

Consumption Taxes

Beer Tax
Cigarette Tax
Diesel Tax
Gasoline Tax
GVW & Other Fees

Liquor Excise & License Tax
Liquor Profits
Lottery Profits
Tobacco Tax
Video Gambling Tax
Wine Tax



Legislative Fiscal Division



Legislative Fiscal Division

Revenue Estimate Profile

Beer Tax

Revenue Description: A tax is levied on each barrel of beer produced in or imported into Montana based on the amount produced. 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): The per barrel tax varies based on barrels of production: 1) up to 5,000 barrels - \$1.30; 2) 5,001 to 10,000 barrels - \$2.30; 3) 10,001 to 20,000 barrels - \$3.30; and 4) over 20,000 barrels - \$4.30.

Distribution: Beer tax revenue is distributed 76.74 percent to the general fund and 23.26 percent to the DPHHS state special revenue alcohol account. 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
- Monthly Beer Production

Data Source(s): 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 2002 General Fund Revenue: 0.22%

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 the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

Beer tax revenues are estimated by first determining the number of barrels of beer expected to be consumed in Montana. For this estimate, the LFD finds beer consumption in gallons by multiplying the population projections for individuals over the age of 21 years⁹ by per-capita beer consumption in gallons.¹⁰ The gallons are then divided by 31, the number of gallons contained in a barrel. Next, because beer is taxed on four levels of production, an effective tax rate is determined. By calculating the percentage of total gallons produced in each of the tax classes and multiplying the percentage by the tax rate in each of the four classes, the effective tax rate is established. The effective tax rate is then applied to the

⁹ Woods and Poole Econometrics Service. Estimates for Montana population over the age of 21 years.

¹⁰ Per-capita beer consumption is calculated by using prior year tax revenue to determine the amount of beer consumed. The amount of beer consumed is then divided by the Montana population over the age of 21 years.

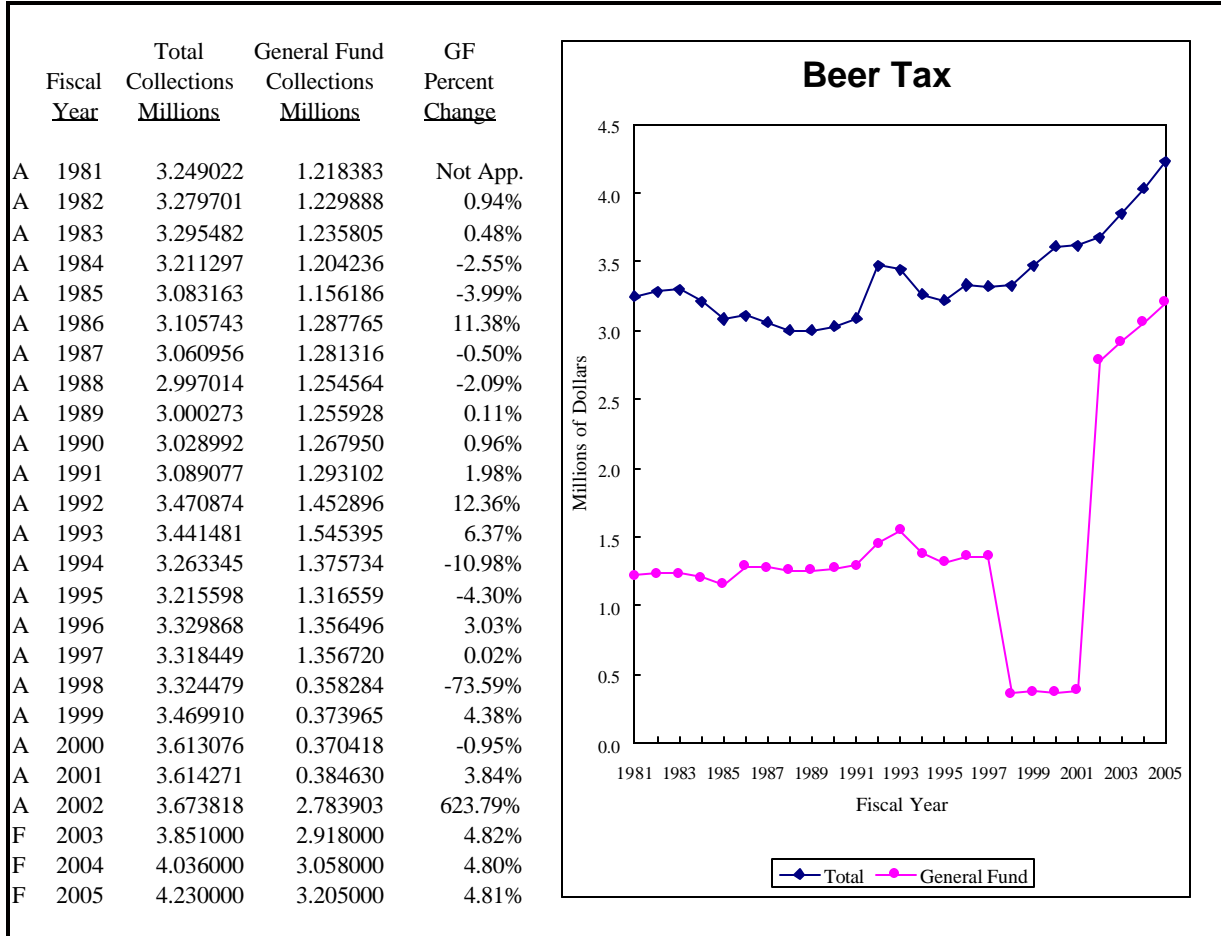
Legislative Fiscal Division

Revenue Estimate Profile

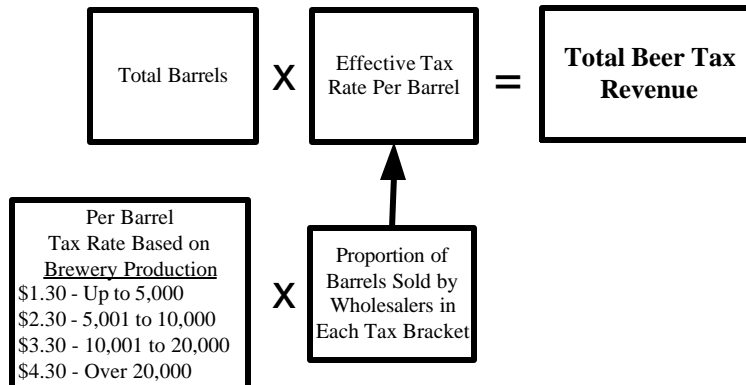
Beer Tax

estimated number of barrels to determine total tax receipts. Finally, the total tax receipts are reduced by tribal distributions to obtain the estimate of total beer tax revenues. A trend line is used to check the accuracy of the estimate.

Revenue Projection:



Forecast Methodology

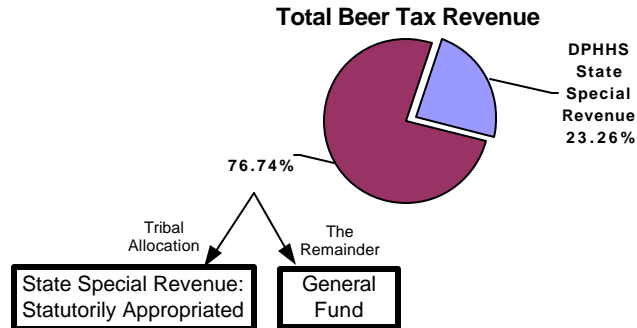


Legislative Fiscal Division

Revenue Estimate Profile

Beer Tax

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Barrels	Tax Rate	Effective	GF Percent	Tribal
	Fiscal	Millions	Millions	Millions	Per Barrel	Tax Rate	Allocation	Millions
						Per Barrel		
Actual	2000	3.613076	0.370418	0.840250	4.300000		0.116283	0.049723
Actual	2001	3.614271	0.384630	0.840528	4.300000		0.116300	0.035710
Actual	2002	3.673818	2.783903	0.881114	4.300000	4.169515	0.767400	0.035385
Forecast	2003	3.851000	2.918000	0.923578	4.300000	4.169515	0.767400	0.037000
Forecast	2004	4.036000	3.058000	0.968005	4.300000	4.169515	0.767400	0.039000
Forecast	2005	4.230000	3.205000	1.014483	4.300000	4.169515	0.767400	0.041000

Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

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, Center for Disease Control

Data Source(s): SABHRS, Department of Revenue Collection Reports, U.S. Department of Commerce, MT Department of Labor and Industry, Center for Disease Control

Contacts: Department of Revenue

Statute: Title 16, Chapter 11, MCA

% of Total FY 2002 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/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 the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

To predict cigarette tax revenues, the LFD must first compute the total number of packages of cigarettes consumed in

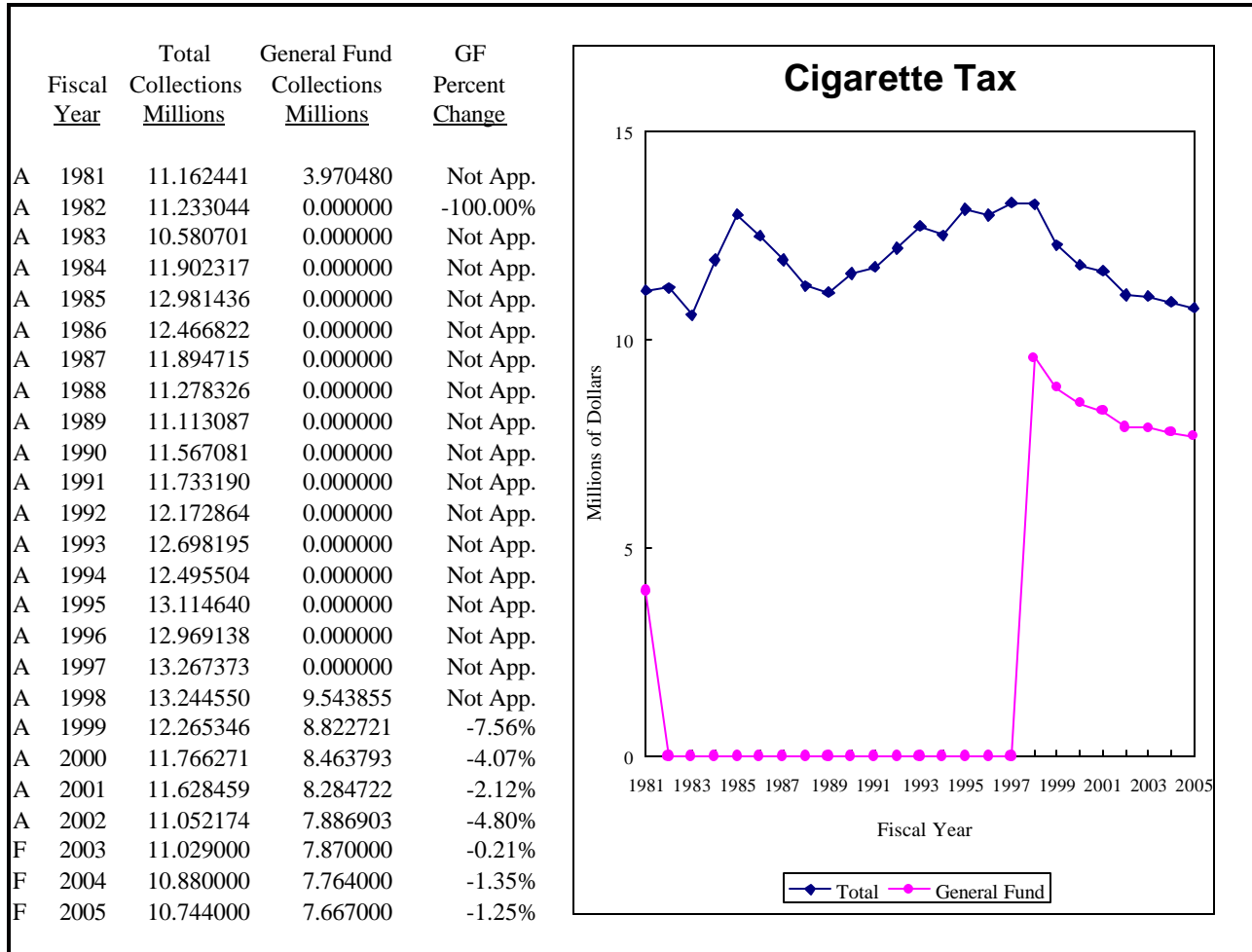
Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

Montana. This number is calculated by looking at the smoking habits of two different age groups, individuals over the age of 18 and those of ages between 12 and 17.¹¹ The per-capita consumption¹² is then applied to the population forecast for each of the age groups, using a smoking incidence factor for the 12 to 17 year population.¹³ Because the state of Montana has a smoking population that are not subject to the state tax, the tribal populations, an effective tax rate is calculated by dividing prior year revenues by number of packages of cigarettes sold in the given year. The effective tax rate is then applied to the number of packs sold to determine the total cigarette tax receipts. Finally, total receipts are reduced by tribal distributions to derive the estimate of total cigarette tax revenues.

Revenue Projection:



¹¹ Woods and Poole Econometrics Service. Population estimates.

¹² WEFA, Inc. Per-capita cigarette consumption.

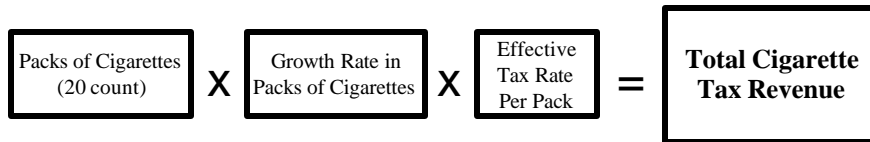
¹³ WEFA, Inc. Smoker incidence factor for ages 12 to 17 years.

Legislative Fiscal Division

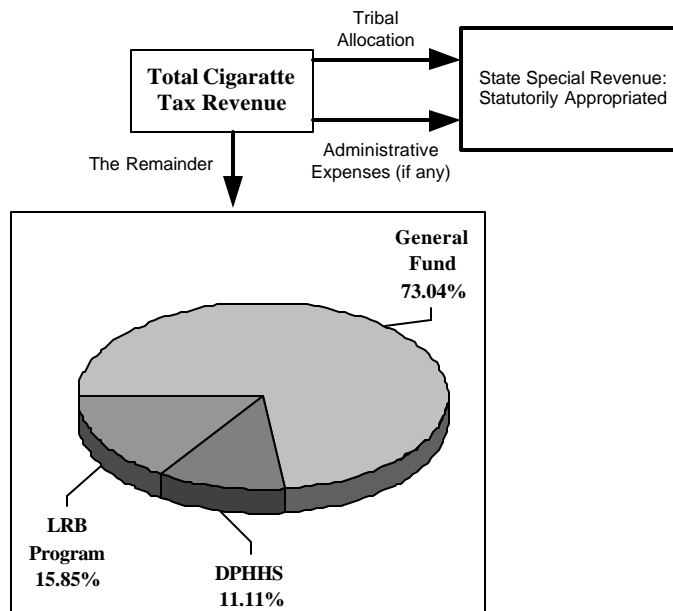
Revenue Estimate Profile

Cigarette Tax

Forecast Methodology



Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Pack	ETR	GF Percent	Tribal
	Fiscal	Millions	Millions	Millions	Per Pack	Allocation	Millions
Actual	2000	11.766271	8.463793	71.801052	0.163873	0.719327	0.178384
Actual	2001	11.628459	8.284722	66.963254	0.173654	0.712452	0.285740
Actual	2002	11.052174	7.886903	67.334264	0.164139	0.713606	0.254115
Forecast	2003	11.029000	7.870000	67.195477	0.164139	0.730400	0.254000
Forecast	2004	10.880000	7.764000	66.288119	0.164139	0.730400	0.250000
Forecast	2005	10.744000	7.667000	65.459377	0.164139	0.730400	0.247000

Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

Revenue Description: The Montana Constitution (Article VIII, Section 6) provides that money from taxes on vehicle fuel be used solely for: 1) payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; 2) payment of county, city, and town obligations on streets, roads, and bridges; and 3) enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature. There are two sources of revenue associated with the taxation of special fuels (primarily diesel): 1) the main source of revenue is a diesel tax of \$0.2775 per gallon paid to the Department of Transportation (DOT) for every gallon of diesel sold or used in the state; and 2) a tax of \$0.0075 is assessed on each gallon of diesel fuel for the purpose of funding petroleum storage tank cleanup.

Distributors are allowed to withhold 1.0 percent of the diesel tax as an allowance for collecting the tax. In order to prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, DOT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for commercial vehicle use other than for use on public highways and streets, governmental use, and nonpublic school use for the transportation of pupils.

Applicable Tax Rate(s):

1. Diesel (Special) Fuel Tax - \$0.2775 per gallon
2. Petroleum Storage Tank Cleanup Tax - \$0.0075.

Distribution: After reductions for: 1) the 1.0 percent withheld by distributors; 2) administrative expenses and refund amounts deducted by DOT under a tribal agreement that are deposited in the tribal motor fuels administration account; 3) diesel tax refunds; and 4) amounts refunded through the international fuel tax agreement, diesel tax proceeds are distributed to DOT. Of that amount, 1/4 of \$0.01 per gallon is allocated specifically to the funding of highway system maintenance.

Collection Frequency: Monthly

Applicable Assumptions and/or Relevant Indicators: Gallons of diesel

Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Statute: Title 15, Chapter 70 and Title 60, Chapter 3, MCA

% of Total FY 2002 General Fund Revenue: N/A

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 the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

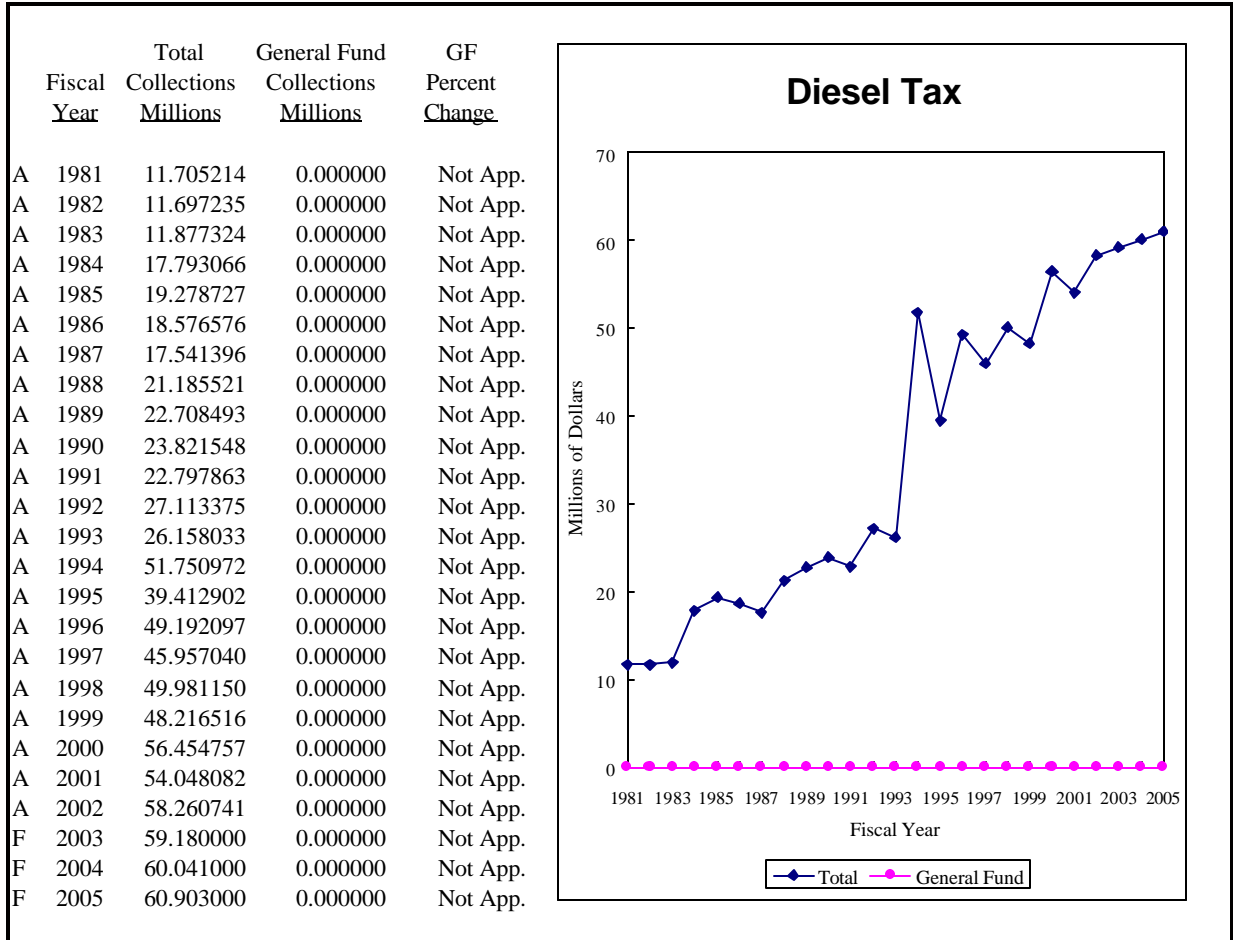
Legislative Fiscal Division

Revenue Estimate Profile

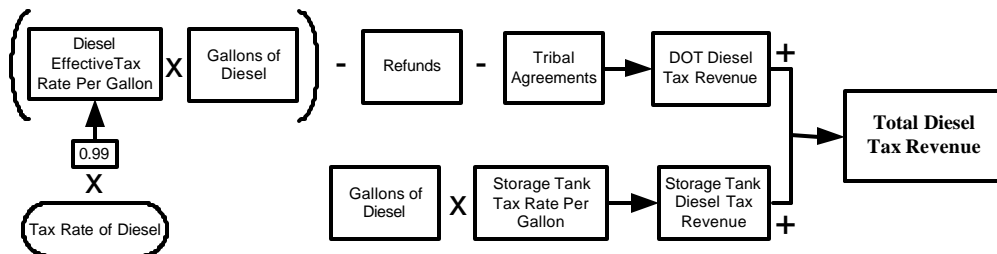
Diesel Tax

Diesel tax revenue is calculated by first determining the gallons of diesel fuel by applying a growth rate to the prior year's gallons sold. For the diesel fuel tax revenue, the effective diesel tax rate is multiplied by the estimated number of gallons. The effective tax rate is 99.0 percent of the statutory tax rate, because law allows the distributor to retain 1.0 percent of the revenue collected. Deductions are then made for refunds and tribal allocations to obtain the estimate of tax receipts. For the petroleum storage tank cleanup tax revenue, the statutory tax rate is applied to the estimated number of gallons. Total diesel fuel revenues are the sum of both tax revenue sources.

Revenue Projection:



Forecast Methodology

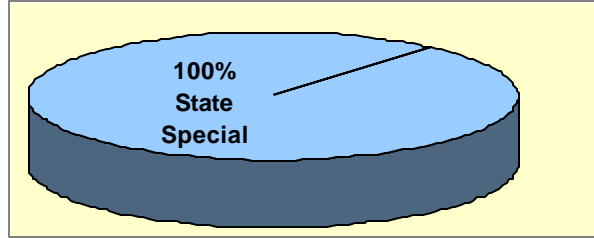


Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Gross	Diesel Tax	Tank Tax
	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	56.454757	0.000000	59.780702	54.259213	2.195544
Actual	2001	54.048082	0.000000	57.941310	51.861214	2.186868
Actual	2002	58.260741	0.000000	62.220598	56.094333	2.166408
Forecast	2003	59.180000	0.000000	63.200350	56.950950	2.229072
Forecast	2004	60.041000	0.000000	64.122634	57.820648	2.220264
Forecast	2005	60.903000	0.000000	65.047172	58.703627	2.199491

	t	Refunds	Diesel	Tank	Gallons	Tank
	Fiscal	Millions	Effective	Effective	Millions	Gallons
			Rate	Rate		Millions
Actual	2000	-3.325945	0.274725	0.007500	209.610185	292.739200
Actual	2001	-3.893228	0.274725	0.007500	202.946372	291.582400
Actual	2002	-3.959857	0.274725	0.007500	218.597470	288.854400
Forecast	2003	-4.020328	0.274725	0.007500	221.935672	297.209620
Forecast	2004	-4.081722	0.274725	0.007500	225.324852	296.035155
Forecast	2005	-4.144054	0.274725	0.007500	228.765788	293.265496

	t	GF	DOT	GF	DOT
	Fiscal	Percent	Percent	Millions	Millions
Actual	2000	0.0000%	100.0000%	0.000000	54.259213
Actual	2001	0.0000%	100.0000%	0.000000	51.861214
Actual	2002	0.0000%	100.0000%	0.000000	56.094333
Forecast	2003	0.0000%	100.0000%	0.000000	56.951000
Forecast	2004	0.0000%	100.0000%	0.000000	57.821000
Forecast	2005	0.0000%	100.0000%	0.000000	58.704000

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Revenue Description: The constitution of the state (Article VIII, Section 6) provides that money from taxes on vehicle fuel be used solely for: 1) payment of obligations incurred for construction, reconstruction, repair, operation, and maintenance of public highways, streets, roads, and bridges; 2) payment of county, city, and town obligations on streets, roads, and bridges; and 3) enforcement of highway safety, driver education, tourist promotion, and administrative collection costs. Appropriation of the money for any other use requires a three-fifth vote of each house of the legislature.

There are two sources of revenue associated with the taxation of gasoline: 1) the primary source of revenue is a gasoline license tax of \$0.27 per gallon paid to the Department of Transportation (DOT) by every distributor for the privilege of selling gasoline; and 2) a tax of \$.0075 assessed on each gallon of gasoline for the purpose of funding petroleum storage tank cleanup..

Distributors are allowed to withhold 1.0 percent of the gasoline tax as an allowance for collecting the tax. In order to prevent the possibility of dual taxation of motor fuels purchased by Montana citizens and businesses on Indian reservations, DOT and Indian tribes may enter into a cooperative agreement. Refunds of the tax paid is provided for denaturing alcohol used in gasohol, stationary gasoline engines used off public highways and streets, and commercial vehicle use other than for use on public highways and streets.

Applicable Tax Rate(s):

1. Gasoline License Tax - \$0.27 per gallon
2. Petroleum Storage Tank Cleanup Tax - \$0.0075.

Distribution: After reductions for: 1) the 1.0 percent withheld by distributors; 2) administrative expenses and refund amounts deducted by DOT under a tribal agreement that are deposited in the tribal motor fuels administration account; 3) gasoline tax refunds; and 4) amounts refunded through the international fuel tax agreement, the remainder of the gasoline tax is allocated as follows:

- 9/10 of 1.0% to the state park account
- 15/28 of 1.0% to a snowmobile account in the state special revenue fund. This amount is further allocated 86.0% for general use, 4.33% for enforcement, 8.67% for safety and education, and 1.0% to the noxious weed trust.
- 1/8 of 1.0% to an off-highway vehicle account in the state special revenue fund. This amount is further allocated 90% for general use (including repair of damaged areas) and 10% for safety.
- 1/25 of 1.0% to the aeronautics revenue fund of the Department of Transportation
- 98.3993% to DOT to be used for highway-related purposes, primarily construction projects and administrative costs. One-fourth of \$.01 per gallon is allocated specifically to the funding of highway system maintenance.

Collection Frequency: Monthly

Applicable Assumptions and/or Relevant Indicators: Gallons of gasoline

Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Statute: Title 15, Chapter 70 and Title 60, Chapter 3, MCA

Legislative Fiscal Division

Revenue Estimate Profile

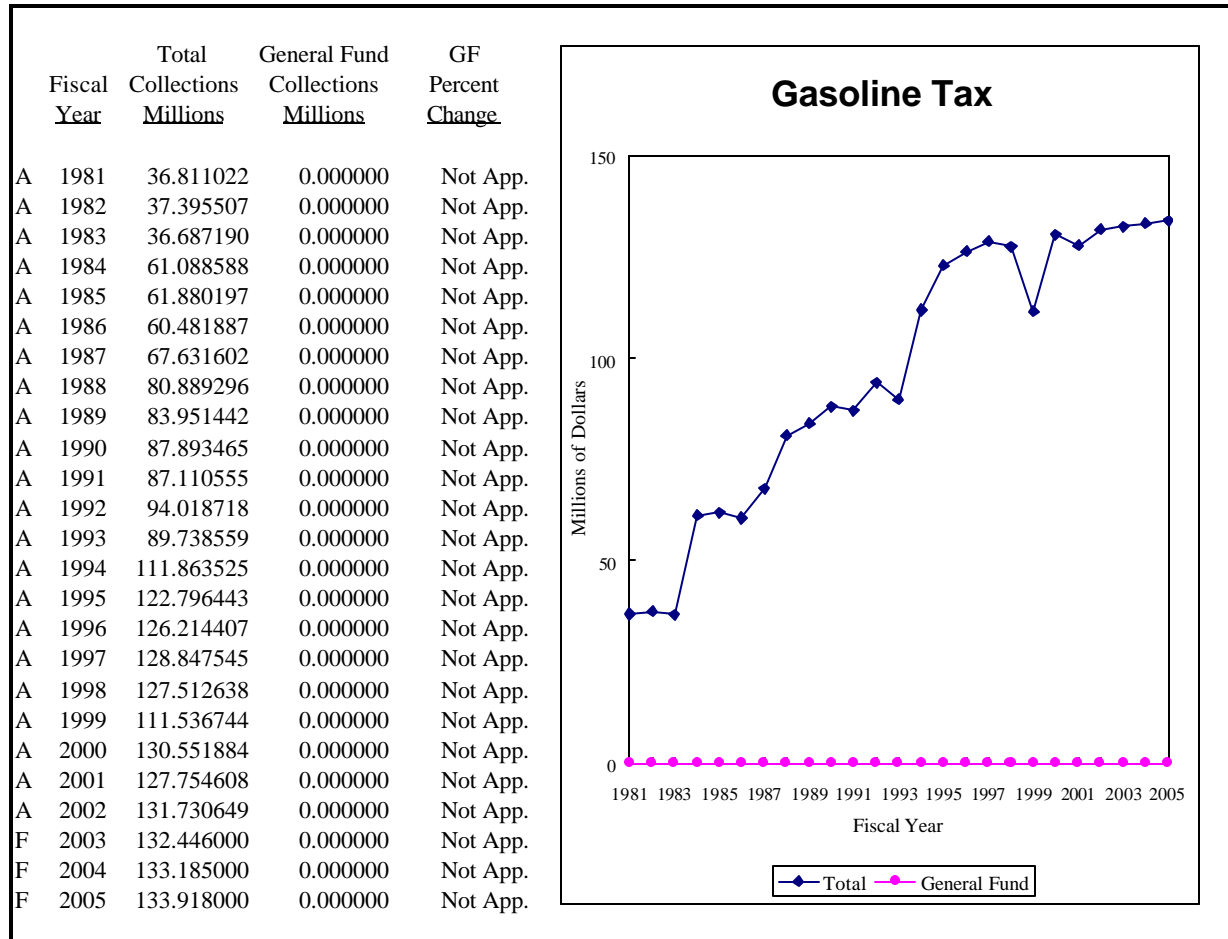
Gasoline Tax

% of Total FY 2002 General Fund Revenue: N/A

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 the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

Gasoline tax revenue is calculated by first determining the gallons of gasoline by applying a growth rate to the prior year's gallons sold. For the gasoline fuel tax revenue, the effective gasoline tax rate is multiplied by the estimated number of gallons. The effective tax rate is 99.0 percent of the statutory tax rate, because law allows the distributor to retain 1.0 percent of the revenue collected. Deductions are then made for refunds, alcohol incentives, and tribal allocations to obtain the estimate of tax receipts. For the petroleum storage tank cleanup tax revenue, the statutory tax rate is applied to the estimated number of gallons. Total gasoline fuel revenues are the sum of both tax revenue sources.

Revenue Projection:

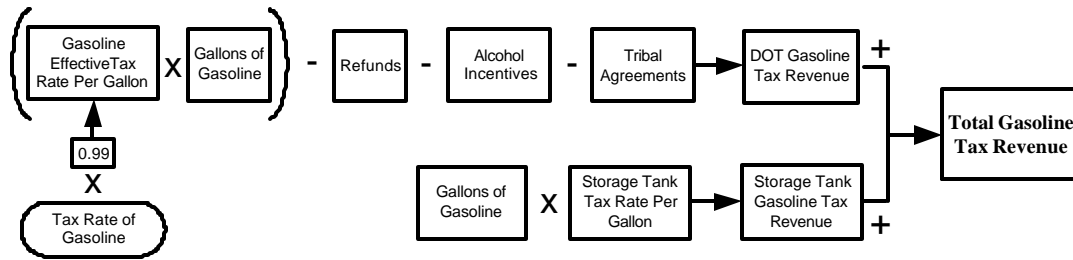


Legislative Fiscal Division

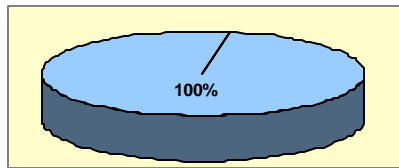
Revenue Estimate Profile

Gasoline Tax

Forecast Methodology



Distribution Methodology



■ State Special Revenue Fund

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Gross Tax	Gas Tax	Tank Tax
	Fiscal	Millions	Millions	Millions	Millions	Millions
Actual	2000	130.551884	0.000000	137.379589	126.764307	3.787577
Actual	2001	127.754608	0.000000	134.969262	124.059136	3.695472
Actual	2002	131.730649	0.000000	138.612875	128.001188	3.729461
Forecast	2003	132.446000	0.000000	139.358335	128.696142	3.749518
Forecast	2004	133.185000	0.000000	140.107804	129.415145	3.769683
Forecast	2005	133.918000	0.000000	140.861304	130.127861	3.789956

	t	Refunds	Alcohol	Tribal	Gas	Tank	Gallons	Tank
	Fiscal	Millions	Incentives	Millions	Effective	Effective	Millions	Gallons
			Millions	Millions	Rate	Rate		Millions
Actual	2000	-3.267807	0.000000	-3.559898	0.267300	0.007500	499.783060	505.01027
Actual	2001	-3.458208	0.000000	-3.756446	0.267300	0.007500	491.110325	492.72960
Actual	2002	-3.152765	0.000000	-3.729461	0.267300	0.007500	504.614343	497.26147
Forecast	2003	-3.169721	0.000000	-3.742954	0.267300	0.007500	507.328159	499.93574
Forecast	2004	-3.186768	0.000000	-3.736208	0.267300	0.007500	510.056570	502.62439
Forecast	2005	-3.203906	0.000000	-3.739581	0.267300	0.007500	512.799654	505.32751

	t	GF	DOT	FWP Snow	FWP Boat	Aeronautics	Off Highway
	Fiscal	Percent	Percent	Percent	Percent	Percent	Percent
Actual	2000	0.0000%	98.3551%	0.4729%	0.9253%	0.0411%	0.0000%
Forecast	2001	0.0000%	98.3544%	0.4698%	0.9272%	0.0418%	0.0000%
Forecast	2002	0.0000%	98.3640%	0.4711%	0.9227%	0.0411%	0.0000%
Forecast	2003	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%
Forecast	2004	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%
Forecast	2003	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

	t	DOT	FWP Snow	FWP Boat	Aeronautics
	<u>Fiscal</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	0.01030%	0.02060%	0.05140%	0.01030%
Forecast	2001	0.01030%	0.02050%	0.05140%	0.01030%
Forecast	2002	0.01030%	0.01950%	0.04920%	0.01030%
Forecast	2003	0.00540%	0.02320%	0.04640%	0.01250%
Forecast	2004	0.00540%	0.02320%	0.04640%	0.01250%
Forecast	2005	0.00540%	0.02320%	0.04640%	0.01250%

	t	GF	DOT	FWP Snow	FWP Boat	Aeronautics	Off Highway
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.000000	124.679120	0.599491	1.172918	0.052130	0.143357
Forecast	2001	0.000000	122.017676	0.582819	1.150251	0.051863	0.141735
Forecast	2002	0.000000	125.907096	0.603018	1.181094	0.052552	0.143185
Forecast	2003	0.000000	126.576000	0.610000	1.192000	0.053000	0.149000
Forecast	2004	0.000000	127.284000	0.613000	1.198000	0.053000	0.150000
Forecast	2005	0.000000	127.984000	0.617000	1.205000	0.054000	0.151000

	t	Weed	Snow Enforce.	Snow Con-Ed.	OHV Con-Ed.
	<u>Fiscal</u>	<u>Gasoline</u>	<u>Gasoline</u>	<u>Gasoline</u>	<u>Gasoline</u>
		<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	0.013032	0.026065	0.065162	0.013032
Forecast	2001	0.012782	0.025441	0.063787	0.012782
Forecast	2002	0.013138	0.024943	0.063024	0.013138
Forecast	2003	0.007000	0.031000	0.061000	0.017000
Forecast	2004	0.007000	0.031000	0.062000	0.017000
Forecast	2005	0.007000	0.031000	0.062000	0.017000

Legislative Fiscal Division

Revenue Estimate Profile

GVW and Other Fees

Revenue Description: There are two types of revenue derived from over 20 different sources classified under gross vehicle weight (GVW) and other income: fee revenue and permit revenue. The majority of revenue is derived from a variety of GVW fees, including those fees collected by counties when vehicles are registered. Until July 1, 2001, GVW fees included the fee in lieu of taxes on all newly purchased vehicles. Miscellaneous permits comprise the second income component under this source.

Applicable Tax Rate(s): Various

Distribution: A portion of certain GVW revenue is allocated to counties when vehicles are registered by the counties, such as 5.0 percent of total GVW fees. Fees collected in accordance with regional, national or international agreements are shared with participating jurisdictions. The majority of GVW revenue, however, is allocated to the Department of Transportation. The single state registration system fee is deposited to the general fund and is accounted for in the "All Other Revenue" profile.

Collection Frequency: Various

Applicable Assumptions and/or Relevant Indicators:

- Consumer Price Index (CPI)
- MT Wage & Salary Employment Growth
- Total Population

Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Statute: Title 15, Chapters 24, 70 and 71; and Title 61, Chapters 3, 4 and 10, MCA

% of Total FY 2002 General Fund Revenue: 0.08% (included in "All Other")

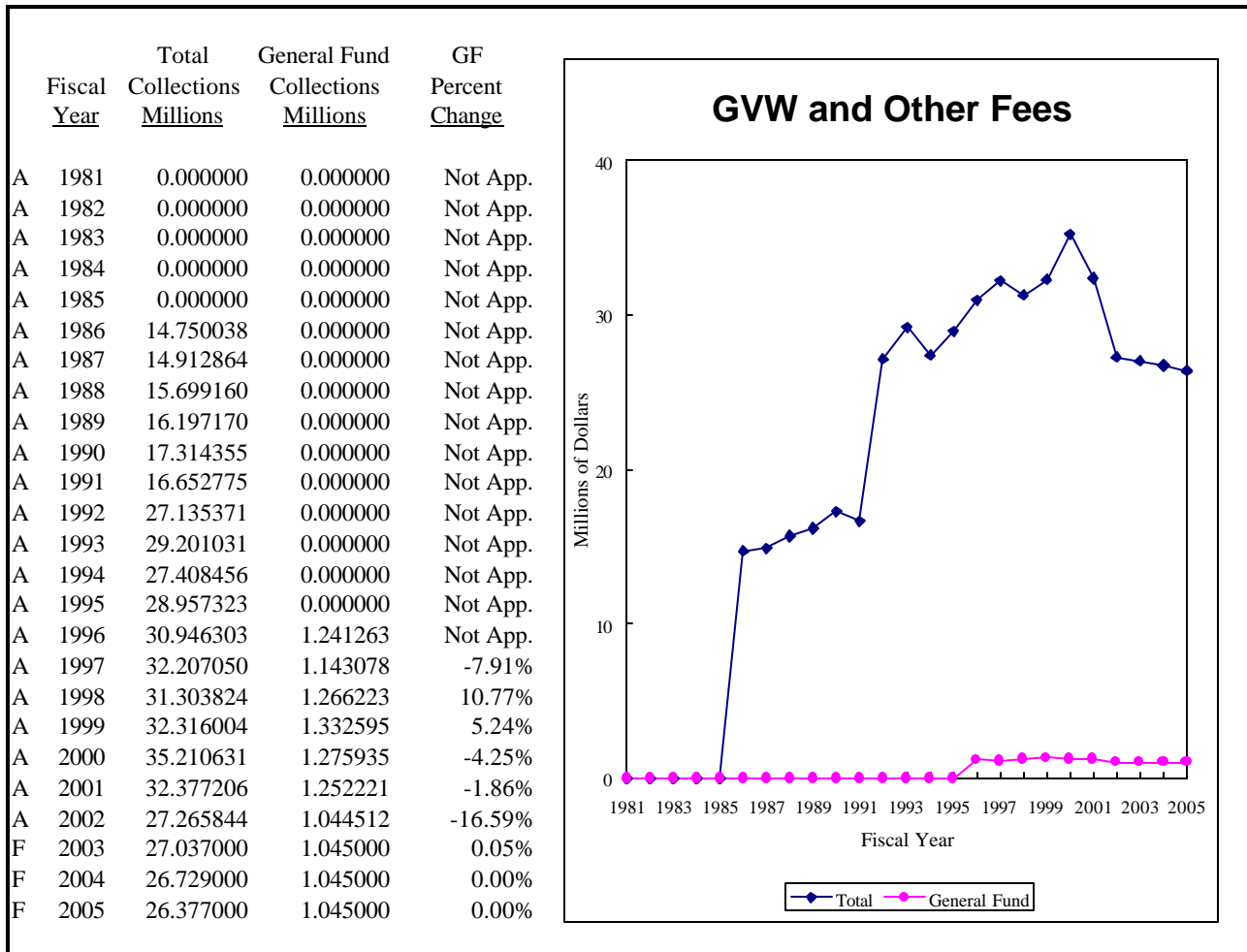
Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. 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 the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

The LFD estimates 12 separate components to determine GVW revenues. The components include various fees and permits based on the vehicle's gross weight. A compound growth rate is developed and applied to each of the components. Then the components are summed to produce the estimate for GVW revenues.

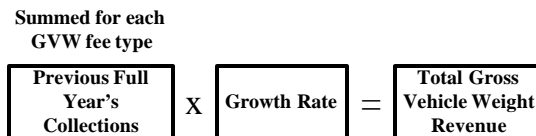
Legislative Fiscal Division

Revenue Estimate Profile GVW and Other Fees

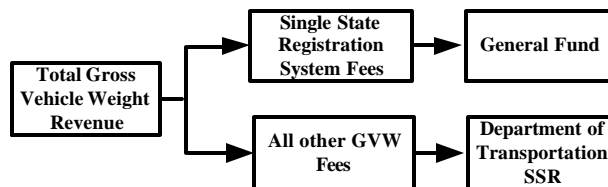
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

GVW and Other Fees

Revenue Estimate Assumptions

	t	Total Tax	GF Tax	GVW	SSRS	Form 3	Trip	County
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	35.210631	1.275935	8.852775	1.275935	0.855910	0.880540	7.321056
Actual	2001	32.377206	1.252221	8.363842	1.252221	0.812782	0.844991	7.681434
Actual	2002	27.265844	1.044512	8.813717	1.044512	0.859843	0.440875	8.933475
Forecast	2003	27.037000	1.045000	8.867736	1.044512	0.843240	0.440875	8.135277
Forecast	2004	26.729000	1.045000	8.922086	1.044512	0.847436	0.440875	8.185138
Forecast	2005	26.377000	1.045000	8.976769	1.044512	0.843842	0.440875	8.235305

	t	Sales	Overweight	Special	Restricted	Fuel	LPG	Other
	Fiscal	Millions	Millions	Millions	Millions	Millions	Millions	Millions
Actual	2000	12.533721	1.459102	0.918654	0.000000	0.105370	0.000000	1.007568
Actual	2001	9.923131	1.768619	0.953853	0.000000	0.124626	0.000000	0.651707
Actual	2002	-0.639815	1.845340	0.902845	0.000000	0.107580	0.000000	0.401431
Forecast	2003	0.000000	1.954163	0.910424	0.000000	0.110872	0.000000	0.401431
Forecast	2004	0.000000	2.067339	0.922505	0.000000	0.110872	0.000000	0.401431
Forecast	2005	0.000000	2.171928	0.931838	0.000000	0.110872	0.000000	0.401431

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

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 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 portion of the excise tax revenue is returned to Indian tribes through 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 34.5 percent to the general fund and 65.5% to the Department of Public Health and Human Services for alcohol treatment and rehabilitation programs.

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.

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

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

Data Source(s): SABHRS, Department of Revenue

Contacts: Department of Revenue

Statute: Title 16, Chapter 1, MCA

% of Total FY 2002 General Fund Revenue: 0.75%

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 the appendix 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.

Liquor license tax receipts are calculated by dividing by 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.

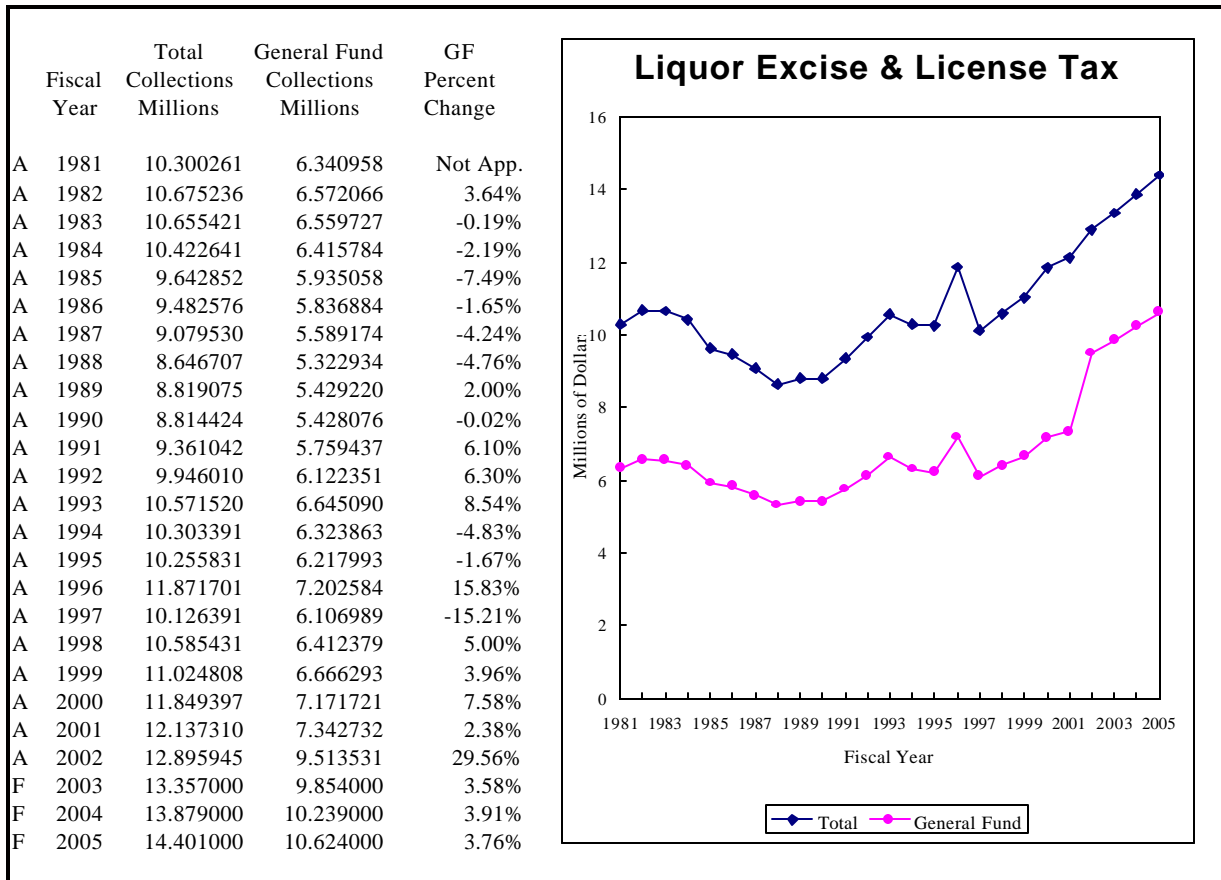
Note: Total collections shown on the following graph include both the license and excise taxes.

Legislative Fiscal Division

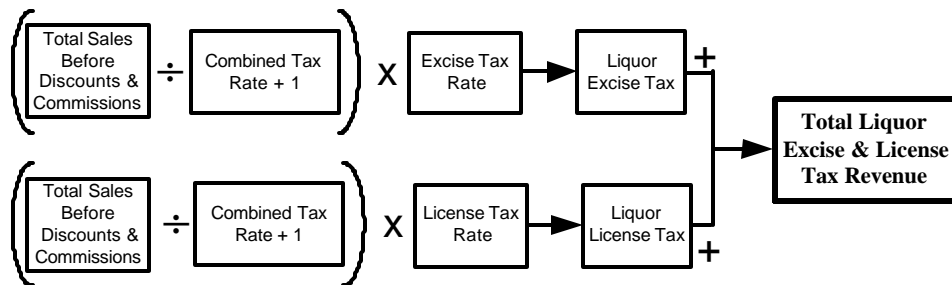
Revenue Estimate Profile

Liquor Excise and License Tax

Revenue Projection:



Forecast Methodology

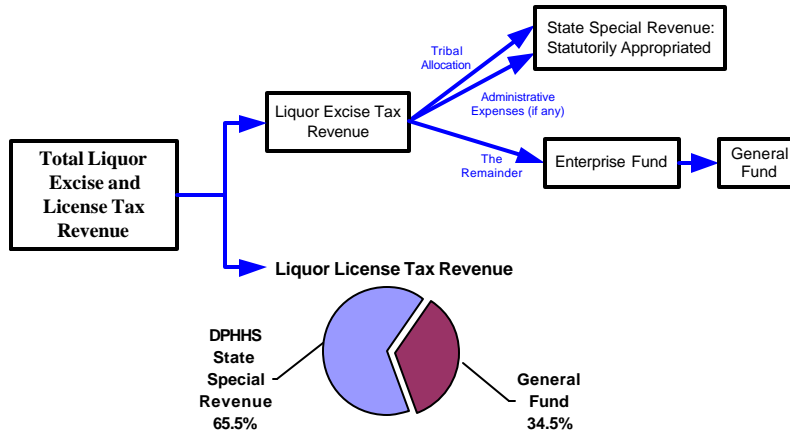


Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Tribal	Gross	Excise	License	GF Tax
	Fiscal	Millions	Millions	Millions	Sales	Rate	Rate	Allocation
Actual	2000	11.849397	7.171721	0.118276	57.467696	0.160000	0.100000	
Actual	2001	12.137310	7.342732	0.126171	58.844284	0.160000	0.100000	
Actual	2002	12.895945	9.513531	0.133456	62.514926	0.160000	0.100000	0.194518
Forecast	2003	13.357000	9.854000	0.138000	64.729951	0.160000	0.100000	0.194500
Forecast	2004	13.879000	10.239000	0.144000	67.260279	0.160000	0.100000	0.194500
Forecast	2005	14.401000	10.624000	0.149000	69.790607	0.160000	0.100000	0.194500

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

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 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. House Bill 348 enacted by the 2001 legislature phased-in liquor store commission increases based on sales volume over a three-year period beginning fiscal 2003. 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): SABHRS, MBARS, Department of Revenue

Contacts: Department of Revenue

Statute: Title 16, Chapter 2, MCA

% of Total FY 2002 General Fund Revenue: 0.44%

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 the appendix 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

Legislative Fiscal Division

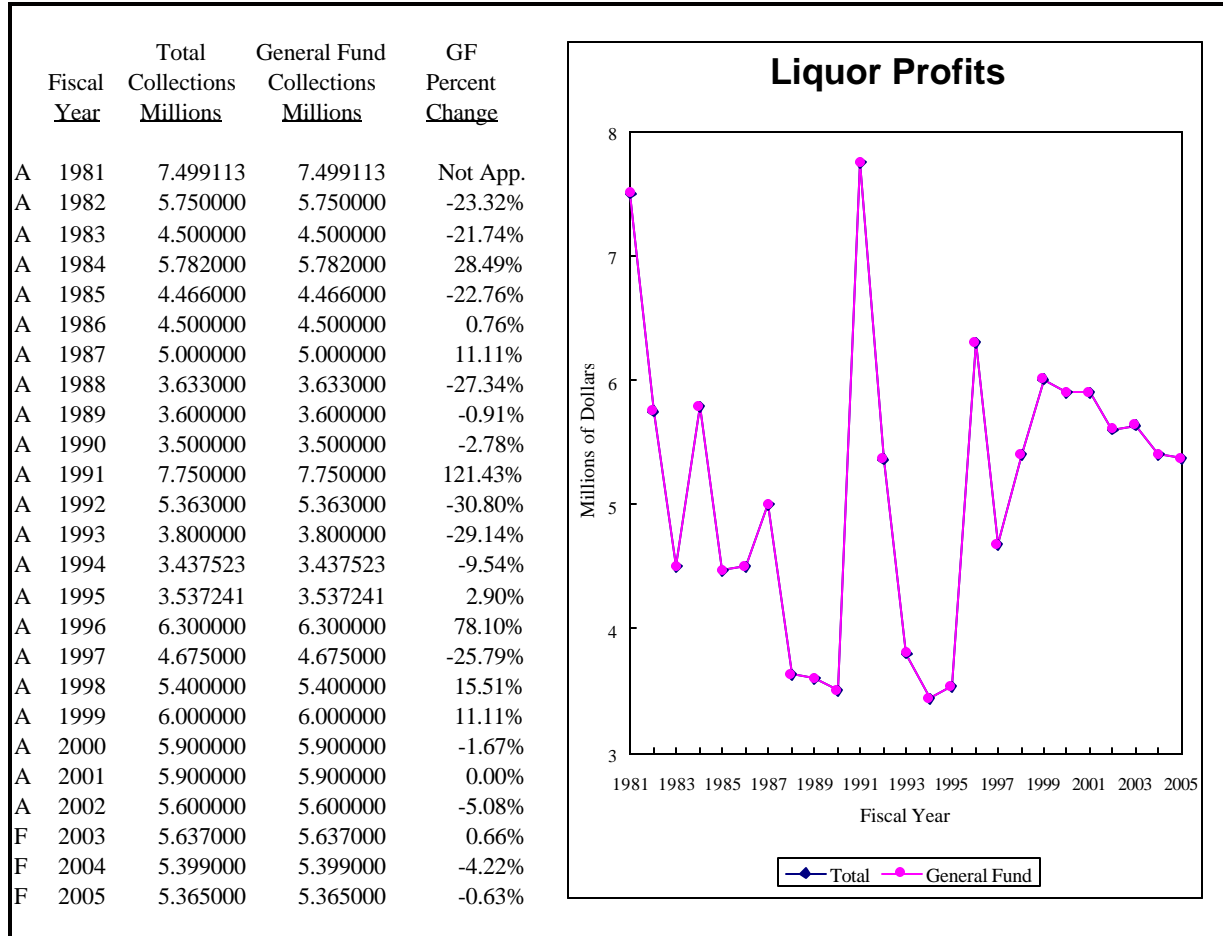
Revenue Estimate Profile

Liquor Profits

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.

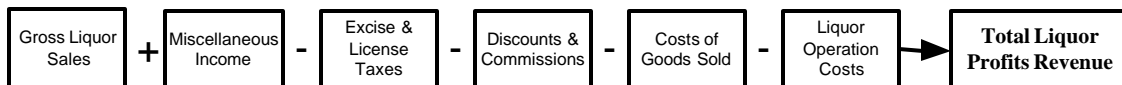
Other miscellaneous revenue is then added to derive total estimated liquor profit revenue. General fund deposits for any fiscal year equal the total profit for the previous fiscal year.

Revenue Projection:



Forecast Methodology

For the prior year:

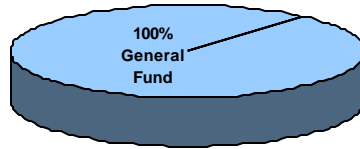


Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Profit	Gross	Excise/Lic	Dis/Comm	Cost of	Operation
	Fiscal	Millions	Sales	Tax	Millions	Goods	Costs
Actual	2000	5.900000	57.467696	11.853082	6.003244	32.318259	1.202429
Actual	2001	5.900000	58.844284	12.141061	6.134579	33.666541	1.301124
Actual	2002	5.600000	62.514926	12.898347	6.797458	35.766944	1.416026
Forecast	2003	5.637000	64.729951	13.356974	7.038306	37.117397	1.530377
Forecast	2004	5.399000	67.260279	13.879105	7.313437	38.682070	1.518691
Forecast	2005	5.365000	69.790607	14.401236	7.588568	40.255972	1.523234

Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

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 prizes.

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.

LFD COMMENT

The State Lottery Commission is authorized to enter into agreements with other lottery states to offer lottery games. Section 23-7-202(8), MCA, states that the commission shall: “study and may enter into agreements with other lottery states to offer lottery games.”

Lottery staff have indicated that a foreign country may be interested in joining one of the multi-state lottery games in which the Montana lottery participates. Concern has been raised that if this occurs, statute may require the commission to terminate participation in the multi-state Powerball lottery game. Since annual revenues from Powerball are about \$16 million or 46 percent of lottery revenues and the game contributes about 75 percent to the profits, termination of Powerball would substantially reduce the amount of profits deposited to the general fund. Since the occurrence of this event is uncertain, these reductions have not been included in the Legislative Fiscal Division’s revenue estimates. The Revenue and Transportation Committee may want to question lottery staff further to determine the likelihood of this event occurring and make revenue adjustments accordingly.

Legislative legal staff have been asked the following questions. At the time of this writing, a response was still forthcoming.

1. Under current law, can the State Lottery Commission participate in a lottery game in which a foreign country participates?
2. If a foreign country joins a lottery game in which the Montana lottery participates, must the Montana lottery cease its participation in that game?

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

Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

Lottery Operational Costs

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

Contacts: Department of Commerce

Statute: Title 23, Chapter 7, MCA

% of Total FY 2002 General Fund Revenue: 0.59%

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 the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

The estimate of lottery profits requires projecting several components of lottery operations. First, an estimate of the number of licenses that will be issued in the fiscal year is obtained and the required fees are calculated.¹⁴ Next, the LFD must ascertain the number of tickets that will be sold during the biennium. To do this, constant per-capita sales is assumed, which has been the case since 1998. Then, per-capita sales are applied to the Montana population estimates.¹⁵ Next, interest earnings on the gross revenues of the enterprise account are estimated. These components are added to all other forms of miscellaneous revenue establishing the total estimate of lottery revenues. Total revenues are then reduced by the costs of operations and prizes¹⁶ to determine the estimate of lottery profits.

¹⁴ Montana Lottery Commission.

¹⁵ Woods and Poole Economics Service. Estimate of total Montana population.

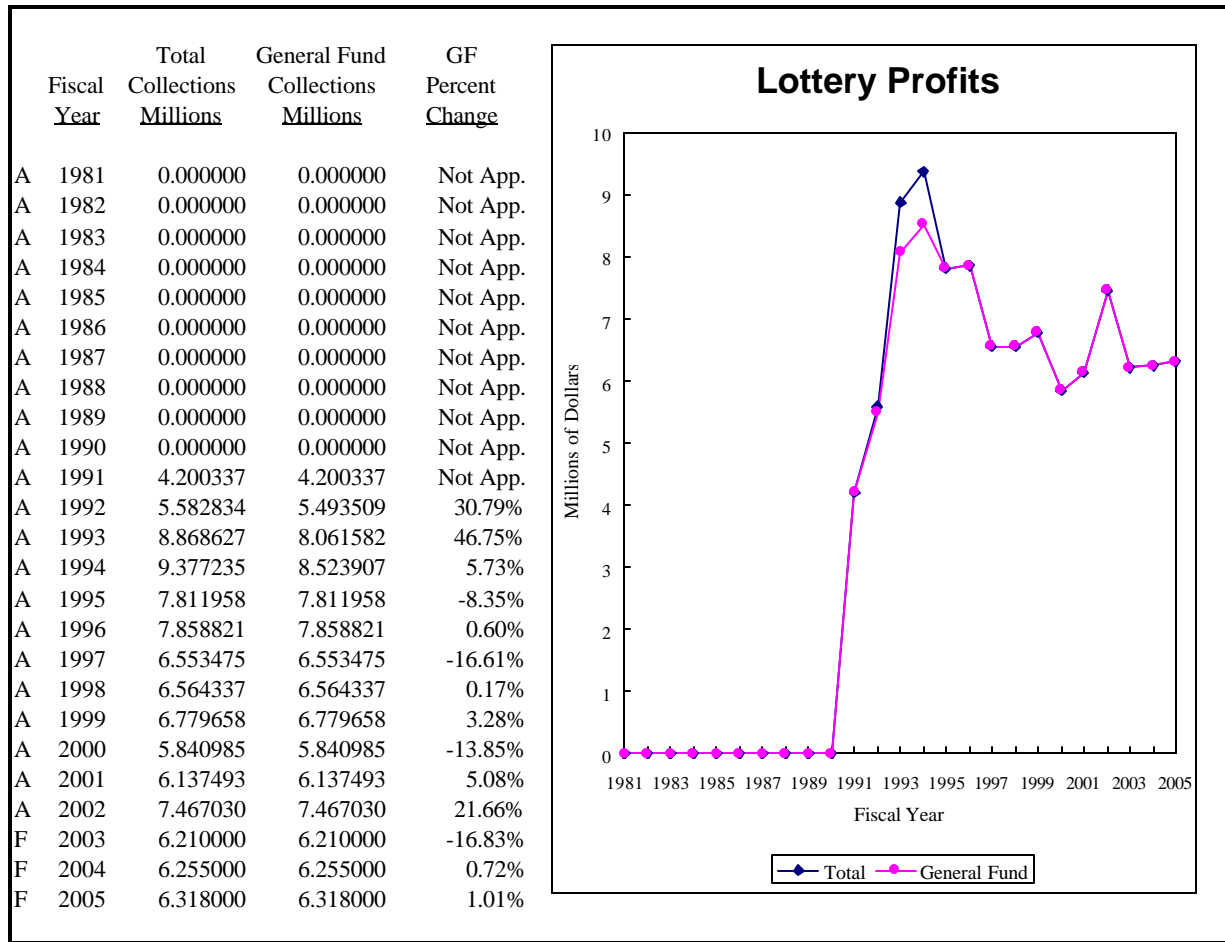
¹⁶ Montana Lottery Commission. Estimates of operational and prize expense.

Legislative Fiscal Division

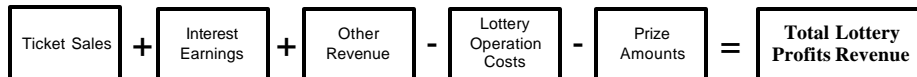
Revenue Estimate Profile

Lottery Profits

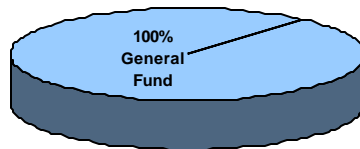
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

Revenue Estimate Assumptions

	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
Actual	2001	6.137493	6.137493	30.366526	0.275320	0.056324	7.098908	17.462046
Actual	2002	7.467030	7.467030	33.632276	0.145685	0.039096	6.855120	19.085781
Forecast	2003	6.210000	6.210000	30.597051	0.088892	0.039096	6.855120	17.659761
Forecast	2004	6.255000	6.255000	30.765252	0.131604	0.039096	6.923671	17.756842
Forecast	2005	6.318000	6.318000	30.933453	0.192375	0.039096	6.992908	17.853923

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

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 Blackfeet 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): SABHRS, Department of Revenue

Contacts: Department of Revenue

Statute: Title 16, Chapter 11, MCA

% of Total FY 2002 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 the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

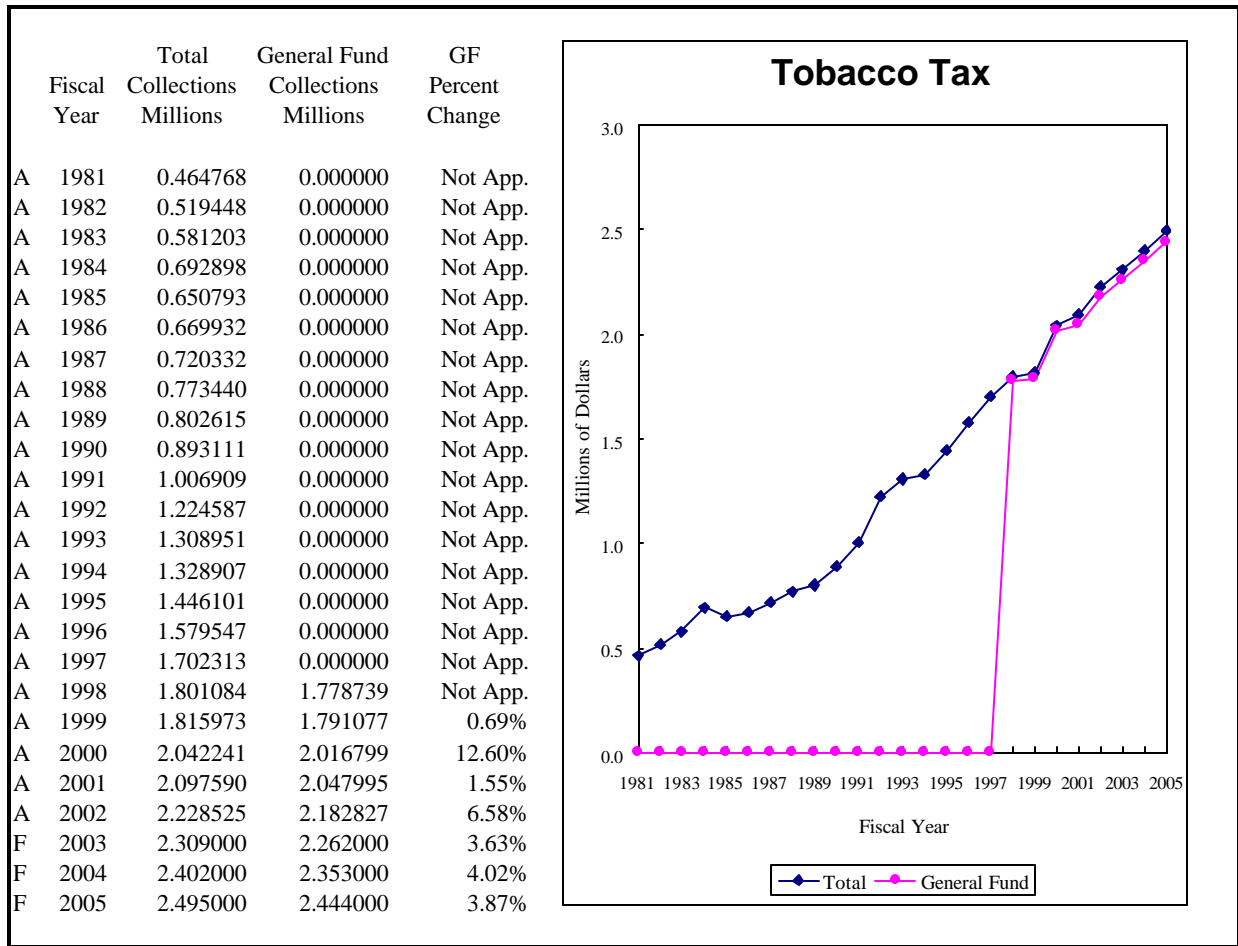
The LFD estimates tobacco tax revenues using a trend model. The model estimates the value of smokeless tobacco consumption based on the changes in consumption over time. After the value of the consumption is determined, the tax rate is applied to determine the total tobacco tax estimate. Finally, tribal tax distributions are removed from the expected tax revenues to obtain the estimate for tobacco tax revenues.

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Revenue Projection:



Forecast Methodology

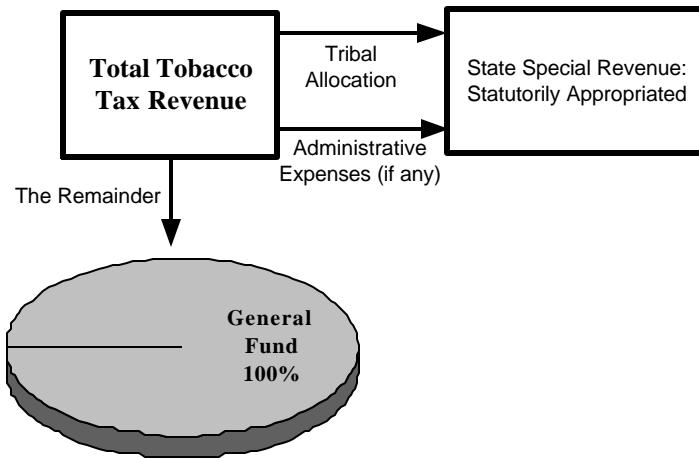
$$\boxed{\text{Total Tobacco Value}} \times \boxed{\text{Tax Rate}} = \boxed{\text{Total Tobacco Tax Revenue}}$$

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Tribal</u>	<u>Value</u>	<u>Tax Rate</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Percent</u>
Actual	2000	2.042241	2.016799	0.025442	16.337928	12.5000%
Actual	2001	2.097590	2.047995	0.049595	16.780720	12.5000%
Actual	2002	2.228525	2.182827	0.045698	17.828200	12.5000%
Forecast	2003	2.309000	2.262000	0.047348	18.472555	12.5000%
Forecast	2004	2.402000	2.353000	0.049255	19.217691	12.5000%
Forecast	2005	2.495000	2.444000	0.051162	19.962827	12.5000%

Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

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 video gambling machine operators. 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. With the enactment of House Bill 124 by the 2001 legislature, all 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

Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

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 - All of video gambling tax receipts are deposited into the general fund.

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.

Collection Frequency: Quarterly

Applicable Assumptions and/or Relevant Indicators:

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

Data Source(s): SABHRS, Department of Justice

Contacts: Department of Justice

Statute: Title 23, Chapter 5, MCA

% of Total FY 2002 General Fund Revenue: 3.45%

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 the appendix 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.

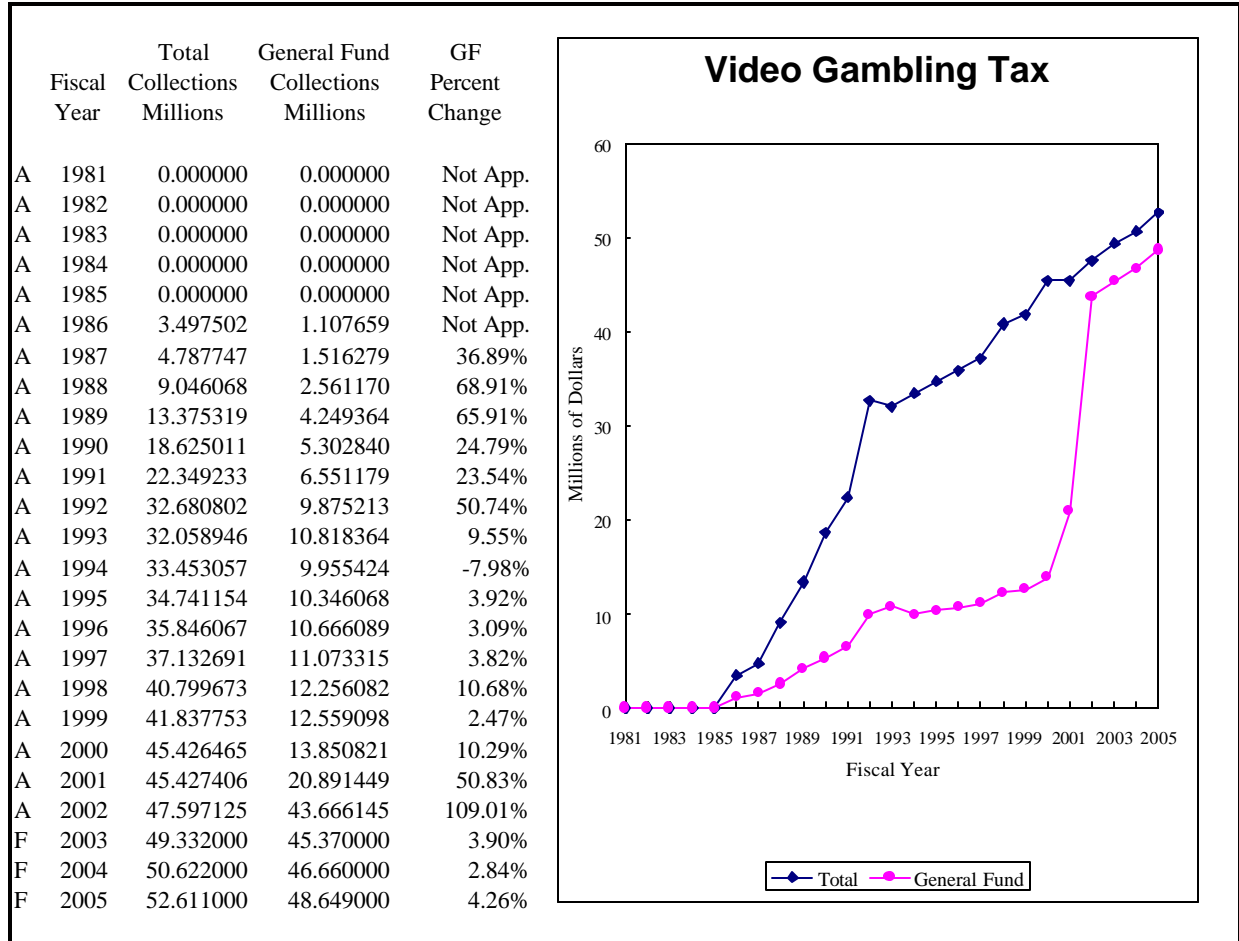
Legislative Fiscal Division

Revenue Estimate Profile

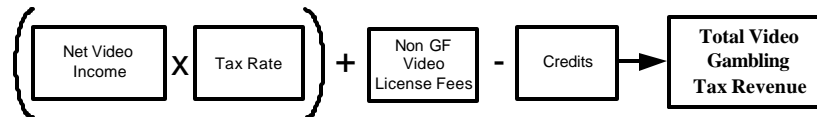
Video Gambling Tax

Video gambling tax revenue is calculated by multiplying video net income by an estimated growth rate. The growth rate is applied to prior year revenues to determine the estimated gross video gambling revenues. Next, the tax rate is applied to gross revenues to determine the total estimated tax revenue. Video tax revenue is then added to license fee revenue, and estimated future credits are removed from the sum to determine total video gaming tax revenue estimates. The last step involves applying the statutory distribution.

Revenue Projection:



Forecast Methodology

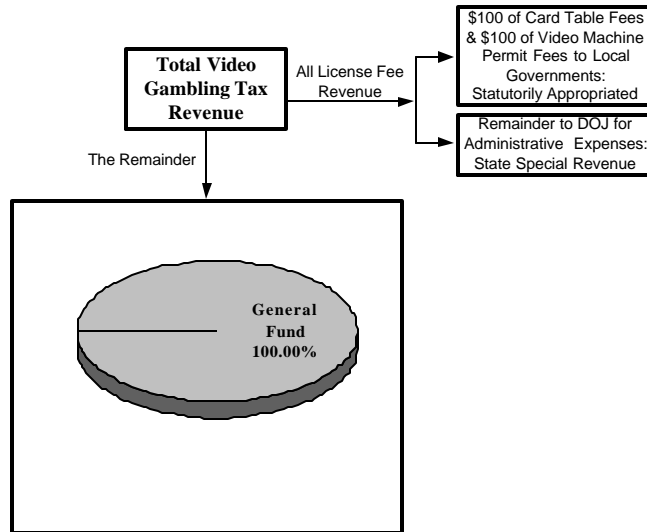


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Revenue Estimate Profile

Video Gambling Tax

Distribution Methodology



Revenue Estimate Assumptions

t	Fiscal	Total Tax Millions	GF Tax Millions	Net Income Millions	Tax Rate	Net Income	
						Tax Millions	Non GF Fee Millions
Actual	2000	45.426465	13.850821	269.776957	0.150000	41.431382	3.995083
Actual	2001	45.427406	20.891449	275.874070	0.150000	41.502013	3.925393
Actual	2002	47.597125	43.666145	290.307355	0.150000	43.668454	3.928671
Forecast	2003	49.332000	45.370000	302.467963	0.150000	45.370000	3.962000
Forecast	2004	50.622000	46.660000	314.731694	0.150000	46.660000	3.962000
Forecast	2005	52.611000	48.649000	326.995425	0.150000	48.650000	3.961000

t	Fiscal	Annual Growth Rate	Tax Credits Millions	Tax Efficiencies Millions	GF Percent Allocation
Actual	2001	0.022601	0.000000	0.000000	0.503384
Actual	2002	0.052318	0.000000	0.000000	0.999840
Forecast	2003	0.041889	0.000000	0.000000	1.000000
Forecast	2004	0.040546	-0.550000	0.000000	1.000000
Forecast	2005	0.038966	-0.400000	0.000000	1.000000

Legislative Fiscal Division

Revenue Estimate Profile

Wine Tax

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 69.0% to the general fund and 31.0% to the DPHHS alcohol account. The general fund distribution 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): SABHRS, Department of Revenue

Contacts: Department of Revenue

Statute: Title 16, Chapters 1 and 2, MCA

% of Total FY 2002 General Fund Revenue: 0.10%

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 the appendix of this document. The following summarizes the LFD process used to develop the revenue estimate.

The LFD executes several steps to determine wine tax revenues. First, the liters of wine consumed in Montana are estimated by applying a consumption factor¹⁷ to the population¹⁸ of alcohol consumers in Montana. Next the tax rate is applied to the number of bottles of wine consumed. Finally, tribal distributions are removed to derive the estimate for wine tax. To check the adequacy of the estimate, the LFD performs a trend analysis on Montana's per capita wine consumption.

¹⁷ Consumption factor derived by dividing liters of wine sold in previous years by the population over age 21 years.

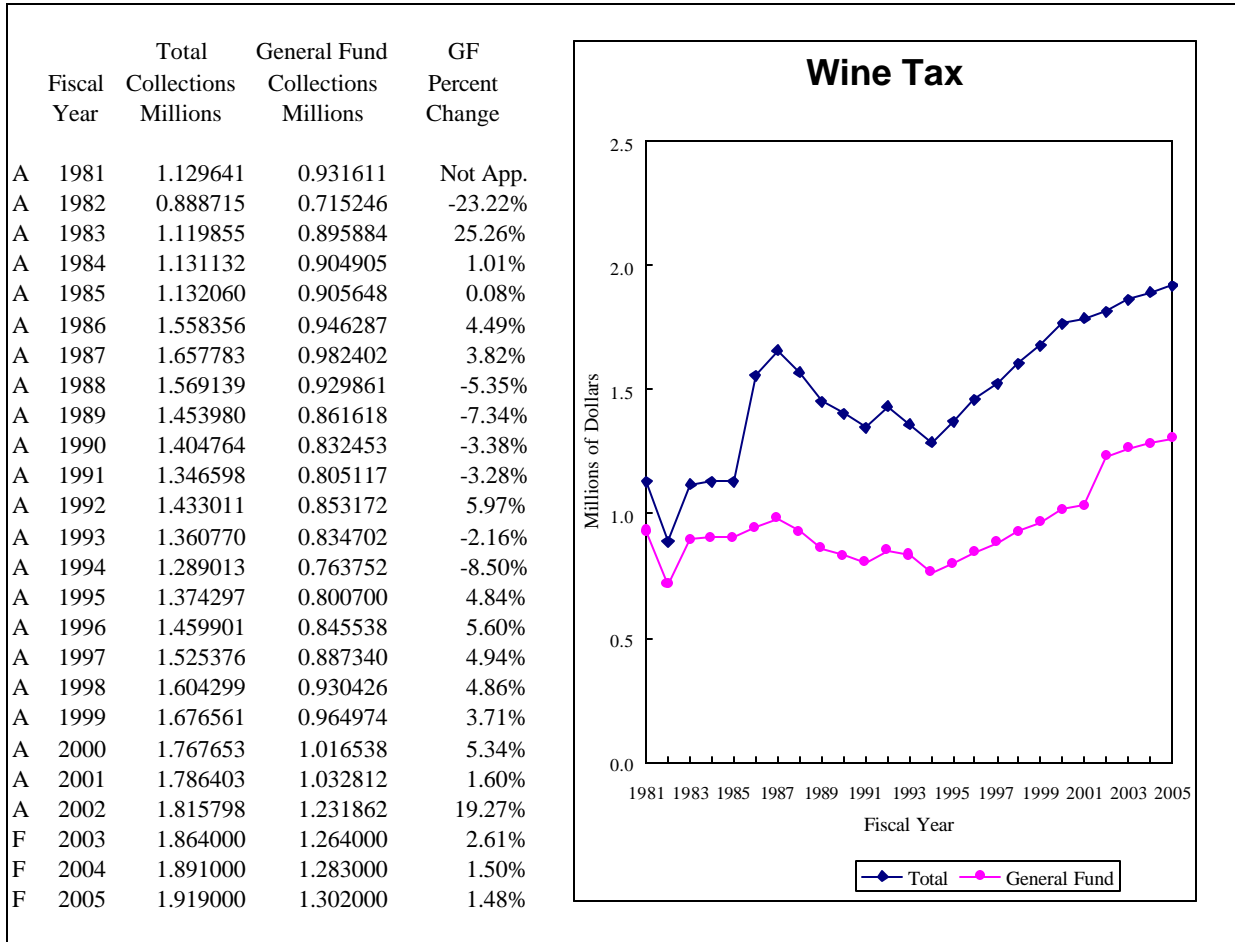
¹⁸ Woods and Poole Econometric Service population estimates.

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Revenue Estimate Profile

Wine Tax

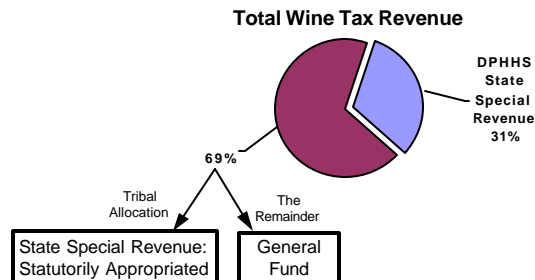
Revenue Projection:



Forecast Methodology

$$\boxed{\text{Liters of Wine}} \times \boxed{\text{Tax Rate per Liter}} = \boxed{\text{Total Wine Tax Revenue}}$$

Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Wine Tax

Revenue Estimate Assumptions

	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	0.590200	0.026730
Actual	2001	1.786403	1.032812	6.616307	0.270000	0.590257	0.021624
Actual	2002	1.815798	1.231862	6.725178	0.270000	0.690186	0.021376
Forecast	2003	1.864000	1.264000	6.904972	0.270000	0.690000	0.022000
Forecast	2004	1.891000	1.283000	7.006805	0.270000	0.690000	0.022000
Forecast	2005	1.919000	1.302000	7.109331	0.270000	0.690000	0.022000