,397,695	÷	\$0.27	÷	711,019	=	12.49	3.78%
Average Growth FY 1995 - FY 2006							10.11	3.94%
F 2007	\$2,513,213	÷	\$0.27	÷	717,056	=	12.98	3.94%
F 2008	\$2,632,222	÷	\$0.27	÷	722,575	=	13.49	3.94%
F 2009	\$2,755,151	÷	\$0.27	÷	727,684	=	14.02	3.94%

Dividing total wine tax revenue by the tax rate of \$0.27/liter and by the population over 20 gives a per capita wine consumption for Montana residents who are 20 or older. To forecast per capita wine consumption between FY 2007 and FY 2009, the increase in Montana per capita wine consumption over time was used. Montana population age 20 and over was used for this forecast because it fit the Montana per capital consumption growth over time better than total Montana population.

This forecast projects the per capita consumption of wine in Montana will grow at a rate of 3.94% between FY 2007 and FY 2009. This rate is the average annual growth rate from FY 1995 through FY 2006. As shown in Graph 1, there has been a strong upwards trend in per capita wine consumption in Montana since the mid-1990s. Graph 1 shows the actual Montana per capita consumption over time.



Forecast Wine Tax Revenue

As shown in Table 3, wine tax revenue is forecast by multiplying the estimated Montana population age 20 or older by the Montana per capita wine consumption and by the wine tax rate of \$0.27 per liter. Total wine tax revenue is forecast to grow about 4.7% per year and total \$2,513,213 in FY 2007, \$2,632,222 in FY 2008, and \$2,755,151 in FY 2009.

Table 3							
Forecast Wine Tax Revenue							
Fiscal Year	Montana Population 20 and Over		Per Capita Consumption (Liters)		Tax	Total Revenue	% Change
F 2007	717,056	x	12.98	x	0.27 =	\$2,513,213	4.82%
F 2008	722,575	x	13.49	x	0.27 =	\$2,632,222	4.74%
F 2009	727,684	x	14.02	x	0.27 =	\$2,755,151	4.67%

Allocation of Wine Tax Revenue

Table 4 shows the general fund allocation of wine tax revenues for FY 2007 through FY 2009. The general fund receives 69% of the total revenue, less revenue sharing agreement payments to the tribes, which averaged 2% of the general fund wine tax allocation from FY 2000 through FY 2005. Tribal payments for FY 2007 through FY 2009 are estimated to be 2% of the general fund allocation.

Table 4						
Calculation of General Fund Wine Tax Allocation						
FY 2007 through FY 2009						
Fiscal Year	Total Collections		General Fund Allocation Percent		Tribal Refunds	General
F 2007	\$2,513,213	x	69%	= \$1,734,117	- \$34,682	= \$1,699,435
F 2008	\$2,632,222	x	69%	= \$1,816,233	- \$36,325	= \$1,779,909
F 2009	\$2,755,151	x	69%	= \$1,901,054	- \$38,021	= \$1,863,033

Wine tax revenue allocated to the general fund is \$1.699 million in FY 2007, \$1.780 million in FY 2008, and \$1.863 million in 2009.

Data Sources

SABHRS Report MTGL0109 provided wine tax revenue. *Global Insight* Research Service provided Montana population data, July 2006.