

Tax Expenditures (Other Taxes)

Rental Vehicle Tax

The Rental Vehicle Tax is a selective sales tax on the base rental charges for rental vehicles. The base rental charges include the charges for time of use of the rental vehicle, mileage, charges for personal accident insurance, charges for personal accident insurance, charges for additional or underage drivers and charges for certain accessory equipment.

Farm vehicles and machinery and equipment are specifically exempted from the rental car tax. These vehicles are exempted from the rental car tax to avoid taxing business inputs, which could lead to tax pyramiding. The Department does not have the rental charges associated with farm vehicles and machinery, so the value of this tax expenditure is unknown.

Beer Tax

The Beer Tax is a tax on each 31-gallon barrel of beer sold in Montana. The tax rate for producers that produce more than 20,000 barrels a year pay a tax of \$4.30 for each barrel sold in Montana. Producers of less than 20,000 barrels a year pay lower tax rates for each barrel sold in Montana.

The table shows the number of barrels sold at each tax rate and the tax expenditure or difference between the total taxes paid and the amount that would have been due had the higher rate of \$4.30 per barrel been paid by the producer.

		\$1.30/ barrel	\$2.30/ barrel	\$3.30/ barrel	\$4.30/ barrel	Total
2007	Barrels	21,525	5,856	4,439	955,278	955,278
	Expenditure	\$64,575	\$11,712	\$4,439	\$0	\$80,726
2008	Barrels	26,289	4,779	4,310	938,233	973,610
	Expenditure	\$78,867	\$9,558	\$4,310	\$0	\$92,735

The lower tax rates act as a direct payment for breweries that produce less than 20,000 barrels of beer a year. This results in lower payments to the Department of Public Health and Human Services and the state general fund. Without the lower tax rates, brewers that produced less than 20,000 barrels of beer would have paid \$92,735 more in taxes in fiscal year 2008.

Liquor License Tax

The state of Montana levies a tax on the retail sale price of all liquor sold in the state. For producers that sell more than 200,000 proof gallon of liquor nationwide the tax is 10% of the retail price, for producers that produce more than 50,000 gallons and less than 200,000 gallons the rate is 8.6% of the retail

price, and for producers that produce less than 50,000 gallons the rate is 2% of the retail price.

In fiscal years 2007 and 2008, all liquor products sold in the state of Montana paid the 10% tax rate. While the reduced tax rates are in statute, they do not cost the state of Montana any tax revenue.

Liquor Excise Tax

The state of Montana levies an excise tax of 16% of the retail-sale price on all liquor sold by companies that sell more than 200,000 proof gallons of liquor nationwide. The rate for producers that sell less than 200,000 proof gallons of liquor nationwide is 13.8% of the retail price.

In fiscal years 2006, 2007 and 2008 there are no producers taxed at the lower rate, so during the last three fiscal years this tax expenditure has been \$0.