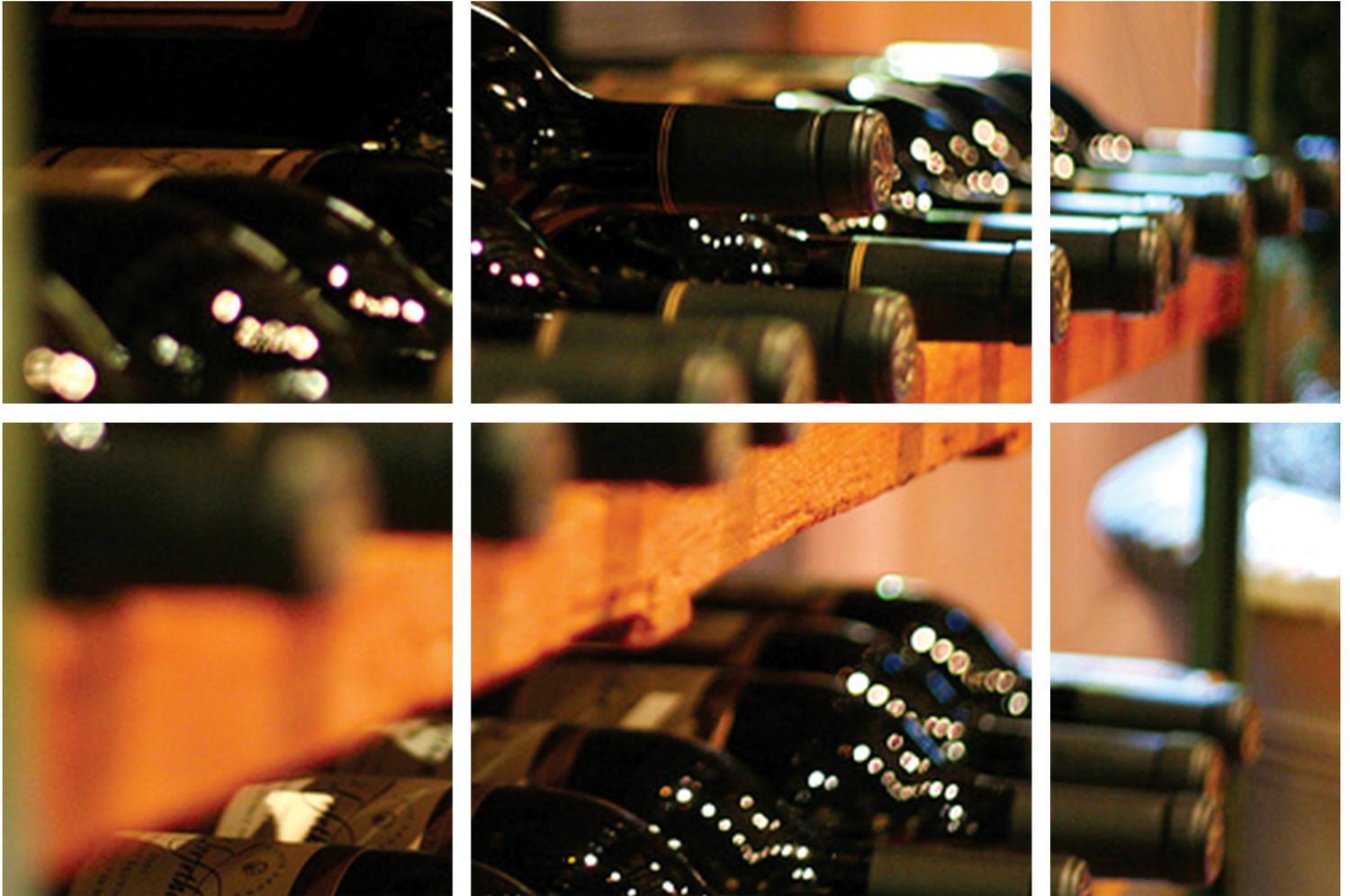


LIQUOR CONTROL DIVISION

BIENNIAL REPORT - THE MONTANA DEPARTMENT OF REVENUE



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Overview of the Liquor Control Division

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

At the end of Prohibition in 1933, individual jurisdictions were given the choice how to regulate the sale of alcohol. Two general systems arose from this: license states and control states. A license state regulates the industry by issuing licenses. A control state regulates by acting as the only wholesaler of alcoholic beverages in addition to issuing licenses. 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 vary from state to state. For Montana, the state is in charge of wholesale operations for distilled spirits (this includes fortified wine). For other control states, the state may also be responsible for the wholesale operations of beer and wine and retailing.

Sixteen other states and two counties in Maryland also operate as a control state. These are: Alabama, Idaho, Iowa, Maine, Michigan, Mississippi, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, West Virginia, Wyoming, MD –Montgomery County, and MD-Worcester County.

Liquor Distribution and Liquor Licensing Bureaus

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

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

- Operating the state liquor warehouse including ordering, maintaining, and monitoring liquor warehouse inventories.
- Establishing and posting statutorily-defined prices for all liquor products distributed through the warehouse.
- Establishing and maintaining agency contracts and supplying products to the 96 agency liquor stores.

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

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

Because Montana liquor laws may seem complex, this section of the Biennial Report gives a general overview of liquor laws in Montana in addition to information on revenue collections. For further information on license pricing, quota availability, and additional details see: <http://revenue.mt.gov/home/liquor.aspx>. Further resources include the Liquor Control Division's annual report on the Liquor Enterprise Fund. The most recent report is the [FY 2013 Liquor Enterprise Fund Report](#).

Sales of Distilled Spirits

Sales of Distilled Spirits

Because Montana is a liquor control state, all distilled spirits that are sold in Montana are first shipped to the state liquor warehouse with the exception of micro-distilleries that sell limited quantities of their product directly out of their distillery. From the liquor warehouse, liquor is distributed to the 96 agency liquor stores that the state maintains agency franchise contracts with. The agency liquor stores may then sell to the public for off-premise consumption and to Montana's all-beverage license holders.

The Department of Revenue sets a posted price that is the baseline price for sales to agency liquor stores and affects the sale price to retailers and to consumers. The posted price is calculated as follows:

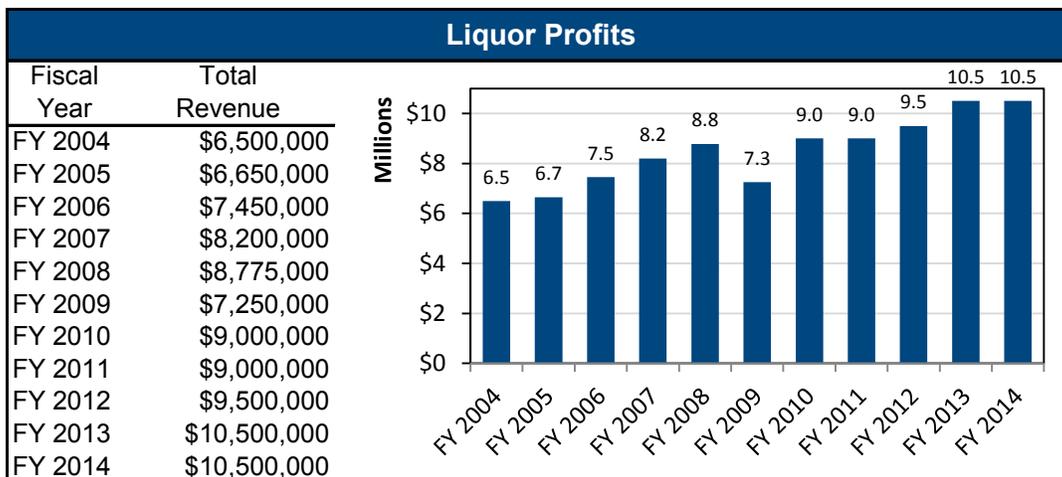
$$\text{Posted Price} = \text{Base price} + \text{markup} + \text{liquor license tax} + \text{liquor excise tax}$$

The base price is the price at which the department purchases liquor. The department sets the markup to cover its costs and provides profit for the general fund. The law requires a lower markup for liquor from a small producer (under 25,000 gallons) that is produced with at least 50 percent Montana-produced ingredients (16-2-211, MCA).

As part of the agency franchise agreement, agency liquor stores purchase distilled spirits from the state liquor warehouse at a discount of this posted price. This discount is set out in law (16-2-101, MCA) and is calculated by factoring in two commission rates and a weighted average discount rate.

Agency liquor stores sell to all-beverage licensees at the posted price. However, all-beverage licensees receive an 8 percent discount for purchasing full case lots (16-2-201, MCA). The weighted average discount in the agency's purchase price is meant to reimburse agency liquor stores for some of the 8% discount. Agency liquor stores and all-beverage licensees may sell to the public at any price, above the posted price, that the market will bear.

The state makes a profit from the sales of distilled spirits to agency liquor stores. Cost of goods, agent discounts, and state operating expenses are paid from this. The remainder is deposited in the general fund. Liquor profits transferred to the general fund have generally increased over time. In fiscal year 2009 the transfer was lower by \$1,750,000 because of a legislative appropriation for the liquor warehouse renovation project.



Wholesaling of beer and table wine (wine containing less than 16% alcohol) is done by private businesses subject to Montana liquor licensing laws.

Overview of Liquor Licenses

Overview of Liquor Licenses

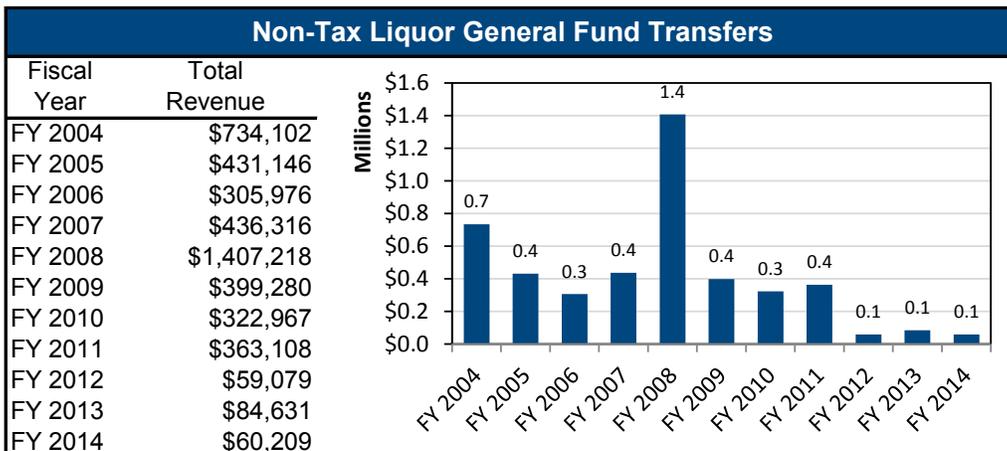
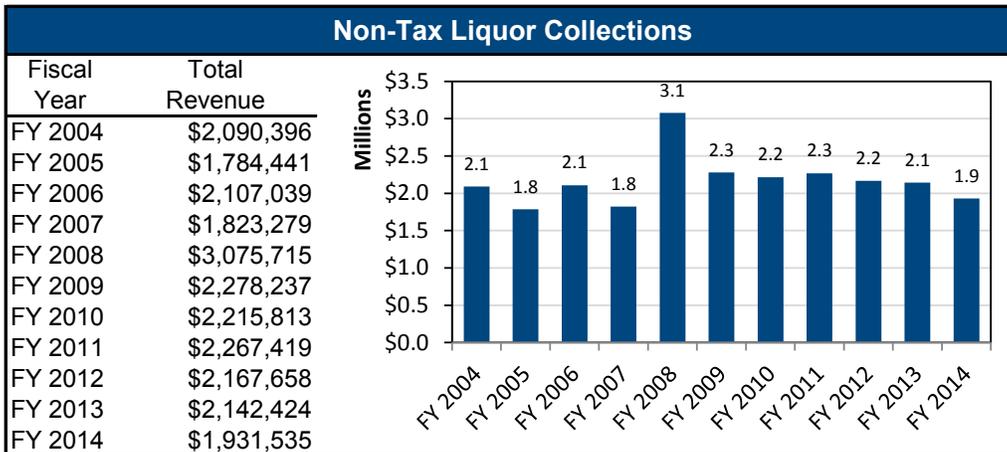
All individuals and corporations manufacturing, importing, or selling alcoholic beverages in Montana must be licensed. In general, there are four categories of licensees: manufacturers, wholesalers and distributors, on-premise retailers, and off-premise retailers.

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/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 the liquor laws of Montana 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).

Category	Annual Fee
On-Premise	
All-beverage	\$400-800
Beer	\$200
Beer w/ Wine	\$400
Restaurant Beer and Wine	\$400
Off-Premise	
Agency Stores	No Fee
Beer	\$200
Wine	\$200
Beer and Wine	\$400
Sacramental Wine	\$50
Manufacturers	
Brewery	\$200-500
Winery	\$200
Distillery	\$600
Wholesalers	
Beer	\$400
Wine	\$400
Beer and Wine	\$800
Subwarehouse	\$400



Legislative History

Legislative History of Liquor Licensing

The responsibilities of the Liquor Control Division have grown with the evolution of the liquor industry. Many legislative changes have affected the development of liquor licensing and tax rates over the past twenty years. The following is a brief history of the major legislation:

1995

HB 574 – Privatized liquor stores by converting existing state stores to agency stores (16-2-101, MCA).

1997

SB 354 – Established the restaurant beer and wine license (16-4-420, MCA)

HB 308 – Authorized the sale of hard cider and provided a tax rate of 3.7 cents per liter (16-1-411, MCA).

1999

HB 442 – Allowed breweries with an annual nationwide production between 100 and 10,000 barrels to provide samples of beer brewed on premise in a sample room on the licensed premise (16-3-213, MCA).

2001

SB 48 – Created a beer, wine, and beer and wine connoisseur's license to allow individuals to receive direct shipments of beer and wine from an out-of-state brewery or winery for personal consumption (16-4-901, MCA).

SB 317 – Reduced the tax rate on beer from \$4.30 per 31-gallon barrel to a sliding scale based on the number of barrels of beer produced annually by the brewer. This sliding scale rate remains current law (16-1-406, MCA). This bill also decreased the annual license fee for brewers producing 20,000 or fewer barrels of beer per year from \$500 to \$200 (16-4-501, MCA).

HB 493 – Allowed small Montana wineries to sell directly to licensed retailers (16-3-411 and 16-4-107, MCA).

2003

SB 334 – Increased the number of representatives a vendor may hire from two to three (16-3-107, MCA).

2005

HB 517 – Created a Montana distillery license. This allowed small domestic distilleries to provide, with or without charge, two ounces of its product to consumers visiting the distillery and up to one liter a day for off-premise consumption (16-4-312, MCA). This bill also reduced the liquor license tax rate to 2% of the retail selling price for a distillery with annual production less than 50,000 proof gallons of liquor (16-1-404, MCA).

2007

SB 127 – Allowed all wineries to be licensed to ship directly to licensed retailers by creating the out-of-state winery license (16-3-411 and 16-4-107, MCA).

SB 296 – Increased the number of restaurant beer and wine licenses that the DOR is allowed to issue (16-4-420, MCA).

SB 524 – Allowed out-of-state breweries to deliver beer directly to licensed retailers.

2009

SB 511 – Created a sacramental wine license permitting the retail sale of wine to religious officials for off-premise consumption (16-4-313, MCA).

HB 412 – Changed the liquor excise tax rate from 16% of the retail selling price on companies selling more than 200,000 proof gallons and 13.8% on companies selling 200,000 to the sliding scale that is in current law (16-1-401, MCA).

2011

SB 29 – Required retail establishments licensed to serve or sell alcoholic beverages to train their employees on prohibiting the sale to minors or intoxicated persons and imposed a penalty for those establishments not in compliance (16-4-1006, MCA).

Legislative History

SB 215 – Reduced the liquor markup used in determining the price of liquor sold in Montana for distilleries that produce at the national level 25,000 gallons or less of liquor annually. The reduction only applies to liquor comprised of at least 50% of Montana-produced ingredients (16-2-211, MCA).

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 – Eliminated the requirement that a retail licensee selling beer or wine for off-premise consumption be operated as a grocery store or a drugstore licensed as a pharmacy (16-4-115, MCA).

The following table shows the number of licenses by type over a ten year period (FY 2004 to FY 2014). The next section explains the types of licenses in more detail.

Number of Licensees by License Type			
FY 2004		FY 2014	
<u>On-Premise</u>	<u>Licenses</u>	<u>On-Premise</u>	<u>Licenses</u>
All-beverage	1,603	All-beverage	1,583
Beer	97	Beer	64
Beer w/ Wine Amendment	440	Beer w/ Wine Amendment	471
Restaurant Beer and Wine	115	Restaurant Beer and Wine	242
Total On-Premise	2,255	Total On-Premise	2,360
<u>Off-Premise</u>	<u>Licenses</u>	<u>Off-Premise</u>	<u>Licenses</u>
Agency Liquor Stores	98	Agency Liquor Stores	96
Beer	165	Beer	81
Wine	8	Wine	9
Beer and Wine	769	Beer and Wine	785
Sacramental Wine	0	Sacramental Wine	3
Total Off-Premise	1,040	Total Off-Premise	974
<u>Manufacturers</u>	<u>Licenses</u>	<u>Manufacturers</u>	<u>Licenses</u>
Domestic Brewery	22	Domestic Brewery	51
Domestic Brewery Storage	1	Domestic Brewery Storage	2
Domestic Winery	8	Domestic Winery	19
Domestic Distiller	0	Domestic Distiller	14
Foreign Brewery/Importer	62	Foreign Brewery/Importer	91
Foreign Winery/Importer	470	Foreign Winery/Importer	1,024
Total Manufacturers	563	Total Manufacturers	1,201
<u>Wholesalers/Distributors</u>	<u>Licenses</u>	<u>Wholesalers/Distributors</u>	<u>Licenses</u>
Beer	8	Beer	2
Wine	4	Wine	11
Beer and Wine	19	Beer and Wine	20
Subwarehouse	4	Subwarehouse	12
Total Wholesalers	35	Total Wholesalers	45
Total Licenses	3,893	Total Licenses	4,580

Liquor Licensing - Manufacturers

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

Distilleries by Production Level		
Production Level	<25,000 gallons	>25,001 gallons
On-Premise Consumption	Provide samples of distilled spirits that were distilled on the premises, with or without charge between 10am-8pm. 2 oz maximum	Sampling is not permitted
Off-Premise Consumption	Sell for off-premise consumption between 8am and 2am. Limit 1.75 liters/person	Selling for off-premise consumption is not permitted
Distribute	Sell and deliver distilled spirits to the department	
Common Carrier	May use a common carrier to sell to the department	
Special Permit	Not permitted to obtain a special permit	

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 table below:

Brewers by Production Level				
Production Level	<100 Barrels	100-10,000 Barrels	10,001-60,000 Barrels	>60,000 Barrels
On-Premise Consumption	Provide samples without charge between 8am-2am. No limit	Provide samples w/ or w/out charge between 10am-8pm. Limit 48 oz	Provide samples without charge between 8am-2am. No limit	May not provide samples
Off-Premise Consumption	Sell for off-premise consumption between 8am-2am			May not sell for off-premise consumption
Distribute	Sell and deliver beer to wholesalers, licensed retailers (using own truck, equipment, employees) or the public			Must sell and deliver only to licensed beer wholesalers
Common Carrier	May not use a common carrier to deliver to the public or retailers			May not use a common carrier
Special Permit	Not permitted to obtain a special permit			

Liquor Licensing - Manufacturers

Manufacturers, Wine

There are three types of wineries – domestic wineries, foreign wineries, and 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.

Winery Licenses			
License Type	Domestic Winery (Licensed)	Out-of-State Winery (Licensed)	Foreign Winery (Registered)
Wholesale	Sells wine it produces at wholesale to table wine distributors	Ships product to licensed table wine distributors	
Retail	Sells wine it produces to licensed retailers	Ships product to licensed retailers	May not sell to licensed retailers
Consumers	Sells wine it produces at retail for on- or off-premise consumption, provides without charge wine it produces for consumption at the winery, ships directly to consumer if the winery holds a direct ship endorsement	May ship directly to a consumer if the winery holds a direct ship endorsement	
Special Permit	May obtain a special permit	N/A	

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).

Liquor Licensing - Distributors and Wholesalers

Wholesalers/Distributors/Importers

The Liquor Control Division is responsible for the wholesale operations of distilled spirits. The wholesale operation of beer and wine is left up to the private sector. However, in order for a business to distribute at wholesale, they must be licensed by the department. They may be licensed as a beer wholesaler, table wine distributor, or both.

Wholesaler/Distributor License		
License Type	Beer Wholesaler	Table Wine Distributor
Purchase From:	Licensed to receive product from licensed breweries or beer importers	Licensed to receive product from licensed/registered wineries or wine importers
Sell To:	May sell to other wholesalers or licensed retailers	May sell to other distributors or licensed retailers
Subwarehouse	May be issued a separate license for each of their subwarehouses located in Montana	May only be issued one subwarehouse license
Statute	16-4-103, MCA	16-4-108, MCA

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.

Liquor Licensing - Retail

Retail, Off-premise

There are four types of off-premise license: licenses used at a grocery store, licenses used at a drugstore licensed as a pharmacy, stand-alone off-premise licenses, and sacramental wine licenses. Off-premise retail licenses are specific to beer and wine. The quota system does not apply to this license type and off-premise licensees cannot apply for a gambling license.

Off-Premise 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 retail 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

Retail, On-Premise

Licenses that can be used in bars, taverns, and restaurants are called on-premise licenses. The three most common types of on-premise 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-premise licenses are further categorized as city licenses (within the boundaries of an incorporated city or town or within a five mile radius of a city or town) and county licenses (anywhere in the county outside of a five mile radius of an incorporated city or town). Restaurant beer and wine licenses only exist within incorporated cities and towns and within a five mile radius of that city or town.

On-Premise 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 table wine		
Gambling	Yes*			Yes, if issued prior to 1997	No
Off-Premise Sales	Yes				No
Sale Hours	8am-2am				11am-11pm
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-premise licenses issued. Other on-premise 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.

Liquor Licensing - Quota System

Quota System

Most of the on-premise 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. Before the quota is met, the initial price of a license is generally between \$200 and \$800. 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).

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
	<500	2 licenses max
City All-Beverage	501-3,000	3 licenses for the first 1,000 inhabitants, 1 license for each additional 1,000
	>3,000	5 licenses for the first 3,000 inhabitants, 1 license for each additional 1,500
City Beer (option to add wine amendment)	<500	1 license max
	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, 1 license for each additional 2,000
Restaurant Beer and Wine (RBW)	<5,000	80% of the beer quota
	5,001-20,000	160% of the beer quota
	20,001-60,000	100% of the beer quota
	>60,000	80% of the beer quota

Once a quota is met, there are two ways of obtaining a liquor 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 distributed based on a lottery system.

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%. 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% (43% 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](#).

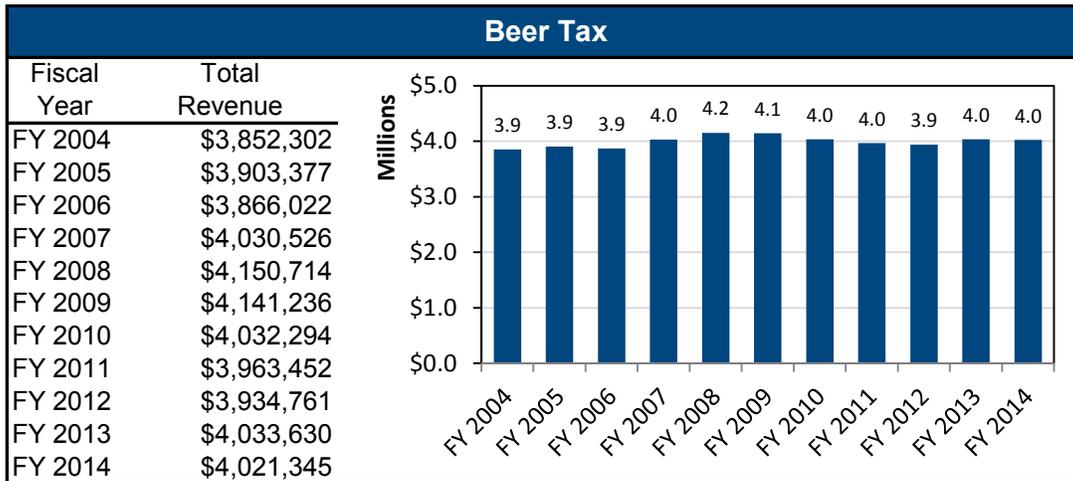
Alcoholic Beverage Taxes

Alcoholic Beverage Taxes

There is an excise tax on all sales of liquor in Montana. Tax rates and the distribution of taxes are different based on alcohol type. The following pages explain these tax rates and distributions and show revenue collections for the past ten years.

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. Depending on the size of the brewer, a tax ranging from \$1.30 to \$4.30 per 31-gallon barrel is levied on beer sold into Montana (16-1-406, MCA).

Beer Tax Rate	
Annual Production Level	Tax Per Barrel
0 - 5,000 Barrels	\$1.30
5,001 - 10,000 Barrels	\$2.30
10,001 to 20,000 Barrels	\$3.30
Over 20,000 Barrels	\$4.30

Filing Requirements

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

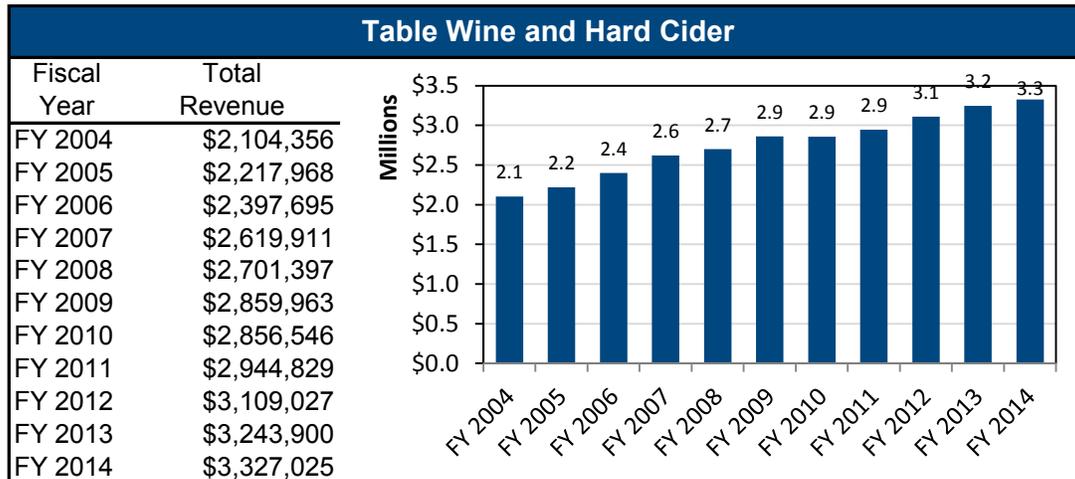
Distribution

The Department of Public Health and Human Services receives 23.26% 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				
Fund	FY 2011	FY 2012	FY 2013	FY 2014
DPHHS (23.26%)	\$921,899	\$915,225	\$938,222	\$935,365
Tribal	\$59,744	\$63,338	\$62,659	\$63,443
General Fund (remainder)	\$2,981,809	\$2,956,198	\$3,032,749	\$3,022,537

Table Wine and Hard Cider Tax

Statute: 16-1-411, MCA



Tax Rate

A tax of \$0.27 per liter on table wine and a tax of \$0.037 per liter on hard cider are levied on wine and cider sold into Montana. Additionally, 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

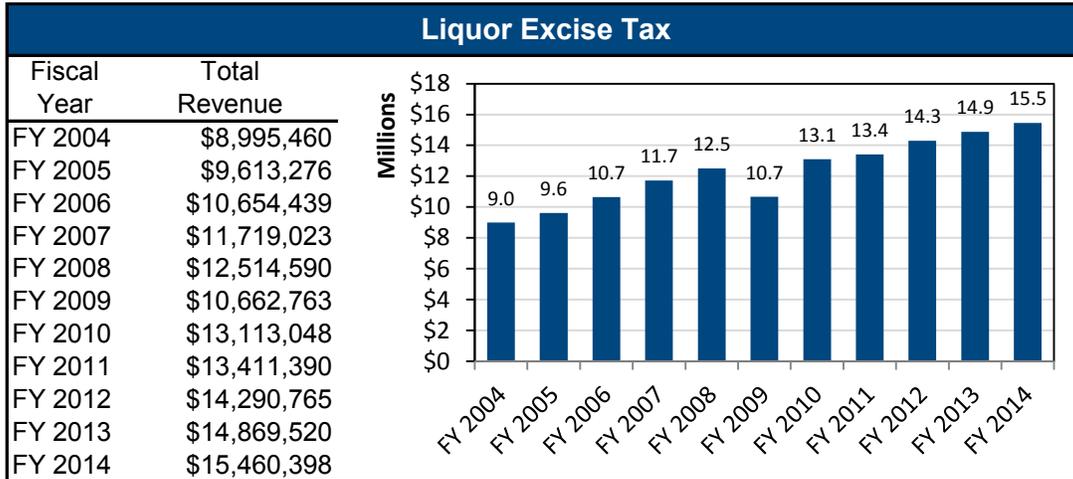
A small portion of wine tax revenue is refunded from the general fund to the tribes that have a revenue-sharing agreement with the state. Currently the state has agreements with the Blackfeet, Fort Peck, Fort Belknap, and Confederated Salish and Kootenai tribes.

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% to the state general fund and 31% 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 2011	FY 2012	FY 2013	FY 2014
Table Wine and Hard Cider	\$2,942,668	\$3,106,695	\$3,241,360	\$3,324,575
Tribal Revenue	\$38,943	\$41,662	\$44,066	\$46,035
General Fund (69% Less Tribal Amounts)	\$1,991,498	\$2,101,957	\$2,192,473	\$2,247,921
DPHHS (31%)	\$912,227	\$963,075	\$1,004,822	\$1,030,618
Agency Liquor Stores	\$2,161	\$2,333	\$2,540	\$2,450
General Fund (100%)	\$2,161	\$2,333	\$2,540	\$2,450

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% - 16% of the retail selling price depending on the number of proof gallons 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 of sale.

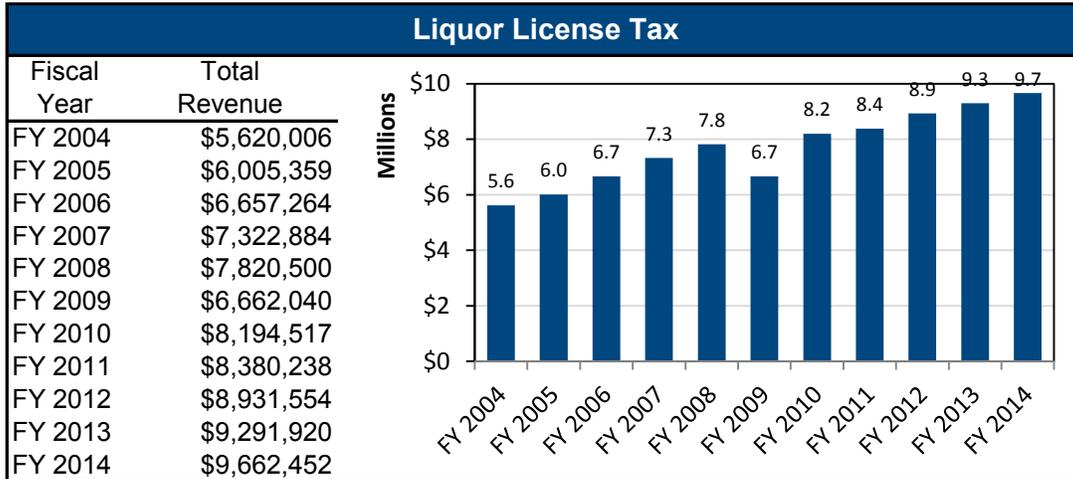
Distributions

The revenue collected from the tax is deposited to 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 2011	FY 2012	FY 2013	FY 2014
General Fund	\$13,098,298	\$13,955,649	\$14,517,835	\$15,084,184
Tribal	\$313,092	\$335,116	\$351,685	\$376,214

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% - 10% 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 of sale.

Distribution

The revenues collected from the tax are deposited 34.5% to the state general fund and 65.5% 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 2011	FY 2012	FY 2013	FY 2014
General Fund (34.5%)	\$2,891,182	\$3,081,386	\$3,205,712	\$3,333,546
DPHHS (65.5%)	\$5,489,056	\$5,850,168	\$6,086,207	\$6,328,906

State Comparison

Alcohol Excise Tax Rates (Dollar Per Gallon)

<u>State</u>	<u>Table Wine</u>	<u>Beer</u>
Alabama	\$1.70	\$0.53
Alaska	\$2.50	\$1.07
Arizona	\$0.84	\$0.16
Arkansas	\$0.75	\$0.23
California	\$0.20	\$0.20
Colorado	\$0.28	\$0.08
Connecticut	\$0.72	\$0.24
Delaware	\$0.97	\$0.16
Florida	\$2.25	\$0.48
Georgia	\$1.51	\$0.32
Hawaii	\$1.38	\$0.93
Idaho	\$0.45	\$0.15
Illinois	\$1.39	\$0.23
Indiana	\$0.47	\$0.12
Iowa	\$1.75	\$0.19
Kansas	\$0.30	\$0.18
Kentucky	\$0.50	\$0.08
Louisiana	\$0.11	\$0.32
Maine	\$0.60	\$0.35
Maryland	\$0.40	\$0.09
Massachusetts	\$0.55	\$0.11
Michigan	\$0.51	\$0.20
Minnesota	\$0.30	\$0.15
Mississippi	\$0.35	\$0.43
Missouri	\$0.42	\$0.06
Montana	\$1.06	\$0.14
Nebraska	\$0.95	\$0.31
Nevada	\$0.70	\$0.16
New Hampshire	(1)	\$0.30
New Jersey	\$0.88	\$0.12
New Mexico	\$1.70	\$0.41
New York	\$0.30	\$0.14
North Carolina	\$1.00	\$0.62
North Dakota	\$0.50	\$0.16
Ohio	\$0.32	\$0.18
Oklahoma	\$0.72	\$0.40
Oregon	\$0.67	\$0.08
Pennsylvania	(1)	\$0.08
Rhode Island	\$1.40	\$0.11
South Carolina	\$0.90	\$0.77
South Dakota	\$0.93	\$0.27
Tennessee	\$1.21	\$1.15
Texas	\$0.20	\$0.20
Utah	(1)	\$0.41
Vermont	\$0.55	\$0.27
Virginia	\$1.51	\$0.26
Washington	\$0.87	\$0.26
West Virginia	\$1.00	\$0.18
Wisconsin	\$0.25	\$0.06
Wyoming	(1)	\$0.02

The table to the left compares table wine and beer tax rates by state. Distilled spirits is not included as it is difficult to compare tax rates between control states.

(1): Liquor Control State. Revenue in these states is generated from various taxes, fees, price mark-ups, and net profits.

Source: Compiled By Federation of Tax Administrators from state sources

