

# Consumption and Sumptuary

<b>Beer Tax</b>	<b>Lottery Profits</b>
<b>Cigarette Tax</b>	<b>Motor Vehicle Fee</b>
<b>Driver's License Fees</b>	<b>Tobacco Tax</b>
<b>Liquor Excise &amp; License Tax</b>	<b>Video Gambling Tax</b>
<b>Liquor Profits</b>	<b>Wine Tax</b>



***Legislative Fiscal Division***



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Beer Tax

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**Revenue Description:** A tax of \$4.30 is levied on each barrel of beer produced in or imported into Montana. A small portion of the revenue from the beer license tax is returned to Indian tribes per an agreement between the Department of Revenue and the tribes.

**Applicable Tax Rate(s):** \$4.30/barrel of beer

**Distribution:** Beer tax revenue is distributed:

\$1.00 (23.3%) - DPHHS Alcohol Account  
\$.50 (11.6%) - General Fund  
\$2.80 (65.1%) - Cities and Towns

The general fund portion is reduced by the amount of the tribal distribution.

**Collection Frequency:** Monthly

**Applicable Assumptions and/or Relevant Indicators:**

Barrels of Beer  
Montana Population  
Montana Employment  
Montana Per Capita Consumption  
Montana Disposable Income

**Data Source(s):** SBAS, SABHRS, Bureau of Economic Analysis, U.S. Dept. of Commerce, MT Department of Labor and Industry, Survey of Current Business

**Contacts:** Department of Revenue, Liquor Division

**Statute:** Title 16, Chapter 1, MCA

**% of Total FY 2000 General Fund Revenue:** 0.03%

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in a subsequent section of this document. The following summarizes the LFD process used to develop the revenue estimate.

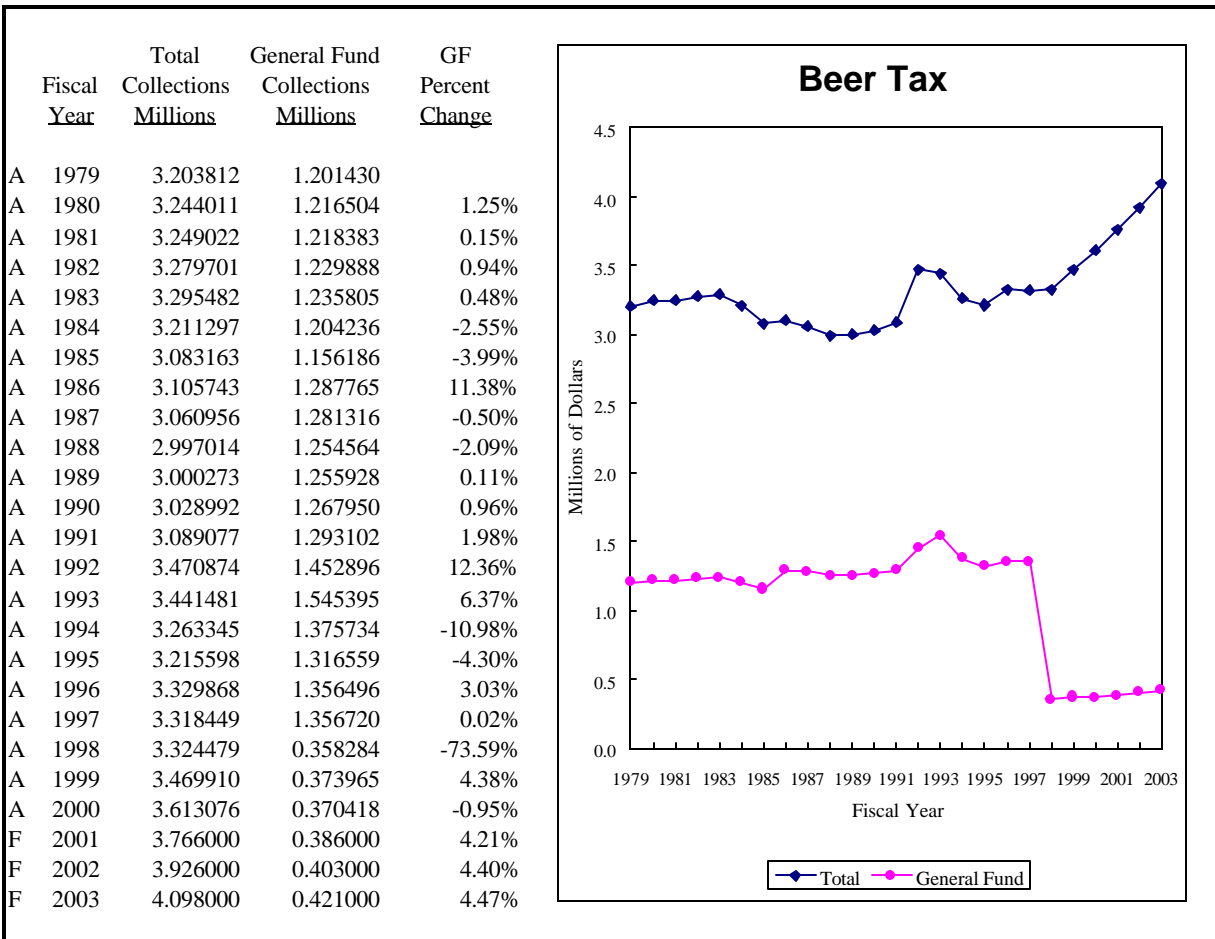
Beer tax revenue is calculated by multiplying the tax rate of \$4.30 per barrel by the projected number of barrels produced in or imported into Montana. Once the total tax is estimated, the statutory distribution is applied. The general fund portion is reduced by the amount of the tribal distribution.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Beer Tax

#### Revenue Projection:



#### Forecast Methodology

$$\text{TAX } t = \text{BAR } t * \text{TR } t$$

---where

TAX = Beer Tax

BAR = Barrels of Beer

TR = Tax Rate per Barrel

t = Fiscal Year

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Beer Tax

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#### Distribution Methodology

$$\text{GFTAX } t = \text{TAX } t * \text{GF\% } t - \text{TRIB } t$$

---where

GFTAX = General Fund Allocation of Tax

TAX = Beer Tax

GF% = General Fund Statutory Percent

TRIB = Tribal Distribution of Tax

t = Fiscal Year

	t Fiscal	Total Tax Millions	GF Tax Millions	Barrels Millions	Tax Rate Per Barrel	GF Percent Allocation	Tribal Millions
Actual	2000	3.613076	0.370418	0.840250	4.300000	0.116283	0.049723
Forecast	2001	3.766000	0.386000	0.875877	4.300000	0.116279	0.052000
Forecast	2002	3.926000	0.403000	0.912955	4.300000	0.116279	0.054000
Forecast	2003	4.098000	0.421000	0.953040	4.300000	0.116279	0.056000



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Cigarette Tax

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**Revenue Description:** The cigarette tax is an excise tax imposed on all cigarettes sold or possessed in Montana. The tax is imposed on the retail consumer, but is collected by wholesalers or retailers through the use of tax insignia. The insignia are purchased from the state and affixed to each package of cigarettes. The tax does not apply to quota cigarettes sold on an Indian reservation. In practice, the tax is levied on all cigarettes and the wholesaler receives a refund for the amount within the quota that has been sold within the boundaries of an Indian reservation. Each tribe's quota is equal to 150.0 percent of the national average for individual consumption of cigarettes multiplied by the enrolled tribal member population, or any other amount agreed to in a state-tribal agreement. The state has agreements with five tribes in Montana.

**Applicable Tax Rate(s):** Wholesalers pay a license fee of \$50.00 and each retailer pays a license fee of \$5.00. License fees are renewable each year and are non-transferable. The excise tax on cigarettes is \$0.18 per twenty-cigarette pack. When a pack contains more than 20 cigarettes, the tax is prorated at 1/20th of \$0.18 for each cigarette in excess of 20 cigarettes.

**Distribution:** All wholesaler and retailer license fees are deposited in the general fund. After deductions for tribal refunds, the cigarette tax is distributed:

- 11.11% - DPHHS for veterans' nursing home operation and maintenance
- 73.04% - General Fund
- 15.85% - Long-Range Building Program

**Collection Frequency:** Monthly

**Applicable Assumptions and/or Relevant Indicators:**

- Montana Population
- Montana Employment
- Packs of Cigarettes
- Montana Per Capita Consumption
- Montana Disposable Income
- National Consumption Statistics, Tobacco Institute

**Data Source(s):** SBAS, SABHRS, Department of Revenue Collection Reports, U.S. Department of Commerce, MT Department of Labor and Industry, Tobacco Institute

**Contacts:** Department of Revenue

**Statute:** Title 16, Chapter 11, MCA

**% of Total FY 2000 General Fund Revenue:** 0.73%

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in a subsequent section of this document. The following summarizes the LFD process used to develop the revenue estimate.

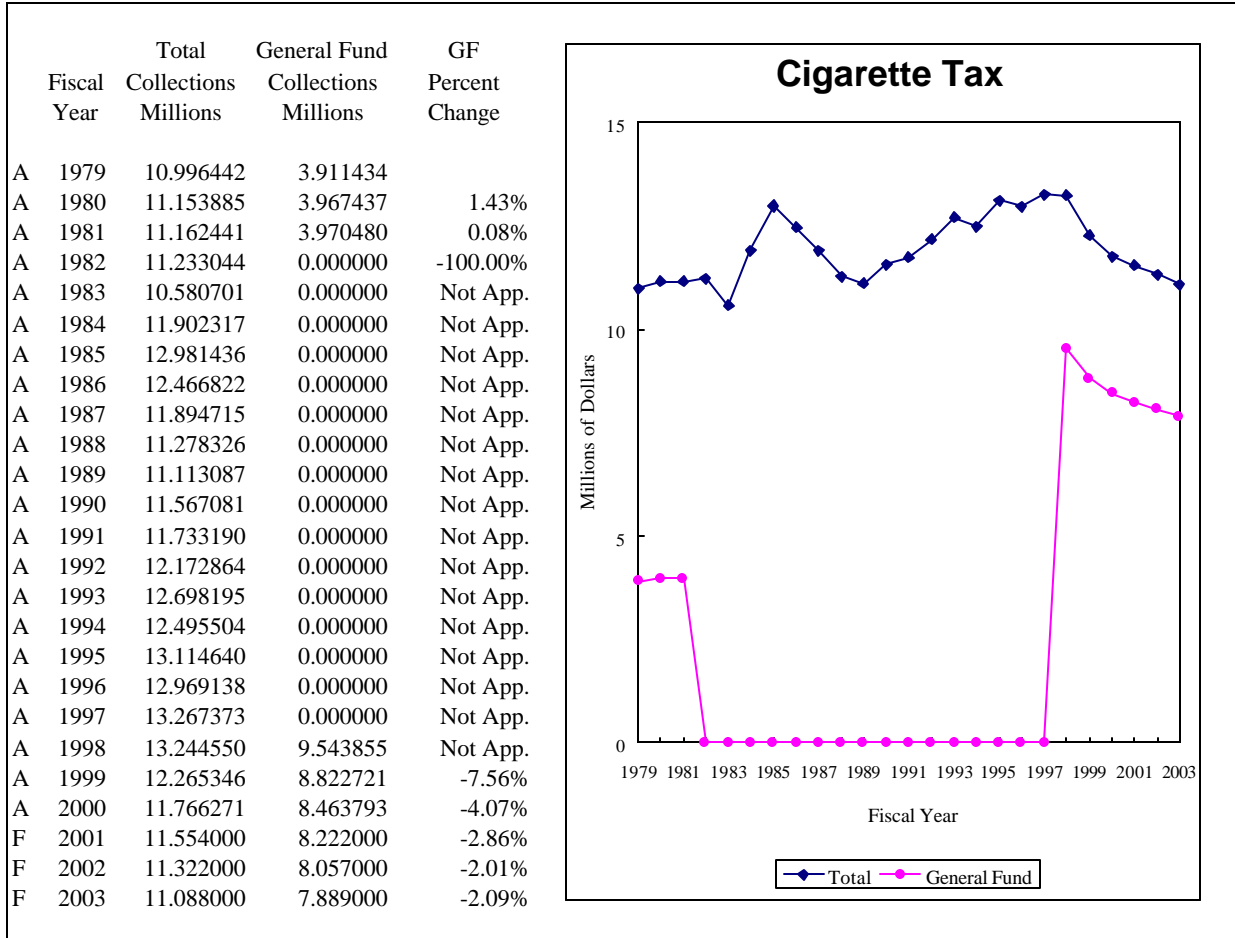
# Legislative Fiscal Division

## Revenue Estimate Profile

### Cigarette Tax

Cigarette tax revenue is calculated by multiplying the effective tax rate per pack by the projected number of packs sold or possessed in Montana. Once the total tax is estimated, the allocation to tribes is made according to the various agreements. The amount of revenue remaining is then allocated according to statutory distributions.

#### Revenue Projection:



#### Forecast Methodology

$$\text{TAX } t = \text{PACK } t * \text{GRT } t * \text{ETR } t$$

--- where

TAX = Cigarette Tax

PACK = Packages of Cigarettes (20 Count)

GRT t = Growth Rate in Packs of Cigarettes

ETR = Effective Tax Rate Per Pack

t = Fiscal Year



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Cigarette Tax

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#### Distribution Methodology

$$\text{GFTAX } t = (\text{TAX } t - \text{TRIB } t) * \text{GF}\% \text{ } t$$

---where

GFTAX = General Fund Allocation of Tax

TAX = Cigarette Tax

TRIB = Tribal Allocation of Tax

GF% = General Fund Statutory Percent

t = Fiscal Year

	t Fiscal	Total Tax Millions	GF Tax Millions	Pack Millions	ETR Per Pack	GF Percent Allocation	Tribal Millions
Actual	2000	11.766271	8.463793	71.801052	0.163873	0.719327	0.178384
Forecast	2001	11.554000	8.222000	70.504453	0.163873	0.730400	0.296594
Forecast	2002	11.322000	8.057000	69.088253	0.163873	0.730400	0.291429
Forecast	2003	11.088000	7.889000	67.664813	0.163873	0.730400	0.286554



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Driver's License Fees

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**Revenue Description:** A resident of Montana must have a valid driver's license to operate a motor vehicle on any highway in the state. A driver's license is issued only if the applicant passes specified examinations and pays a fee. The fees are collected by Department of Justice, Motor Vehicle Division staff or county treasurers and are forwarded to the state treasurer for deposit. The fees included in this source are from regular driver's licenses, commercial driver's licenses, motorcycle endorsements, and duplicate driver's licenses.

**Applicable Tax Rate(s):** Driver's license fees are:

- ?? driver's license, except a commercial driver's license - \$4.00 per year or fraction of a year
- ?? motorcycle endorsement - \$0.50 per year or fraction of a year
- ?? commercial driver's licenses:
  - interstate - \$5.00 per year or fraction of a year
  - intrastate - \$3.50 per year or fraction of a year
  - duplicate license - \$5.00

**Distribution:** The distribution of license fee revenue varies by the type of license. The table below shows the current statutory distribution. Note: the portion allocated to counties applies only when the county collects the fee. Otherwise, the county allocation is added to the general fund distribution.

Distribution of Driver's License Fees				
Recipient	Driver's License	Duplicate License	Motorcycle Endorsement	Commercial Driver's License
Montana Highway Patrol	16.70%	25.00%	0.00%	0.00%
Counties or DOJ	2.50%	3.75%	3.34%	2.50%
Traffic Education Account	26.25%	8.75%	63.46%	0.00%
General Fund	<u>54.55%</u>	<u>62.50%</u>	<u>33.20%</u>	<u>97.50%</u>
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

**Collection Frequency:** Monthly

**Applicable Assumptions and/or Relevant Indicators:**

Montana Population  
Licenses Issued

**Data Source(s):** SBAS, SABHRS, Department of Administration, County Treasurer Offices

**Contacts:** Department of Justice

**Statute:** Title 61, Chapter 5, MCA

**% of Total FY 2000 General Fund Revenue:** 0.20%

# Legislative Fiscal Division

## Revenue Estimate Profile

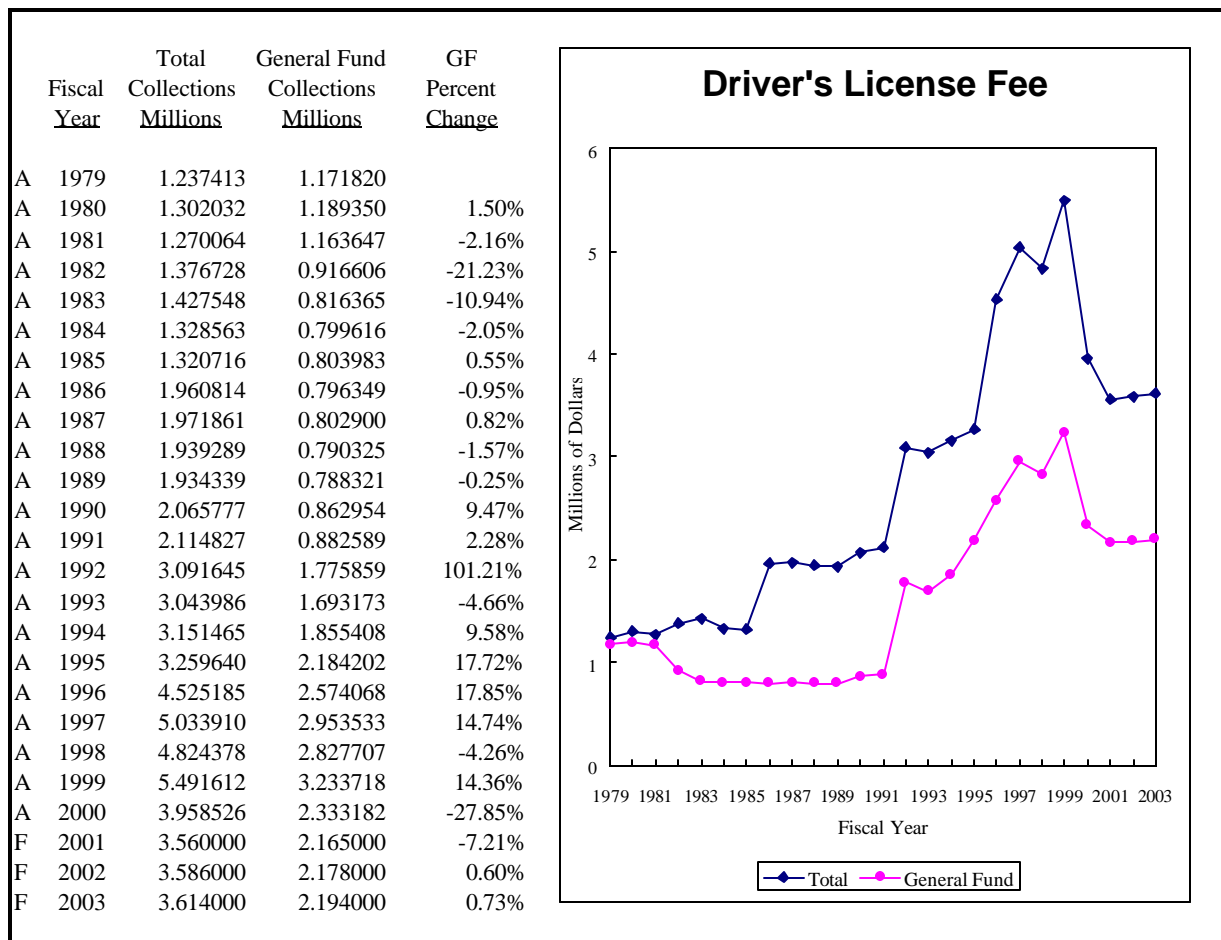
### Driver's License Fees

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgement, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in a subsequent section of this document. The following summarizes the LFD process used to develop the revenue estimate.

Driver's license fee revenue is calculated by taking the anticipated number of licenses to be issued by the applicable license fee. The amount of revenue for each license type is summed to determine total driver's fee revenue. The final step involves applying the statutory distribution by license type.

Between October 1, 1995 and October 1, 1999, one-half of the licenses issued for those between the ages of 21 and 67 are 4-year licenses and one-half are 8-year licenses. Drivers outside these age brackets are assigned driver's licenses with terms which depend on how many years the driver is less than 21 or less than 75 years old. Beginning October 1, 1999, all licenses for the 21-67 age group were for 8 years.

#### Revenue Projection:



# Legislative Fiscal Division

## Revenue Estimate Profile

### Driver's License Fees

#### Forecast Methodology

$$DFEE\ t = \text{SUM}(i=1\dots n)(LIC\ t * FEE\ t)_i$$

---where

DFEE = Driver's Fee Revenue

LIC = Licenses Issued

FEE = Fee Rate

t = Fiscal Year

i = Driver's License Type

#### Distribution Methodology

$$GFFEE\ t = \text{SUM}(i=1\dots n)(LIC\ t * GFPOR\ t)_i$$

---where

GFFEE = General Fund Allocation of Fee

LIC = Licenses Issued

GFPOR = General Fund Portion of Total Fee

t = Fiscal Year

i = Driver's License Type

	<u>t</u>	<u>Total Tax</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>	<u>GF Fee</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Licenses</u>	<u>Duplicates</u>	<u>Cycle</u>	<u>Interstate</u>	<u>Intrastate</u>
				<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	3.958526	2.333182	1.893082	0.032885	0.013929	0.289246	0.064534
Forecast	2001	3.560000	2.165000	1.594463	0.066920	0.021483	0.395134	0.087372
Forecast	2002	3.586000	2.178000	1.605868	0.068659	0.021457	0.395134	0.087372
Forecast	2003	3.614000	2.194000	1.619554	0.070921	0.021488	0.395134	0.087372

License	<u>t</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>	<u>Proxy</u>
<u>Count</u>	<u>Fiscal</u>	<u>Licenses</u>	<u>Duplicates</u>	<u>Cycle</u>	<u>Interstate</u>	<u>Intrastate</u>	<u>Cycle Reg.</u>
<u>Millions</u>							
Actual	2000	0.110658	0.025272	0.010240	0.007801	0.002477	0.024511
Forecast	2001	0.087375	0.020271	0.014800	0.009953	0.003144	0.023558
Forecast	2002	0.088000	0.020798	0.014782	0.009953	0.003144	0.024233
Forecast	2003	0.088750	0.021483	0.014803	0.009953	0.003144	0.024282

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Driver's License Fees

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GF Fee Rate in \$'s	t Fiscal	Proxy Licenses	Proxy Duplicates	Proxy Cycle	Proxy Interstate	Proxy Intrastate	Proxy Cycle Reg.
Actual	2000	17.107500	1.301250	1.360230	37.078125	26.053125	0.000000
Forecast	2001	18.248500	3.301250	1.451580	39.700000	27.790000	0.000000
Forecast	2002	18.248500	3.301250	1.451580	39.700000	27.790000	0.000000
Forecast	2003	18.248500	3.301250	1.451580	39.700000	27.790000	0.000000

Total Fee Rate in \$'s	t Fiscal	Proxy Licenses	Proxy Duplicates	Proxy Cycle	Proxy Interstate	Proxy Intrastate	Proxy Cycle Reg.
Actual	2000	30.0000	5.0000	3.7500	37.5000	26.2500	5.0000
Forecast	2001	32.0000	5.0000	4.0000	40.0000	28.0000	5.0000
Forecast	2002	32.0000	5.0000	4.0000	40.0000	28.0000	5.0000
Forecast	2003	32.0000	5.0000	4.0000	40.0000	28.0000	5.0000

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Liquor Excise and License Tax

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**Revenue Description:** The Department of Revenue (DOR) is authorized to sell liquor to retail liquor establishments throughout the state. These sales result in profits and taxes that are deposited in various state and local accounts. An excise tax is collected both on liquor sold by DOR and for liquor purchased outside the state, by airlines and railroads (carriers), for consumption within the state. The department also collects a license tax on the sale of liquor. A small portion of the excise tax revenue is returned to Indian tribes per an agreement with the department.

#### **Applicable Tax Rate(s):**

##### Excise Tax Rate:

16.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax.

13.8% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed, and sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax.

The amount of excise taxes paid by carriers includes additional factors related to departures and passenger miles.

##### License Tax Rate:

10.0% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax.

8.6% of the retail selling price on all liquor sold and delivered in the state by a company that manufactured, distilled, rectified, bottled, or processed and that sold not more than 200,000 proof gallons of liquor nationwide in the calendar year preceding imposition of the tax.

The license tax must be charged and collected on all liquor brought into the state and taxed by DOR. The retail selling price must be computed by adding to the cost of the liquor the state markup as designated by the department. The license tax must be figured in the same manner as the state excise tax and is in addition to the state excise tax.

#### **Distribution:**

Excise tax revenue, less amounts distributed to Indian tribes, is deposited in the enterprise fund for transfer to the general fund.

License tax revenue is allocated:

- ?? 30.0% to counties who then distribute the revenue to cities and towns based on the proportion of gross sale of liquor in each city or town to the gross sale of liquor in the county.
- ?? 4.5% to counties based on the amount of liquor purchased in the county.
- ?? 65.5% to the Department of Public Health and Human Services for alcohol treatment and rehabilitation programs and for distribution to cities, towns, and counties.

The allocations to counties are statutorily appropriated to DOR.

**Collection Frequency:** Both the liquor excise tax and the license tax on liquor are collected at the time of the sale and delivery of liquor. Deposits to the general fund are made monthly.

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Liquor Excise and License Tax

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#### **Applicable Assumptions and/or Relevant Indicators:**

- Liquor Sales
- Liquor Cost of Goods Sold
- Liquor Operational Expenses
- Liquor Discounts/Commissions
- Montana Population
- Montana Employment
- Montana Disposable Income

**Data Source(s):** SBAS, SABHRS, Department of Revenue

**Contacts:** Department of Revenue

**Statute:** Title 16, Chapter 1, MCA

**% of Total FY 2000 General Fund Revenue:** 0.62%

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgement, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in a subsequent section of this document. The following summarizes the LFD process used to develop the revenue estimate.

In order to estimate total liquor tax revenue, the LFD performs two separate calculations: one for liquor excise tax and one for liquor license tax. Liquor excise tax receipts are calculated by dividing total sales revenue by the combined tax rate plus 1. The quotient is then multiplied by the statutory excise tax rate to arrive at total excise tax revenue. After tribal distributions, all excise tax revenue is deposited into the enterprise fund for transfer to the general fund.

Liquor license tax receipts are calculated by dividing the total sales revenue by the combined rate plus 1. The quotient is then multiplied by the statutory license tax rate to determine total license tax revenue. The statutory distribution for liquor license tax revenue is then applied.

Note: Total collections shown on the following graph include both the license and excise taxes.

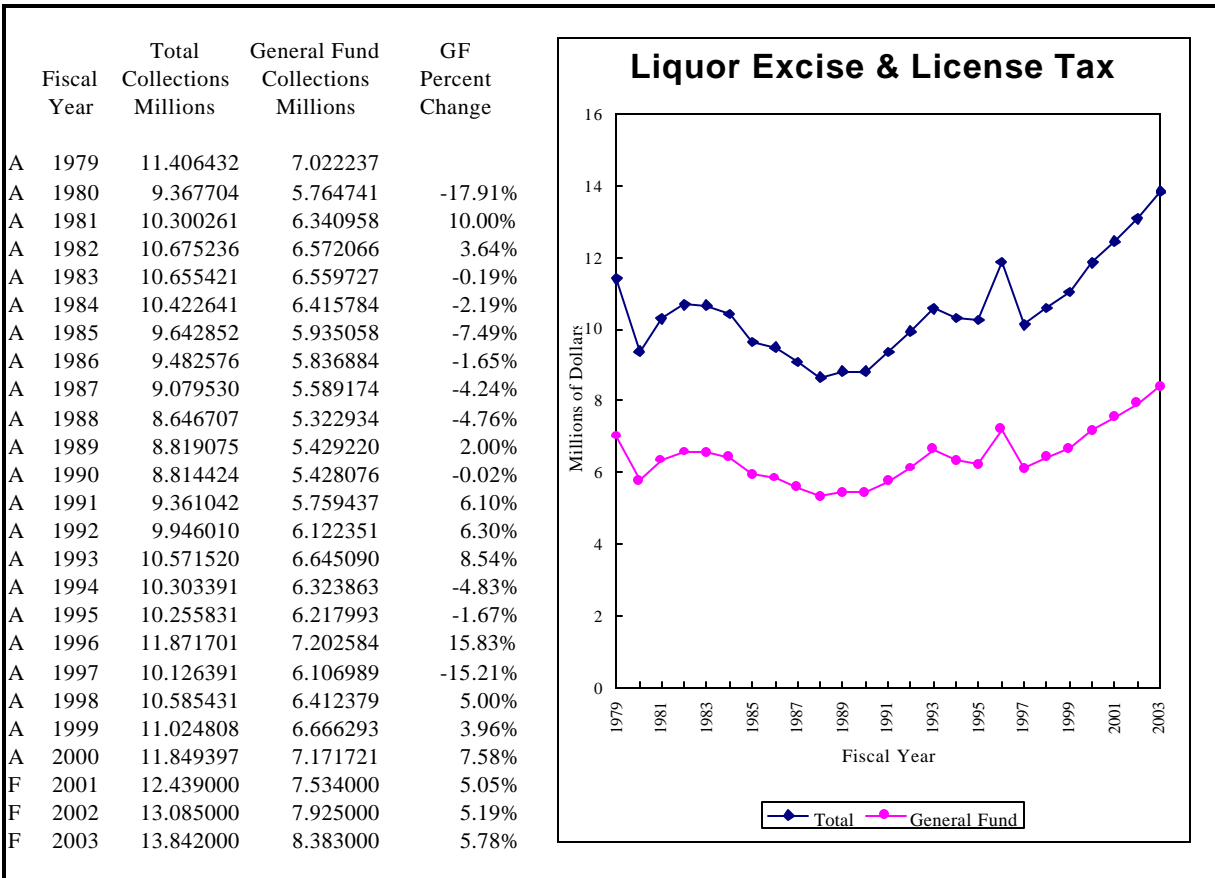


# Legislative Fiscal Division

## Revenue Estimate Profile

### Liquor Excise and License Tax

#### Revenue Projection:



#### Forecast Methodology

$$LET_t = TLT / (1 + CTR_t) * LER_t$$

---where

LET = Liquor Excise Tax

TLT = Total Liquor Sales (Including Taxes)

CTR = Combined Liquor Excise and License Tax Rate

LER = Excise Tax Rate

t = Fiscal Year

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Liquor Excise and License Tax

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#### Distribution Methodology

$$\text{GFTAX } t = (\text{LET } t - \text{TRIB } t) * 100\%$$

---where

GFTAX = General Fund Allocation of Tax

LET = Liquor Excise Tax

TRIB = Tribal Allocation of Tax

t = Fiscal Year

	t	Total Tax	GF Tax	Tribal	Gross	Excise	License
	Fiscal	Millions	Millions	Millions	Sales	Rate	Rate
Actual	2000	11.849397	7.171721	0.118276	57.359188	0.160000	0.100000
Forecast	2001	12.439000	7.534000	0.124000	60.281007	0.160000	0.100000
Forecast	2002	13.085000	7.925000	0.131000	63.414052	0.160000	0.100000
Forecast	2003	13.842000	8.383000	0.138000	67.079575	0.160000	0.100000

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Liquor Profits

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**Revenue Description:** The Department of Revenue (DOR) is authorized to sell liquor and wine to retail liquor establishments throughout the state. These sales result in profits and taxes that are deposited in various state and local accounts. Tax revenues generated from liquor excise and license taxes, as well as wine taxes, are estimated under separate methodologies.

Liquor profits received by the state are primarily generated by a mark-up on the sale of liquor and wine, less costs such as commissions and discounts. A 40.0 percent mark-up is added to the state's base cost for liquor. The state's mark-up on wine (excluding hard cider) varies according to the size of the container and whether or not it is fortified wine or table wine. The mark-up percentage for both liquor and wine is determined by administrative rule (see ARM 42.11.104).

**Applicable Tax Rate(s):** N/A

**Distribution:** Liquor profits are usually deposited in the general fund annually.

**Collection Frequency:** Payment for liquor purchases are due within 60 days of the invoice date and revenue is deposited into an enterprise fund.

**Applicable Assumptions and/or Relevant Indicators:**

- Liquor Sales
- Liquor Cost of Goods Sold
- Liquor Operational Expenses
- Liquor Discounts/Commissions
- Montana Population
- Montana Employment
- Montana Disposable Income

**Data Source(s):** SBAS, SABHRS, MBARS, Department of Revenue

**Contacts:** Department of Revenue

**Statute:** Title 16, Chapter 2, MCA

**% of Total FY 2000 General Fund Revenue:** 0.51%

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgement, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in a subsequent section of this document. The following summarizes the LFD process used to develop the revenue estimate.

Liquor profits are estimated by determining gross sales and subtracting the various associated costs, including: discounts, commissions, cost of goods sold, and operating costs. Commission percentages vary according to the franchise agreement held between the state and agency liquor stores. An 8.0 percent discount is applied for liquor purchased in unbroken case lots. The cost of goods sold includes the state's cost of purchasing the liquor, including freight. Operating costs include the expense of running the state's liquor business.

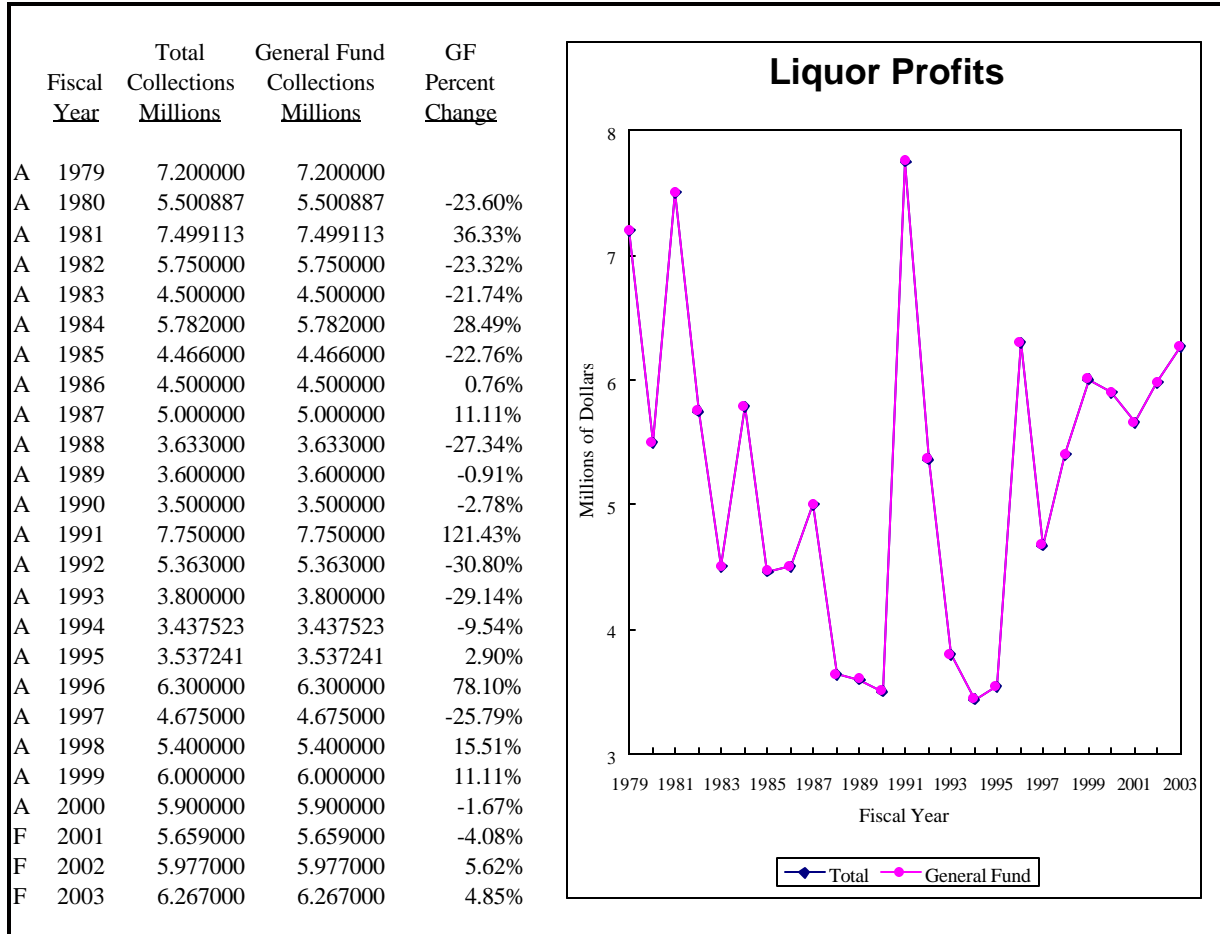
# Legislative Fiscal Division

## Revenue Estimate Profile

### Liquor Profits

Other miscellaneous revenue is then added to derive total estimated liquor profit revenue. General fund deposits for any fiscal year equal the total profit for the previous fiscal year.

#### Revenue Projection:



#### Forecast Methodology

$$LP_t = GS_{t-1} - TAX_{t-1} - DIS_{t-1} - COST_{t-1} - OP_{t-1} + OTH_{t-1}$$

--- where

LP = Liquor Profit

GS = Gross Liquor Sales

TAX = Excise and License Taxes

DIS = Discounts/Commissions

COST = Cost of Goods Sold

OP = Liquor Operation Costs

OTH = Other Miscellaneous Income

t = Fiscal Year

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Liquor Profits

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#### Distribution Methodology

$$\text{GFPROF } t = \text{LP } t * 100\%$$

---where

GFPROF = General Fund Allocation of Profit

LP = Liquor Profit

	t	Total Profit	Gross	Excise/Lic	Dis/Comm	Cost of	Operation	Other
	Fiscal	Millions	Sales	Tax	Millions	Goods	Costs	Income
Actual	2000	5.900000	57.359188	11.836023	5.894744	32.845870	1.166631	0.042969
Forecast	2001	5.659000	60.281007	12.438938	6.195016	34.519000	1.194281	0.042969
Forecast	2002	5.977000	63.414052	13.085439	6.516996	36.313090	1.274782	0.042969
Forecast	2003	6.267000	67.079575	13.841817	6.893698	38.412096	1.284364	0.042969



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Lottery Profits

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**Revenue Description:** The Montana state lottery was enacted by legislative referendum and became effective January 1, 1987. The first lottery game was launched in June 1987. A lottery is generally defined as “any procedure in which one or more prizes are distributed among persons who have paid for a chance to win a prize”. The games are administered by the Department of Commerce. By law, a minimum of 45.0 percent of the money paid for tickets or chances must be paid out as prize money.

Lottery revenue is derived from ticket sales, sales agents license fees, and unclaimed prizes. Revenue is initially deposited into an enterprise fund known as the state lottery fund.

**Applicable Tax Rate(s):** There is no actual tax rate involved. However, applicants for sales agent licenses are charged a \$50.00 fee to cover the cost of investigating and processing the applications.

**Distribution:** All gross lottery revenue not used for prizes, commissions, and operating expenses, together with the interest earned (on the gross revenue while the gross revenue is in the enterprise fund), is considered net revenue. This net revenue is transferred to the general fund. Senate Bill 55, passed by the 1999 legislature, requires the Department of Commerce to submit a 2003 biennium budget for the lottery enterprise fund for appropriation by the legislature. By controlling the appropriations, the legislature has better control over the amount transferred to the general fund.

**Collection Frequency:** Lottery revenues are collected on an on-going basis. Transfers to the general fund are usually made quarterly.

**Applicable Assumptions and/or Relevant Indicators:**

- Montana Population
- Montana Employment
- Montana Disposable Income
- Lottery Ticket Sales
- Lottery Prizes
- Lottery Operational Costs

**Data Source(s):** SBAS, SABHRS, Department of Revenue, Department of Commerce - Montana Lottery

**Contacts:** Department of Commerce

**Statute:** Title 23, Chapter 7, MCA

**% of Total FY 2000 General Fund Revenue:** 0.50%

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in a subsequent section of this document. The following summarizes the LFD process used to develop the revenue estimate.

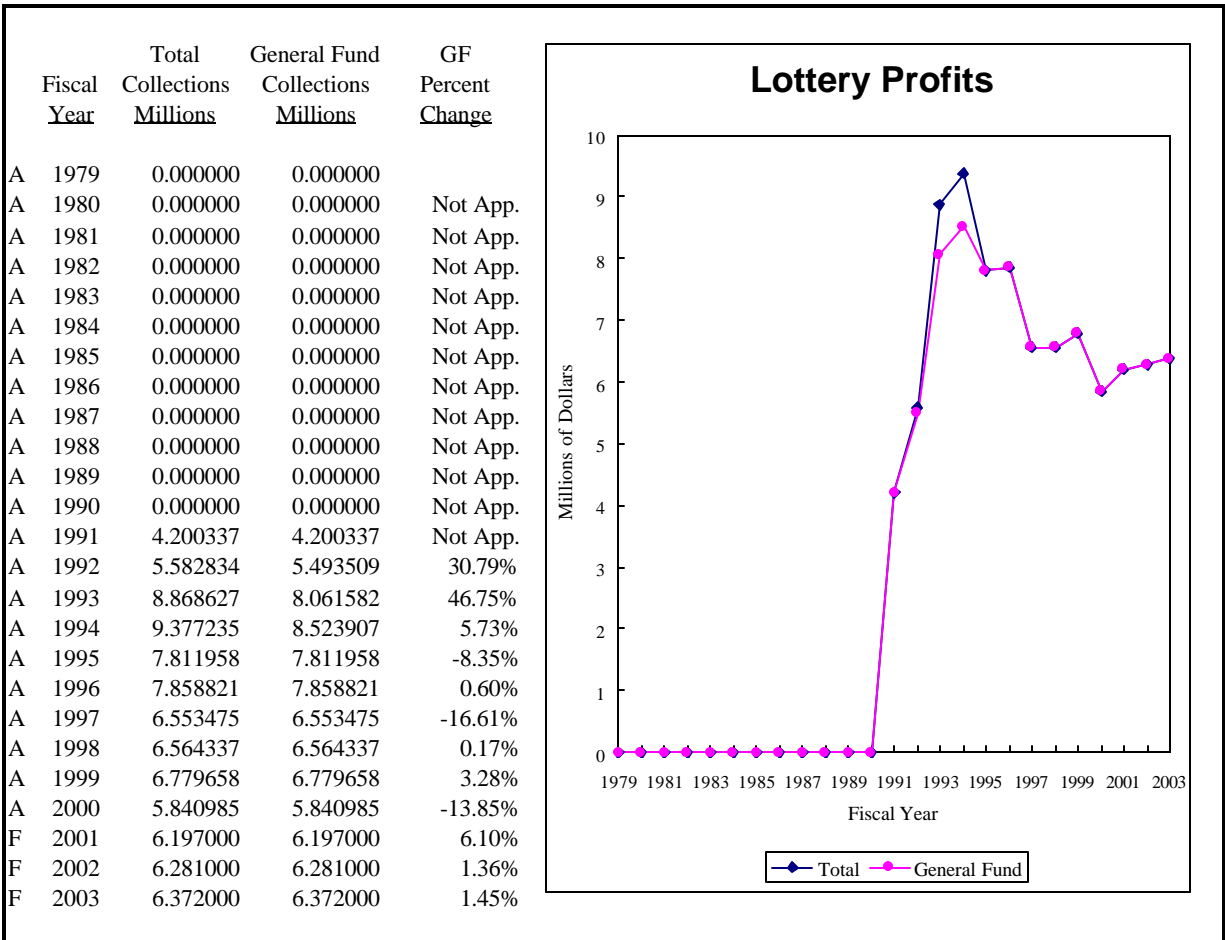
# Legislative Fiscal Division

## Revenue Estimate Profile

### Lottery Profits

Calculating lottery profit revenue is a two-step process. Total lottery revenue is determined by first multiplying the projected number of licenses times the license fee, to which is added other miscellaneous revenue. Second, this number is added to the estimates for ticket sales and interest earnings. Costs for lottery operations and prize amounts are then subtracted from total lottery revenue to determine the amount of lottery profit to be transferred to the general fund.

#### Revenue Projection:



#### Forecast Methodology

$$\text{TREV } t = \text{TS } t + \text{INT } t + \text{OTH } t$$

---where

TREV = Total Lottery Revenue

TS = Ticket Sales

INT = Interest Earnings

OTH = Other Revenue (Includes Licenses)

t = Fiscal Year



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Lottery Profits

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#### Distribution Methodology

$$\text{GFPROF } t = (\text{TREV } t - \text{OP } t - \text{PRZ } t) * 100\%$$

---where

GFPROF = General Fund Allocation of Profit

TREV = Total Lottery Revenue

OP = Lottery Operation Costs

PRZ = Prize Amounts

t = Fiscal Year

	t	Total Profit	GF Profits	Sales	Interest	Other	Operating	Prizes
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	5.840985	5.840985	29.899809	0.278620	0.075465	7.008184	17.320959
Forecast	2001	6.197000	6.197000	30.317587	0.322175	0.084798	6.964292	17.562978
Forecast	2002	6.281000	6.281000	30.554179	0.327518	0.082240	6.982517	17.700036
Forecast	2003	6.372000	6.372000	30.824570	0.314138	0.081709	6.991085	17.856673



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Motor Vehicle Fee

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**Revenue Description:** In accordance with statute, the state assesses a variety of motor vehicle fees, such as: vehicle registration fees, fees for the filing of motor vehicle liens, fees for license plates title fees, and a motor vehicle computer fee. The fees vary according to the type of vehicle (i.e., motor vehicle, snowmobile, etc.) and the type of license plate (regular, personal, military, etc.).

**Applicable Tax Rate(s):** Various

**Distribution:** Motor vehicle fees are allocated to the general fund, to state special revenue accounts, and to local governments.

**Collection Frequency:** The various fees are generally collected on a monthly basis.

**Applicable Assumptions and/or Relevant Indicators:**

- Montana Population
- Montana Employment
- Montana Disposable Income

**Data Source(s):** SBAS, SABHRS, Department of Justice

**Contacts:** Department of Justice

**Statute:** Title 61, Chapter 3, MCA.

**% of Total FY 2000 General Fund Revenue:** 1.01%

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgment, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in a subsequent section of this document. The following summarizes the LFD process used to develop the revenue estimate.

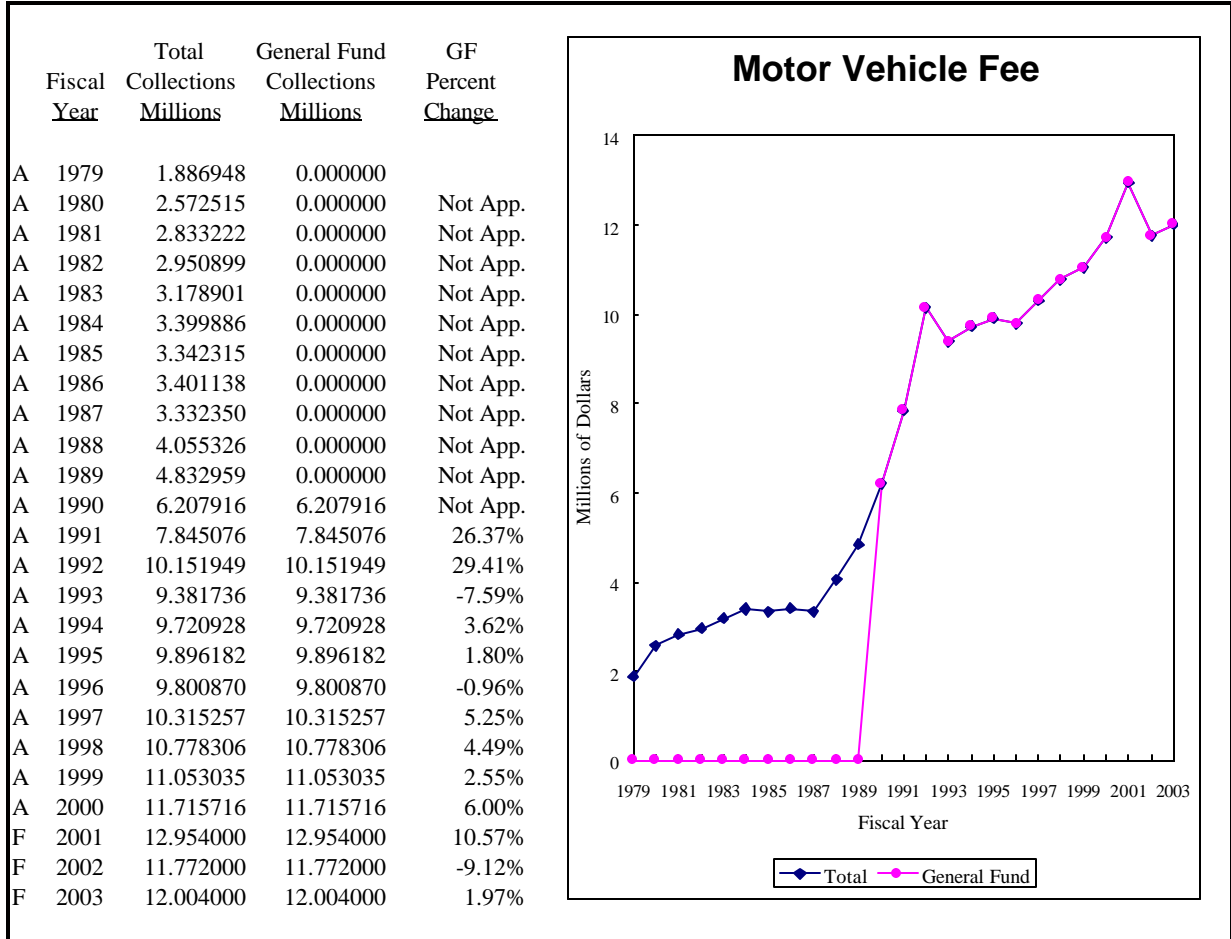
General fund motor vehicle fee revenue is calculated by taking the sum of the estimates for all vehicle fee types. These estimates are derived by applying a growth rate to a base year.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Motor Vehicle Fee

#### Revenue Projection:



#### Forecast Methodology

$$MVFR\ t = \text{SUM}(i=1\dots n)(GFFEE\ b * GR\ t)^i$$

---where

MVFR = Motor Vehicle Fee Revenue

GFFEE = General Fund Fee Revenue

GR = Growth Rate

t = Fiscal Year

i = Motor Vehicle Fee Type

b = Base Year

# Legislative Fiscal Division

## Revenue Estimate Profile

### Motor Vehicle Fee

#### Distribution Methodology

$$GF\text{FEE } t = \text{SUM } (i=1\dots n)(MVFR \text{ } t)_i$$

---where

GF FEE = General Fund Allocation of Fee

MVFR = Motor Vehicle Fee Revenue

t = Fiscal Year

i = Motor Vehicle Fee Type

	t	Total Tax	GF Tax	GF Fee	GF Fee	GF Fee	GF Fee
	Fiscal	Millions	Millions	Registration	Record	Titles	Personal
				Millions	Millions	Millions	Millions
Actual	2000	11.715716	11.715716	6.233271	0.629295	1.292338	0.727670
Forecast	2001	12.954000	12.954000	6.353854	0.637684	1.299159	0.750724
Forecast	2002	11.772000	11.772000	6.476769	0.646185	1.306016	0.774508
Forecast	2003	12.004000	12.004000	6.602062	0.654799	1.312909	0.799046

	t	GF Fee	GF Fee	GF Fee	GF Fee
	Fiscal	New Plate	Computer	\$.25	Other
		Millions	Millions	Millions	Millions
Actual	2000	0.856821	1.304458	0.299821	0.372042
Forecast	2001	1.873613	1.344090	0.309606	0.385140
Forecast	2002	0.465246	1.384926	0.319710	0.398699
Forecast	2003	0.465304	1.427003	0.330144	0.412736

	t	GF Fee	GF Fee	GF Fee	GF Fee
	Fiscal	Registration	Record	Titles	Personal
		Growth Rate	Growth Rate	Growth Rate	Growth Rate
Actual	2000	3.2150%	-0.0519%	2.1117%	4.8659%
Forecast	2001	1.9345%	1.3331%	0.5278%	3.1682%
Forecast	2002	1.9345%	1.3331%	0.5278%	3.1681%
Forecast	2003	1.9345%	1.3331%	0.5278%	3.1682%

	t	GF Fee	GF Fee	GF Fee	GF Fee
	Fiscal	New Plate	Computer	\$.25	Other
		Growth Rate	Growth Rate	Growth Rate	Growth Rate
Actual	2000	84.1881%	2.8335%	5.4012%	-8.5040%
Forecast	2001	118.6703%	3.0382%	3.2636%	3.5206%
Forecast	2002	-75.1685%	3.0382%	3.2635%	3.5205%
Forecast	2003	0.0125%	3.0382%	3.2636%	3.5207%



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Tobacco Tax

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**Revenue Description:** A tax of 12.5 percent of the wholesale price of tobacco products other than cigarettes is collected by the Department of Revenue (DOR). The tax is considered to be a direct tax on retail consumers, but is collected by the wholesaler. Tobacco products shipped from Montana and destined for retail sale and consumption outside the state are not subject to the tax. The wholesaler must pay DOR the taxes in full less a 5.0 percent discount for the wholesaler's collection and administrative expense. The wholesaler is entitled to a refund for tobacco products that remain unsold.

The state has a tobacco agreement with only one tribe in Montana. In the agreement with the Blackfoot Tribe, the state collects a tax imposed by the Tribe and forwards the revenue to the Tribe. Indian consumers of tobacco on other reservations pay the tobacco tax.

**Applicable Tax Rate(s):** The tax is 12.5 percent of the wholesale price of (non-cigarette) tobacco products.

**Distribution:** All proceeds, less distributions paid according to tribal agreements, are deposited into the general fund.

**Collection Frequency:** Monthly

**Applicable Assumptions and/or Relevant Indicators:**

- Montana Population
- Montana Employment
- Montana Disposable Income
- Tobacco Value

**Data Source(s):** SBAS, SABHRS, Department of Revenue

**Contacts:** Department of Revenue

**Statute:** Title 16, Chapter 11, MCA

**% of Total FY 2000 General Fund Revenue:** 0.17%

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgement, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in a subsequent section of this document. The following summarizes the LFD process used to develop the revenue estimate.

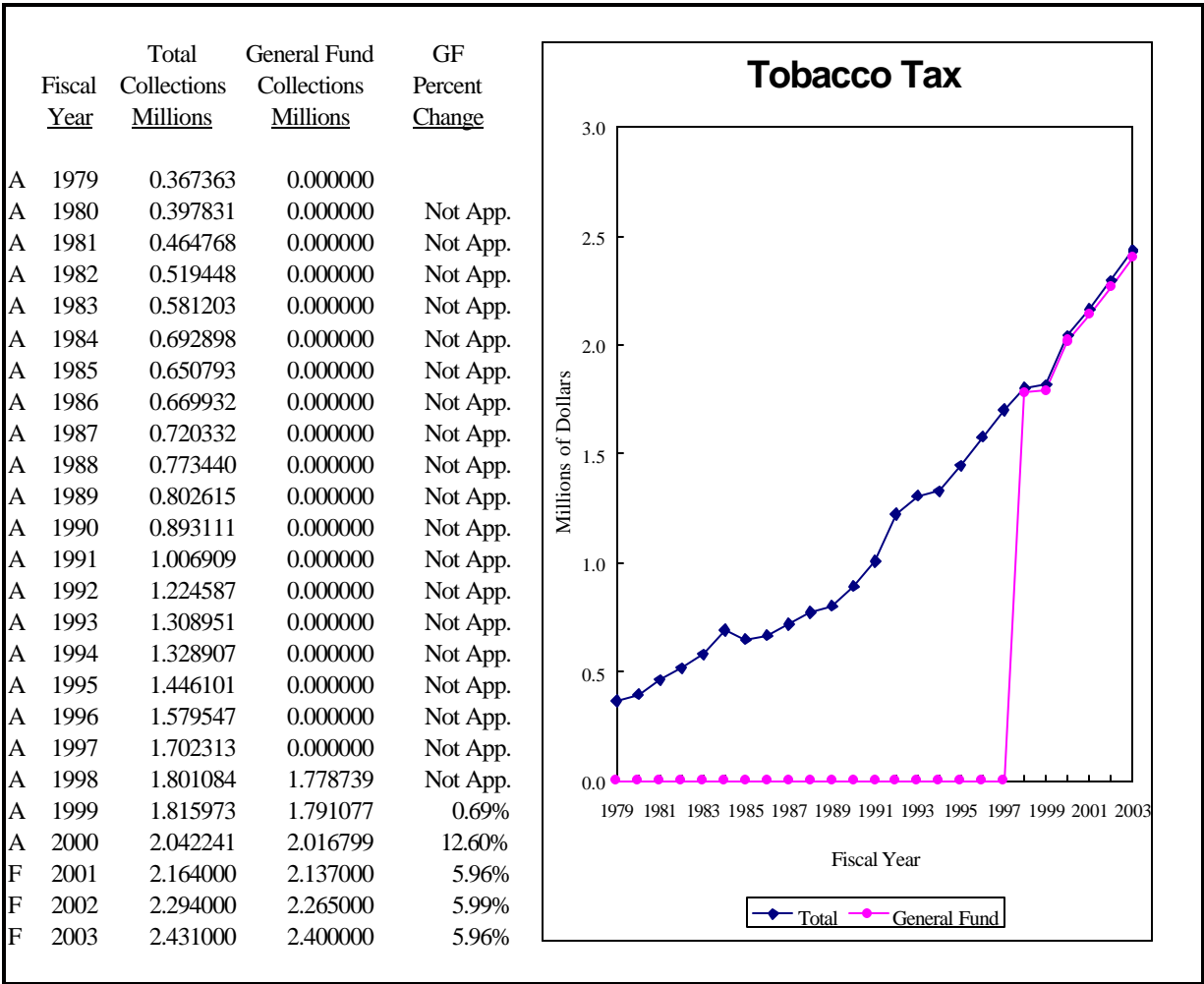
Tobacco tax revenue is calculated by taking the total value of tobacco products (other than cigarettes) sold in the state, less collection expenses, multiplied by the statutory tax rate. Tax revenue is first distributed in accordance with agreements between the state and Indian tribes. The remaining tax revenue is deposited into the general fund.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Tobacco Tax

#### Revenue Projection:



#### Forecast Methodology

$$\text{TAX } t = \text{TVAL } t * \text{TR } t$$

---where

TAX = Tobacco Tax

TVAL = Total Tobacco Value

TR = Tax Rate

t = Fiscal Year



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Tobacco Tax

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#### Distribution Methodology

$$\text{GFTAX } t = \text{TAX } t - \text{TRIB } t$$

---where

GFTAX = General Fund Allocation of Tax

TAX = Tobacco Tax

TRIB = Tribal Allocation of Tax

t = Fiscal Year

	t Fiscal	Total Tax Millions	GF Tax Millions	Tribal Millions	Value Millions	Tax Rate Percent
Actual	2000	2.042241	2.016799	0.025442	16.337928	12.5000%
Forecast	2001	2.164000	2.137000	0.027373	17.315971	12.5000%
Forecast	2002	2.294000	2.265000	0.029094	18.352403	12.5000%
Forecast	2003	2.431000	2.400000	0.031032	19.451172	12.5000%



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Video Gambling Tax

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**Revenue Description:** Video gambling income is derived from two sources: license fees and video gambling taxes. There are three types of license fees that generate revenue. Numerous fees are paid by operators for both video gambling machines and for non-video games such as poker. In addition, persons pay an annual fee for the right to assemble, produce, or manufacture video gambling machines or associated equipment. The video gambling tax is paid by licensed operators of video gambling machines. License holders are charged a tax of 15.0 percent of the gross income from each licensed video gambling machine. The Department of Justice (DOJ) issues video gambling licenses and permits and collects the fees and taxes.

Only a portion of the video gambling tax is deposited into the general fund.

#### **Applicable Tax Rate(s):**

##### License Fees

- ?? Video Gambling Machine Permit - \$200 annually, \$25 machine transfer processing fee
- ?? Video Gambling Manufacturer License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application. The manufacture license may be waived by the DOJ if the manufacture is also a licensed distributor or route operator.
- ?? Video Gambling Machine Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- ?? Distributor License - \$1,000 annually. The distributor license may be waived by the DOJ if the distributor is also a licensed operator or manufacturer. An additional application fee is charged distributors to cover processing costs of the initial application.
- ?? Route Operator License - \$1,000 annually. The operator license may be waived by the DOJ if the operator is also a licensed distributor or manufacturer. An additional application fee is charged operators to cover processing costs of the initial application.
- ?? Bingo/Keno Manufacture License - \$1,000 annually. An additional application fee is charged manufacturers to cover processing costs of the initial application.
- ?? Gambling Establishment Operator License – An amount equal to the actual DOJ costs of determining licensure qualifications
- ?? Antique Slot Machine Seller Permit - \$50 annually
- ?? Live Card Game Table - \$250 annually for the first table and \$500 for each additional table
- ?? Card Game Dealer License - \$75 for the first year, \$25 for each subsequent year
- ?? Pinochle Tournament Permit - \$25
- ?? Card Room Contractor License - \$150 annually
- ?? Bingo/Keno Permit - \$250 annually
- ?? Bingo/Keno Examination Fee – An amount equal to actual DOJ costs of examining the electronic equipment
- ?? Sports Tab Game Seller License - \$100 annually. An additional application fee is charged to cover processing costs of the initial application.
- ?? Casino Night Permit - \$25

##### Gambling Taxes

- ?? Video - 15.0% of gross income per video gambling machine
- ?? Bingo/Keno – 1.0% of gross proceeds
- ?? Sport Tabs - \$1.00 for each 100 sport tabs sold

#### **Distribution:**

##### License Fees

All license fee revenue is retained by DOJ to cover administrative costs, except for \$100 of the live card game table fee and \$100 of the video gambling machine permit fee. These amounts are statutorily appropriated for distribution to local governments.

##### Gambling Taxes

Video - One-third of video gambling tax receipts are deposited into the general fund and two-thirds are statutorily appropriated for distribution to the municipality or county in which the machine is located.

Bingo/Keno – All collections are statutorily appropriated for distribution to the municipality or county in which the game is located.

Sport Tabs – All collections are retained by DOJ for administration purposes.

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Video Gambling Tax

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**Collection Frequency:** Quarterly

**Applicable Assumptions and/or Relevant Indicators:**

- Montana Population
- Montana Employment
- Montana Disposable Income
- Machine Licenses
- Game Licenses

**Data Source(s):** SBAS, SABHRS, Department of Justice

**Contacts:** Department of Justice

**Statute:** Title 23, Chapter 5, MCA

**% of Total FY 2000 General Fund Revenue:** 1.19%

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgement, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in a subsequent section of this document. The following summarizes the LFD process used to develop the revenue estimate.

Total video gambling revenue estimates are derived through a multi-step process. The first step involves estimating license fee revenue, which begins with multiplying the anticipated number of machine licenses by the appropriate fee for each machine type. The income for each machine license type is tallied. Next, gambling license fee revenue is calculated by multiplying the anticipated number of licenses by the appropriate fee for each game type. The income for each license type is then totaled. Manufacturer license fee income is calculated by multiplying the anticipated number of manufacturer/distributor licenses by the statutory fee. The sum of all of these components -- machine license revenue, game license revenue, and manufacturers' license fees -- comprises total license fee revenue.

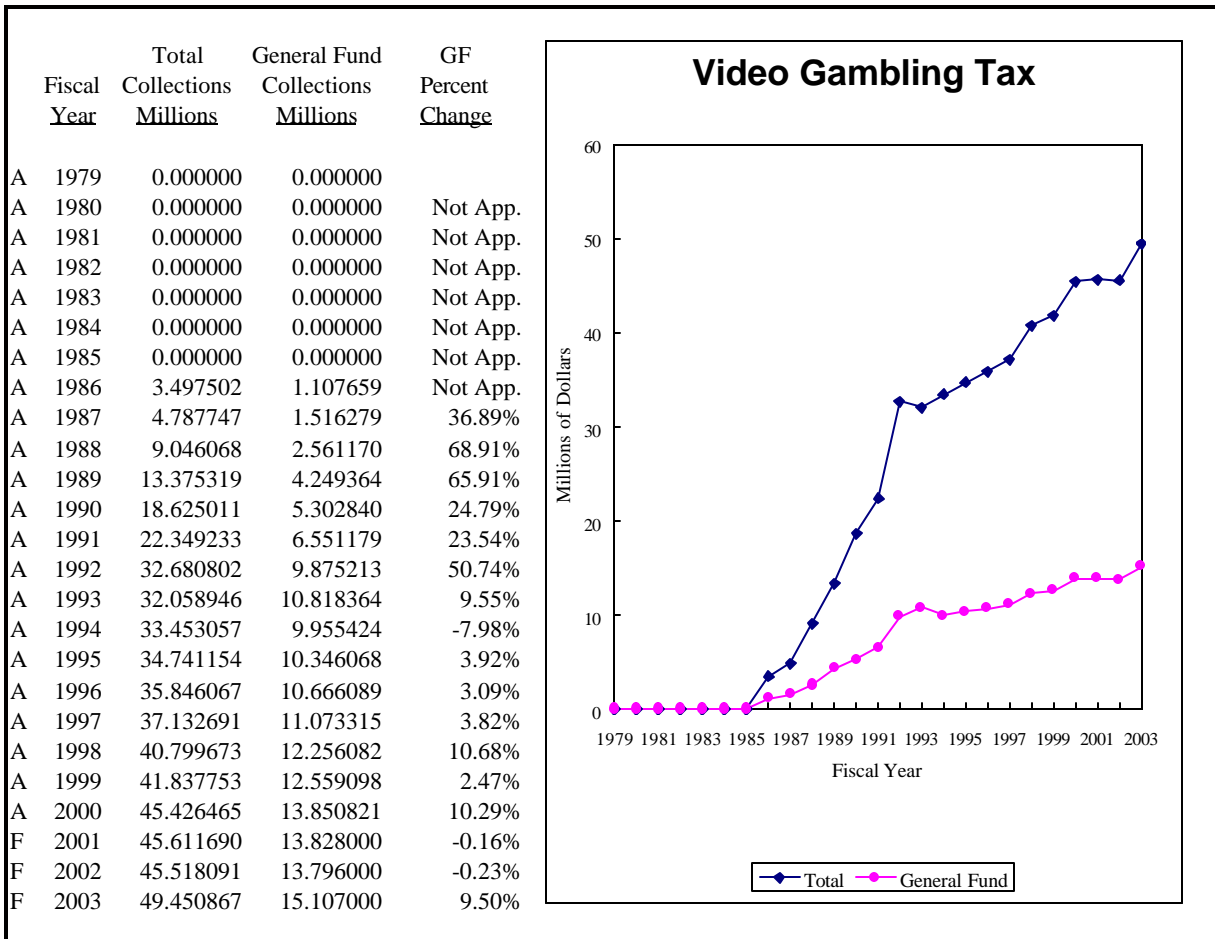
Video gambling tax revenue is calculated by multiplying video net income by an estimated growth rate. Video tax revenue is added to license fee revenue to determine total video gaming tax revenue estimates. The last step involves applying the statutory distribution.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Video Gambling Tax

#### Revenue Projection:



#### Forecast Methodology

$$VTR_t = VNET_b * GR_t * TR_t + NGFFEE_t + LEG_t$$

---where

VTR = Video Tax Revenue

VNET = Video Net Income

GR = Growth Rate

TR = Tax Rate

NGFFEE = Non General Fund Video License Fee

LEG t = Legislation impacts

t = Fiscal Year

b = Last Known Base Year

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Video Gambling Tax

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#### Distribution Methodology

$$\text{GFTAX } t = (\text{VTR } t - \text{NGFFEE } t) * \text{GF\% } t$$

---where

GFTAX = General Fund Allocation of Tax

VTR = Video Tax Revenue

NGFFEE = Non General Fund Video License Fee

GF% = General Fund Statutory Percent

t = Fiscal Year

	t	Total Tax	GF Tax	Net Income	Tax	Net Income	Non GF Fee
	Fiscal	Millions	Millions	Millions	Rate	Tax	Millions
						Millions	Millions
Actual	2000	45.426465	13.850821	269.856923	0.150000	41.431382	3.995083
Forecast	2001	45.611690	13.828000	276.551264	0.150000	41.482690	4.129000
Forecast	2002	45.518091	13.796000	283.411671	0.150000	41.389091	4.129000
Forecast	2003	49.450867	15.107000	297.472858	0.150000	45.320867	4.130000

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# Legislative Fiscal Division

## Revenue Estimate Profile

### Wine Tax

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**Revenue Description:** A wine tax is levied on table wines imported into Montana by wine distributors or by the Department of Revenue (DOR), who is authorized to sell wines to retail liquor establishments throughout the state. A tax is also imposed on hard cider imported by a table wine distributor or DOR. A portion of wine tax revenue is returned to Indian tribes per an agreement between DOR and the tribes.

**Applicable Tax Rate(s):** A tax of \$0.27 is imposed per liter of wine and a tax of \$0.037 per liter is imposed on hard cider. An additional tax of \$0.01 per liter is imposed on table wine sold by a table wine distributor to an agent.

**Distribution:** The \$0.01 per liter tax is deposited into the general fund. Other wine tax revenue is distributed:

- 59.0% - General Fund
- 31.0% - DPHHS Alcohol Account
- 5.0% - to Counties
- 5.0% - to Cities and Towns

The general fund statutory allocation is reduced by the amount of the tribal agreements.

**Collection Frequency:** Monthly

**Applicable Assumptions and/or Relevant Indicators:**

- Liters of Wine
- Montana Population
- Montana Employment
- Montana Per Capita Consumption
- Montana Disposable Income

**Data Source(s):** SBAS, SABHRS, Department of Revenue

**Contacts:** Department of Revenue

**Statute:** Title 16, Chapters 1 and 2, MCA

**% of Total FY 2000 General Fund Revenue:** 0.09%

**Revenue Estimate Methodology:** The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. The techniques used to develop these assumptions may vary from biennium to biennium and are highly dependent on availability of information, professional intuition/judgement, and a detailed analysis of the revenue source. The applicable methodology (formulas) and assumptions used by the LFD to develop a revenue estimate for this source are provided in a subsequent section of this document. The following summarizes the LFD process used to develop the revenue estimate.

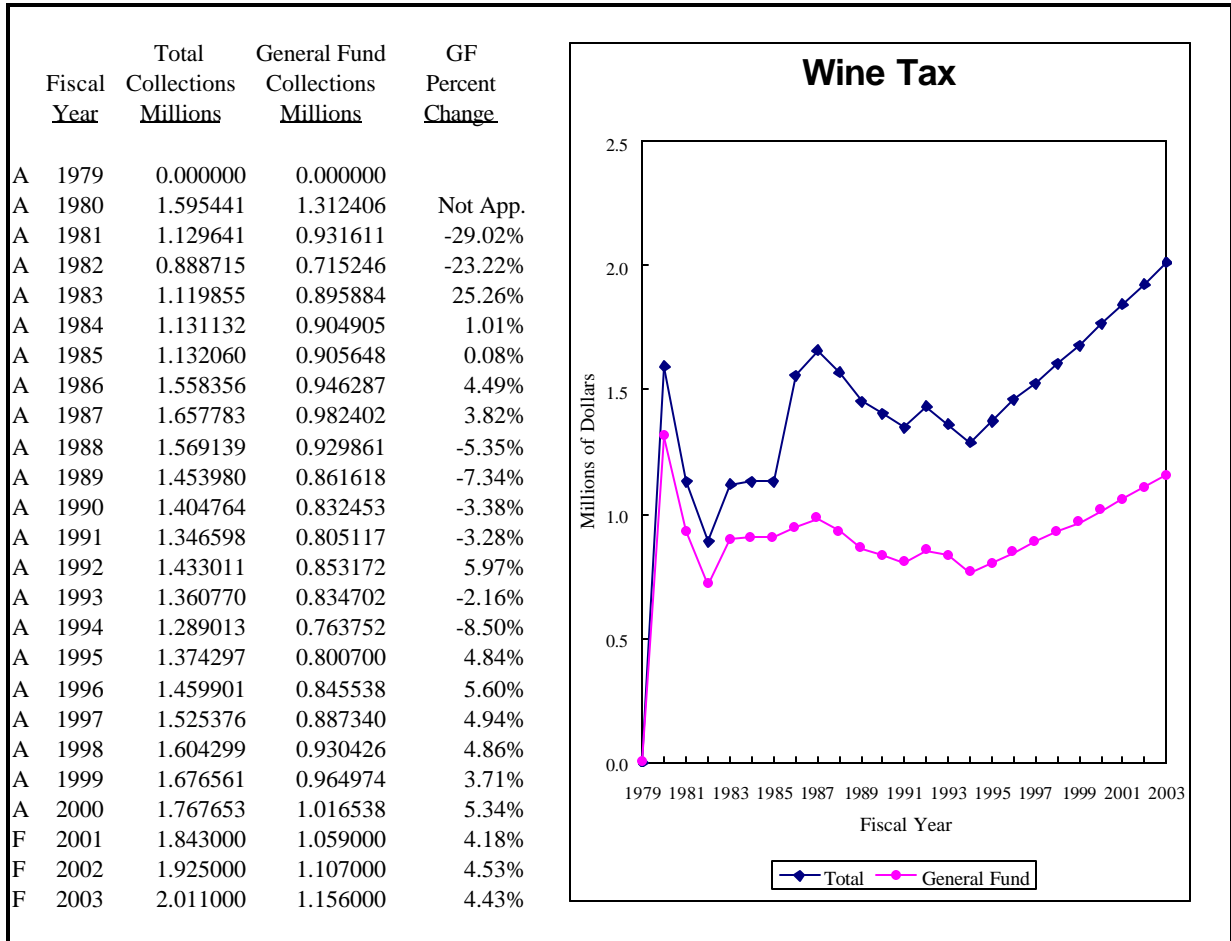
Wine tax revenue is estimated by multiplying the projected liters of wine sold times the tax rate per liter. Once the total tax is estimated, the statutory distribution is applied. The general fund statutory allocation is reduced by the amount of the tribal agreements.

# Legislative Fiscal Division

## Revenue Estimate Profile

### Wine Tax

#### Revenue Projection:



#### Forecast Methodology

$$\text{TAX } t = \text{LIT } t * \text{TR } t$$

---where

TAX = Wine Tax

LIT = Liters of Wine

TR = Tax Rate per Liter

t = Fiscal Year

#### Distribution Methodology

$$\text{GFTAX } t = \text{TAX } t * \text{GF\% } t - \text{TRIB } t$$

---where

GFTAX = General Fund Allocation of Tax

TAX = Wine Tax

GF% = General Fund Statutory Percent

TRIB = Tribal Allocation of Tax

t = Fiscal Year



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# Legislative Fiscal Division

## Revenue Estimate Profile

### Wine Tax

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	t	Total Tax	GF Tax	Liters	Tax Rate	GF Percent	Tribal
	Fiscal	Millions	Millions	Millions	Per Liter	Allocation	Millions
Actual	2000	1.767653	1.016538	6.546863	0.270000	0.575078	0.026730
Forecast	2001	1.843000	1.059000	6.824661	0.270000	0.590000	0.028000
Forecast	2002	1.925000	1.107000	7.128661	0.270000	0.590000	0.029000
Forecast	2003	2.011000	1.156000	7.448307	0.270000	0.590000	0.030000

