

ALCOHOLIC BEVERAGE CONTROL DIVISION



| | |
|--|-----|
| Alcoholic Beverage Control Division..... | 251 |
| Liquor Distribution and Licensing and Compliance | 252 |
| Legislative History | 253 |
| Sales of Distilled Spirits | 255 |
| Overview of Alcoholic Beverage Licenses..... | 256 |
| Alcoholic Beverage Licensing..... | 258 |
| Alcoholic Beverage Taxes | 266 |
| Beer Tax | 267 |
| Table Wine and Hard Cider Tax..... | 268 |
| Liquor Excise Tax | 269 |
| Liquor License Tax..... | 270 |
| State Comparison..... | 271 |

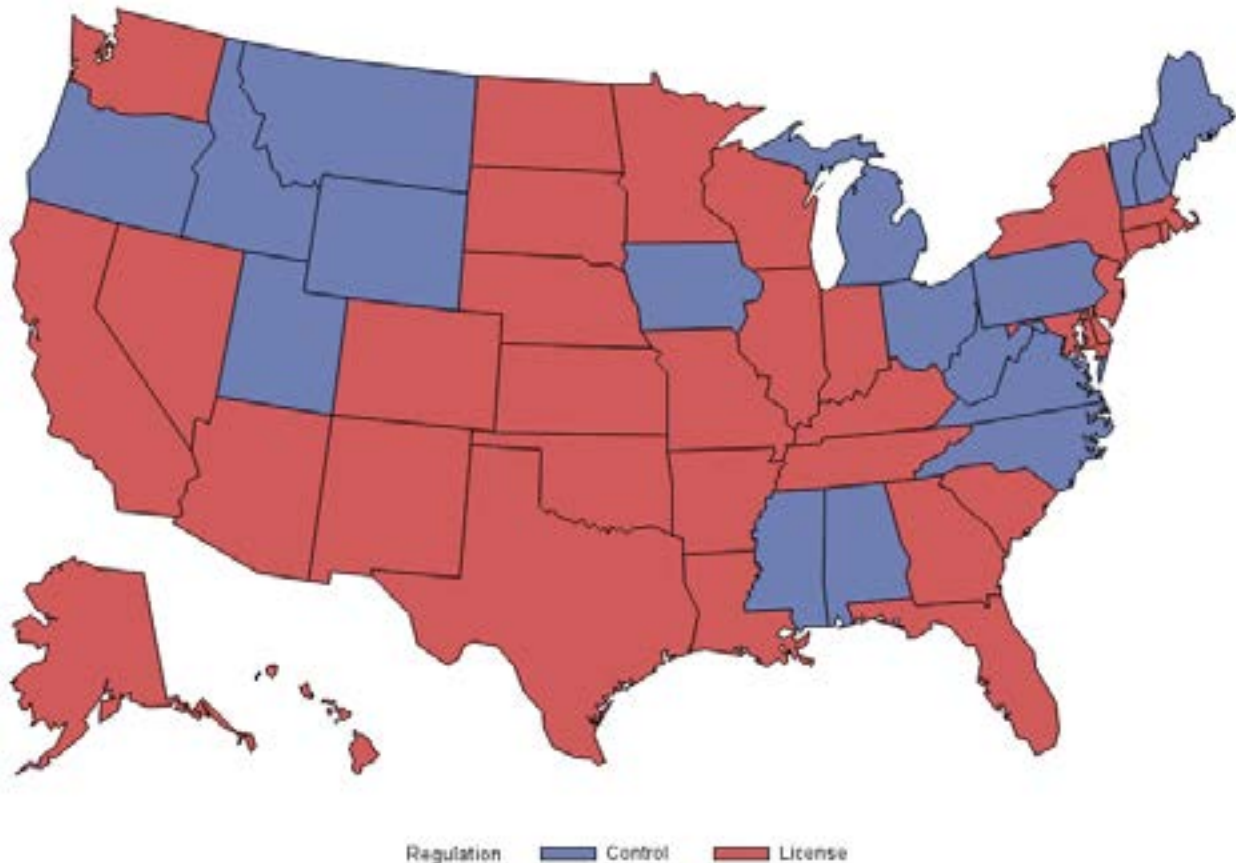
Overview of the Alcoholic Beverage Control Division

The Department of Revenue's Alcoholic Beverage Control Division (ABCD) administers Montana's Alcoholic Beverage Code (Title 16, Chapters 1 through 6, MCA). This division is responsible for licensing and regulating all alcoholic beverage operations in the state. In addition, the Alcoholic Beverage Control Division is the only wholesaler of distilled spirits in the state.

At the end of Prohibition in 1933, individual jurisdictions had to choose how to regulate the sale of alcoholic beverages. Two general systems arose from this: license states and control states. A license state regulates private businesses that are licensed to sell alcoholic beverages. In control states, a state agency acts as the sole wholesaler, and in some states the sole retailer, for some or all alcoholic beverages. Control states also license and regulate any parts of the supply chain that are operated privately. Montana is a control state.

Control states serve as wholesalers to try to control the consumption of alcoholic beverages rather than encourage or promote it. The details vary from state to state. For Montana, the state is the only wholesaler for distilled spirits and fortified wine, but wholesaling of beer and table wine is done by private companies licensed by the state. In some other control states, the state also acts as wholesaler for beer and wine. In some control states, the state also operates retail stores.

As shown in the map below, there are sixteen other control states: Alabama, Idaho, Iowa, Maine, Michigan, Mississippi, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, West Virginia, and Wyoming. Several counties in Alaska, Maryland, Minnesota, and South Dakota also operate as control jurisdictions.



Liquor Distribution and Licensing and Compliance Bureaus

Because the Alcoholic Beverage Control Division has two very different responsibilities, it is split into two bureaus: Liquor Distribution and Licensing and Compliance.

The Liquor Distribution Bureau is responsible for managing the entire wholesale process for distilled spirits and fortified wine. This includes:

- Operating the state liquor warehouse by ordering, maintaining, and managing liquor warehouse inventories.
- Establishing and posting statutorily-defined prices for all approved liquor products distributed through the warehouse.
- Establishing and maintaining agency contracts and supplying products to the 95 agency liquor stores.

The Licensing and Compliance Bureau is responsible for administering alcoholic beverage licensing laws in an effort to protect the welfare and safety of the public. This division oversees and enforces compliance with the state's alcoholic beverage laws. This includes:

- Licensing all individuals and entities manufacturing, importing, distributing, or retailing alcoholic beverages in Montana.
- Verifying the suitability of alcoholic beverage license applicants and premises to ensure they meet the relevant qualifications.
- Actively monitoring licensee premises activities to ensure compliance with state laws.
- Providing expert testimony in case of violation, revocation, and other regulatory proceedings.

Because Montana's alcoholic beverage laws may seem complex, this section of the Biennial Report gives a general overview of alcoholic beverage laws in Montana in addition to information on revenue collections. More information can be found in the [annual report on the liquor enterprise fund](#) and in [publications](#) explaining each of the types of alcoholic beverage licenses, which are available on the department's website.

Legislative History

Legislative History of Alcoholic Beverage Laws

The responsibilities of the Alcoholic Beverage Control Division have grown with the evolution of the alcoholic beverage industry. Many legislative changes have affected the development of alcoholic beverage licensing and tax rates over the past 20 years. The following is a brief history of the major legislation that occurred during the past three legislative sessions. Additional legislative history is available in previous [Biennial Reports](#), which are available on the Department of Revenue's web site.

2013

SB 120 – Increased the number of all-beverage licenses that an individual may possess from one to three (16-4-205, MCA).

HB 402 – Created a direct shipment endorsement for wineries licensed or registered in Montana allowing wineries to sell and ship up to 18 9-liter cases of wine annually to an individual for personal use (16-4-1101, MCA). This eliminated the wine connoisseur's license.

HB 524 – Allowed licenses to sell beer and wine for off-premise consumption for specialty stores with at least 95 percent of gross income from beer or wine sales. Previously these licenses were only available to grocery stores or drugstores licensed as a pharmacy (16-4-115, MCA).

2015

HB 50 – Added domestic distillers, wine distributors, and importers to the list of alcoholic beverage licensees subject to investigation by the Department of Justice (16-4-406, MCA).

HB 350 – Increased the maximum number of representatives that a liquor vendor may employ from three to five (16-3-107, MCA).

HB 506 – Allowed distilleries to deliver their product directly to an agency store using their own equipment, trucks, and employees if the distillery produces less than 25,000 gallons of product annually (16-4-311, MCA).

SB 193 – Increased the state markup on liquor from 40 to 40.5 percent (16-1-404, MCA). Also changed the method of calculating each agency liquor store's commission rate to one rate based on sales (16-2-101, MCA).

2017

HB 12 – Transferred legislative oversight of administration of alcoholic beverage laws from the Revenue and Transportation Interim Committee to the Economic Affairs Interim Committee.

HB 428 – Requires the department to hold a lottery to choose a new licensee when a quota area is eligible for one or more additional retail beer licenses and there are more applicants than new licenses. The fee for a new license is to be \$25,000.

HB 462 – Creates an academic brewer license that would allow Flathead Valley Community College and Montana State University – Billings to brew beer as part of academic training in brewing.

HB 541 – Eliminates the special tax rate for brewers producing between 10,001 and 20,000 barrels per year, increases the size of small brewers allowed to operate a sample room to 60,000 barrels per year, but limits to total amount of samples a brewer may sell or give away to 2,000 barrels per year.

SB 344 – Modifies conditions for use of an alcoholic beverage license as security for a commercial loan.

2017 Special Session

SB 5 – Made several changes to the quota system. Under previous law, when the boundaries of two or more cities or towns were within 5 miles of each other, the municipalities and the areas within 5 miles of their boundaries were combined in a single quota area. SB 5 changed this so that each municipality defines a separate quota area and where the areas within 5 miles of municipal boundaries overlap, the boundary of the quota areas is to be halfway between the municipal boundaries. If this splitting of quota areas makes new licenses available, the department is to issue at most one new license per type per year in each affected quota area.

SB 5 also temporarily replaces the lottery system for new licenses with a competitive bidding process. Unless future legislatures act, the lottery system will return in 2023.



Sales of Distilled Spirits

Sales of Distilled Spirits

Out-of-state distilleries and Montana distilleries producing more than 25,000 gallons per year are required to ship all distilled spirits to be sold in Montana to the state liquor warehouse. From the liquor warehouse, liquor is distributed to the 95 privately operated agency liquor stores. The agency liquor stores may then sell to the public for off-premises consumption and to Montana's all-beverage license holders.

Montana microdistilleries, which produce 25,000 gallons per year or less, may provide samples and make limited sales at the distillery and deliver their products directly to agency liquor stores.

The Department of Revenue sets a posted price for each product. This is the price that agency liquor stores are to charge for sales of less than a case to all-beverage licensees. Full-case sales are to be made at a discount of 8 percent off the posted price. Agency liquor stores must charge at least the posted price for sales to the public, but may charge more.

Agency liquor stores buy liquor from the state warehouse at a discount off the posted price. This discount serves as the agency stores' commission on sales and is the only compensation that they receive from the state. The commission rate is set in law (16-2-101(4), MCA) and depends on the previous year's purchases. Smaller stores have a higher commission rate, up to 16 percent, while the largest stores have a commission rate of 12.15 percent.

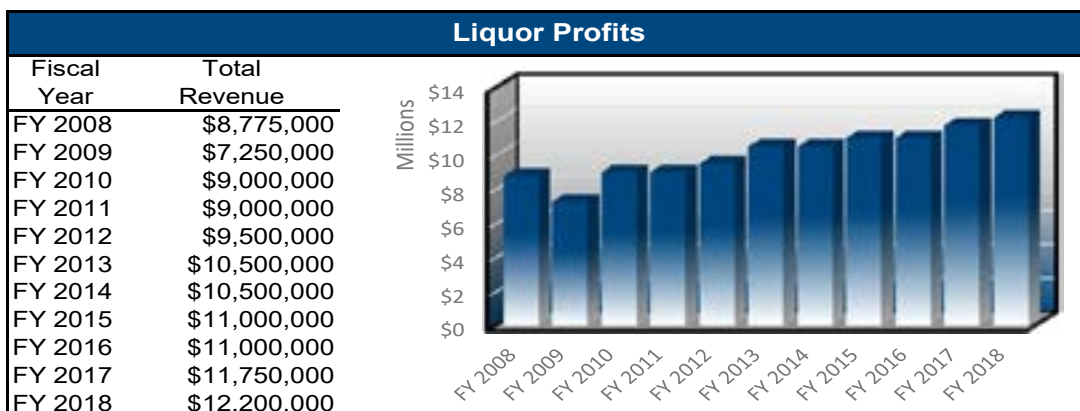
The posted price is calculated as follows:

Posted Price = Base price + markup + liquor license tax + liquor excise tax + freight rate

The base price is the price at which the department purchases liquor. Markups are set in law to cover the department's costs and provide profit for the general fund. Current markups are 40.5 percent for liquor, 51 percent for fortified wine, and 20 percent for sacramental wine (16-1-404, MCA). The law requires a lower markup for liquor produced by Montana micro-distilleries (16-2-211, MCA). The department contracts with a shipping company to deliver spirits to the 95 agency stores. The freight rate for 2018 was \$1.42 per case.

Proceeds from sales by the state liquor warehouse are deposited in the department's Liquor Enterprise Fund. The costs of operating the warehouse and buying products are paid out of this fund. The department maintains a balance in this fund for working capital at the end of each fiscal year and transfers the remaining liquor profits to the general fund. Transfers of liquor profits to the general fund have generally increased over time. An exception was Fiscal Year 2009, when the legislature appropriated \$1.75 million from liquor profits for the liquor warehouse renovation project.

Wholesaling of beer and table wine (wine containing 16 percent alcohol by volume or less) is done by private businesses subject to Montana alcoholic beverage licensing laws.



Overview of Alcoholic Beverage Licenses

Overview of Alcoholic Beverage Licenses

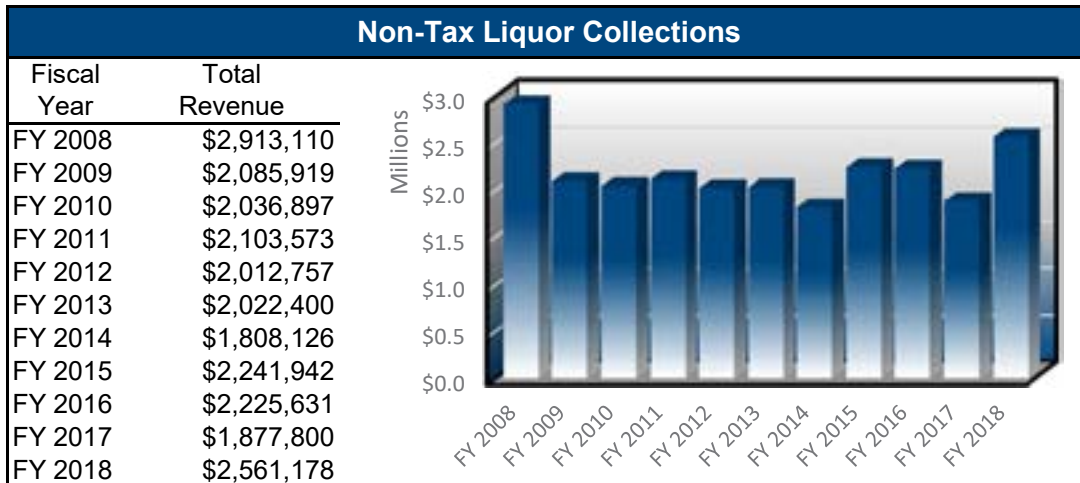
All individuals and corporations manufacturing, importing, distributing, or retailing alcoholic beverages in Montana must be licensed. In general, there are four categories of licensees: manufacturers, wholesalers and distributors, on-premises retailers, and off-premises retailers.

The law places restrictions on ownership of multiple licenses. Retailers, manufacturers, importers, and wholesalers may not have an ownership interest in an agency liquor store. Retailers may not have any affiliation with a manufacturer, importer, or distributor of alcoholic beverages. And wholesalers and distributors may not be a manufacturer of any alcoholic beverage (16-4-401, MCA).

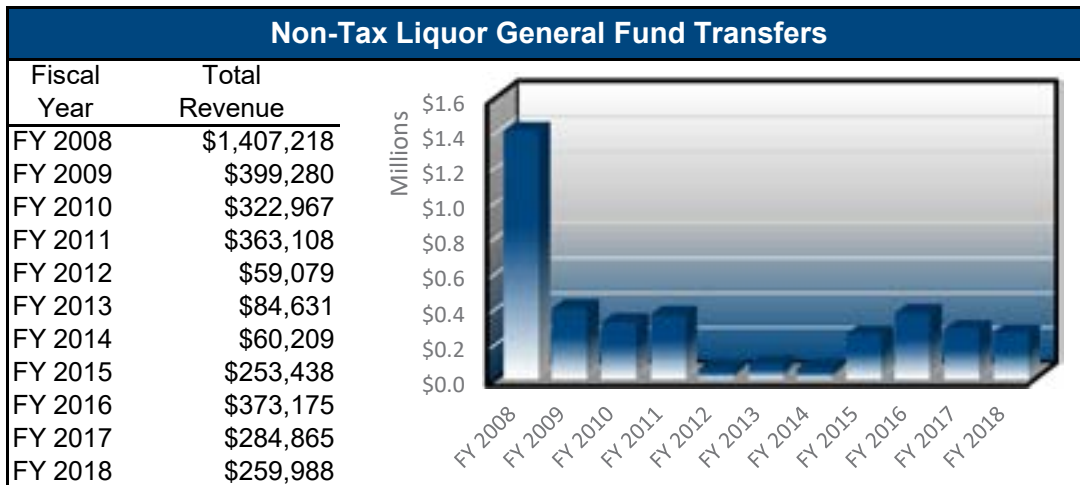
License holders are subject to an annual renewal fee. The fees set in law are described in the table to the right. These annual renewal fees and any initial license fee are deposited in the Liquor Enterprise Fund. Administrative and compliance expenses associated with enforcing Montana's alcoholic beverage laws by the Department Revenue and Department of Justice are paid from this fund.

The balance remaining in the fund at the end of the fiscal year is deposited in the state General Fund (16-2-108, MCA).

| Annual License Fees (16-4-501) | |
|--------------------------------|---|
| <u>On-Premise</u> | |
| | <u>Annual Fee</u> |
| All-Beverage | \$400 - \$800 |
| Beer | \$200 |
| Beer and Wine | \$400 |
| Restaurant Beer and Wine | \$400 |
| <u>Off-Premise</u> | |
| | <u>Annual Fee</u> |
| Agency Stores | No Fee |
| Beer | \$200 |
| Wine | \$200 |
| Beer and Wine | \$400 |
| Sacramental Wine | \$50 |
| <u>Manufacturers</u> | |
| | <u>Annual Fee</u> |
| Brewer or Beer Importer | \$200 - \$500 + \$400 per storage depot |
| Winery | \$200 + \$400 per subwarehouse |
| Distillery | \$600 |
| <u>Wholesalers</u> | |
| | <u>Annual fee</u> |
| Beer | \$400 + \$400 per subwarehouse |
| Wine | \$400 + \$400 per subwarehouse |
| Beer and Wine | \$800 |
| Subwarehouse | \$400 |



Overview of Alcoholic Beverage Licenses



The following table shows the number of licenses by type since the last Biennial Report. The next section explains the types of licenses in more detail.

| Number of Licensees by License Type | | | | |
|-------------------------------------|-----------------|-------------------------------------|-----------------|--|
| Fiscal Year 2016 | | Fiscal Year 2017 | | |
| <u>On-Premise</u> | <u>Licenses</u> | <u>On-Premise</u> | <u>Licenses</u> | |
| All Beverage | 1,569 | All Beverage | 1,558 | |
| Beer | 56 | Beer | 56 | |
| Beer and Wine | 479 | Beer and Wine | 481 | |
| Restaurant Beer and Wine | <u>244</u> | Restaurant Beer and Wine | <u>246</u> | |
| Total On-Premise | 2,348 | Total On-Premise | 2,341 | |
| <u>Off-Premise</u> | <u>Licenses</u> | <u>Off-Premise</u> | <u>Licenses</u> | |
| Agency Liquor Stores | 96 | Agency Liquor Stores | 95 | |
| Beer | 81 | Beer | 83 | |
| Wine | 7 | Wine | 7 | |
| Beer and Wine | 807 | Beer and Wine | 817 | |
| Sacramental Wine | <u>3</u> | Sacramental Wine | <u>3</u> | |
| Total Off-Premise | 994 | Total Off-Premise | 1,005 | |
| <u>Manufacturers</u> | <u>Licenses</u> | <u>Manufacturers</u> | <u>Licenses</u> | |
| Domestic Brewery | 71 | Domestic Brewery | 80 | |
| Domestic Brewery Storage Depot | 5 | Domestic Brewery Storage Depot | 5 | |
| Domestic Winery | 18 | Domestic Winery | 20 | |
| Domestic Distiller | 20 | Domestic Distiller | 21 | |
| Foreign Brewer or Importer | 94 | Foreign Brewer or Importer | 107 | |
| Foreign Winery or Importer | <u>1,102</u> | Foreign Winery or Importer | <u>1,137</u> | |
| Total Manufacturers | 1,310 | Total Manufacturers | 1,370 | |
| <u>Wholesalers and Distributors</u> | <u>Licenses</u> | <u>Wholesalers and Distributors</u> | <u>Licenses</u> | |
| Beer | 2 | Beer | 2 | |
| Beer Subwarehouse | 1 | Beer Subwarehouse | 1 | |
| Wine | 6 | Wine | 7 | |
| Beer and Wine | 20 | Beer and Wine | 20 | |
| Beer and Wine Subwarehouse | <u>10</u> | Beer and Wine Subwarehouse | <u>10</u> | |
| Total Wholesaler/Distributor | 39 | Total Wholesaler/Distributor | 40 | |

Alcoholic Beverage Licensing

Manufacturers

The manufacturer's license applies to breweries, distilleries, and wineries. These licenses differ based on in-state versus out-of-state, production levels, and product being produced.

Manufacturers, Distilled Spirits

Distilleries located outside of Montana or inside Montana with annual production over 25,000 gallons may not sell their products directly in the state. They must sell their product to the department. Distilleries located in Montana that have an annual production of 25,000 gallons or less may make limited direct sales (16-4-311, MCA and 16-4-312, MCA). The table below summarizes the differences between the two types of distilleries.

| Distillery License Conditions | | |
|--|---|--|
| Type | Located in Montana, Annual production 25,000 gallons or less | All Other |
| On-Premises Consumption Allowed? | Samples of up to 2 oz. per customer per day, with or without charge, between 10 a.m. and 8 p.m. | No |
| Retail Sales for Off-Premises Consumption Allowed? | Up to 1.75 liters per customer per day, between 8 a.m. and 2 a.m., at department's posted price | No |
| Wholesale Sales | To department | To department |
| Delivery of Product | To state liquor warehouse using common carrier. To agency liquor stores using own equipment, trucks and employees | To state liquor warehouse using common carrier |
| May obtain special permit to sell at event? | No | No |

Alcoholic Beverage Licensing

Manufacturers, Beer

Like distilleries, breweries follow different laws based on their annual nationwide production level (16-3-213, MCA and 16-3-214, MCA). These are summarized in the following table.

| Brewery License Conditions | | | |
|--|---|---|-------------------------------|
| Production Level | Less than 100 Barrels | 100 to 60,000 Barrels | More than 60,000 Barrels |
| On-Premises Consumption Allowed? | Free samples between 8 a.m. and 2 a.m. | Up to 48 oz. per customer per day, with or without charge, between 10 a.m. and 8 p.m. Annual total 2,000 barrels or less | No |
| Retail Sales for Off-Premises Consumption Allowed? | Yes | Yes | No |
| Sales and Delivery | To wholesalers, retailers and the public using own trucks, equipment and employees | To wholesalers, retailers and the public using own trucks, equipment and employees. Annual total sales to retailers limited to 10,000 barrels or less | Only to licensed wholesalers. |
| Participate in events with special license? | May serve samples at a Brew Fest, may donate beer to a special event, may deliver directly to special event | May serve samples at a Brew Fest, may donate beer to a special event, may deliver directly to special event | No |

Alcoholic Beverage Licensing

Manufacturers, Wine

Wineries fall into one of three categories – in-state, licensed out-of-state wineries, and registered out-of-state wineries (16-4-107, MCA and 16-3-411, MCA). Unlike breweries and distilleries, overall production level does not determine what a winery can and cannot do. Instead, limitations for wineries are determined by whether or not the winery is licensed or registered.

Like breweries and distilleries, domestic wineries have the option to provide, with or without charge, wine that was produced at the winery for consumption on the premises. Unlike breweries and distilleries, there are no restrictions on sample amounts and they may be open from 8 a.m. to 2 a.m. (16-3-411, MCA).

| Winery License and Registration Conditions | | | |
|--|--|--|--|
| License Type | Licensed, In-State | Licensed, Out-of-State | Out-of-State, Importer's Registration |
| On-premises consumption allowed? | May provide free samples and sell wine between 8 a.m. and 2 a.m. | N/A | No |
| Retail sale for off-premises consumption allowed? | May sell wine between 8 a.m. and 2 a.m. | No | No |
| Direct shipment to individual customers? | With direct shipment endorsement, may ship up to 18 cases of 9 liters per year to an individual customer | With direct shipment endorsement, may ship up to 18 cases of 9 liters per year to an individual customer | With direct shipment endorsement, may ship up to 18 cases of 9 liters per year to an individual customer |
| Direct sales to licensed retailers allowed? | May deliver up to 4,500 cases per year using own trucks, equipment and employees and may ship up to 4,500 cases per year using common carrier or licensed wine distributor | Yes | No |
| Sell to licensed table wine distributors. | Yes | Yes | Yes |
| May provide wine at events with a special license? | Yes | No | No |

Alcoholic Beverage Licensing

Wholesalers/Distributors/Importers

The Alcoholic Beverage Control Division is responsible for the wholesale distribution of distilled spirits. The wholesale distribution of beer and table wine is left up to the private sector. For a business to distribute at wholesale, it must be licensed by the department. It may be licensed as a beer wholesaler, table wine distributor, or both. A business licensed only as a table wine distributor is limited to two warehouse locations, while a business licensed as a beer wholesaler may have more than two warehouse locations. One location must be designated at the main warehouse, and additional locations must be separately licensed as sub-warehouses.

Beer importers are businesses outside of Montana that wish to import beer into Montana to a licensed beer wholesaler for sale to a licensed retailer.

Wine importers are businesses outside of Montana that wish to import wine into Montana to a licensed table wine distributor for sale to a licensed retailer.

| Wholesale/Distributor Licenses | | |
|--------------------------------|---|---|
| License Type | Beer Wholesaler | Table Wine Distributor |
| Purchases Product From | Licensed breweries or beer importers | Licensed or registered wineries or wine importers |
| Sells Product to | Other wholesalers or licensed retailers | Other distributors or licensed retailers |
| Warehouse Locations Allowed | No limit | One or two |
| Statute | 16-4-103, MCA | 16-4-108, MCA |

Retail, Off-premises

Three types of businesses may be licensed to sell beer and table wine for off-premise consumption. They are stand-alone specialty stores, grocery stores, and drugstores with a pharmacy license. The quota system does not apply to this license type and off-premises licensees cannot apply for a gambling license.

A church supply business in the state or outside Montana may be licensed to sell sacramental wine to representatives of religious organizations. A business with a sacramental wine license may sell sacramental wine on site, may deliver it, or may have it delivered by a licensed table wine distributor or common carrier.

| Off-Premises Retail License | | | | |
|-----------------------------|--|---|--|---|
| License Type | Convenience Store or Grocery Store | Pharmacy | Stand-alone | Sacramental Wine |
| General Requirements | The licensee must maintain at least \$3,000 worth of grocery inventory | Must be located at a drugstore licensed as a pharmacy | 95% of the business' annual gross income comes from the sale of beer, table wine, or both. This is typically a specialty beer/wine shop. | Used at an establishment located in or outside Montana that sells church supplies at retail to officials of churches or other established religious organizations and used exclusively for religious purposes |
| Statute | 16-4-115, MCA | 16-4-115, MCA | 16-4-115, MCA | 16-4-313, MCA |

Alcoholic Beverage Licensing

Retail, On-Premises

Licenses that can be used in bars, taverns, and restaurants are called on-premises licenses. The three most common types of on-premises licenses are the all-beverage license, beer license (with the option to add a wine amendment), and a restaurant beer and wine license. Major differences between these licenses include: type of alcohol that can be sold, the right to apply for a gambling license, whether or not alcohol can be served for off-premise consumption, allowable store hours, quota limitations, and various other regulations.

On-premises licenses are further categorized as city licenses (within the boundaries of an incorporated city or town or within a 5 mile radius of an incorporated city or town) and county licenses (anywhere in the county outside of a 5 mile radius of an incorporated city or town). Restaurant beer and wine licenses only exist within incorporated cities and towns and within a 5 mile radius of that city or town.

| On-Premises Retail License | | | | | |
|----------------------------|---|-------------------|--|--|---|
| License Type | County All-Beverage | City All-Beverage | County Beer (option to add wine amendment) | City Beer (option to add wine amendment) | Restaurant Beer and Wine (RBW) |
| Alcohol | Distilled spirits, beer, wine | | Beer and wine | | |
| Gambling | Yes* | | | Yes, if issued prior to 1997 | No |
| Off-Premises Sales | Yes | | | | No |
| Sale Hours | 8 a.m. - 2 a.m. | | | | 11 a.m. - 11 p.m. |
| Quota Limitations | Yes | | No | Yes | |
| Additional Requirements | May have ownership interest in a maximum of 3 all-beverage licenses | | Must have food available to add a wine amendment | | Must be used in conjunction with a restaurant |
| Statute | 16-4-201, MCA | | 16-4-105, MCA | | 16-4-420, MCA |

*All-beverage on-premise licenses that float do not allow gambling.

The five licenses listed above are the most common on-premises licenses issued. Other on-premises licenses include: veterans or fraternal license, golf course beer and wine license, resort all-beverage license, airport all-beverage license, passenger carrier license, and nonprofit arts organization beer and wine license.

Alcoholic Beverage Licensing

Quota System

Most of the on-premises licenses are subject to the quota system. The quota system refers to the limited amount of licenses that may be issued in incorporated cities and towns and countywide. This limit is set in law and varies by license type. Once the quota is met, no new licenses may be issued until the incorporated city/town or county grows by an amount specific to that license type (16-4-502, MCA). Beginning in 2018, newly available licenses are to be allocated by a competitive bidding process, with a minimum bid of 75 percent of the market value of an existing license in the quota area.

The following table lists the quota limitations by license type. Countywide beer is excluded because it is not subject to the quota system.

| Quota Limitations | | |
|--|---------------|---|
| | Population | Quota |
| County All Beverage | - | 1 license per 750 inhabitants not in a city or town |
| City All Beverage | <500 | 2 licenses |
| | 501-3,000 | 3 licenses for the first 1,000 inhabitants plus 1 license for each additional 1,000 |
| | >3,000 | 5 licenses for the first 3,000 inhabitants and 1 license for each additional 1,500 |
| City Beer (with or without wine amendment) | <500 | 1 license |
| | 501-2,000 | 1 license per 500 inhabitants |
| | >2,000 | 4 licenses for the first 2,000 inhabitants, 2 for the next 2,000 inhabitants, and 1 license for each additional 2,000 |
| Restaurant Beer and Wine | <5,000 | 80% of the beer license quota |
| | 5,001-20,000 | 160% of the beer license quota |
| | 20,000-60,000 | 100% of the beer license quota |
| | >60,000 | 80% of the beer license quota |

Once a quota is met, there are two ways of obtaining an alcoholic beverage license. The first option is to purchase a license from a current license holder at a price determined between the buyer and the seller. The second option is to wait until the population grows enough for the department to issue a new license which is determined through a competitive bid process.

Alcoholic Beverage Licensing

Some all-beverage licenses are allowed to “float” which means that an all-beverage license purchased in one quota area may move to another quota area. An all-beverage license may float out of a quota area if the number of licenses issued in the original quota area exceeds the quota by at least 25 percent. An all-beverage license may float in to a quota area if the number of licenses issued in the new quota area does not exceed that area’s quota by more than 33 percent (43 percent for incorporated cities of more than 10,000 inhabitants) (16-4-204, MCA).

The [Quota Sheet](#) gives current information and availability of the licenses. License sales from the past several years can be seen on the [Purchase Price Report](#).

The following table shows the number of licenses by county.



Alcoholic Beverage Licensing

| Number of Licenses by Type and County 2018 | | | | | | | |
|--|---------------|-----------|------------|-------------|--------------|-----------|-------|
| County | All-Beverages | Beer/Wine | Restaurant | Off-Premise | Manufacturer | Wholesale | Total |
| BEAVERHEAD | 25 | 14 | 1 | 14 | 1 | 0 | 55 |
| BIG HORN | 7 | 6 | 0 | 10 | 0 | 0 | 23 |
| BLAINE | 11 | 2 | 0 | 9 | 0 | 0 | 22 |
| BROADWATER | 8 | 2 | 0 | 6 | 1 | 0 | 17 |
| CARBON | 35 | 6 | 4 | 17 | 1 | 0 | 63 |
| CARTER | 3 | 1 | 0 | 1 | 0 | 0 | 5 |
| CASCADE | 110 | 37 | 15 | 60 | 5 | 2 | 229 |
| CHOUTEAU | 15 | 1 | 1 | 6 | 0 | 0 | 23 |
| CUSTER | 23 | 8 | 1 | 10 | 2 | 2 | 46 |
| DANIELS | 10 | 0 | 0 | 2 | 0 | 0 | 12 |
| DAWSON | 16 | 6 | 1 | 12 | 1 | 1 | 37 |
| DEER LODGE | 28 | 7 | 0 | 8 | 1 | 0 | 44 |
| FALLON | 8 | 3 | 0 | 4 | 1 | 0 | 16 |
| FERGUS | 27 | 9 | 4 | 14 | 1 | 1 | 56 |
| FLATHEAD | 141 | 39 | 37 | 80 | 18 | 4 | 319 |
| GALLATIN | 125 | 45 | 39 | 74 | 21 | 6 | 310 |
| GARFIELD | 2 | 1 | 0 | 3 | 0 | 0 | 6 |
| GLACIER | 24 | 11 | 0 | 15 | 1 | 0 | 51 |
| GOLDEN VALLEY | 3 | 0 | 0 | 2 | 0 | 0 | 5 |
| GRANITE | 10 | 2 | 2 | 5 | 2 | 0 | 21 |
| HILL | 30 | 11 | 3 | 12 | 3 | 2 | 61 |
| JEFFERSON | 15 | 6 | 0 | 6 | 0 | 1 | 28 |
| JUDITH BASIN | 8 | 1 | 0 | 4 | 0 | 0 | 13 |
| LAKE | 42 | 11 | 4 | 28 | 5 | 0 | 90 |
| LEWIS AND CLARK | 86 | 26 | 20 | 54 | 6 | 5 | 197 |
| LIBERTY | 4 | 1 | 0 | 3 | 0 | 0 | 8 |
| LINCOLN | 37 | 12 | 10 | 27 | 2 | 0 | 88 |
| MADISON | 32 | 14 | 8 | 11 | 2 | 1 | 68 |
| MCCONE | 5 | 1 | 0 | 4 | 0 | 0 | 10 |
| MEAGHER | 10 | 3 | 0 | 3 | 1 | 0 | 17 |
| MINERAL | 15 | 3 | 0 | 9 | 1 | 0 | 28 |
| MISSOULA | 109 | 46 | 31 | 82 | 20 | 4 | 292 |
| MUSSELSHELL | 10 | 3 | 0 | 5 | 0 | 0 | 18 |
| PARK - MT | 39 | 28 | 3 | 22 | 2 | 0 | 94 |
| PETROLEUM | 2 | 0 | 0 | 2 | 0 | 0 | 4 |
| PHILLIPS | 12 | 4 | 0 | 7 | 1 | 0 | 24 |
| PONDERA | 10 | 5 | 0 | 7 | 0 | 0 | 22 |
| POWDER RIVER | 3 | 2 | 0 | 3 | 0 | 0 | 8 |
| POWELL | 14 | 7 | 0 | 9 | 1 | 0 | 31 |
| PRAIRIE | 3 | 0 | 0 | 2 | 0 | 0 | 5 |
| RAVALLI | 41 | 13 | 16 | 29 | 14 | 0 | 113 |
| RICHLAND | 19 | 8 | 3 | 14 | 2 | 1 | 47 |
| ROOSEVELT | 23 | 2 | 0 | 13 | 1 | 0 | 39 |
| ROSEBUD | 17 | 5 | 0 | 6 | 0 | 0 | 28 |
| SANDERS | 24 | 5 | 1 | 13 | 0 | 0 | 43 |
| SHERIDAN | 13 | 3 | 0 | 8 | 0 | 0 | 24 |
| SILVER BOW | 78 | 29 | 2 | 31 | 5 | 4 | 149 |
| STILLWATER | 13 | 5 | 1 | 12 | 0 | 0 | 31 |
| SWEET GRASS | 8 | 3 | 1 | 4 | 0 | 0 | 16 |
| TETON | 17 | 3 | 1 | 5 | 0 | 0 | 26 |
| TOOLE | 17 | 4 | 0 | 8 | 0 | 1 | 30 |
| TREASURE | 2 | 0 | 0 | 1 | 0 | 0 | 3 |
| VALLEY | 23 | 7 | 0 | 10 | 1 | 3 | 44 |
| WHEATLAND | 9 | 3 | 0 | 4 | 1 | 0 | 17 |
| WIBAUX | 3 | 1 | 0 | 3 | 1 | 0 | 8 |
| YELLOWSTONE | 145 | 71 | 49 | 105 | 11 | 2 | 383 |
| Total | 1569 | 546 | 258 | 918 | 136 | 40 | 3467 |

Alcoholic Beverage Taxes

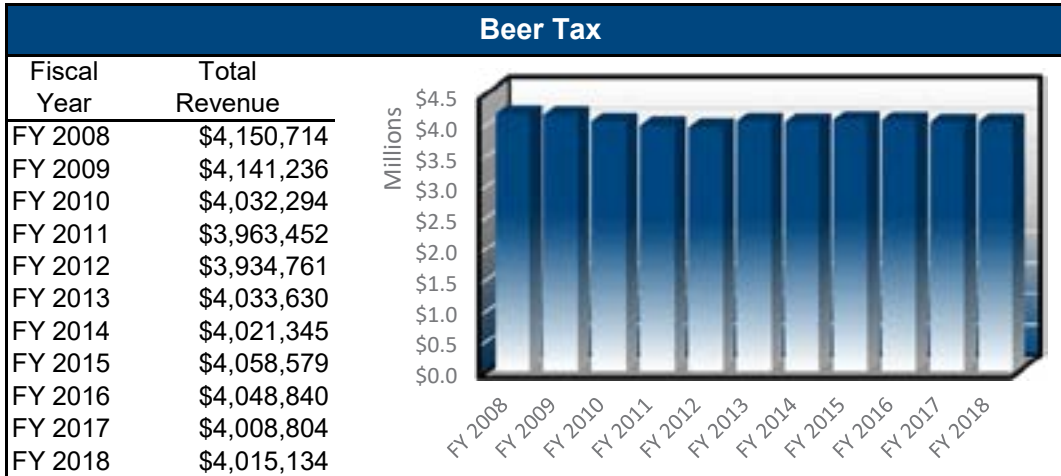
Alcoholic Beverage Taxes

Each type of alcoholic beverage has separate tax rates and distributions. Like some license types, production level determines the tax rate on beer and distilled spirits. A breakdown of each tax is provided in the following section.



Beer Tax

Statute: 16-1-406, MCA



Tax Rate

The State of Montana levies a tax on each 31-gallon barrel of beer sold in Montana. The tax rate depends on the size of the brewer. The 2017 Legislature reduced the number of tax rates from four to three, effective October 1, 2017 (16-1-406, MCA). The following table shows tax rates before and after this change.

| Beer Tax Rates | | | |
|---------------------------|----------------|---------------------------|----------------|
| Before 10/1/2017 | | Beginning 10/1/2017 | |
| Barrels Produced per Year | Tax per Barrel | Barrels Produced per Year | Tax per Barrel |
| 1 to 5,000 | \$1.30 | 1 to 5,000 | \$1.30 |
| 5,001 to 10,000 | \$2.30 | 5,001 to 10,000 | \$2.30 |
| 10,001 to 20,000 | \$3.30 | Over 10,000 | \$4.30 |
| Over 20,000 | \$4.30 | | |

Filing Requirements

The beer tax is collected monthly from distributors and breweries. Taxpayers must submit returns to the Department on or before the 15th day of the month.

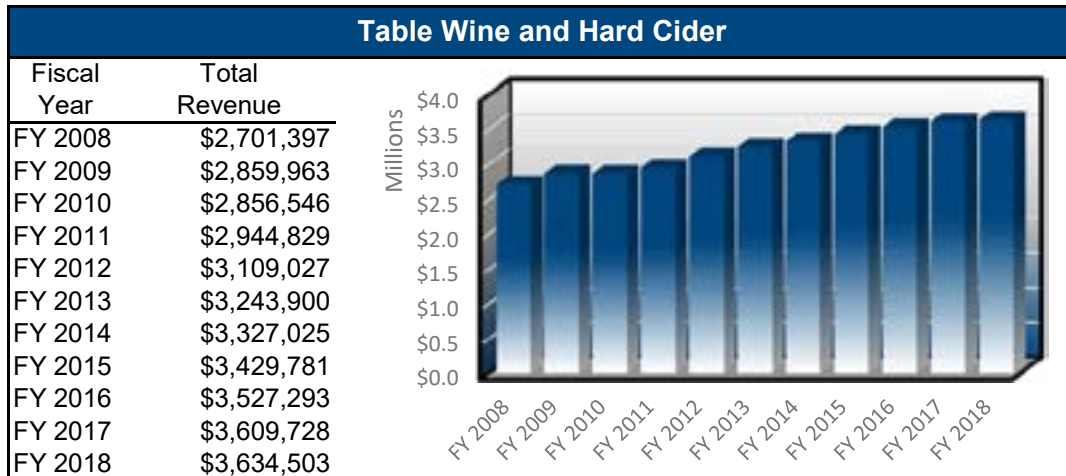
Distribution

The Department of Public Health and Human Services receives 23.26 percent of the revenue collected from the beer tax for treatment, rehabilitation, and prevention of alcoholism and chemical dependency. A small portion of beer tax revenue is refunded from the General Fund to the tribes that have a revenue-sharing agreement with the state. Currently the state has agreements with the Blackfeet, Fort Peck, Fort Belknap, and Confederated Salish and Kootenai tribes. The remainder of the revenue is deposited in the General Fund.

| Distribution of Beer Tax | | | | | |
|---------------------------------|----------------|----------------|----------------|----------------|----------------|
| <u>Fund</u> | <u>FY 2014</u> | <u>FY 2015</u> | <u>FY 2016</u> | <u>FY 2017</u> | <u>FY 2018</u> |
| DPHHS (23.26%) | \$935,365 | \$944,025 | \$941,760 | \$932,448 | \$933,920 |
| Tribal | \$63,443 | \$80,245 | \$79,807 | \$78,812 | \$78,814 |
| General Fund (remainder) | \$3,022,537 | \$3,034,308 | \$3,027,273 | \$2,997,545 | \$3,002,400 |

Table Wine and Hard Cider Tax

Statute: 16-1-411, MCA



Tax Rate

A tax of \$0.27 per liter is levied on table wine and a tax of \$0.037 per liter is levied on hard cider sold into Montana. There is an additional \$0.01 per liter tax applied if the wine is sold to an agency liquor store.

| Table Wine and Hard Cider Tax Rate | |
|---|---------------|
| Product | Tax Per Liter |
| Table Wine | \$0.27 |
| Table Wine Sold to Agency Liquor Stores | \$0.28 |
| Hard Cider | \$0.037 |

Filing Requirements

The wine and hard cider tax is collected monthly from distributors and wineries. Taxpayers must submit returns to the department on or before the 15th day of the month.

Distribution

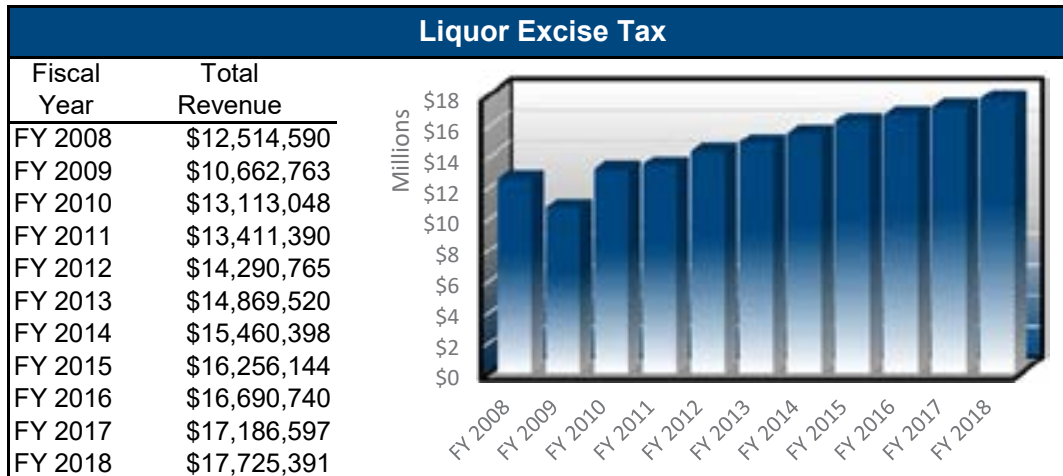
A small portion of wine tax revenue is refunded from the General Fund to the tribes that have a revenue-sharing agreement with the state. Currently the state has agreements with the Blackfeet, Fort Peck, Fort Belknap, and Confederated Salish and Kootenai tribes.

The \$0.01 per liter tax from agency liquor stores is deposited in the General Fund. The remaining revenues from the tax are deposited 69 percent to the state general fund and 31 percent to the Department of Public Health and Human Services for treatment, rehabilitation and prevention of alcoholism and chemical dependency.

| Distribution of Table Wine and Hard Cider Taxes | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Fund | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
| Table Wine and Hard Cider | \$3,324,575 | \$3,427,366 | \$3,524,965 | \$3,607,230 | \$3,632,089 |
| Tribal Revenue | \$46,035 | \$59,858 | \$61,056 | \$62,334 | \$62,850 |
| General Fund (69% Less Tribal Amounts) | \$2,247,921 | \$2,305,024 | \$2,371,170 | \$2,426,655 | \$2,443,292 |
| DPHHS (31%) | \$1,030,618 | \$1,062,483 | \$1,092,739 | \$1,118,241 | \$1,125,947 |
| Agency Liquor Stores | \$2,450 | \$2,415 | \$2,328 | \$2,498 | \$2,414 |
| General Fund (100%) | \$2,450 | \$2,415 | \$2,328 | \$2,498 | \$2,414 |

Liquor Excise Tax

Statute: 16-1-401, MCA.



Tax Rate

The Department of Revenue collects an excise tax on the retail selling price of all liquor sold by the state liquor warehouse. The tax rate ranges from 3 to 16 percent of the retail selling price depending on the number of proof gallons¹ produced by the manufacturer nationwide.

| Liquor Excise Tax Rate | |
|--------------------------------|----------|
| Annual Production Level | Tax Rate |
| Less than 20,000 Proof Gallons | 3.0% |
| 20,000 - 50,000 Proof Gallons | 8.0% |
| 50,001 - 200,000 Proof Gallons | 13.8% |
| Over 200,000 Proof Gallons | 16.0% |

Filing Requirements

The department collects the tax at the time the agency liquor store pays the invoice (within 60 days of shipment).

Distributions

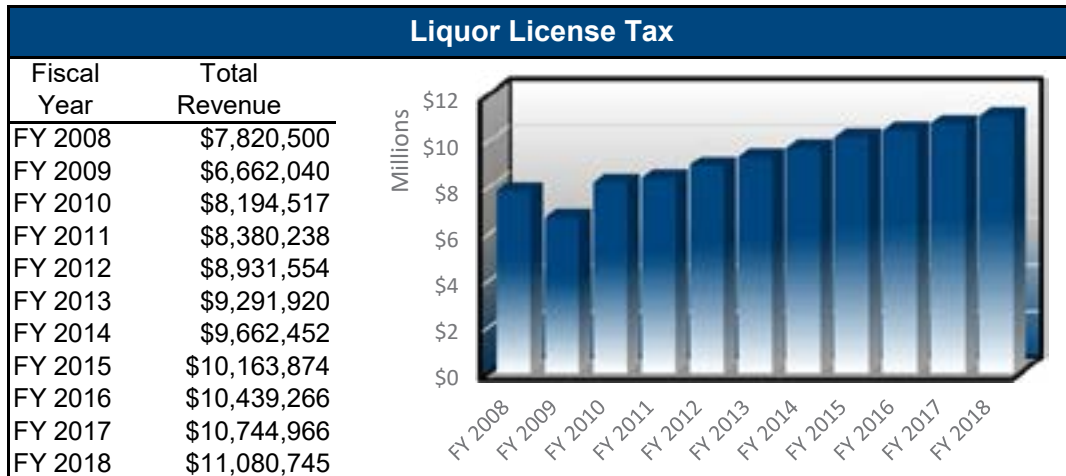
The revenue collected from the tax is deposited in the state General Fund. A small portion of this tax revenue is refunded from the General Fund to the tribes that have a revenue-sharing agreement with the state. Currently the state has agreements with the Blackfeet, Fort Peck, Fort Belknap, and Confederated Salish and Kootenai tribes.

| Distribution of Liquor Excise Tax | | | | | |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Fund | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
| General Fund | \$15,084,184 | \$15,750,727 | \$16,174,180 | \$16,659,242 | \$17,183,753 |
| Tribal | \$376,214 | \$505,417 | \$516,561 | \$527,354 | \$541,637 |

¹ A proof gallon is equal to a gallon of liquid that is 50 percent alcohol by volume.

Liquor License Tax

Statute: 16-1-404, MCA



Tax Rate

The Department of Revenue collects a license tax on the retail selling price of all liquor sold by the state liquor warehouse. The tax rate ranges from 2 to 10 percent of the retail price, depending on the number of proof gallons produced by the manufacturer nationwide.

| Liquor License Tax Rate | |
|--------------------------------|----------|
| Annual Production Level | Tax Rate |
| Less than 50,000 Proof Gallons | 2.0% |
| 50,001 - 200,000 Proof Gallons | 8.6% |
| Over 200,000 Proof Gallons | 10.0% |

Filing Requirements

The department collects the tax at the time the agency liquor store pays the invoice (within 60 days of shipment).

Distribution

The revenues collected from the tax are deposited 34.5 percent to the state General Fund and 65.5 percent to the Department of Public Health and Human Services for treatment, rehabilitation and prevention of alcoholism and chemical dependency (16-1-404, MCA).

| Distribution of Liquor License Tax | | | | | |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Fund | FY 2014 | FY 2015 | FY 2016 | FY 2017 | FY 2018 |
| General Fund (34.5%) | \$3,333,546 | \$3,506,537 | \$3,601,547 | \$3,707,013 | \$3,822,857 |
| DPHHS (65.5%) | \$6,328,906 | \$6,657,338 | \$6,837,719 | \$7,037,953 | \$7,257,888 |

State Comparison

State Comparison

The table on the next page compares states on their taxes on wine and beer. The first two columns show per-gallon taxes on wine. Many states apply a higher tax rate to wines with added alcohol or that have alcohol content over a threshold, so table wine and fortified wine are shown separately. The third shows per-gallon taxes on beer

Most states apply state and local sales taxes to wine and beer and some have special sales taxes on alcoholic beverages. The fourth and fifth columns show the average sales tax rates applied to wine and beer.

In some states there are local taxes that apply in some parts of the state, and some states have additional taxes that apply in certain circumstances, such as sales for on-premises consumption. The sixth column indicates states where one or more additional taxes may apply.

In the control states, state revenue from sales of distilled spirits come from a combination of taxes and markups included in the wholesale price the state charges. It has not been possible to develop information that is comparable between states. The state is also the sole wholesaler for table wine in three states and for fortified wine in eight states, so it has not been possible to give a rate per gallon in these cases.



State Comparison

| State and Local Taxes on Beer and Wine | | | | | | |
|--|------------------|----------------|--------|-------------|--------|--------------------------|
| State | Per Gallon Taxes | | | Sales Taxes | | Other Taxes May Apply |
| | Table Wine | Fortified Wine | Beer | Wine | Beer | |
| Alabama | \$1.96 | \$9.16 | \$1.05 | 8.97% | 8.97% | |
| Alaska | \$2.50 | \$2.50 | \$1.07 | 1.78% | 1.78% | |
| Arizona | \$0.84 | \$4.00 | \$0.16 | 8.25% | 8.25% | |
| Arkansas | \$0.75 | \$0.75 | \$0.23 | 12.30% | 12.30% | * |
| California | \$0.20 | \$0.20 | \$0.20 | 8.48% | 8.48% | * |
| Colorado | \$0.28 | \$0.28 | \$0.08 | 7.52% | 7.52% | |
| Connecticut | \$0.72 | \$1.80 | \$0.24 | 6.35% | 6.35% | |
| Delaware | \$1.63 | \$1.63 | \$0.26 | - | - | |
| Florida | \$2.25 | \$3.00 | \$0.48 | 6.66% | 6.66% | * |
| Georgia | \$2.34 | \$3.37 | \$0.85 | 7.01% | 7.01% | |
| Hawaii | \$1.38 | \$1.38 | \$0.93 | 4.35% | 4.35% | * |
| Idaho | \$0.45 | \$0.45 | \$0.15 | 6.03% | 6.03% | * |
| Illinois | \$1.39 | \$8.55 | \$0.23 | 8.64% | 8.64% | * |
| Indiana | \$0.47 | \$2.68 | \$0.12 | 7.00% | 7.00% | |
| Iowa | \$1.75 | \$1.75 | \$0.19 | 6.79% | 6.79% | |
| Kansas | \$0.30 | \$0.75 | \$0.18 | 8.00% | 8.00% | * |
| Kentucky | \$0.50 | \$0.50 | \$0.08 | 16.50% | 16.50% | |
| Louisiana | \$0.76 | \$1.32 | \$0.88 | 9.00% | 9.00% | * |
| Maine | \$0.60 | ** | \$0.35 | 5.50% | 5.50% | * |
| Maryland | \$0.40 | \$0.40 | \$0.09 | 9.00% | 9.00% | |
| Massachusetts | \$0.55 | \$0.70 | \$0.11 | - | - | * |
| Michigan | \$0.51 | \$0.76 | \$0.20 | 6.00% | 6.00% | |
| Minnesota | \$0.30 | \$0.95 | \$0.15 | 90.00% | 90.00% | * |
| Mississippi | \$0.35 | \$0.35 | \$0.43 | 7.07% | 7.07% | * |
| Missouri | \$0.42 | \$0.42 | \$0.06 | 7.87% | 7.87% | |
| Montana | \$1.02 | ** | \$0.14 | - | - | * |
| Nebraska | \$0.95 | \$1.35 | \$0.31 | 6.87% | 6.87% | |
| Nevada | \$0.70 | \$1.30 | \$0.16 | 7.98% | 7.98% | * |
| New Hampshire | \$0.30 | \$0.30 | \$0.30 | - | - | |
| New Jersey | \$0.88 | \$0.88 | \$0.12 | 6.97% | 6.97% | |
| New Mexico | \$1.70 | \$1.70 | \$0.41 | 7.51% | 7.51% | |
| New York | \$0.30 | \$0.30 | \$0.14 | 8.49% | 8.49% | * |
| North Carolina | \$1.00 | \$1.11 | \$0.62 | 6.90% | 6.90% | |
| North Dakota | \$0.50 | ** | \$0.16 | 7.00% | 7.00% | * |
| Ohio | \$0.32 | \$1.00 | \$0.18 | 7.14% | 7.14% | * |
| Oklahoma | \$0.72 | \$0.72 | \$0.40 | 12.32% | 22.32% | * |
| Oregon | \$0.67 | \$0.77 | \$0.08 | - | - | |
| Pennsylvania | ** | ** | \$0.08 | 6.34% | 6.34% | |
| Rhode Island | \$1.40 | \$1.40 | \$0.11 | 7.00% | 7.00% | * |
| South Carolina | \$1.08 | \$1.08 | \$0.77 | 7.22% | 7.22% | |
| South Dakota | \$0.93 | \$1.45 | \$0.27 | 7.84% | 5.84% | |
| Tennessee | \$1.21 | \$1.21 | \$1.29 | 9.46% | 9.46% | * |
| Texas | \$0.20 | \$0.41 | \$0.19 | 8.17% | 8.17% | * |
| Utah | ** | ** | \$0.41 | 6.69% | 6.69% | |
| Vermont | \$0.55 | ** | \$0.27 | 6.17% | 6.17% | * |
| Virginia | \$1.51 | ** | \$0.26 | 5.63% | 5.63% | |
| Washington | \$0.87 | \$1.72 | \$0.26 | 8.89% | 8.89% | |
| West Virginia | \$1.00 | \$1.00 | \$0.18 | 11.20% | 6.20% | |
| Wisconsin | \$0.25 | \$0.45 | \$0.06 | 5.41% | 5.41% | |
| Wyoming | ** | ** | \$0.02 | 5.42% | 5.42% | |
| Dist. of Columbia | \$0.30 | \$0.40 | \$0.09 | - | - | |

* Additional taxes may apply to some sales.
** Sold through state store, state revenue includes taxes and markup

