

Alcoholic Beverage Control Division

page 257



Contents

259	Overview
261	State Comparison
263	Sales of Distilled Spirits
265	Overview of Alcoholic Beverage Licenses
267	Alcoholic Beverage Taxes



Overview

This section presents an overview of the fees on licenses and the taxes and collections made on alcoholic beverages. The Alcoholic Beverage Control Division publishes an annual Enterprise Fund Report of Operations detailing tax information, recent legislative changes, operations of the division, and up-to-date lists of breweries, wineries, and distilleries in the state. Additionally, important information specific to the laws surrounding licensure requirements and limitations can be found in department-produced booklets and fact sheets, available on department's website at <https://mtrevenue.gov/dor-publications/liquor-publications/>.

The Department of Revenue's Alcoholic Beverage Control Division administers Montana's Alcoholic Beverage Code (Title 16, Chapters 1 through 4 and 6, MCA). This division licenses and regulates all alcoholic beverage operations in the state. The Alcoholic Beverage Control Division also serves as the only wholesaler of distilled spirits in the state.

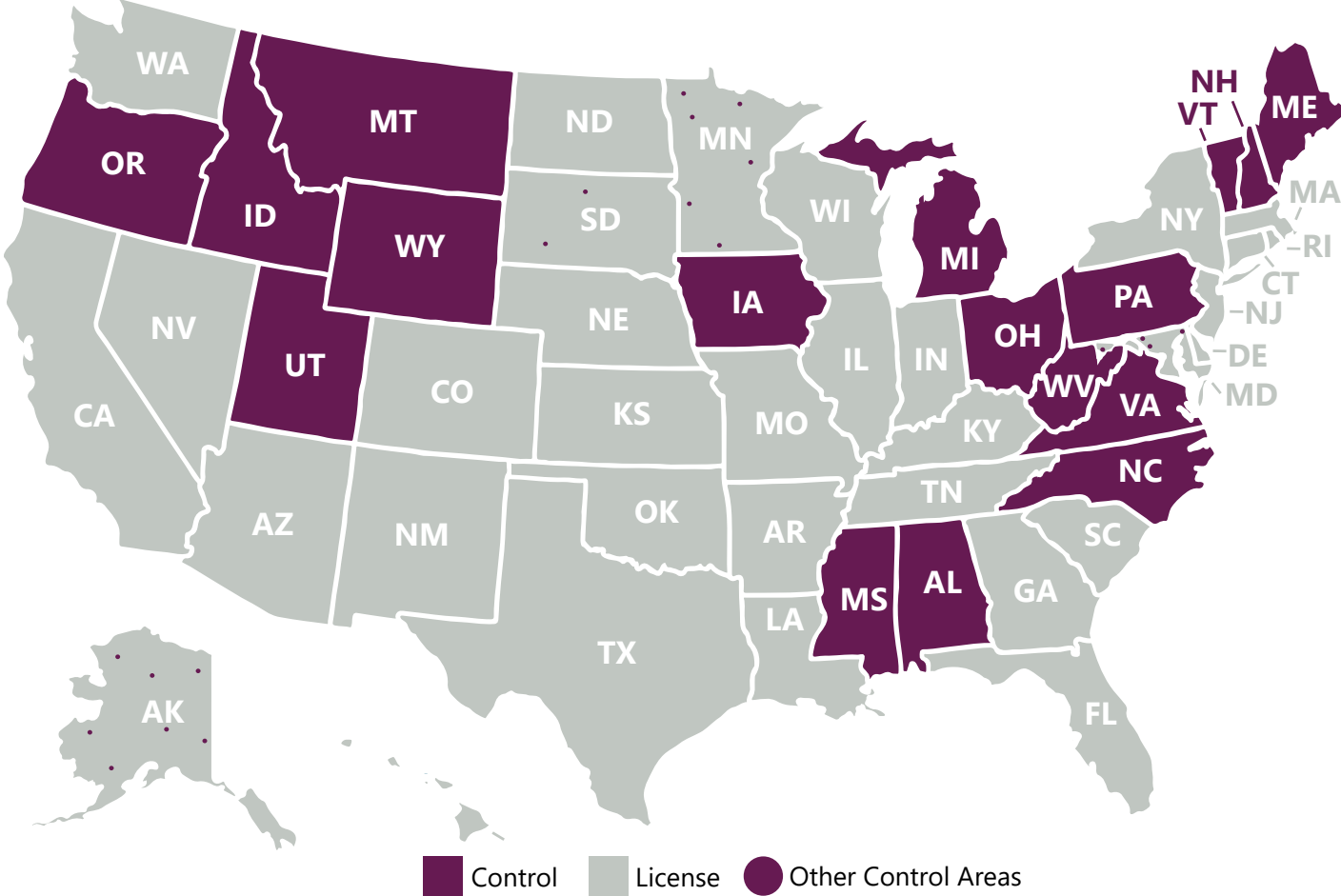
At the end of Prohibition in 1933, each state chose how to regulate the sale of alcoholic beverages. Two general administrative systems arose from these choices: license states and control states. A license state regulates private businesses that are licensed to sell alcoholic beverages. In a control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

Control states serve as wholesalers to try to constrain the consumption of alcoholic beverages rather than encourage or promote it. The details vary from state to state. In some control states, the state acts as the wholesaler for beer and wine. In other control states, the state also operates retail stores.

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.

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.

Figure 7.1 Map of Control States



State Comparison

Table 7.1 compares taxes on wine and beer in all fifty 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 containing 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 certain parts of the state. Some states have additional taxes that apply in specific circumstances, such as an additional sales tax for on-premises consumption or wholesale. The sixth column of the state comparison table 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 comes from a combination of taxes and markups included in the wholesale price charged by the state. These control states are also the sole wholesalers 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 (**).

Table 7.1 State and Local Taxes on Beer and Wine

State	Per-gallon taxes			Sales Tax Rate		Other Possible Additions
	table wine	fortified wine	beer	wine	beer	
Alabama	\$1.96	\$9.16	\$1.05	9%	9%	
Alaska	\$2.50	\$2.50	\$1.07	2%	2%	
Arizona	\$0.84	\$4.00	\$0.16	8%	8%	
Arkansas	\$0.75	\$0.75	\$0.23	12%	12%	*
California	\$0.20	\$0.20	\$0.20	9%	9%	*
Colorado	\$0.28	\$0.28	\$0.08	8%	8%	
Connecticut	\$0.79	\$1.98	\$0.24	6%	6%	
Delaware	\$1.63	\$1.63	\$0.26	0%	0%	
Florida	\$2.25	\$3.00	\$0.48	7%	7%	*
Georgia	\$2.34	\$3.37	\$0.85	7%	7%	
Hawaii	\$1.38	\$1.38	\$0.93	4%	4%	*
Idaho	\$0.45	\$0.45	\$0.15	6%	6%	*
Illinois	\$1.39	\$8.55	\$0.23	9%	9%	*
Indiana	\$0.47	\$2.68	\$0.12	7%	7%	
Iowa	\$1.75	\$1.75	\$0.19	7%	7%	
Kansas	\$0.30	\$0.75	\$0.18	8%	8%	*
Kentucky	\$0.50	\$0.50	\$0.08	6%	6%	*

Table 7.1 State and Local Taxes on Beer and Wine (continued)

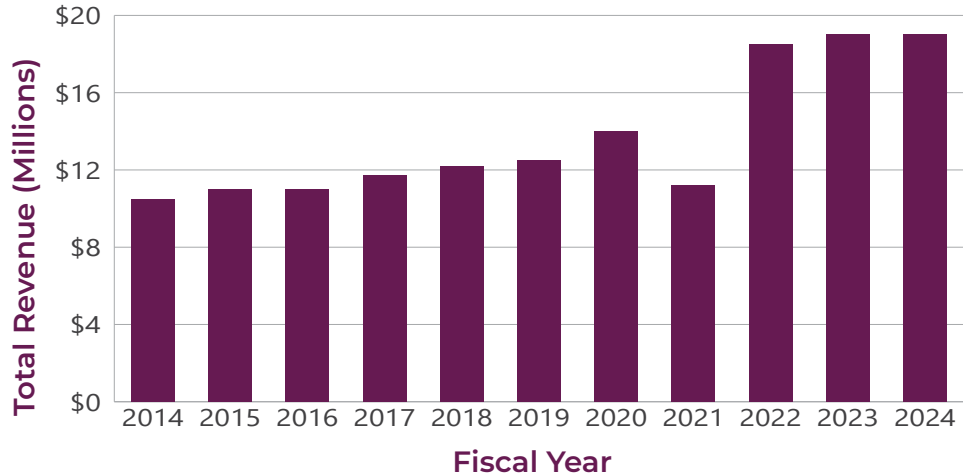
State	Per-gallon taxes			Sales Tax Rate		Other Possible Additions
	table wine	fortified wine	beer	wine	beer	
Louisiana	\$0.76	\$1.32	\$0.45	10%	10%	*
Maine	\$0.60	**	\$0.35	6%	6%	*
Maryland	\$0.40	\$0.40	\$0.09	9%	9%	
Massachusetts	\$0.55	\$0.55	\$0.11	6%	6%	*
Michigan	\$0.51	\$0.76	\$0.20	6%	6%	
Minnesota	\$0.30	\$0.95	\$0.15	9%	9%	*
Mississippi	\$0.35	\$0.35	\$0.43	7%	7%	*
Missouri	\$0.42	\$0.42	\$0.06	8%	8%	
Montana	\$1.02	**	\$0.14	0%	0%	*
Nebraska	\$0.95	\$1.35	\$0.31	7%	7%	
Nevada	\$0.70	\$1.30	\$0.16	8%	8%	*
New Hampshire	\$0.30	\$0.30	\$0.30	0%	0%	
New Jersey	\$0.88	\$0.88	\$0.12	7%	7%	
New Mexico	\$1.70	\$5.68	\$0.41	8%	8%	
New York	\$0.30	\$0.30	\$0.26	9%	9%	*
North Carolina	\$1.00	\$1.11	\$0.62	7%	7%	
North Dakota	\$0.50	\$0.60	\$0.16	7%	7%	*
Ohio	\$0.30	\$0.98	\$0.18	7%	7%	*
Oklahoma	\$0.72	\$0.72	\$0.40	9%	9%	*
Oregon	\$0.67	\$0.77	\$0.08	0%	0%	
Pennsylvania	**	**	\$0.08	6%	6%	
Rhode Island	\$1.40	\$1.40	\$0.11	7%	7%	*
South Carolina	\$1.08	\$1.08	\$0.77	7%	7%	
South Dakota	\$0.93	\$1.45	\$0.27	6%	6%	*
Tennessee	\$1.21	\$1.21	\$1.29	10%	10%	*
Texas	\$0.20	\$0.41	\$0.19	8%	8%	*
Utah	**	**	\$0.42	7%	7%	
Vermont	\$0.55	**	\$0.27	6%	6%	*
Virginia	\$1.51	**	\$0.26	6%	6%	
Washington	\$0.87	\$1.75	\$0.26	9%	9%	
West Virginia	\$1.00	\$1.00	\$0.18	7%	7%	
Wisconsin	\$0.25	\$0.45	\$0.06	5%	5%	
Wyoming	**	**	\$0.02	5%	5%	
Dist. of Columbia	\$0.30	\$0.40	\$0.09	15%	15%	

Sales of Distilled Spirits

Table 7.2 Liquor Profits

Fiscal Year	Total Revenue
2014	\$10,500,000
2015	\$11,000,000
2016	\$11,000,000
2017	\$11,750,000
2018	\$12,200,000
2019	\$12,500,000
2020	\$14,000,000
2021	\$11,189,041
2022	\$18,500,000
2023	\$19,000,000
2024	\$19,000,000

Figure 7.2



Both 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, defined as producing 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 is based 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:

$$\text{Posted Price} = \text{base price} + \text{markup} + \text{liquor license tax} + \text{liquor excise tax} + \text{freight rate}.$$

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). A lower markup of 20 percent was established for liquor products acquired from a distillery that manufacturers, distills, rectifies, bottles, or processes 25,000 proof gallons or less of liquor annually, including out of state distilleries. The department contracts with a shipping company to deliver spirits to the 95 agency stores. As of August 1, 2024, the freight rate is \$2.36 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. Transfer amounts of liquor profits to the general fund have generally increased over time. For fiscal year 2024, \$12 million of the \$19 million in profit was set aside for an expansion of the liquor warehouse rather than transferred to the general fund.

Overview of Alcoholic Beverage Licenses

All individuals and businesses engaged in 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.

License holders are subject to an annual renewal fee. The fee, set by law, is described in table 7.3. Annual Renewal Fees and any initial license fees are deposited in the Liquor Enterprise Fund. Administrative and compliance expenses (associated with enforcing the alcoholic beverage laws by the Department of Revenue and Department of Justice) are paid from this fund.

Table 7.3 Annual License Fees (16-4-501, MCA)

Category	Annual Fee
On-Premises	
All-Beverage	\$400-800
Beer and Wine	\$400
Restaurant Beer and Wine	\$400
Off-Premise	
Agency Stores	No Fee
Beer and Wine	\$400
Sacramental Wine	\$50
Manufacturers	
Brewer or Beer Importer	\$200-500 + \$400 per storage depot
Winery	\$200 + \$400 per subwarehouse
Distillery	\$600
Wholesalers	
Beer and Wine	\$400
Subwarehouse	\$400

The remaining fund balance at the end of the fiscal year is deposited in the state general fund (16- 2-108, MCA). Total collections increased substantially in Fiscal Year 2019 and the following years.

The increase was due to changes to the alcoholic beverage license award process. The changes were enacted during the 2017 Legislature special session, with those changes made permanent during the 2019 Legislature. New licenses are now awarded by a competitive bid process, rather than the previously used lottery system.

Table 7.4 Non-tax liquor collections

Fiscal Year	Total Revenue
2014	\$1,808,126
2015	\$2,241,942
2016	\$2,225,631
2017	\$1,877,800
2018	\$2,561,178
2019	\$2,749,589
2020	\$5,701,496
2021	\$4,251,967
2022	\$5,703,585
2023	\$8,280,222
2024	\$7,357,555

Figure 7.4

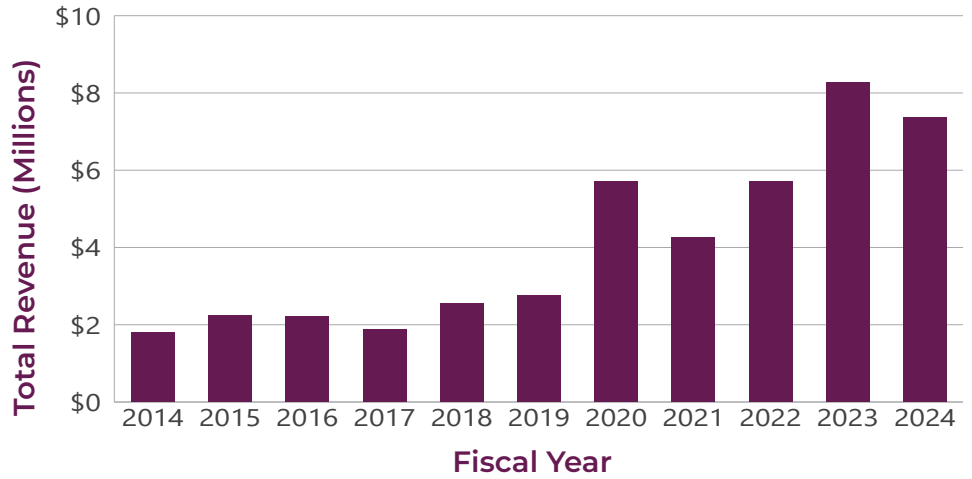
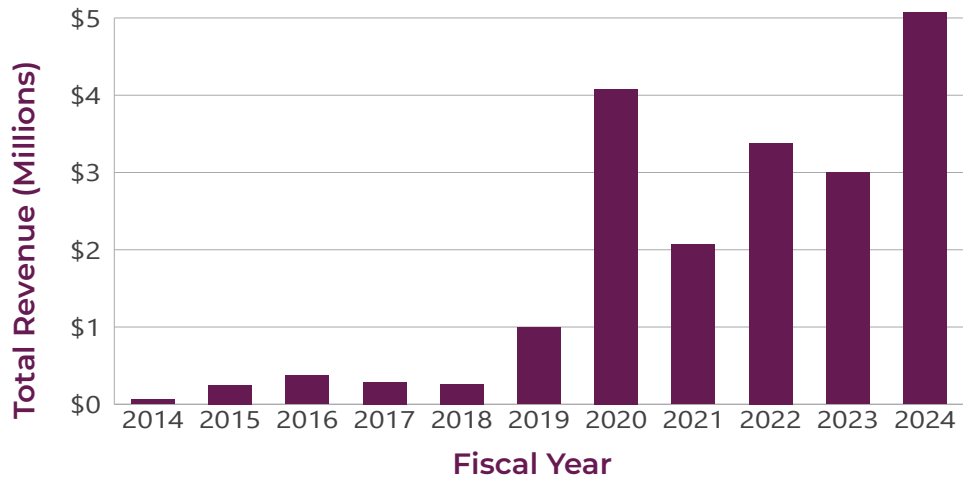


Table 7.5 Non-tax liquor general fund transfers

Fiscal Year	Total Revenue
2014	\$60,209
2015	\$253,438
2016	\$373,175
2017	\$284,865
2018	\$259,988
2019	\$992,341
2020	\$4,079,825
2021	\$2,066,763
2022	\$3,379,100
2023	\$3,000,000
2024	\$5,072,794

Figure 7.5



Alcoholic Beverage Taxes

Excise taxes are levied 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.

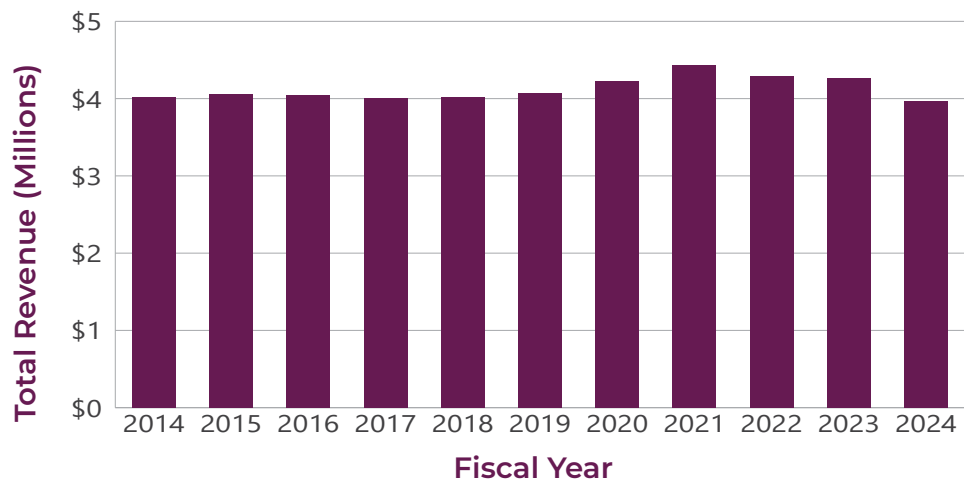
Beer Tax

Statute: 16-1-406, MCA

Table 7.6 Beer Tax Collections

Fiscal Year	Total Revenue
2014	\$4,021,345
2015	\$4,058,579
2016	\$4,048,840
2017	\$4,008,804
2018	\$4,015,134
2019	\$4,065,308
2020	\$4,229,574
2021	\$4,431,990
2022	\$4,293,422
2023	\$4,268,642
2024	\$3,968,334

Figure 7.6



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.

Table 7.7 Beer Tax Rates

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 quarterly from distributors and breweries. Taxpayers must submit returns on or before the 15th day of the quarter for sales in the previous quarter.

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, Chippewa Cree, and Confederated Salish and Kootenai tribes. The remainder of the revenue is deposited in the general fund.

Table 7.8 Beer Tax Distributions

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
DPHHS (23.26%)	\$983,799	\$1,030,881	\$998,650	\$992,886	\$923,035
Tribal	\$78,470	\$86,071	\$92,413	\$88,171	\$74,039
General Fund (remainder)	\$3,167,305	\$3,315,038	\$3,202,359	\$3,187,584	\$2,971,261

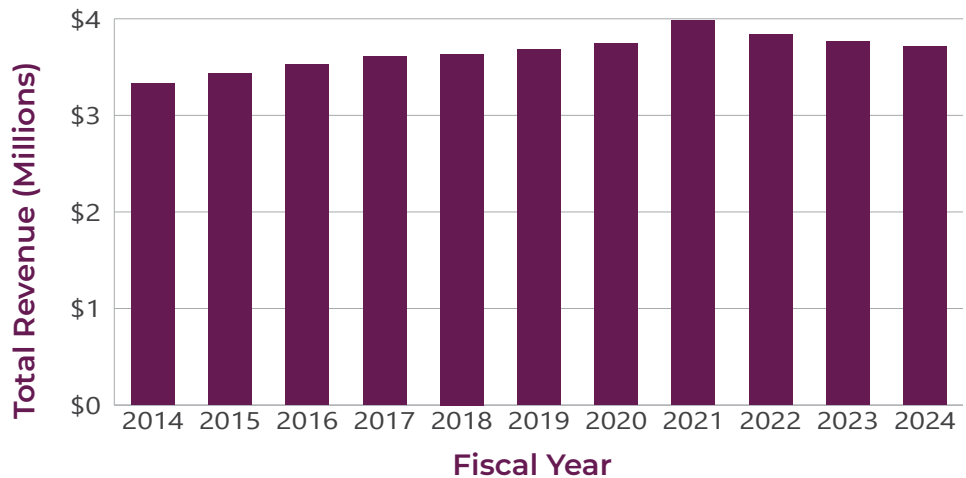
Table Wine and Hard Cider Tax

Statute: 16-1-411, MCA

Table 7.9 Wine and Hard Cider Tax Collections

Fiscal Year	Total Revenue
2014	\$3,327,025
2015	\$3,429,781
2016	\$3,527,293
2017	\$3,609,728
2018	\$3,634,503
2019	\$3,681,132
2020	\$3,743,377
2021	\$3,981,118
2022	\$3,833,859
2023	\$3,763,061
2024	\$3,714,736

Figure 7.9



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.

Table 7.10 Table Wine and Hard Cider Tax Rates

Product	Tax Per Liter
Table Wine	\$0.27
Hard Cider	\$0.037

Filing Requirements

Wineries that sell 1,000 liters or fewer per year within the state file and pay tax annually, due October 15. The wine and hard cider tax is collected quarterly 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 each quarter for sales in the previous quarter.

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, Chippewa Cree, and Confederated Salish and Kootenai tribes.

The state general fund receives 69 percent of the revenue collected and the remaining 31 percent of revenue is allocated to the Department of Public Health and Human Services for treatment, rehabilitation, and prevention of alcoholism and chemical dependency.

Prior to SB 20 of the 2023 Legislature, there was a penny tax per liter of table wine sold to agency liquor stores. This tax elimination went into effect October 1, 2023, which was part way through Fiscal Year 2024.

Table 7.11 Table Wine and Hard Cider Tax Distributions

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Table Wine and Hard Cider	\$3,740,830	\$3,978,068	\$3,831,037	\$3,763,061	\$3,714,736
Tribal Revenue	\$61,941	\$68,616	\$73,176	\$69,189	\$59,528
General Fund (69% Less Tribal Amounts)	\$2,519,231	\$2,676,251	\$2,570,240	\$2,525,504	\$2,503,467
DPHHS (31%)	\$1,159,657	\$1,233,201	\$1,187,622	\$1,165,731	\$1,151,491
Agency Liquor Stores	\$2,547	\$3,049	\$2,822	\$2,637	\$250
General Fund (100%)	\$2,547	\$3,049	\$2,822	\$2,637	\$250

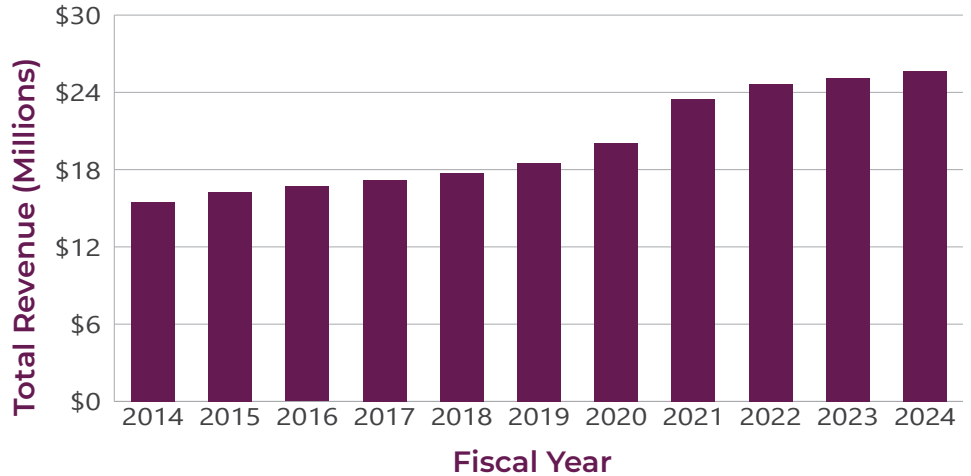
Liquor Excise Tax

Statute: 16-1-401, MCA

Table 7.12 Liquor Excise Tax Collections

Fiscal Year	Total Revenue
2014	\$15,460,398
2015	\$16,256,144
2016	\$16,690,740
2017	\$17,186,597
2018	\$17,725,391
2019	\$18,511,544
2020	\$20,046,569
2021	\$23,469,375
2022	\$24,662,621
2023	\$25,108,020
2024	\$25,666,884

Figure 7.12



Tax Rate

The department collects an excise tax on the retail sales price of all liquor sold by the state liquor warehouse. The tax rate ranges from 3 to 16 percent of the retail sales price and is based on the number of proof gallons produced by the manufacturer nationwide.

Table 7.13 Liquor Excise Tax Rates

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

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 the state receive a portion of the liquor excise tax revenue. Currently, the state has revenue sharing agreements with the Blackfeet, Fort Peck, Fort Belknap, Chippewa Cree, and Confederated Salish and Kootenai tribes.

Table 7.14 Liquor Excise Tax Distributions

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Fund	\$19,463,212	\$22,761,703	\$23,845,213	\$24,295,085	\$24,839,303
Tribal	\$583,358	\$707,672	\$817,408	\$812,935	\$827,581

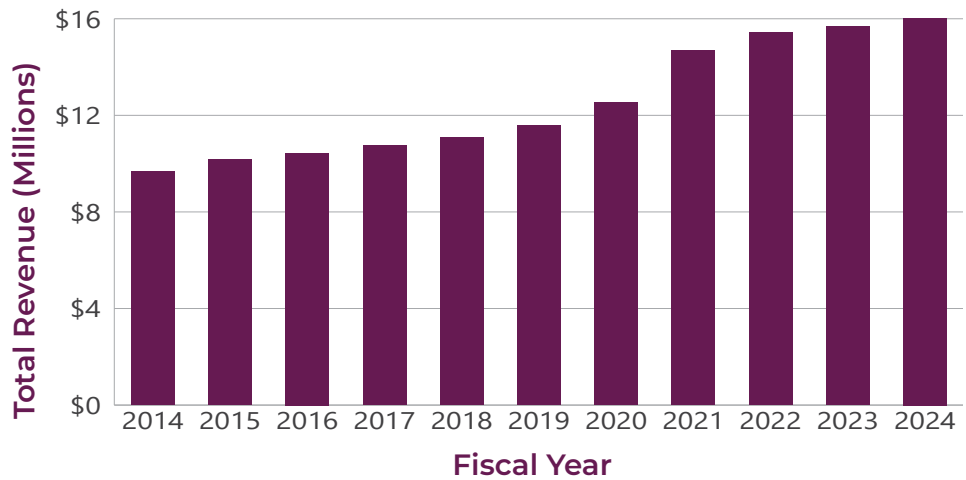
Liquor License Tax

Statute: 16-1-404, MCA

Table 7.15 Liquor License Tax Collections

Fiscal Year	Total Revenue
2014	\$9,662,452
2015	\$10,163,874
2016	\$10,439,266
2017	\$10,744,966
2018	\$11,080,745
2019	\$11,576,077
2020	\$12,528,662
2021	\$14,670,759
2022	\$15,421,962
2023	\$15,681,844
2024	\$16,031,890

Figure 7.15



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.

Table 7.16 Liquor License Tax Rates

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

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)

Table 7.17 Liquor License Tax Distribution

Fund	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Fund (34.5%)	\$4,322,389	\$5,061,412	\$5,320,577	\$5,410,236	\$5,531,002
DPHHS (65.5%)	\$8,206,274	\$9,609,347	\$10,101,385	\$10,271,608	\$10,500,888