

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



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Legislative Fiscal Division

Revenue Estimate Profile

Beer Tax

Revenue Description: A tax is levied on each barrel of beer (31 gallons) 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

Major Drivers:

- Barrels of beer sold
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
- Social Factors
 - Government or industry announcements (i.e. health risks or benefits)
 - Demand of substitutes such as wine
- Legislative Factors
 - State legislative impacts
 - Change price/tax
 - Change legal age for consumption
 - Degree of law enforcement
 - Lower legal limit to 0.08
 - Allow wine to be sold in grocery stores
 - Federal legislative impacts
 - Change price/tax
 - Force state to adopt lower legal limit
 - Force state to adopt open container law

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

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 16-1-406
Distribution (MCA) – 16-1-406
Data Due – end of the month and collected in the next month

% of Total FY 2004 General Fund Revenue: 0.21%

Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant

Legislative Fiscal Division

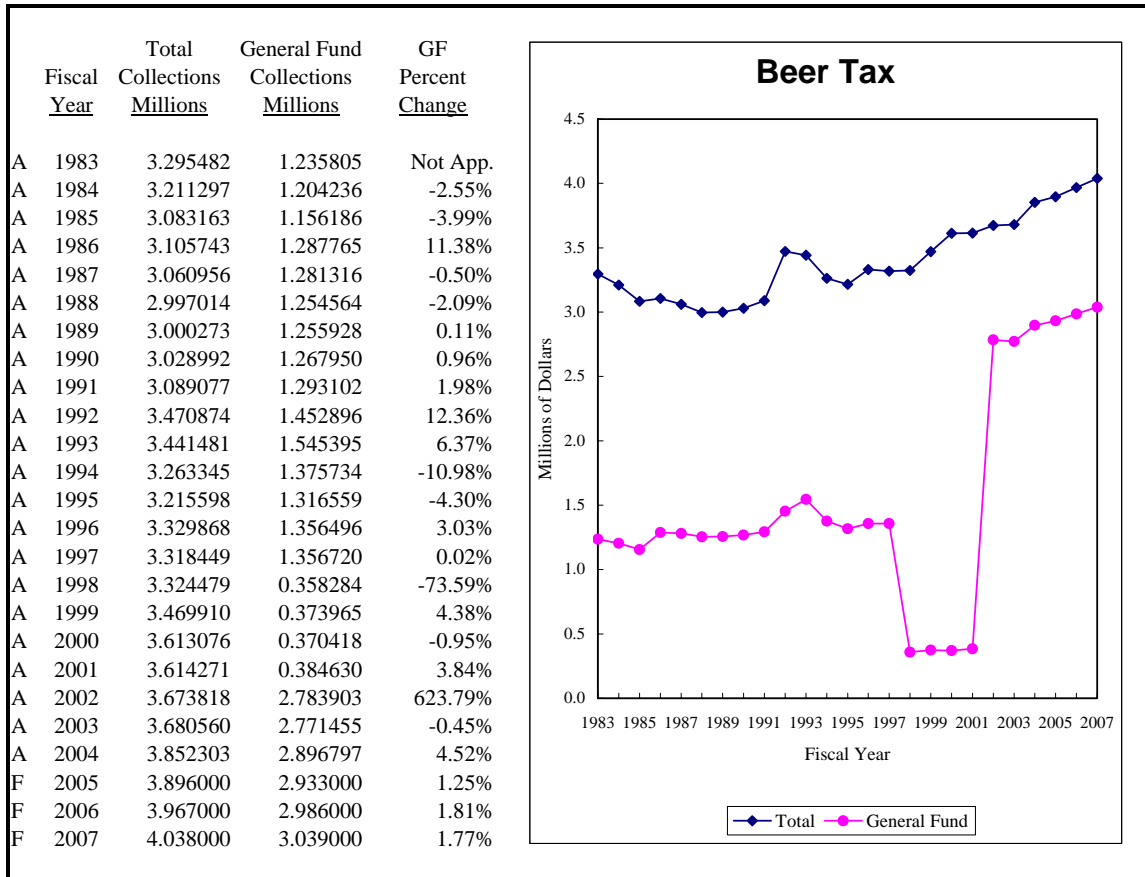
Revenue Estimate Profile

Beer Tax

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 assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" section 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 determines beer consumption using a trend model. 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 estimated number of barrels to determine total tax receipts.

Revenue Projection:

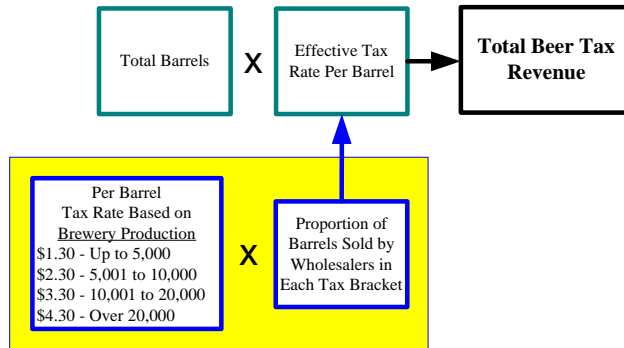


Legislative Fiscal Division

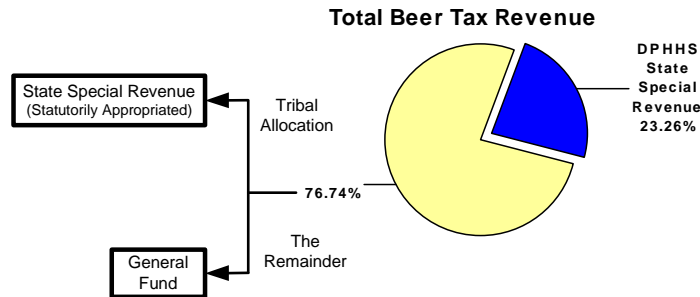
Revenue Estimate Profile

Beer Tax

Forecast Methodology



Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Barrels	Tax Rate	Effective	GF Percent	Tribal
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Per Barrel</u>	<u>Tax Rate</u>	<u>Allocation</u>	<u>Millions</u>
						<u>Per Barrel</u>		
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	0.867120	4.300000	4.236803	0.767400	0.035385
Actual	2003	3.680560	2.771455	0.869267	4.300000	4.234098	0.767400	0.053007
Actual	2004	3.852303	2.896797	0.900678	4.300000	4.277113	0.767400	0.059460
Forecast	2005	3.896000	2.933000	0.910932	4.300000	4.277113	0.767400	0.057000
Forecast	2006	3.967000	2.986000	0.927613	4.300000	4.277113	0.767400	0.058000
Forecast	2007	4.038000	3.039000	0.944294	4.300000	4.277113	0.767400	0.060000

$$\text{GF Tax} = \text{Barrels} * \text{Effective Tax Rate} - \text{Tribal}$$

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 insignias 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 \$0.70 per twenty-cigarette pack. When a pack contains more than 20 cigarettes, the tax is prorated at 1/20th of \$0.70 for each cigarette. This rate is in effect until December 31, 2004, after which the rate will increase to \$1.70 per package of 20 cigarettes, prorated for packages that differ from 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:

Through December 2004

- The greater of 8.3% or \$2.0 million to DPHHS for veterans' nursing home operation and maintenance
- 4.3% to the long-range building program
- The remainder (87.4%) to the general fund

Beginning January 2005

- The greater of 8.3% or \$2.0 million to DPHHS for veterans' nursing home operation and maintenance
- 2.6% to the long-range building program
- 44.0% for health and Medicaid initiatives
- The remainder (45.1%) to the general fund

Collection Frequency: Monthly

Major Drivers:

- Insignias (packs) sold
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Population change
 - Number of insignias sold
 - Number of cigarette wholesalers
 - Montana Population
 - Montana Disposable Income
 - Montana Per Capita Consumption
 - National Consumption Statistics, Center for Disease Control
- Social Factors
 - Industry announcements
 - Population perception of smoking
- Legislative Factors
 - State legislative impacts
 - Changes in legal possession of cigarettes
 - Changes in laws concerning legality of smoking in public spaces

Legislative Fiscal Division

Revenue Estimate Profile

Cigarette Tax

- Changes in tax rates
- Federal legislative impacts
 - Changes in laws relating to information about smoking
 - Changes in laws relating to health consequences of smoking
 - Changes in laws on advertisement
 - Changes in laws on health warnings
 - Changes in laws concerning legality of smoking in public spaces

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

Statutory Reference:

Tax Rate (MCA) – 16-11-111

Tax Distribution (MCA) – 16-11-119

Date Due – within 30 days after purchase of the insignia (16-11-117)

% of Total FY 2004 General Fund Revenue: 2.88%

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 assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

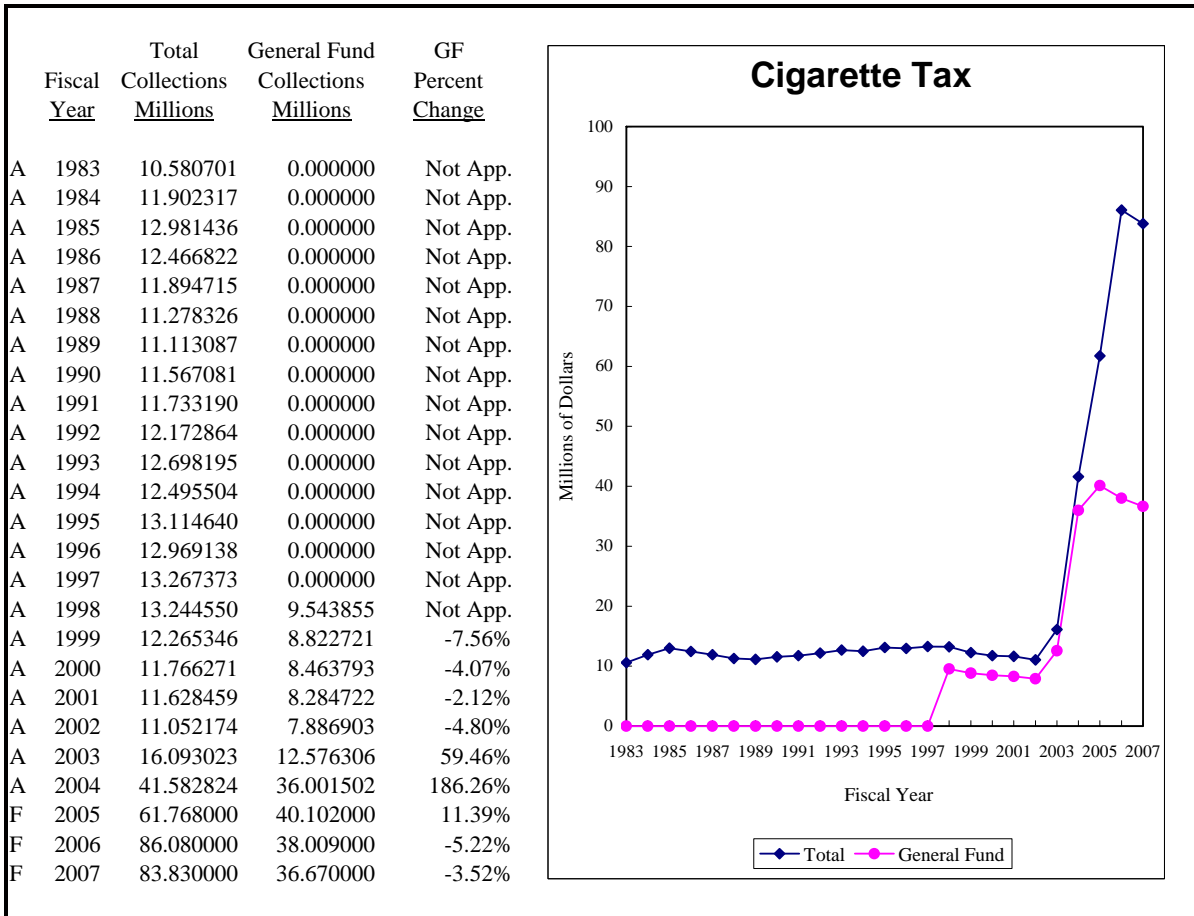
To predict cigarette revenues, the LFD first computes the total number of taxable packages of cigarettes to be consumed in Montana based on a consumption decline rate. In years of tax increases, a price elasticity factor is applied to the estimates that predicts a decline of 4.4 percent in consumption for each 10 percent increase in price during the first year of the increase and a decline of two percent for each ten percent increase during the second year. The tax rate is applied to the projected number of taxable packs to determine the total cigarette tax receipts.

Legislative Fiscal Division

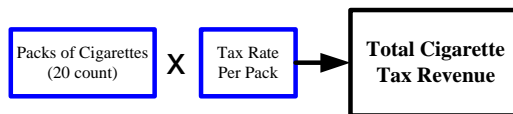
Revenue Estimate Profile

Cigarette Tax

Revenue Projection:



Forecast Methodology



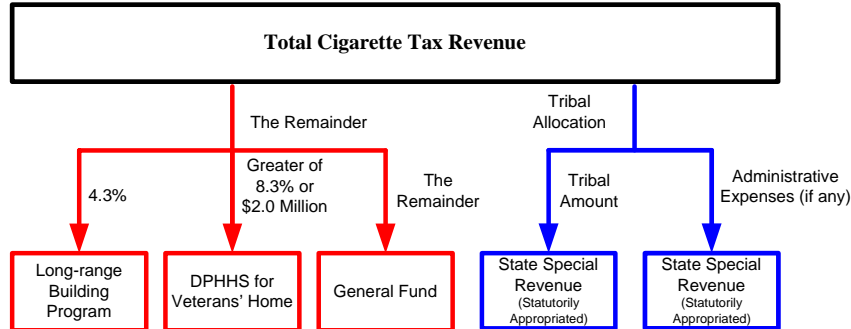
Legislative Fiscal Division

Revenue Estimate Profile

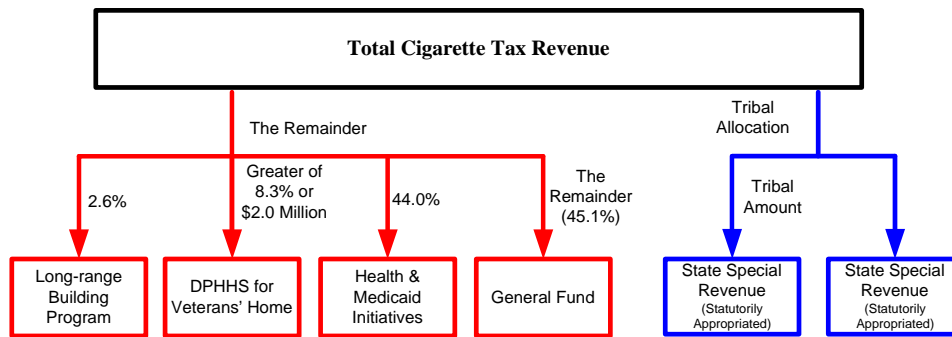
Cigarette Tax

Distribution Methodology

Through December 2004



Beginning January 2005



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Pack	Tax Rate	GF Percent	Tribal	Dis./Refunds
	Fiscal	Millions	Millions	Millions	Per Pack	Allocation	Millions	Millions
Actual	2000	11.766271	8.463793		0.180000	0.719327	0.178384	
Actual	2001	11.628459	8.284722		0.180000	0.712452	0.285740	
Actual	2002	11.052174	7.886903		0.180000	0.713606	0.254115	
Actual	2003	16.093023	12.576306		0.266667	0.781476	0.285856	
Actual	2004	41.582824	36.001502	60.906841	0.700000	0.865778	0.396269	1.051966
Forecast	2005	61.768000	40.102000	56.567229	1.116667	0.662200	1.210000	1.399184
Forecast	2006	86.080000	38.009000	51.692548	1.700000	0.451000	1.803000	1.797597
Forecast	2007	83.830000	36.670000	50.265834	1.700000	0.451000	2.521000	1.622441

$$\text{GF Tax} = \text{Packs} * \text{Tax Rate} - \text{Tribal} * \text{GF Percent Allocation}$$

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

Major Drivers:

- Fuel sales
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Fuel price
 - Availability of fuel products
 - Changes in manufacturing
- Social Factors
 - Disturbances in production
 - Government or industry announcements
 - Demand of substitutes, rail and air freight
 - Desire for fuel efficient vehicles
 - Relationships with oil producing countries

Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

- Legislative Factors
 - State legislative impacts
 - Tax changes
 - Environmental law changes
 - Subsidies for alternatives
 - Federal legislative impacts
 - Tax changes
 - Environmental law changes
 - Subsidies for alternatives
 - Regulation of trucking industry

Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Statutory Reference:

Tax Rate (MCA) – 15-70-321(2), 15-11-313 (storage tank cleanup)

Tax Distribution (MCA) – 15-70-101(1), 75-11-314 (storage tank cleanup)

Date Due – 25th of the following month (15-70-344(1))

% of Total FY 2004 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 assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

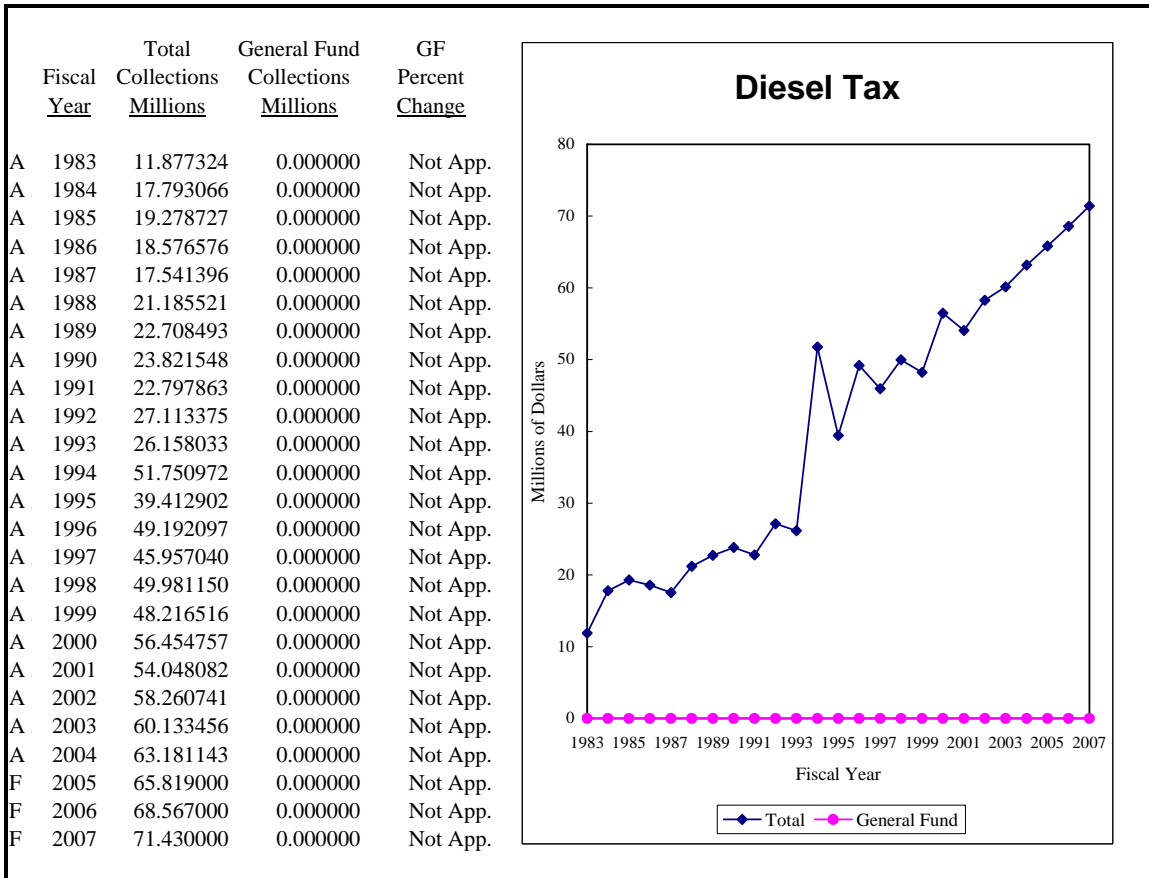
Diesel tax revenue is calculated by first determining the gallons of diesel fuel by applying a growth rate to the prior year’s gallons sold. For the diesel fuel tax revenue, the effective diesel tax rate is multiplied by the estimated number of gallons. The effective tax rate is 99.0 percent of the statutory 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.

Legislative Fiscal Division

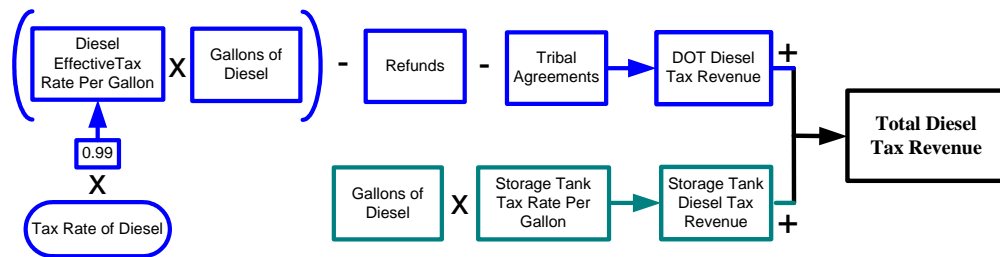
Revenue Estimate Profile

Diesel Tax

Revenue Projection:

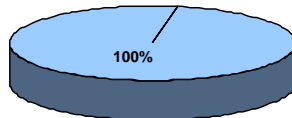


Forecast Methodology



Distribution Methodology

State Special Revenue Fund



Legislative Fiscal Division

Revenue Estimate Profile

Diesel Tax

Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Gross	Diesel Tax	Tank Tax
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
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
Actual	2003	60.133456	0.000000	64.332478	57.901809	2.231647
Actual	2004	63.181143	0.000000	67.600256	60.750470	2.430673
Forecast	2005	65.819000	0.000000	70.422431	63.286680	2.532149
Forecast	2006	68.567000	0.000000	73.362427	65.928772	2.637861
Forecast	2007	71.430000	0.000000	76.425162	68.681168	2.747986

	t	Refunds	Diesel	Tank	Gallons	Tank
	<u>Fiscal</u>	<u>Millions</u>	<u>Effective</u>	<u>Effective</u>	<u>Millions</u>	<u>Millions</u>
			<u>Rate</u>	<u>Rate</u>		
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
Actual	2003	-4.199022	0.274725	0.007500	226.047251	297.552933
Actual	2004	-4.419113	0.274725	0.007500	237.217519	324.089733
Forecast	2005	-4.603602	0.274725	0.007500	247.120876	337.619831
Forecast	2006	-4.795794	0.274725	0.007500	257.437678	351.714784
Forecast	2007	-4.996008	0.274725	0.007500	268.185186	366.398173

	t	GF	DOT	GF	DOT
	<u>Fiscal</u>	<u>Percent</u>	<u>Percent</u>	<u>Millions</u>	<u>Millions</u>
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
Actual	2003	0.0000%	100.0000%	0.000000	57.901809
Actual	2004	0.0000%	100.0000%	0.000000	60.750470
Forecast	2005	0.0000%	100.0000%	0.000000	63.287000
Forecast	2006	0.0000%	100.0000%	0.000000	65.929000
Forecast	2007	0.0000%	100.0000%	0.000000	68.682000

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 - \$.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

Major Drivers:

- Gallons sold
- Tax rate
- Refunds

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Potential Factors Influencing Change:

- Economic Factors
 - Fuel price
 - Population change
 - Price of alternative fuels
 - Availability of fuel products
 - New technologies
- Social Factors
 - Disturbances in production
 - Government or industry announcements
 - Demand of substitutes, other types of fuel
 - Desire for fuel efficient vehicles
 - Relationships with oil producing countries
- Legislative Factors
 - State legislative impacts
 - Tax changes
 - Environmental law changes
 - Subsidies for alternatives
 - Federal legislative impacts
 - Tax changes
 - Environmental law changes

Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Statutory Reference:

Tax Rate (MCA) – 15-70-204(1), 15-11-314 (storage tank cleanup)

Distribution (MCA) – 15-70-101(1), 60-3-201(1), 75-11-313 (storage tank cleanup)

Date Due – 25th of the following month (15-70-205(1))

% of Total FY 2004 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 assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

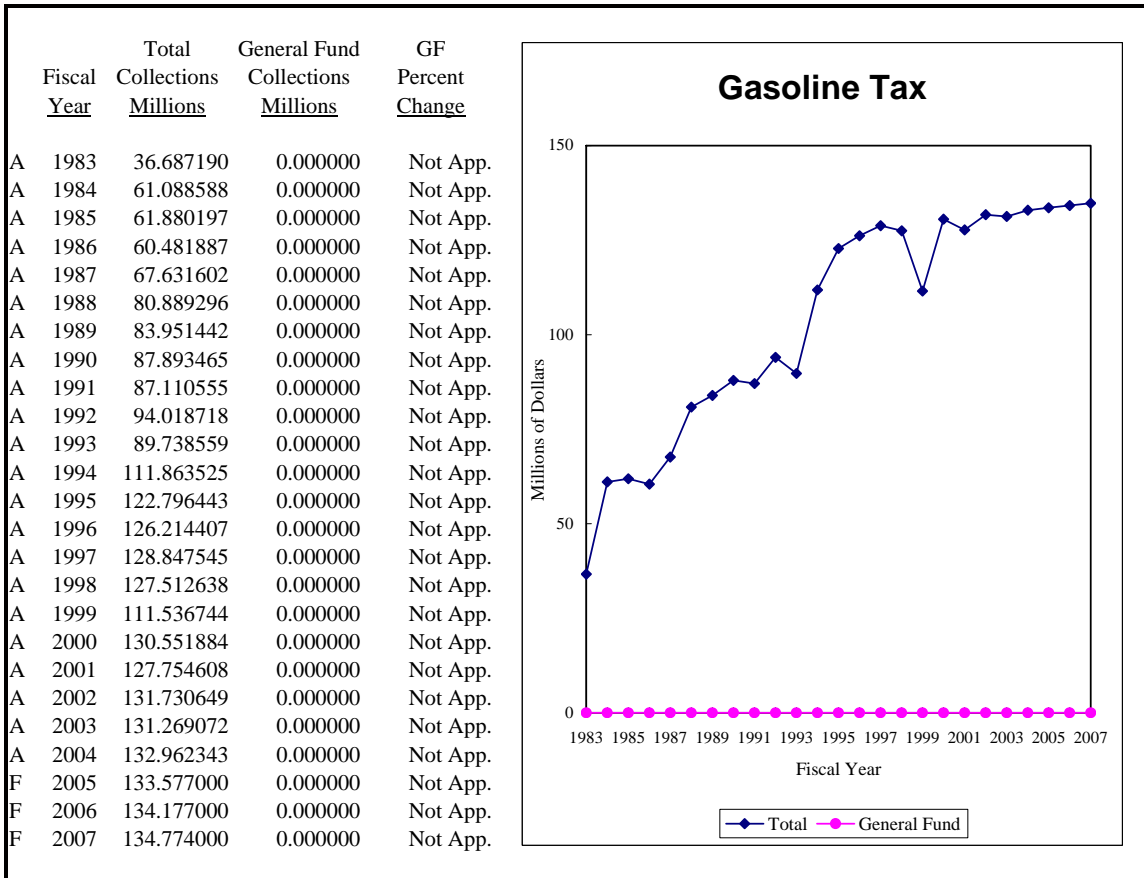
Gasoline tax revenue is calculated by first determining the gallons of gasoline by applying a growth rate to the prior year’s gallons sold. For the gasoline fuel tax revenue, the effective gasoline tax rate is multiplied by the estimated number of gallons. The effective tax rate is 99.0 percent of the 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.

Legislative Fiscal Division

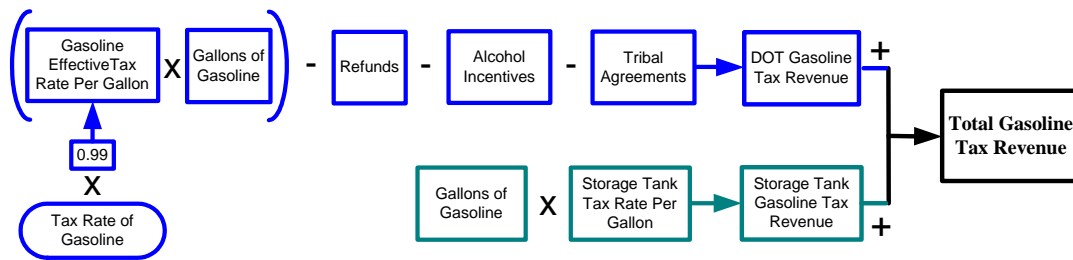
Revenue Estimate Profile

Gasoline Tax

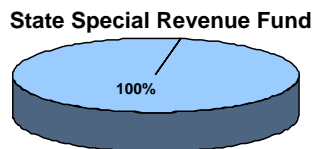
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

Revenue Estimate Assumptions

	t	Total Tax	GF Tax	Gross Tax	Gas Tax	Tank Tax
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
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
Actual	2003	131.269072	0.000000	137.967329	127.490014	3.779058
Actual	2004	132.962343	0.000000	139.553197	129.154089	3.808254
Forecast	2005	133.577000	0.000000	140.158997	129.752186	3.824786
Forecast	2006	134.177000	0.000000	140.767427	130.335774	3.841389
Forecast	2007	134.774000	0.000000	141.378499	130.916157	3.858064

	t	Refunds	Alcohol	Tribal	Gas	Tank	Gallons	Tank
	<u>Fiscal</u>	<u>Millions</u>	<u>Incentives</u>	<u>Millions</u>	<u>Effective</u>	<u>Effective</u>	<u>Millions</u>	<u>Millions</u>
					<u>Rate</u>	<u>Rate</u>		
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
Actual	2003	-2.985118	0.000000	-3.713139	0.267300	0.007500	502.013734	503.87440
Actual	2004	-2.829688	0.000000	-3.761166	0.267300	0.007500	507.837422	507.76720
Forecast	2005	-2.841972	0.000000	-3.740053	0.267300	0.007500	510.041944	509.97142
Forecast	2006	-2.854309	0.000000	-3.735955	0.267300	0.007500	512.256036	512.18520
Forecast	2007	-2.866700	0.000000	-3.737578	0.267300	0.007500	514.479739	514.40860

	t	GF	DOT	FWP Snow	FWP Boat	Aeronautics	Off Highway
	<u>Fiscal</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
Actual	2000	0.0000%	98.3551%	0.4729%	0.9253%	0.0411%	0.0000%
Actual	2001	0.0000%	98.3544%	0.4698%	0.9272%	0.0418%	0.0000%
Actual	2002	0.0000%	98.3640%	0.4711%	0.9227%	0.0411%	0.0000%
Actual	2003	0.0000%	98.3533%	0.4734%	0.9262%	0.0412%	0.0000%
Actual	2004	0.0000%	98.3535%	0.4734%	0.9262%	0.0412%	0.0000%
Forecast	2005	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%
Forecast	2006	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%
Forecast	2007	0.0000%	98.3993%	0.4607%	0.9000%	0.0400%	0.0000%

Legislative Fiscal Division

Revenue Estimate Profile

Gasoline Tax

	<u>t</u>	<u>DOT</u>	<u>FWP Snow</u>	<u>FWP Boat</u>	<u>Aeronautics</u>
	<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%
Actual	2001	0.01030%	0.02050%	0.05140%	0.01030%
Actual	2002	0.01030%	0.01950%	0.04920%	0.01030%
Actual	2003	0.01030%	0.02060%	0.05150%	0.01030%
Actual	2004	0.01030%	0.02060%	0.05140%	0.01030%
Forecast	2005	0.00540%	0.02320%	0.04640%	0.01250%
Forecast	2006	0.00540%	0.02320%	0.04640%	0.01250%
Forecast	2007	0.00540%	0.02320%	0.04640%	0.01250%

	<u>t</u>	<u>GF</u>	<u>DOT</u>	<u>FWP Snow</u>	<u>FWP Boat</u>	<u>Aeronautics</u>	<u>Off Highway</u>
	<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
Actual	2001	0.000000	122.017676	0.582819	1.150251	0.051863	0.141735
Actual	2002	0.000000	125.907096	0.603018	1.181094	0.052552	0.143185
Actual	2003	0.000000	125.390592	0.603563	1.180857	0.052481	0.144352
Actual	2004	0.000000	127.027523	0.611397	1.196224	0.053166	0.146194
Forecast	2005	0.000000	127.616000	0.615000	1.201000	0.053000	0.150000
Forecast	2006	0.000000	128.189000	0.618000	1.207000	0.054000	0.151000
Forecast	2007	0.000000	128.762000	0.620000	1.212000	0.054000	0.151000

	<u>t</u>	<u>Weed</u>	<u>Snow Enforce.</u>	<u>Snow Con-Ed.</u>	<u>OHV Con-Ed.</u>
	<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
Actual	2001	0.012782	0.025441	0.063787	0.012782
Actual	2002	0.013138	0.024943	0.063024	0.013138
Actual	2003	0.013120	0.026270	0.065659	0.013120
Actual	2004	0.013299	0.026570	0.066424	0.013292
Forecast	2005	0.007000	0.031000	0.062000	0.017000
Forecast	2006	0.007000	0.031000	0.062000	0.017000
Forecast	2007	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. Miscellaneous permits comprise the second income component under this source.

Applicable Tax Rate(s): Various

Distribution: The majority of GVW revenue 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 General Fund Revenue” profile.

Collection Frequency: Various

Major Drivers:

- Number of permits sold
- Amount of fee
- Number of vehicles

Potential Factors Influencing Change:

- Economic Factors
 - Manufacturing, agriculture, logging production
 - Vehicle sales
 - Gas prices
- Social Factors
 - Government or industry announcements, trucking
 - Alternative freight methods
- Legislative Factors
 - State legislative impacts
 - Fee changes
 - Industry/vehicle regulations
 - Federal legislative impacts
 - Industry/vehicle regulations
 - Changes in tax/fees

Data Source(s): SABHRS, Department of Transportation

Contacts: Department of Transportation

Statutory Reference:

Tax Rate – Multiple, single state registration fee (Administrative Rules 18.8.202)

Tax Distribution (MCA) – Multiple, single state registration fee (61-3-708)

Date Due – upon registration and annually thereafter or prior to the new year if permit is wanted by then (61-3-708)

% of Total FY 2004 General Fund Revenue: 0.09% (included in “All Other”)

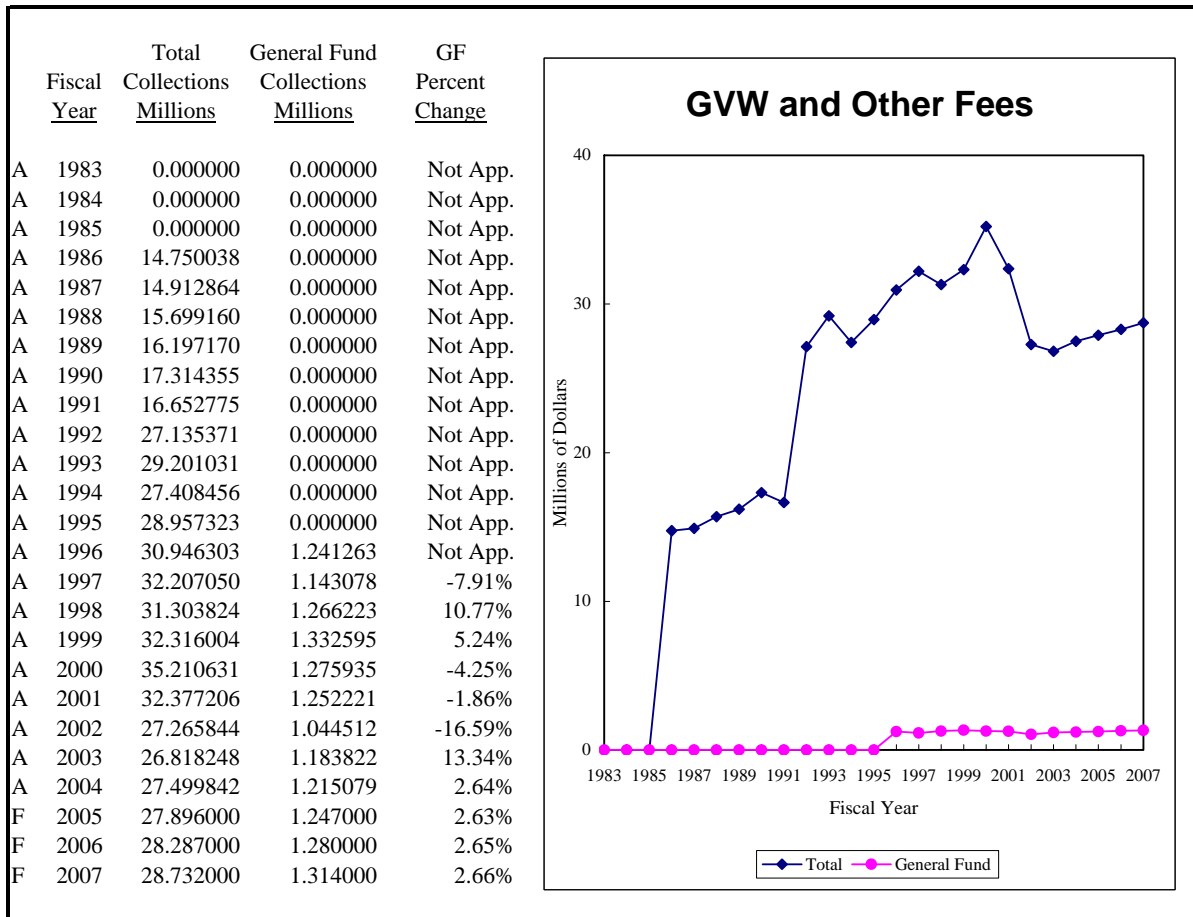
Legislative Fiscal Division

Revenue Estimate Profile GVW and Other Fees

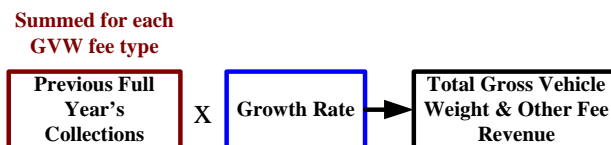
Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions.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

Revenue Projection:



Forecast Methodology

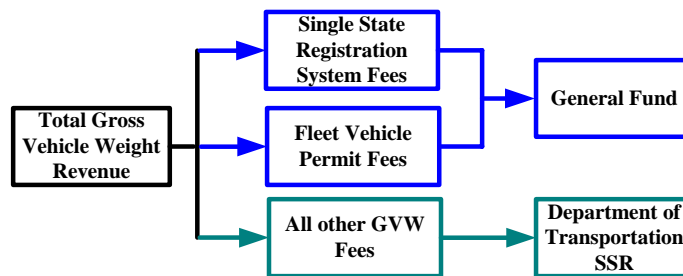


Legislative Fiscal Division

Revenue Estimate Profile

GVW and Other Fees

Distribution Methodology



Revenue Estimate Assumptions

	t	Total Tax	GF Tax	GVW	SSRS	Form 3	Trip	County
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
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
Actual	2003	26.818248	1.183822	8.503261	1.183822	1.043854	0.441475	8.800388
Actual	2004	27.499842	1.215079	8.586289	1.215080	1.006892	0.455112	9.397954
Forecast	2005	27.896000	1.247000	8.708122	1.247163	1.025373	0.455112	9.531304
Forecast	2006	28.287000	1.280000	8.831683	1.280093	1.016133	0.455112	9.666546
Forecast	2007	28.732000	1.314000	8.956998	1.313892	1.020753	0.455112	9.803707

	t	Sales	Overweight	Special	Restricted	Fuel	LPG	Other
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
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	4.957472
Actual	2003	0.000000	1.815747	0.921775	0.000000	0.105750	0.000000	4.002176
Actual	2004	0.000000	1.902635	0.977915	0.000000	0.108120	0.000000	3.849845
Forecast	2005	0.000000	1.975324	0.994231	0.000000	0.109747	0.000000	3.849845
Forecast	2006	0.000000	2.064098	1.013017	0.000000	0.110263	0.000000	3.849845
Forecast	2007	0.000000	2.193544	1.028190	0.000000	0.110208	0.000000	3.849845

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 to the enterprise fund for transfer 34.5 % 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.

Major Drivers:

- Value of liquor sold
- Tax rate

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
- Social Factors
 - Government or industry announcements
 - Demand of substitutes
 - Public perception of health and addiction risks
- Legislative Factors
 - State legislative impacts
 - Tax related changes
 - Changes in laws and penalties addressing alcohol related activities (i.e. legal drinking age)
 - Federal legislative impacts
 - Tax changes
 - Pressure exerted on Montana to enact or change laws addressing alcohol related activities

Data Source(s): SABHRS, Department of Revenue

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – Excise tax (16-1-401), License tax (16-1-404)

Tax Distribution (MCA) – Excise tax (16-16-1-401), License tax (16-1-404)

Date Due – Excise tax is collected at the time of sale and distributed by the 10th day of each month. License tax is collected at the time of sale.

% of Total FY 2004 General Fund Revenue: 0.78%

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 assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

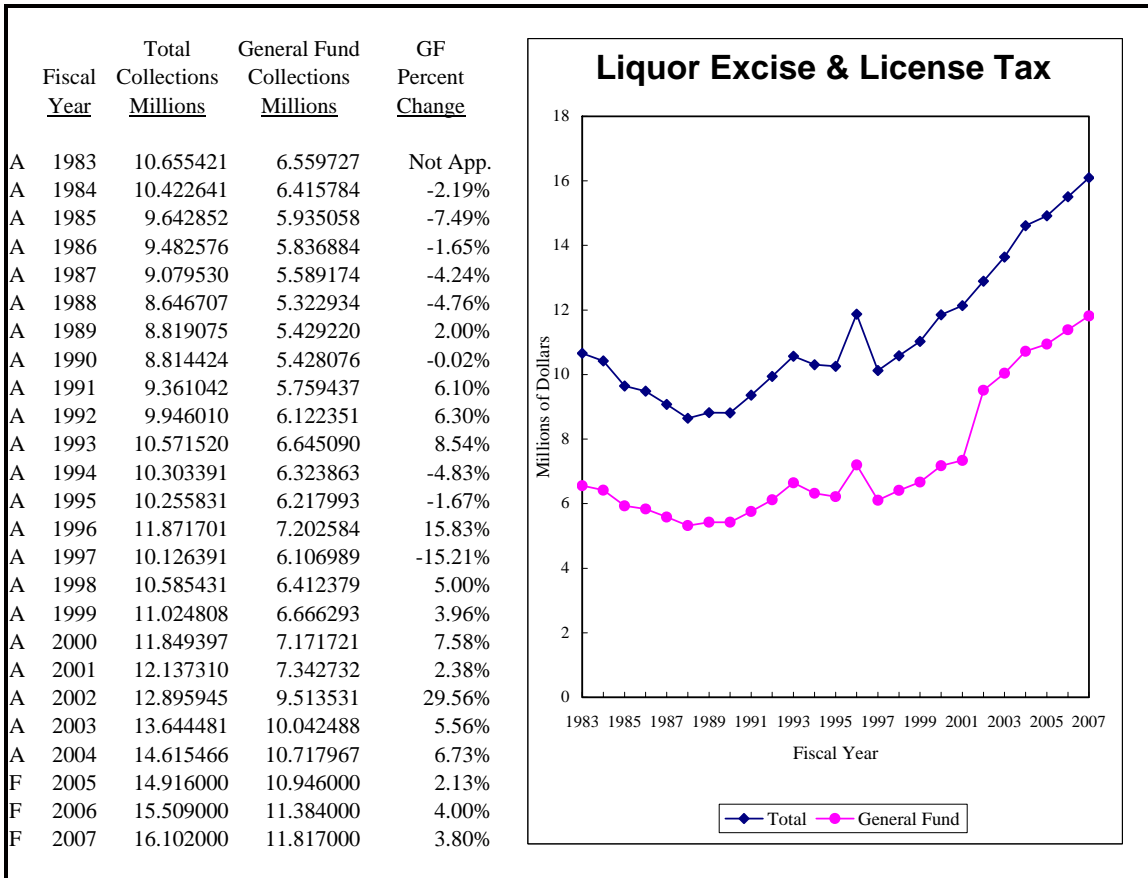
In order to estimate total liquor tax revenue, the LFD performs two separate but identical calculations for the liquor excise tax and the liquor license tax. A regression model is applied to gross sales to estimate future gross sales. Estimated gross sales for each year are multiplied by the applicable tax rate. The results are added together to equal total collections. Total collections shown on the following graph include both the license and excise taxes.

Legislative Fiscal Division

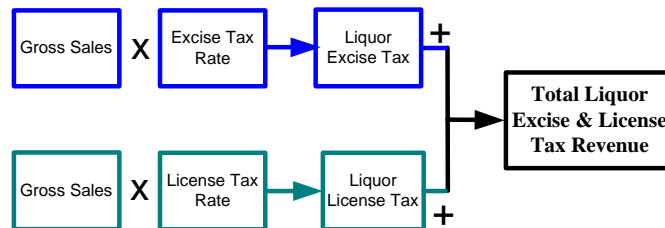
Revenue Estimate Profile

Liquor Excise and License Tax

Revenue Projection:



Forecast Methodology

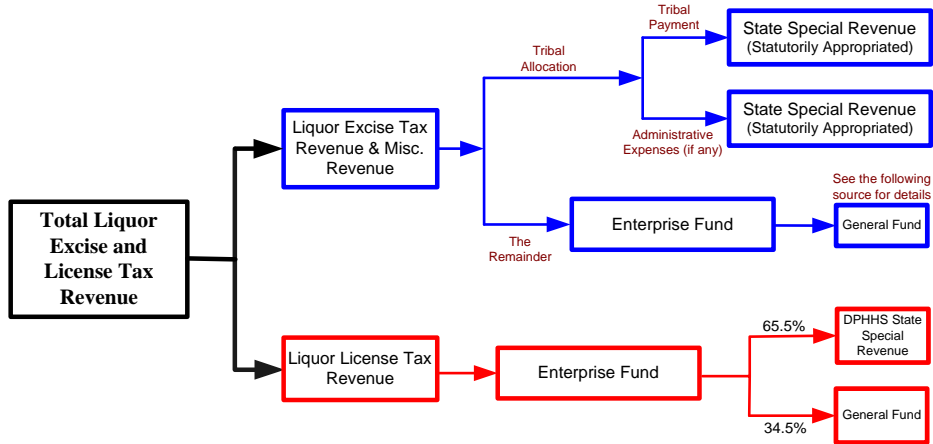


Legislative Fiscal Division

Revenue Estimate Profile

Liquor Excise and License Tax

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Tribal</u>	<u>Gross</u>	<u>Excise</u>	<u>License</u>	<u>GF Tax</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Sales</u>	<u>Rate</u>	<u>Rate</u>	<u>Allocation</u>
Actual	2000	11.849397	7.171721	0.118276	45.609283	0.160000	0.100000	
Actual	2001	12.137310	7.342732	0.126171	46.701813	0.160000	0.100000	
Actual	2002	12.895945	9.513531	0.133456	49.615021	0.160000	0.100000	0.344908
Actual	2003	13.644481	10.042488	0.165323	52.479352	0.160000	0.100000	0.345000
Actual	2004	14.615466	10.717967	0.216395	56.212333	0.160000	0.100000	0.345000
Forecast	2005	14.916000	10.946000	0.212000	57.368197	0.160000	0.100000	0.345000
Forecast	2006	15.509000	11.384000	0.218000	59.647320	0.160000	0.100000	0.345000
Forecast	2007	16.102000	11.817000	0.229000	61.926443	0.160000	0.100000	0.345000

$$\text{GF Tax} = \text{Gross Sales} * \text{Excise Rate} - \text{Tribal} + \text{Gross Sales} * \text{License Rate} * \text{GF Tax Allocation}$$

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

Revenue Description: The Department of Revenue (DOR) is authorized to sell liquor and fortified wine to retail liquor establishments throughout the state. These sales result in profits that are deposited in the general fund. 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 fortified 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 percentage on the base cost of fortified wine (excluding hard cider) varies according to the size of the container:

- 1.5 liter – 42% plus \$0.27/bottle
- 1.0, .720 and .750 liter – 51% plus \$0.12/bottle
- .375 liter – 59% plus \$0.02/bottle

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.

Major Drivers:

- Value of liquor and fortified wine sold
- Cost of goods sold
- Department of Revenue program costs including commissions and discounts

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
- Social Factors
 - Government or industry announcements
 - Demand of substitutes
 - Public perception of health and addiction risks
- Legislative Factors
 - State legislative impacts
 - Amount appropriated from the enterprise fund
 - Tax related changes that change the cost of the products
 - Markup percentage (determined by administrative rule)
 - Changes in laws and penalties addressing alcohol related activities (i.e. legal drinking age)
 - Federal legislative impacts
 - Tax changes
 - Pressure exerted on Montana to enact or change laws addressing alcohol related activities

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

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

Contacts: Department of Revenue

Statutory Reference:

Tax Rate – Authority to markup the price is found in 16-1-404(2) and ARM 42.11.104
Tax Distribution (MCA) – 16-2-108(4)
Date Due - NA

% of Total FY 2004 General Fund Revenue: 0.47%

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 assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

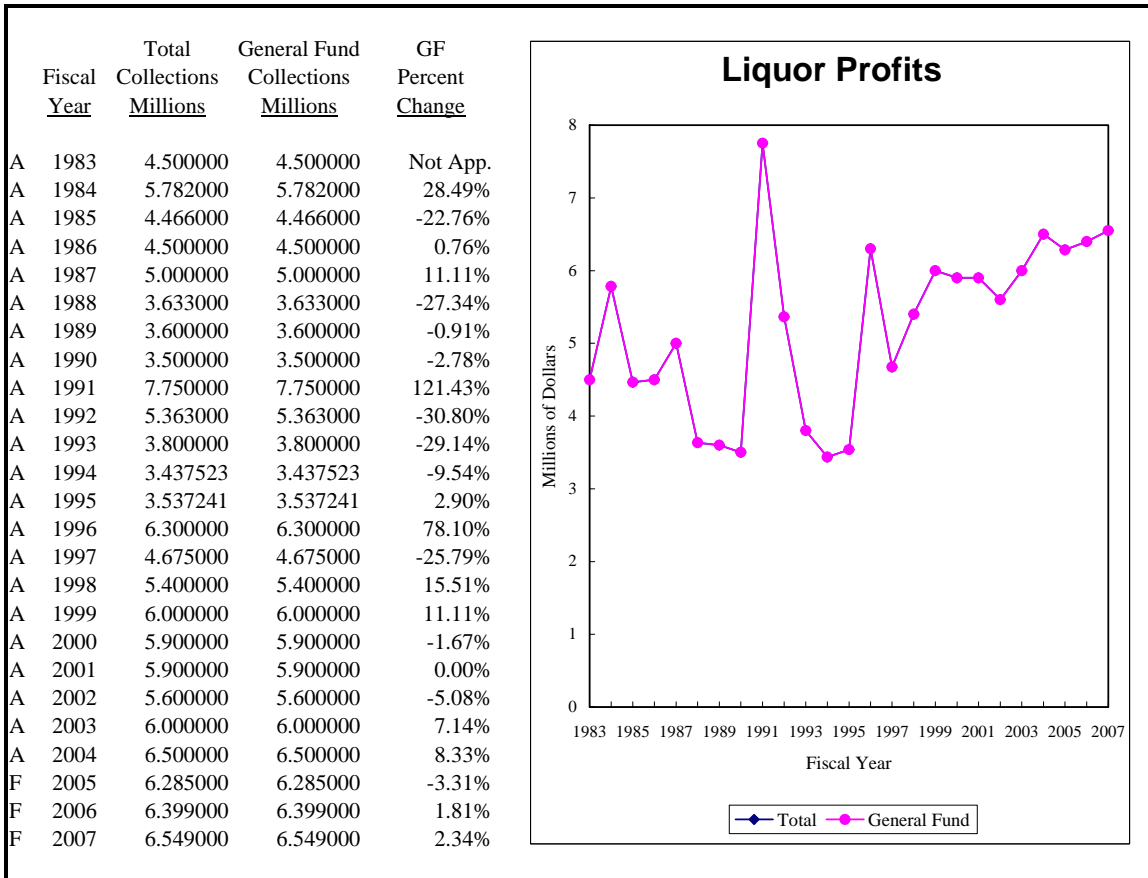
Liquor profits are estimated by determining gross sales and subtracting the various associated costs, including: discounts, commissions, cost of goods sold, and operating costs. Commission percentages vary according to the franchise agreement held between the state and agency liquor stores. An 8.0 percent 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. Gross sales are estimated using a regression model. Costs are estimated by using a regression model on the sales to cost ratio. Discounts are estimated by the previous fiscal year discount/sales ratio applied to sales. Operating costs are obtained from agency budget requests. Other miscellaneous revenue is estimated by using a 3-year running average.

Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

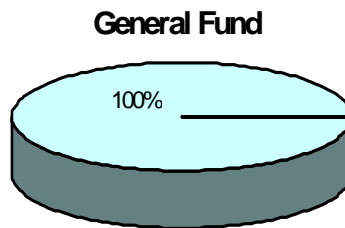
Revenue Projection:



Forecast Methodology



Distribution Methodology



Legislative Fiscal Division

Revenue Estimate Profile

Liquor Profits

Revenue Estimate Assumptions

	t	GF Profit	Gross	Excise/Lic	Dis/Comm	Cost of	Operation	Other
	<u>Fiscal</u>	<u>Millions</u>	<u>Sales</u>	<u>Tax</u>	<u>Millions</u>	<u>Goods</u>	<u>Costs</u>	<u>Income</u>
Actual	2000	5.900000	57.467696	11.853082	6.003244	32.318259	1.202429	0.039667
Actual	2001	5.900000	58.844284	12.141061	6.134579	33.666541	1.301124	0.003416
Actual	2002	5.600000	62.514926	12.898347	6.797458	35.279453	1.477563	0.008387
Actual	2003	6.000000	66.123983	13.643474	7.432835	37.321005	1.484600	0.007831
Actual	2004	6.500000	70.827539	14.613826	8.165280	39.933421	1.299518	0.009589
Forecast	2005	6.285000	72.283928	14.915731	8.333687	41.456785	1.301755	0.008602
Forecast	2006	6.399000	75.155623	15.508303	8.664768	43.243863	1.348516	0.008674
Forecast	2007	6.549000	78.027318	16.100875	8.995849	45.042594	1.347718	0.008955

GF Profit = Gross Sales + Other Income – Excise /Lic Tax – Dis/Comm – Cost of Goods – Operation Costs

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 Administration. 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. Sales revenue is initially deposited into an enterprise fund known as the state lottery fund. After paying prizes, ticket costs, commissions, and other operating costs, any profits are transferred to the general 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, administration, 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 biennium budget for the state lottery fund for appropriation by the legislature. By determining the amount appropriated, 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.

Major Drivers:

- Ticket sales
- Prizes
- Commissions
- Administration and operating costs

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
- Social Factors –
 - Larger jackpots tend to increase ticket sales
 - Competition from other forms of gambling
 - Competition from other forms of entertainment
 - Public perception of addiction risks
- Legislative Factors
 - State legislative impacts
 - Amount appropriated from the enterprise fund
 - Minimum percent for prizes set in statute
 - Federal legislative impacts
 - Effects on disposable income

Legislative Fiscal Division

Revenue Estimate Profile

Lottery Profits

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

Contacts: Department of Administration

Statutory Reference:

Tax Rate – NA
Distribution (MCA) – 23-7-402(3)
Date Due – quarterly (23-7-402(3))

% of Total FY 2004 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 assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

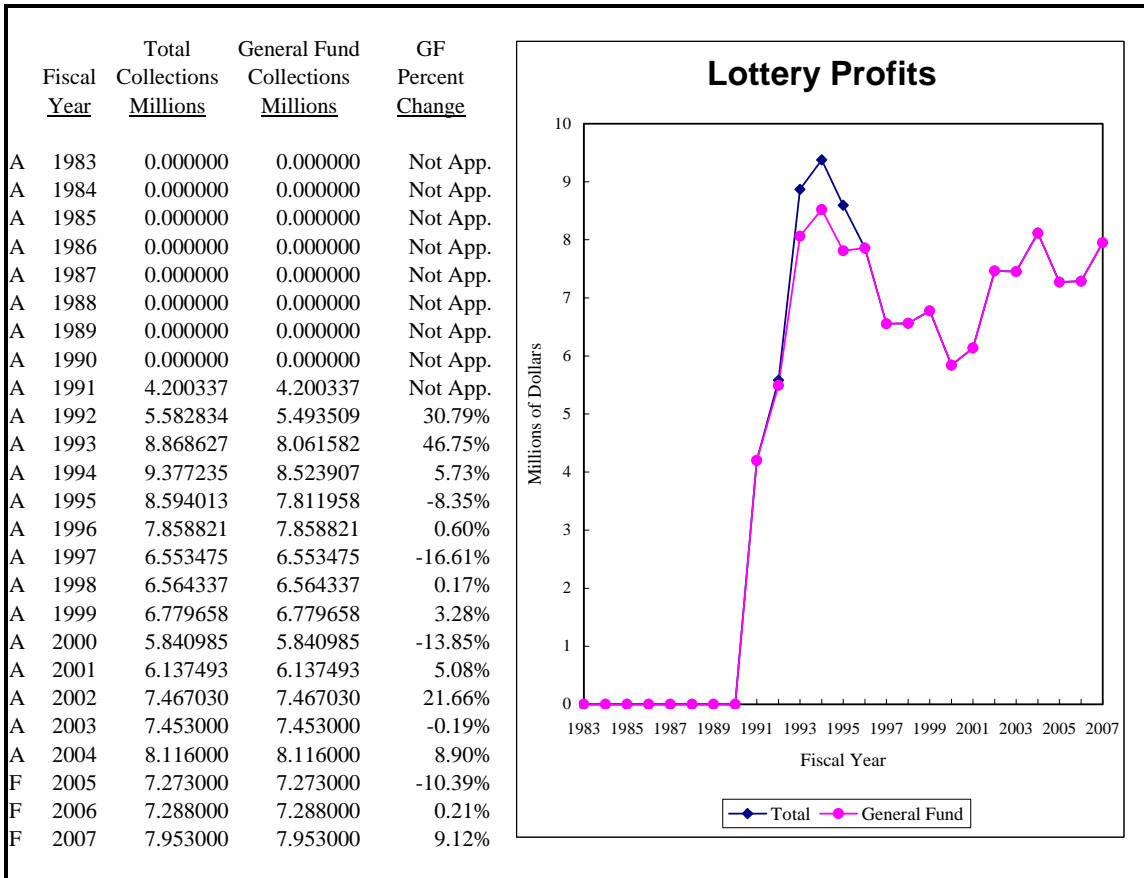
The estimate of lottery profits requires projecting several components of lottery operations. First, the amount of license receipts issued, provided by the Montana Lottery Commission, in fiscal 2004 is continued through the 2007 biennium. To estimate the number of tickets that will be sold during the biennium, the per-capita sales in fiscal 2003 is increased using Montana population estimates, provided by Global Insight. Interest earnings on gross revenues in the enterprise fund are estimated using short-term interest rates and an average daily balance. Other income is held constant at fiscal 2004 levels. These components are added together to obtain the total estimate of lottery revenues. Estimated costs of operations are obtained from the Montana Lottery Commission budget requests, and prize payments are estimated using a prize to ticket sale ratio, estimated from a 3-year running average. Total estimated revenues are reduced by estimated costs to derive lottery profits.

Legislative Fiscal Division

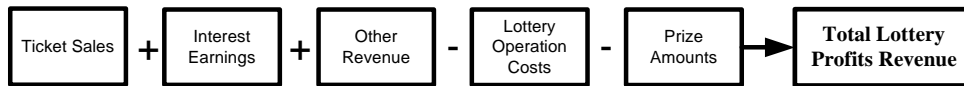
Revenue Estimate Profile

Lottery Profits

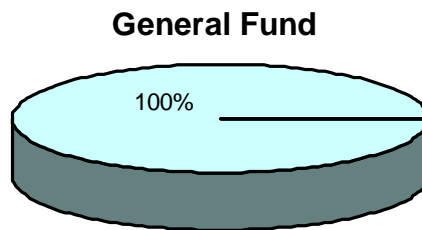
Revenue Projection:



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
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>
Actual	2000	5.840985	5.840985	29.899809	0.278620	0.075465	7.091950	17.320959
Actual	2001	6.137493	6.137493	30.366526	0.275320	0.056324	7.098631	17.462046
Actual	2002	7.467030	7.467030	33.632276	0.145685	0.039096	7.264246	19.085781
Actual	2003	7.453281	7.453281	34.682494	0.077164	0.014065	7.721733	19.598709
Actual	2004	8.115602	8.115602	36.737657	0.043993	0.002536	7.897710	20.770874
Forecast	2005	7.273000	7.273000	34.984738	0.063214	0.002536	7.976687	19.800872
Forecast	2006	7.288000	7.288000	35.135860	0.092355	0.002536	8.056457	19.886405
Forecast	2007	7.953000	7.953000	35.249202	0.103469	0.002536	7.451322	19.950555

$$\text{GF Profits} = \text{Sales} + \text{Interest} + \text{Other} - \text{Operating} - \text{Prizes}$$

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Revenue Description: The tobacco tax is an excise tax on tobacco products sold in Montana. The tax does not apply to cigarettes. The tax is considered 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. Wholesalers are allowed a discount of 2.5 percent, until January 1, 2005 when the discount will be reduced to 1.5 percent, to cover collection and administrative expenses. The wholesaler is entitled to a refund for tobacco products that remain unsold.

The state has tobacco revenue sharing agreements with three tribes in Montana. In the agreements with the Blackfeet, Ft. Belknap, and Ft. Peck Tribes, the state collects the tax imposed by the tribes and distributes the revenue to the tribes on a quarterly basis. Indian consumers of tobacco on other reservations are exempt from paying the tobacco tax.

Applicable Tax Rate(s):

Through December 2004

Tobacco products - 25.0 percent of the wholesale price

Moist snuff - \$0.35 per ounce

Beginning January 2005

Tobacco products - 50.0 percent of the wholesale price

Moist snuff - \$0.85 per ounce

Distribution:

Through December 2004

- All proceeds, less distributions paid according to tribal agreements, are deposited into the general fund

Beginning January 2005

- 50% Health and Medicaid initiatives
- 50% General Fund

Collection Frequency: Monthly

Major Drivers:

- Tobacco value
- Tax rate
- Ounces of moist snuff

Potential Factors Influencing Change:

- Economic Factors
 - Personal income change
 - Population change
 - Disposable income change
 - Tobacco advertising
 - Tobacco regulation
 - Tobacco information regulations

Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

- Social Factors
 - Government or industry announcements
 - Demand of substitutes
 - Perspectives concerning use of smokeless tobacco
- Legislative Factors
 - State legislative impacts
 - Changes in price / tax
 - Federal legislative impacts
 - Changes / adoption of laws concerning tobacco use
 - Changes in federal tobacco use taxes

Data Source(s): SABHRS, Department of Revenue

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 16-11-202(2)

Tax Distribution (MCA) – 16-11-206

Date Due – prior to the sale of tobacco products (16-11-203)

% of Total FY 2004 General Fund Revenue: 0.26%

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 assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section of this document. The following summarizes the LFD process used to develop the revenue estimate.

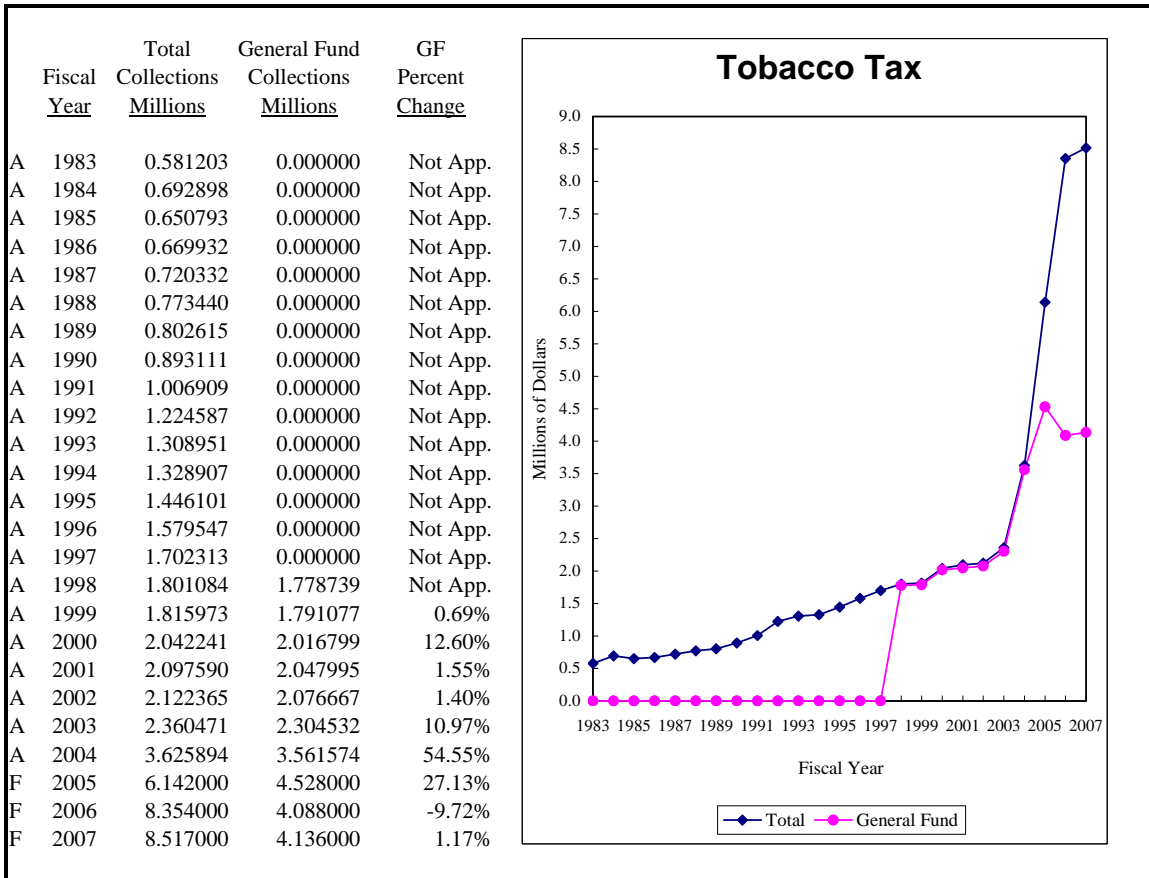
The LFD estimates tobacco tax revenues with a multi-step process, estimating other tobacco products and moist snuff independently. First, a trend model is used to determine the growth in tobacco consumption. The rate of growth is applied to the latest actual consumption of both other tobacco products and moist snuff. In years of tax increases, a price elasticity factor is applied to the estimates that predicts a decline of 4.4 percent in consumption for each 10 percent increase in price during the first year of the increase and a decline of two percent for each ten percent increase during the second year. The tax rates are then applied to the tobacco consumption components, and the estimates are combined to determine the total expected tobacco tax.

Legislative Fiscal Division

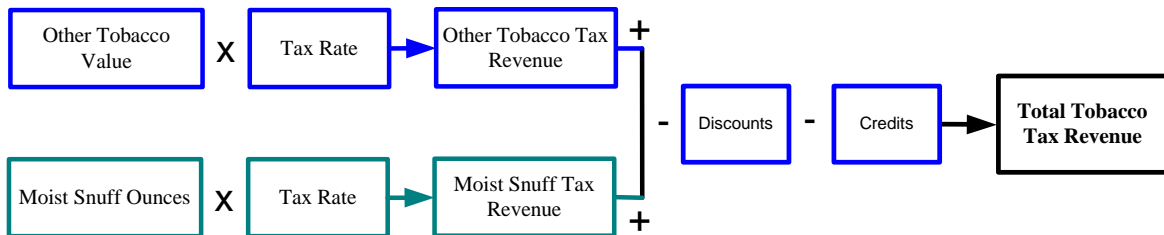
Revenue Estimate Profile

Tobacco Tax

Revenue Projection:



Forecast Methodology

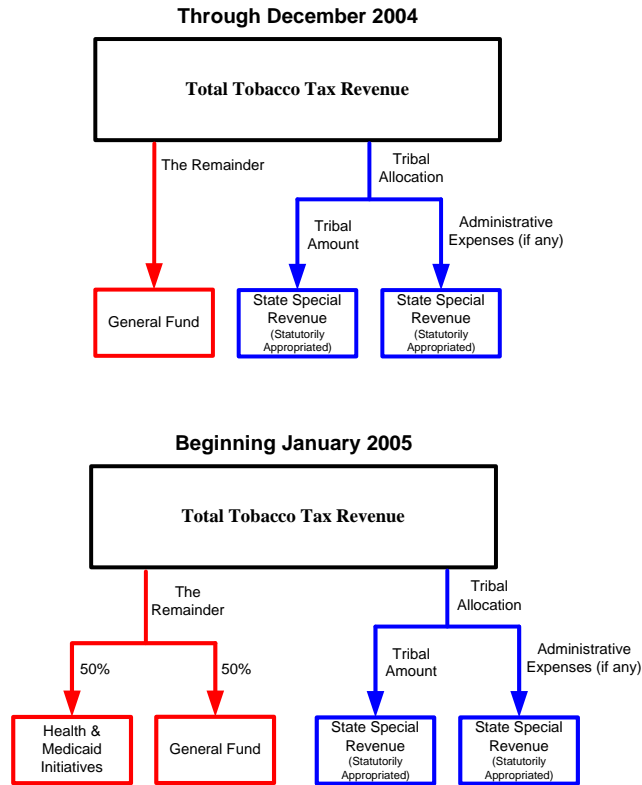


Legislative Fiscal Division

Revenue Estimate Profile

Tobacco Tax

Distribution Methodology



Revenue Estimate Assumptions

t	Total Tax	GF Tax	Tribal	Other Value	Tax Rate	Snuff Ounces	Tax Rate
Fiscal	Millions	Millions	Millions	Millions	Percent	Millions	Per Ounce
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	2.122365	2.076667	0.045698	16.978920	12.5000%		
Actual 2003	2.360471	2.304532	0.055939	18.883768	12.5000%		
Actual 2004	3.625894	3.561574	0.064320	4.160119	25.0000%	8.079726	0.350000
Forecast 2005	6.142000	4.528000	0.105000	4.281290	37.5000%	8.011305	0.600000
Forecast 2006	8.354000	4.088000	0.179000	4.275357	50.0000%	7.713426	0.850000
Forecast 2007	8.517000	4.136000	0.245000	4.477624	50.0000%	7.794059	0.850000

t	Disc. Other	Disc. Snuff	Credits
Fiscal	Millions	Millions	Millions
Actual 2000			
Actual 2001			
Actual 2002			
Actual 2003			
Actual 2004	0.030860	0.065578	0.091947
Forecast 2005	0.029434	0.086122	0.154574
Forecast 2006	0.032065	0.098346	0.209580
Forecast 2007	0.033582	0.099374	0.213670

$$\text{GF Tax} = \text{Other Value} * \text{Tax Rate} + \text{Snuff Ounces} * \text{Tax Rate} - \text{Discounts} - \text{Credits} - \text{Tribal}$$

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 (defined as net of payouts) 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 - \$220 annually (prorated basis), \$25 machine transfer processing fee
- Video Gambling Machine Permit Surcharge - \$10 annually per machine in establishments with fewer than 20 machines, \$20 annually per machine in establishments with 20 machines
- 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 (defined as net of payouts) per video gambling machine
- Bingo/Keno – 1.0% of gross proceeds
- Sport Tabs - \$1.00 for each 100 sport tabs sold
- Annual permit surcharge - \$10.00 per machine for establishments with fewer than 20 machines, \$20.00 per machine for establishments with 20 machines

Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

Distribution:

License Fees

1. \$100 of the live card game table fee and \$100 of the video gambling machine permit fee (prorated basis) are statutorily appropriated for distribution to local governments.
2. All of the video gambling machine permit surcharge fee is deposited to the general fund.
3. All other license fee revenue is retained by DOJ to cover administrative costs.

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: Video tax – quarterly, machine permit fees – quarterly, other fees – annually

Major Drivers:

- Gross video gambling income (defined as net of payouts)
- Tax rate
- Fee amounts

Potential Factors Influencing Change:

- Economic Factors
 - Personal income changes
 - Population changes
- Social Factors
 - Government or industry announcements
 - Gambling substitutes
 - Entertainment substitutes
 - Perception of addiction risks
 - Ease of gambling and perception of enjoyment
- Legislative Factors
 - State legislative impacts
 - Tax and related changes
 - Licensing restrictions
 - Federal legislative impacts
 - Changes affecting disposable income

Data Source(s): SABHRS, Department of Justice

Contacts: Department of Justice

Statutory Reference:

Tax Rate (MCA) – card table fee (23-5-306(2)), video tax (23-5-610(1)), machine permit fee (23-5-612(2))

Tax Distribution (MCA) - card table fee (23-5-306(3&4)), video (23-5-610(6)), machine permit fee (23-5-612(3))

Date Due – card table fees due annually and distributed quarterly to local governments (23-5-306(1&4)), video tax due 15 and 25 days after the end of the quarter (23-5-610(5)(a&b)), machine permit fees due annually prorated on a quarterly basis (23-5-612(2a))

Legislative Fiscal Division

Revenue Estimate Profile

Video Gambling Tax

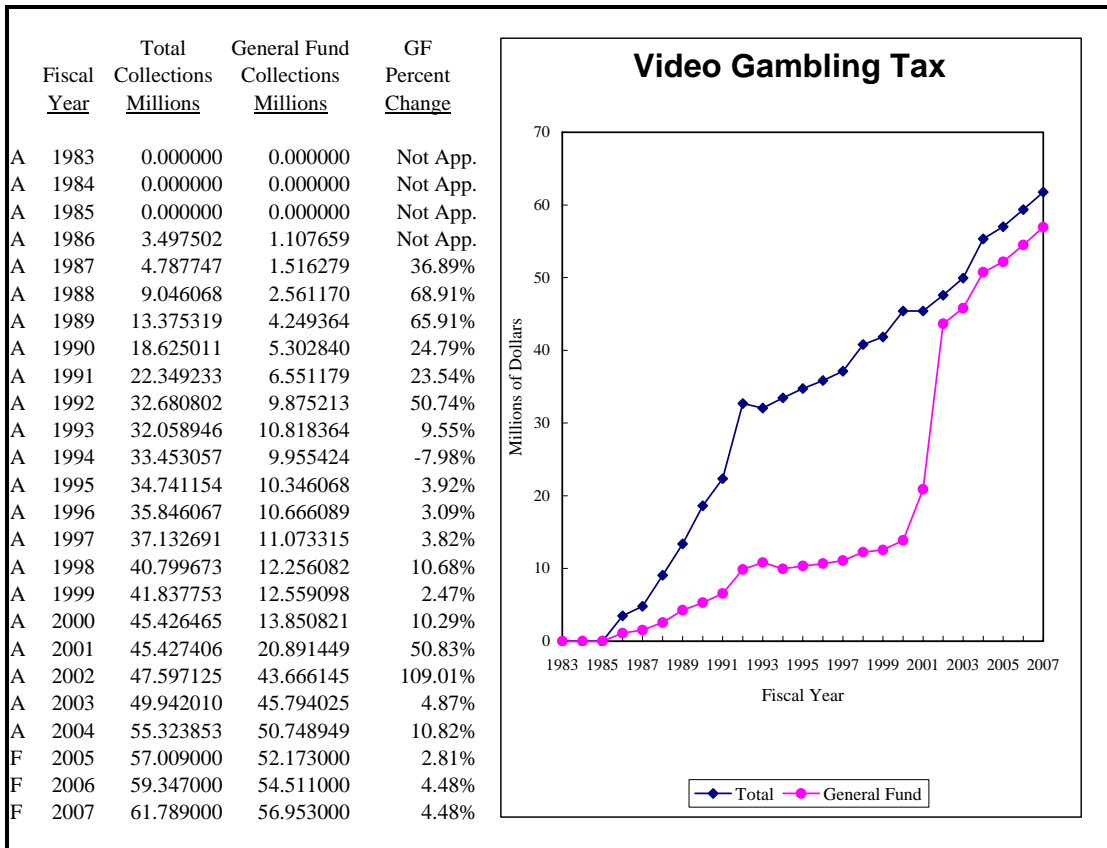
% of Total FY 2004 General Fund Revenue: 3.69%

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 assumptions used by the LFD to develop a revenue estimate for this source are provided in the "Revenue Estimate Assumptions" 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. Machine licenses, estimated by prior year growth, are multiplied by the appropriate fee for each machine type. The income for each machine license type is tallied, including the surcharge fee. 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; comprise total license fee revenue.

Future video gross income (defined as net of payouts) is estimated by using the compound growth of per capita video gambling. Video gambling tax revenue is calculated by multiplying video gross income by the tax rate. This revenue is then added to the license fee revenue to determine total video gaming tax revenue estimates.

Revenue Projection:

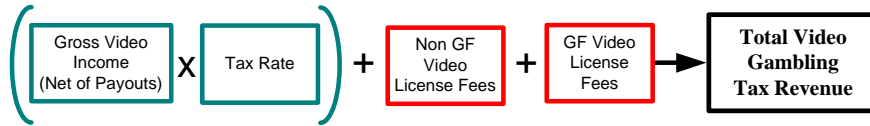


Legislative Fiscal Division

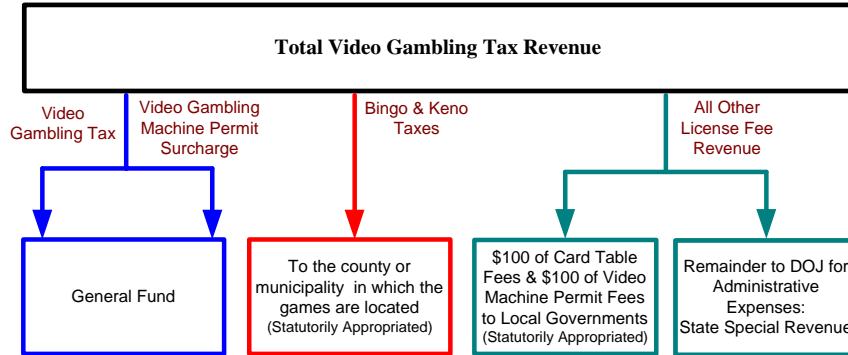
Revenue Estimate Profile

Video Gambling Tax

Forecast Methodology



Distribution Methodology



Revenue Estimate Assumptions

t	Fiscal	Total Tax Millions	GF Tax Millions	Net Income Millions	Net Income		
					Tax Rate	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	275.867992	0.150000	41.502013	3.925393
Actual	2002	47.597125	43.666145	290.298949	0.150000	43.668454	3.928671
Actual	2003	49.942010	45.794025	307.161266	0.150000	45.816379	4.125631
Actual	2004	55.323853	50.748949	332.902749	0.150000	50.495647	4.828206
Forecast	2005	57.009000	52.173000	347.819122	0.150000	52.173000	4.836000
Forecast	2006	59.347000	54.511000	363.403853	0.150000	54.511000	4.836000
Forecast	2007	61.789000	56.953000	379.686889	0.150000	56.953000	4.836000

t	Fiscal	Annual Growth Rate	Tax	Tax	GF Percent Allocation
			Credits Millions	Efficiencies Millions	
Actual	2000	0.067667	0.000000	0.000000	0.334307
Actual	2001	0.022578	0.000000	0.000000	0.503384
Actual	2002	0.052311	0.000000	0.000000	0.999840
Actual	2003	0.058086	0.000000	0.000000	0.999512
Actual	2004	0.083804	0.000000	0.000000	0.999604
Forecast	2005	0.044807	0.000000	0.000000	1.000000
Forecast	2006	0.044807	0.000000	0.000000	1.000000
Forecast	2007	0.044807	0.000000	0.000000	1.000000

$$\text{GF Tax} = \text{Net Income} * \text{Tax Rate} + \text{GF Fee}$$

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

Major Drivers:

- Liters of wine
- Tax rate

Potential Factors Influencing Change:

- Economic Factors
 - Montana disposable income
 - Montana per capita wine consumption
 - Personal income change
 - Population change
- Social Factors
 - Government or industry announcements
 - Demand of substitutes, beer and alcohol
- Legislative Factors
 - State legislative impacts
 - Changes in wine price and tax
 - Changes in alcohol regulation
 - Federal legislative impacts
 - Changes in alcohol regulation

Data Source(s): SABHRS, Department of Revenue

Contacts: Department of Revenue

Statutory Reference:

Tax Rate (MCA) – 16-1-411(1), 16-2-301(2)

Tax Distribution (MCA) – 16-1-411(3)

Date Due – 15th day of the month following the sale from the distributor's warehouse (16-1-411(2))

% of Total FY 2004 General Fund Revenue: 0.10%

Legislative Fiscal Division

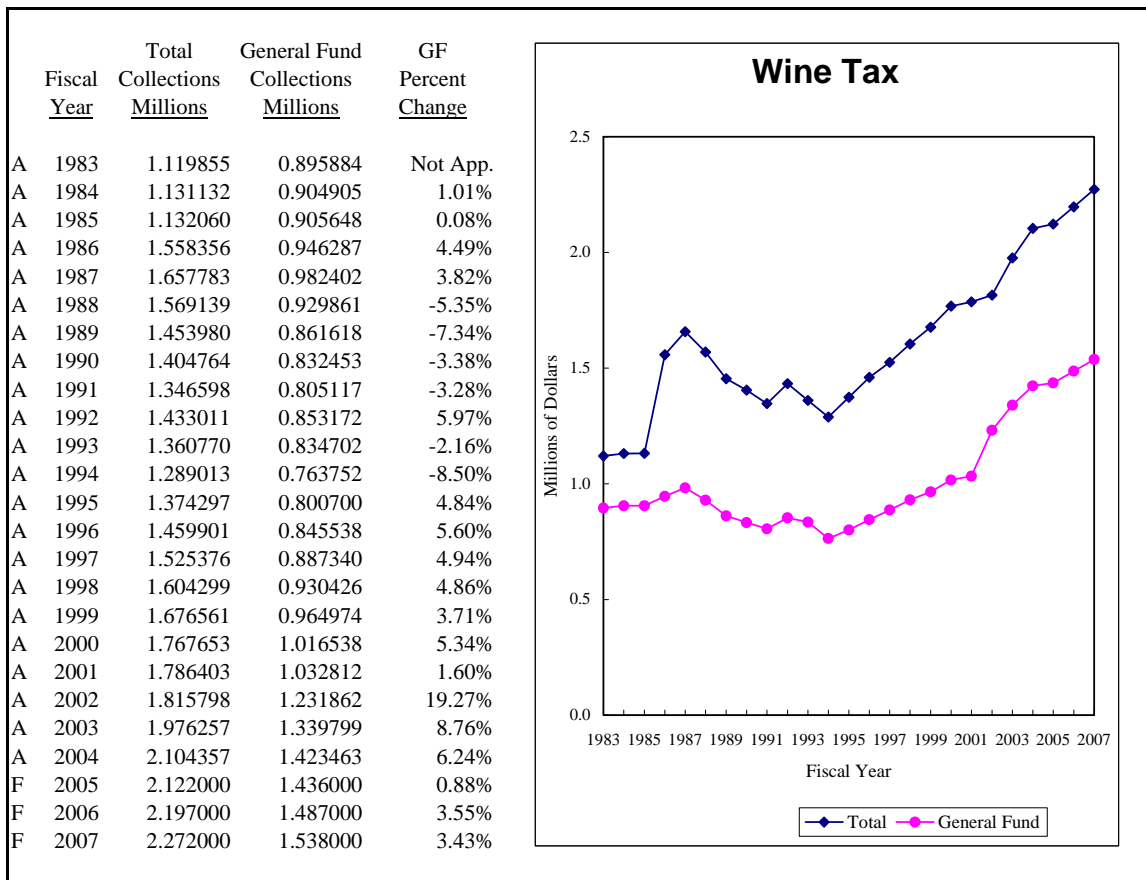
Revenue Estimate Profile

Wine Tax

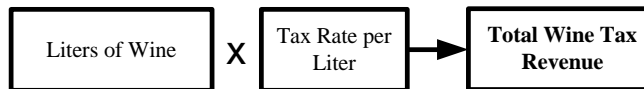
Revenue Estimate Methodology: The LFD uses a number of analytical techniques to develop relevant assumptions for this source of revenue. Historical data trends, economic conditions, input from industry experts, company surveys, and etc., are examples of information used to formulate these assumptions. 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 assumptions used by the LFD to develop a revenue estimate for this source are provided in the “Revenue Estimate Assumptions” section 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, a regression model is applied to liters of wine consumed to estimate the number of future liters. Next the tax rate is applied to the number of liters 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.

Revenue Projection:



Forecast Methodology

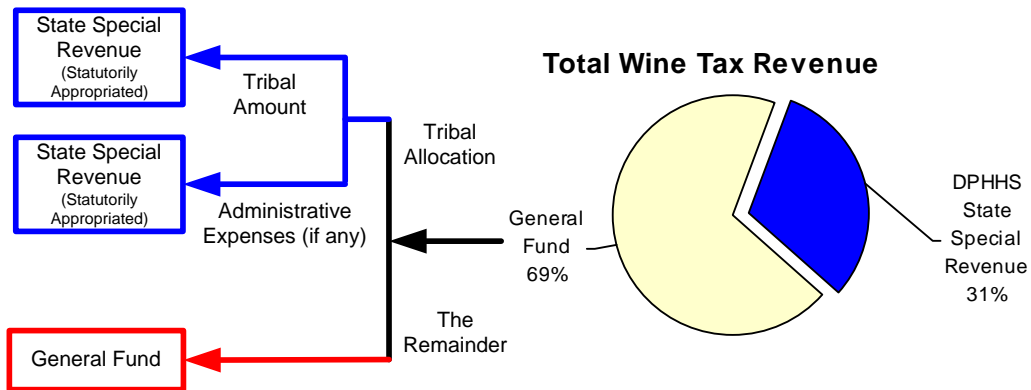


Legislative Fiscal Division

Revenue Estimate Profile

Wine Tax

Distribution Methodology



Revenue Estimate Assumptions

	<u>t</u>	<u>Total Tax</u>	<u>GF Tax</u>	<u>Liters</u>	<u>Tax Rate</u>	<u>GF Percent</u>	<u>Tribal</u>
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Per Liter</u>	<u>Allocation</u>	<u>Millions</u>
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
Actual	2003	1.976257	1.339799	7.319470	0.270000	0.690196	0.024205
Actual	2004	2.104357	1.423463	7.793915	0.270000	0.690253	0.029075
Forecast	2005	2.122000	1.436000	7.857731	0.270000	0.690000	0.028000
Forecast	2006	2.197000	1.487000	8.136352	0.270000	0.690000	0.029000
Forecast	2007	2.272000	1.538000	8.414973	0.270000	0.690000	0.030000

$$\text{GF Tax} = \text{Liter} * \text{Tax Rate} - \text{Tribal}$$