

Alcoholic Beverage Licensing and Taxation



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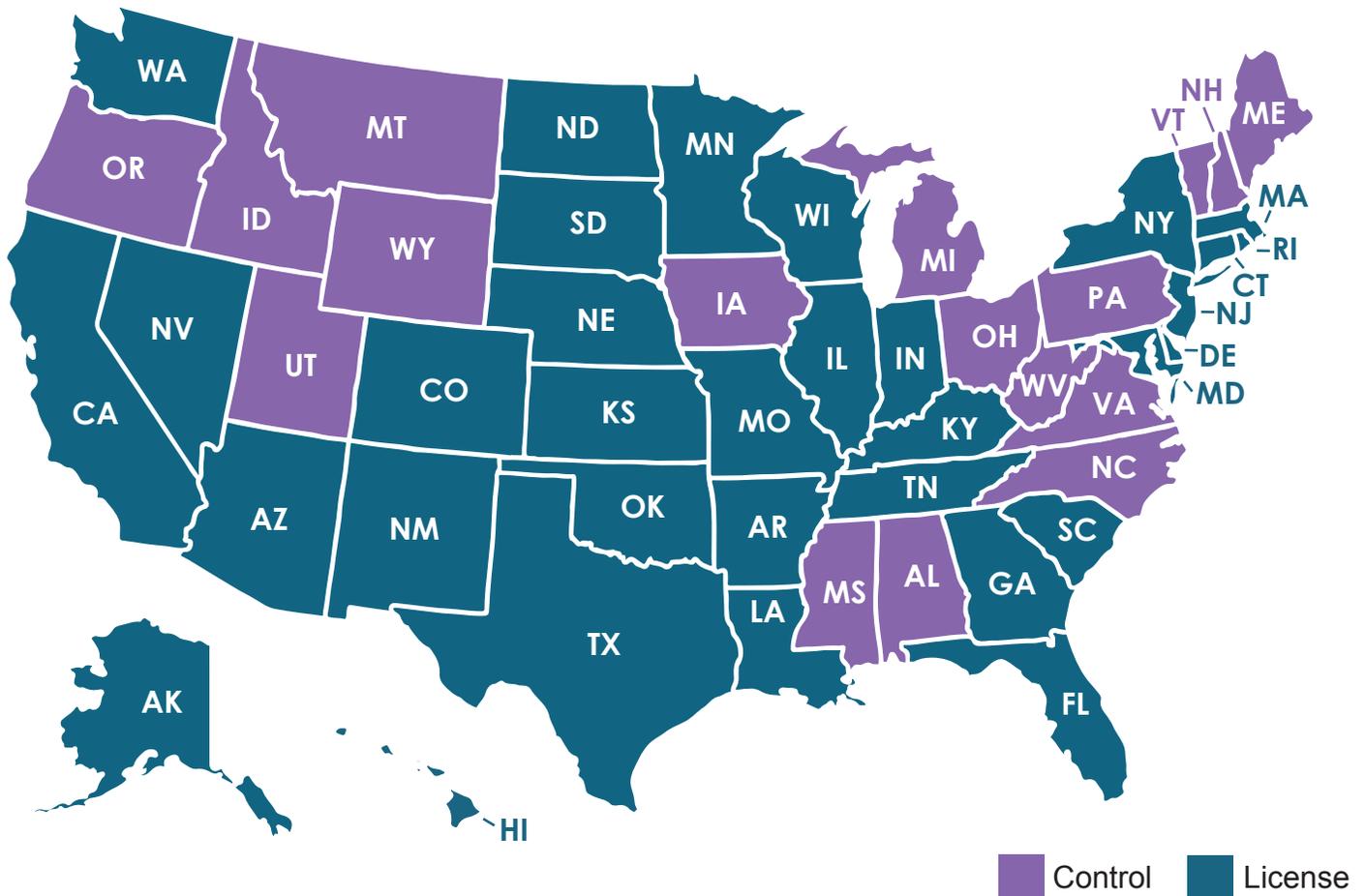
Overview

The Department of Revenue's Alcoholic Beverage Control Division administers Montana's Alcoholic Beverage Code (Title 16, Chapters 1 through 4, 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 states had to choose how to regulate the sale of alcoholic beverages. Two general administrative 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 many 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 private companies are the wholesalers for beer and table wine. In some other control states, the state also acts as the wholesaler for beer and wine. In some control states the state also operates retail stores.

There are 16 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

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.
- Monitoring licensee premises activities to ensure compliance with state laws.
- Managing violations, revocations, and other regulatory proceedings.

Because Montana alcoholic beverage laws are 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 types of alcoholic beverage licenses. These are available on the department's website, MTRevenue.gov.

State Comparison

The table below and on the next page compares taxes on wine and beer in the 50 states and the District of Columbia. 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 column 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 only apply in some parts of the state. Some states have additional taxes that apply in certain circumstances, such as an additional sales tax for on-premises consumption or wholesale. The sixth column indicates states where one or more additional taxes may apply. In general, because Montana does not levy a sales tax, we tend to have relatively lower tax rates on beer and wine compared to other states. These states are identified with an asterisk (*).

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. The state is also the sole wholesaler for table wine in three states and for fortified wine in eight states. For these reasons it has not been possible to make a comparison between states. These states are identified with a double asterisk (**).

State and Local Taxes on Beer and Wine

State	Per Gallon Taxes			Sales Tax		Other Taxes May Apply
	Table Wine	Fortified Wine	Beer	Wine	Beer	
Alabama	\$1.96	\$9.16	\$1.05	9.01%	0.01%	
Alaska	\$2.50	\$2.50	\$1.07	1.76%	1.76%	
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	8.25%	8.25%	*
Colorado	\$0.28	\$0.28	\$0.08	7.50%	7.50%	
Connecticut	\$0.79	\$1.98	\$0.24	6.35%	6.35%	
Delaware	\$1.63	\$1.63	\$0.26	0.00%	0.00%	
District of Columbia	\$0.30	\$0.40	\$0.09	9.00%	9.00%	
Florida	\$2.25	\$3.00	\$0.48	6.80%	6.80%	*
Georgia	\$2.34	\$3.37	\$0.85	7.00%	7.00%	
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	6.80%	6.80%	

State and Local Taxes on Beer and Wine

State	Per Gallon Taxes			Sales Tax		Other Taxes May Apply
	Table Wine	Fortified Wine	Beer	Wine	Beer	
Kansas	\$0.30	\$0.75	\$0.18	8.00%	8.00%	*
Kentucky	\$0.50	\$0.50	\$0.08	6.00%	6.00%	*
Louisiana	\$0.76	\$1.32	\$0.45	9.98%	9.98%	*
Maine	\$0.60	**	\$0.35	5.50%	5.50%	*
Maryland	\$0.40	\$0.40	\$0.09	9.00%	9.00%	
Massachusetts	\$0.55	\$0.55	\$0.11	0.00%	0.00%	*
Michigan	\$0.51	\$0.76	\$0.20	6.00%	6.00%	
Minnesota	\$0.30	\$0.95	\$0.15	9.00%	9.00%	*
Mississippi	\$0.35	\$0.35	\$0.43	7.07%	7.07%	*
Missouri	\$0.42	\$0.42	\$0.06	7.89%	7.89%	
Montana	\$1.02	**	\$0.14	0.00%	0.00%	*
Nebraska	\$0.95	\$1.35	\$0.31	6.89%	6.89%	
Nevada	\$0.70	\$1.30	\$0.16	7.98%	7.98%	*
New Hampshire	\$0.30	\$0.30	\$0.30	0.00%	0.00%	
New Jersey	\$0.88	\$0.88	\$0.12	6.85%	6.85%	
New Mexico	\$1.70	\$1.70	\$0.41	7.56%	7.56%	
New York	\$0.30	\$0.30	\$0.26	8.49%	8.49%	*
North Carolina	\$1.00	\$1.11	\$0.62	6.90%	6.90%	
North Dakota	\$0.50	\$0.60	\$0.16	7.00%	7.00%	*
Ohio	\$0.30	\$0.98	\$0.18	7.14%	7.14%	*
Oklahoma	\$0.72	\$0.72	\$0.40	8.86%	8.86%	
Oregon	\$0.67	\$0.77	\$0.08	0.00%	0.00%	
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	\$6.39	\$6.39	*
Tennessee	\$1.21	\$1.21	\$1.29	9.46%	9.46%	*
Texas	\$0.20	\$0.41	\$0.19	8.19%	8.19%	*
Utah	**	**	\$0.42	6.76%	6.76%	
Vermont	\$0.55	**	\$0.27	6.18%	6.18%	*
Virginia	\$1.51	**	\$0.26	5.63%	5.63%	
Washington	\$0.87	\$1.75	\$0.26	8.92%	8.92%	
West Virginia	\$1.00	\$1.00	\$0.18	11.29%	6.29%	
Wisconsin	\$0.25	\$0.45	\$0.06	5.42%	5.42%	
Wyoming	**	**	\$0.02	5.40%	5.40%	

Legislative History

The responsibilities of the Alcoholic Beverage Control Division have grown with the evolution of the alcoholic beverage industry. Many legislative changes have affected 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 at *MTRevenue.gov*.

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 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 percent 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

Required 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 \$25,000.

HB 462

Created 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

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

SB 344

Modified conditions for use of a liquor license as security for a commercial loan.

2017 Special Session

SB 5

Eliminated overlapping quota areas and temporarily instated a competitive bidding process to replace to lottery system for awarding certain alcoholic beverage licenses.

2019

- HB 35** Permanently replaced the lottery system for certain alcoholic beverage licenses with a competitive bidding system. Cleaned up special cases of overlapping quota areas.
- HB 84** Directed wineries selling less than 1,000 liters per year directly to consumers to file annually, as opposed to monthly. Mandated that wine tax returns are electronic.
- HB 613** Created a special limited all-beverage license type available to assisted living communities that does not need to conform to quota limits.
- HB 727** Allowed for the Department of Revenue to approve an alcoholic beverage license without the premises being approved at the same time. Also codified that licensed entities may enter into concession agreements with non-licensed entities.
- SB 119** Allowed casino owners to install an access control system. Licensees must notify local law enforcement and the Department of Revenue that they are installing such a system and may not unreasonably deny entry to representatives from law enforcement or Department of Justice.
- SB 182** Changed the definition of a “microdistillery” to a distillery located in Montana that produces 200,000 proof gallons or less of liquor annually.
- SB 358** Amended several areas of code related to resort area alcohol licenses including resort qualifications, number of licenses, cost of application, and allowing for limited alcohol delivery.

Sales of Distilled Spirits

Out-of-state distilleries and Montana distilleries 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-premise consumption and to Montana's all-beverage license holders.

Montana microdistilleries, which produce 200,000 proof gallons per year or less, may provide samples, 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. By law, this is the price that agency liquor stores charge for sales of less than a case to all-beverage licensees. Full-case sales are 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:

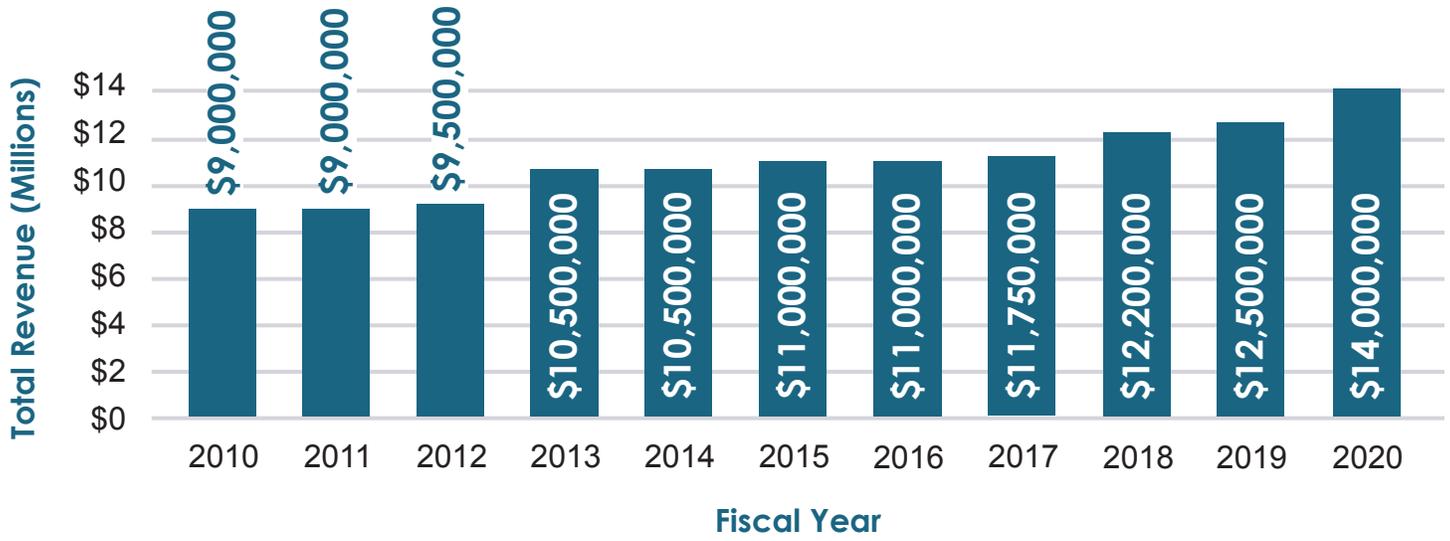
Posted Price = base price + markup + liquor license tax + liquor excise tax + freight rate.

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 microdistilleries (16-2-211, MCA). The department contracts with a shipping company to deliver spirits to the 95 agency stores. The freight rate beginning August 1, 2020, is \$2.00 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.

The wholesale distribution of beer and table wine (wine containing 16 percent alcohol by volume or less) is managed by private businesses.

Liquor Profits



Overview of Alcoholic Beverage Licenses

All individuals and businesses 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 below. These annual renewal fees and any initial license fee are deposited in the Liquor Enterprise Fund. Administrative and compliance expenses associated with enforcing the 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). Total collections increased substantially in Fiscal Years 2019 and 2020, because new alcoholic beverage licenses are now awarded by the department through a competitive bid process instead of through a lottery system.

Annual License Fees (16-4-501, MCA)

On-Premises	Annual Fee	Off-Premises	Annual Fee
All-Beverage	\$400-800	Agency Stores	No fee
Beer	\$200	Beer	\$200
Beer and Wine	\$400	Wine	\$200
Restaurant Beer and Wine	\$400	Beer and Wine	\$400
		Sacramental Wine	\$50

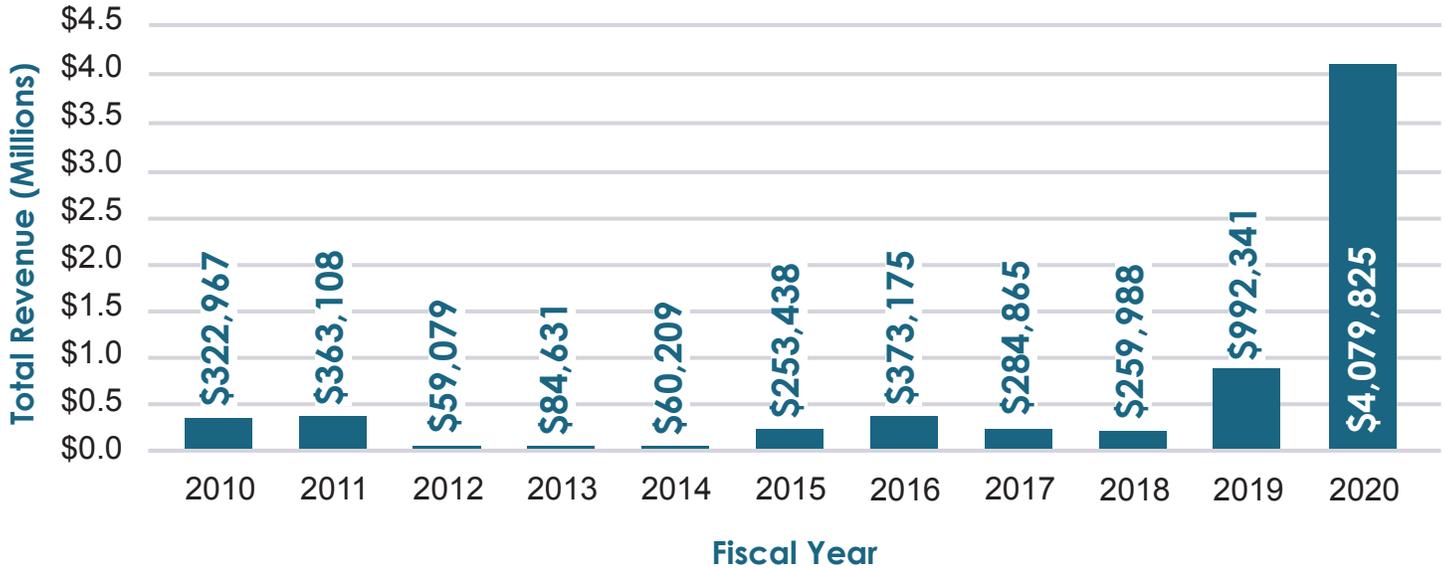
Manufacturers	Annual Fee
Brewer or Beer Importer	\$200 - \$500 + \$400 per storage depot
Winery	\$200 + \$400 per subwarehouse
Distillery	\$600

Wholesalers	Annual Fee
Beer	\$400 + \$400 per subwarehouse
Wine	\$400 + \$400 per subwarehouse
Beer and Wine	\$800
Subwarehouse	\$400

Non-Tax Liquor Collections



Non-Tax Liquor General Fund Transfers



The following table shows the number of licenses by type.

Number of Licensees by License Type

Fiscal Year 2018		Fiscal Year 2019	
On-Premises	Licenses	On-Premises	Licenses
All-Beverage	1,510	All-Beverage	1,600
Beer	52	Beer	49
Beer and Wine	480	Beer and Wine	508
Restaurant Beer and Wine	250	Restaurant Beer and Wine	261
Total On-Premises	2,292	Total On-Premises	2,418
Off-Premises	Licenses	Off-Premises	Licenses
Agency Liquor Stores	95	Agency Liquor Stores	95
Beer	80	Beer	75
Wine	6	Wine	6
Beer and Wine	822	Beer and Wine	823
Sacramental Wine	3	Sacramental Wine	3
Total Off-Premises	1,006	Total Off-Premises	1,002
Manufacturers	Licenses	Manufacturers	Licenses
Domestic Brewery	88	Domestic Brewery	103
Domestic Brewery Storage Depot	5	Domestic Brewery Storage Depot	5
Domestic Winery	24	Domestic Winery	32
Domestic Distillery	22	Domestic Distillery	28
Foreign Brewer or Importer	109	Foreign Brewer or Importer	99
Foreign Winery or Importer	1,187	Foreign Winery or Importer	1,296
Total Manufacturers	1,435	Total Manufacturers	1,563
Wholesalers and Distributors	Licenses	Wholesalers and Distributors	Licenses
Beer	2	Beer	2
Beer Sub-warehouse	2	Beer Sub-warehouse	3
Wine	7	Wine	8
Beer and Wine	17	Beer and Wine	19
Beer and Wine Sub-warehouse	10	Beer and Wine Sub-warehouse	12
Total Wholesaler and Distributor	38	Total Wholesaler and Distributor	44

Alcoholic Beverage License Types

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 the products being produced.

Manufacturers: Distilled Spirits

Distilleries may not sell their products directly in the state. They must sell their products to the department. Distilleries located in Montana that have an annual production of 200,000 proof gallons or less may make limited sales directly to consumers for off-premises consumption (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 of 200,000 proof 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

**Located outside of Montana or annual production is greater than 200,000 proof gallons.*

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:

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 limited to 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

Manufacturers: Wine

Wineries fall into one of three categories: in-state wineries, 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

	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 Sales 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 equipment and employees and may ship up to 4,500 cases per year using common carriers or licensed wine distributors.	Yes	No
Sell to Licensed Table Wine Distributors?	Yes	Yes	Yes

Wholesalers, Distributors, and Importers

The department is responsible for the wholesale distribution of distilled spirits. The private sector is responsible for the wholesale distribution of beer and table wine.

For a business to distribute at the wholesale level, 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

	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	No limit
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-premises consumption. They are standalone specialty stores, grocery stores, and drugstores with a pharmacy license. The quota system does not apply to this license type. Off-premises licensees cannot apply for a gambling license.

A church supply business in the state or out of state 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

	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 or 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-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, the beer license (with the option to add a wine amendment), and the restaurant beer and wine license. Major differences between these licenses include: the types 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 five-mile radius of an incorporated 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.

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

On-Premises Retail License

	County All-Beverage	City All-Beverage	County Beer (option to add wine ammendment)	City Beer (option to add wine ammendment)	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

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 population grows by an amount specific to that license type (16-4-502, MCA). Beginning in 2018, newly available licenses are 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 license 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
	<500	2 licenses
City All-Beverage	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 (RBW)	<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

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 into 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).

Number of Licenses by Type and County 2020

County	All-Beverage	Beer/Wine	Restaurant Beer and Wine	Off-Premises	Manufacturer	Wholesale	Total
Beaverhead	22	13	1	11	1	0	48
Big Horn	6	6	0	7	0	0	19
Blaine	10	2	0	8	0	0	20
Broadwater	9	2	0	5	2	0	18
Carbon	34	5	3	16	1	0	59
Carter	2	0	0	1	0	0	3
Cascade	110	37	11	57	5	2	222
Chouteau	15	1	1	6	0	0	23
Custer	22	8	1	11	2	2	46
Daniels	9	0	0	2	0	0	11
Dawson	16	6	2	11	1	0	36
Deer Lodge	26	6	0	9	1	0	42
Fallon	8	3	0	2	1	0	14
Fergus	25	9	1	13	1	2	51
Flathead	148	36	36	75	21	5	321
Gallatin	130	47	38	79	24	7	325
Garfield	2	1	0	3	0	0	6
Glacier	23	11	0	13	1	0	48
Golden Valley	3	0	0	2	0	0	5
Granite	10	3	2	4	2	0	21
Hill	30	11	3	13	4	2	63
Jefferson	14	4	0	4	0	1	23
Judith Basin	8	1	0	2	0	0	11
Lake	43	9	4	28	5	0	89
Lewis and Clark	86	26	19	52	7	5	195
Liberty	3	1	0	3	0	0	7
Lincoln	38	12	10	25	4	0	89
Madison	37	13	7	10	3	1	71
McCone	5	1	0	3	0	0	9
Meagher	10	3	1	3	1	0	18
Mineral	13	4	0	9	0	0	26
Missoula	106	50	31	79	21	5	292
Musselshell	7	2	0	5	0	0	14
Park	39	29	4	21	3	0	96
Petroleum	2	0	0	2	0	0	4

Number of Licenses by Type and County 2020

County	All-Beverages	Beer/Wine	Restaurant Beer and Wine	Off-Premises	Manufacturer	Wholesale	Total
Phillips	12	3	0	7	1	0	23
Pondera	9	4	0	7	0	0	20
Powder River	4	2	0	2	0	0	8
Powell	14	6	0	9	0	0	29
Prairie	3	0	0	2	0	0	5
Ravalli	40	13	16	29	13	0	111
Richland	19	8	3	10	3	1	44
Roosevelt	23	2	0	12	1	0	38
Rosebud	15	5	0	5	0	0	25
Sanders	24	6	2	14	0	0	46
Sheridan	13	4	0	6	0	0	23
Silver Bow	81	28	3	30	4	4	150
Stillwater	11	5	1	11	0	0	28
Sweet Grass	8	4	1	5	1	0	19
Teton	17	2	1	4	0	0	24
Toole	17	3	0	6	0	1	27
Treasure	3	0	0	1	0	0	4
Valley	23	8	0	9	1	2	43
Wheatland	9	2	0	4	1	0	16
Wibaux	3	1	0	3	1	0	8
Yellowstone	147	71	47	91	14	2	372
Total	1,569	546	258	918	136	40	3,467

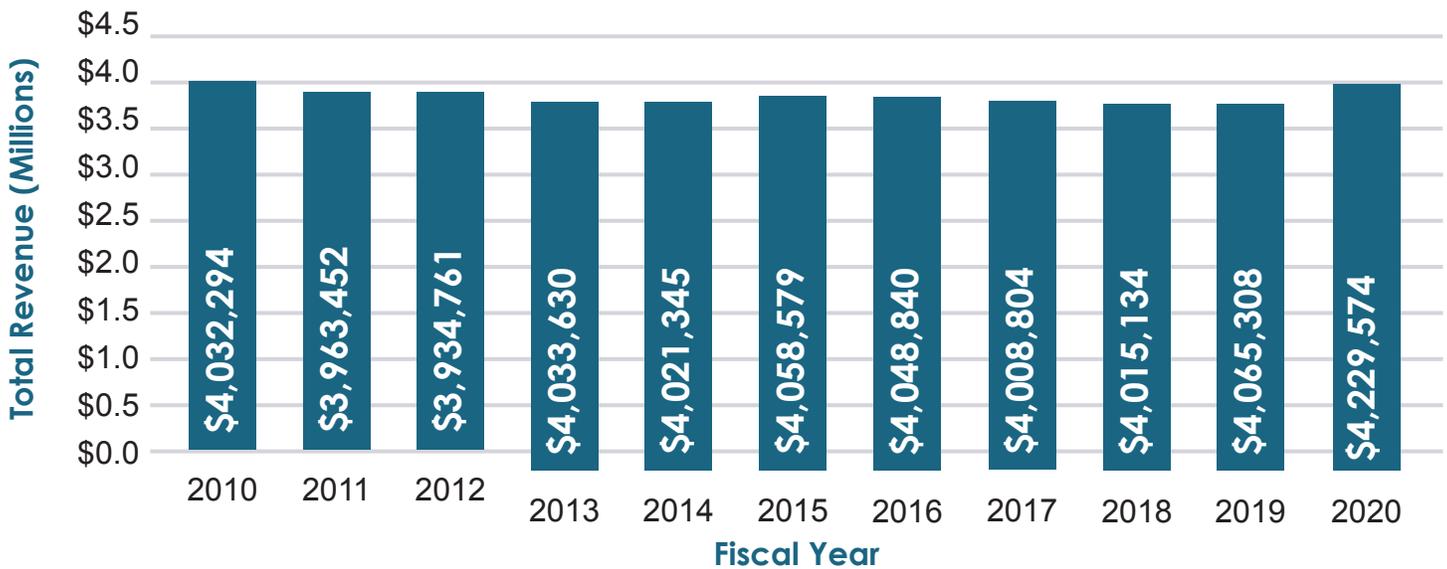
Alcoholic Beverage Taxes

There is an excise tax on all sales of liquor in Montana. 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.

Beer Tax

Statute: 16-1-406, MCA

Beer Tax



Tax Rate

The state levies a tax on each 31-gallon barrel of beer sold. The tax rate depends on the size of the brewer and ranges from \$1.30 per barrel to \$4.30 per barrel.

Barrels Produced per Year

Tax per Barrel

1 to 5,000	\$1.30
5,001 to 10,000	\$2.30
Over 10,000	\$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 of Beer Tax

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. Tribes with a revenue sharing agreement with the state receive a portion of the beer tax revenue. Currently the state has revenue sharing 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.

Fund	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
DPHHS (23.26%)	\$941,760	\$932,448	\$933,920	\$945,591	\$983,799
Tribal	\$79,807	\$78,812	\$78,814	\$78,826	\$78,470
General Fund (remainder)	\$3,027,273	\$2,997,545	\$3,002,400	\$3,040,892	\$3,167,305

Table Wine and Hard Cider Tax

Statute: 16-1-411, MCA

Table Wine and Hard Cider



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. There is an additional \$0.01 per liter tax applied if the wine is sold to an agency liquor store.

Product	Tax per Liter
Table Wine	\$0.27
Table Wine Sold to Agency Liquor Stores	\$0.28
Hard Cider	\$0.037

Filing Requirements

Wineries that sell less than 1,000 liters per year within the state file and pay tax once yearly, on October 15. The wine and hard cider tax is collected monthly for wineries selling more than 1,000 liters per year and distributors. Taxpayers must submit returns to the department on or before the 15th day of the month.

Distribution of Table Wine and Hard Cider Taxes

Tribes with a revenue sharing agreement with the state receive a portion of the wine tax revenue. Currently the state has revenue sharing agreements with the Blackfeet, Fort Peck, Fort Belknap, and Confederated Salish and Kootenai tribes.

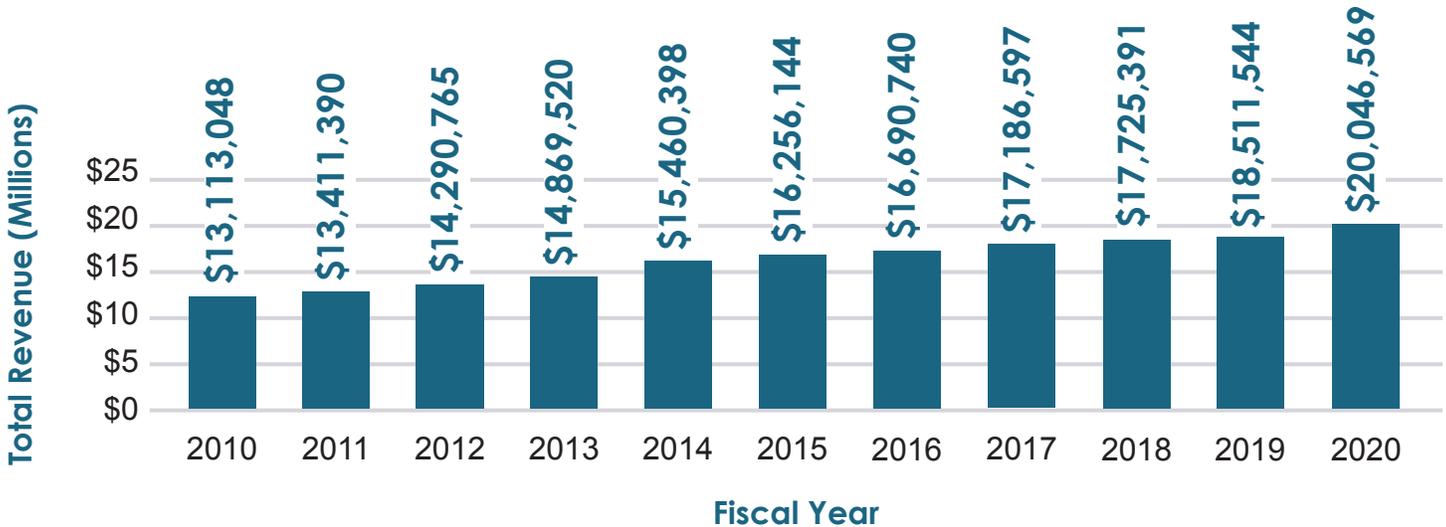
The \$0.01 per liter tax from agency liquor stores is deposited in the general fund. Of the remaining revenue, 69 percent is directed to the state general fund and 31 percent to the Department of Public Health and Human Services for treatment, rehabilitation and prevention of alcoholism and chemical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

Fund	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Table Wine and Hard Cider	\$3,524,965	\$3,607,230	\$3,632,089	\$3,678,837	\$3,740,830
Tribal Revenue	\$61,056	\$62,334	\$62,850	\$62,953	\$61,941
General Fund (69% Less Tribal Accounts)	\$2,371,170	\$2,426,655	\$2,443,292	\$2,475,445	\$2,519,231
DPHHS (31%)	\$1,092,739	\$1,118,241	\$1,125,947	\$1,140,439	\$1,159,657
Agency Liquor Stores	\$2,328	\$2,498	\$2,414	\$2,295	\$2,547
General Fund (100%)	\$2,328	\$2,498	\$2,414	\$2,295	\$2,547

Liquor Excise Tax

Statute: 16-1-401, MCA

Liquor Excise Tax



Tax Rate

The department 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 sales price depending on the number of proof gallons produced by the manufacturer nationwide.

Annual Production Level

Tax Rate

Less than 20,000 Proof Gallons	3.0%
20,001 - 50,000 Proof Gallons	8.0%
50,001 - 200,000 Proof Gallons	13.8%
Over 200,000 Proof Gallons	16.0%

Filing Requirements

The agency liquor stores must pay the tax within 60 days of shipment.

Distribution of Liquor Excise Tax

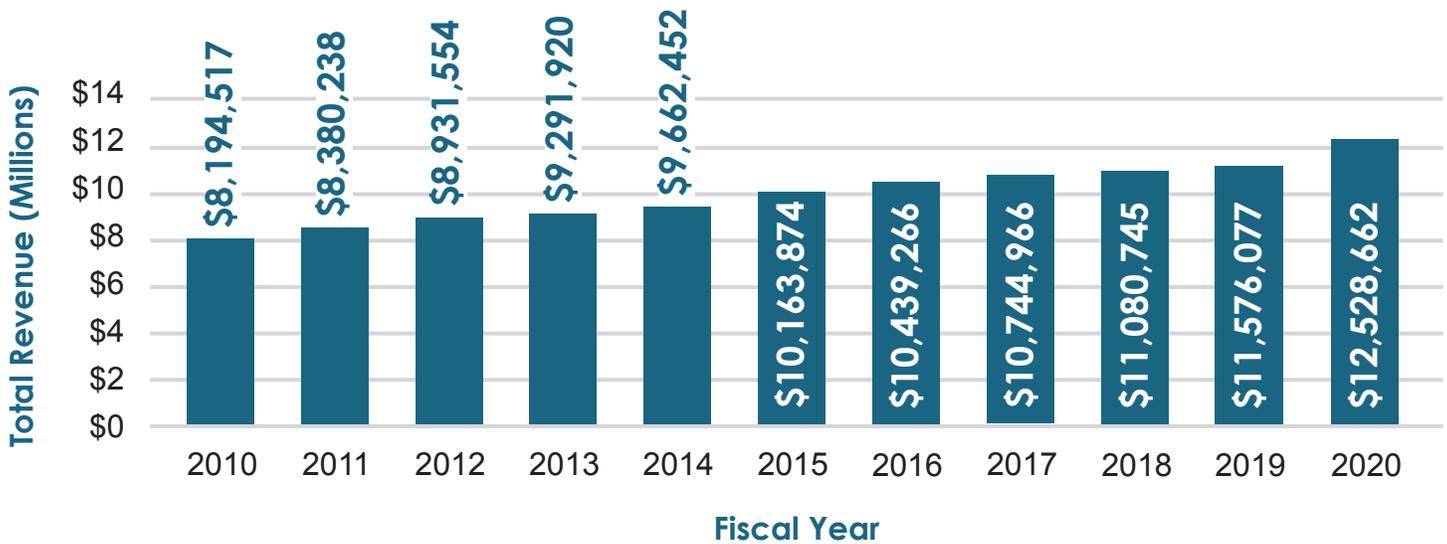
The revenue collected from the tax is deposited in the state general fund. Tribes with a revenue sharing agreement with state receive a portion of the liquor excise tax revenue. Currently the state has revenue sharing agreements with the Blackfeet, Fort Peck, Fort Belknap, and Confederated Salish and Kootenai tribes.

Fund	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
General Fund	\$16,174,180	\$16,659,242	\$17,183,753	\$17,952,292	\$19,463,212
Tribal	\$516,561	\$527,354	\$541,637	\$559,252	\$583,358

Liquor License Tax

Statute: 16-1-404, MCA

Liquor License Tax



Tax Rate

The department 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.

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 agency liquor stores must pay the tax within 60 days of shipment.

Distribution of Liquor License Tax

The revenue 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).

Fund	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
General Fund (34.5%)	\$3,601,547	\$3,707,013	\$3,822,857	\$3,993,747	\$4,322,389
DPHHS (65.5%)	\$6,837,719	\$7,037,953	\$7,257,888	\$7,582,330	\$8,206,274