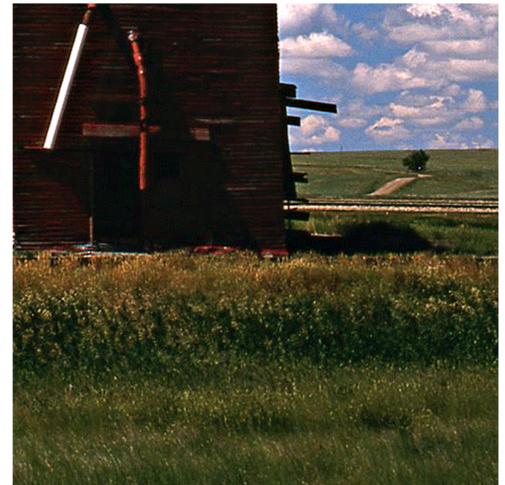
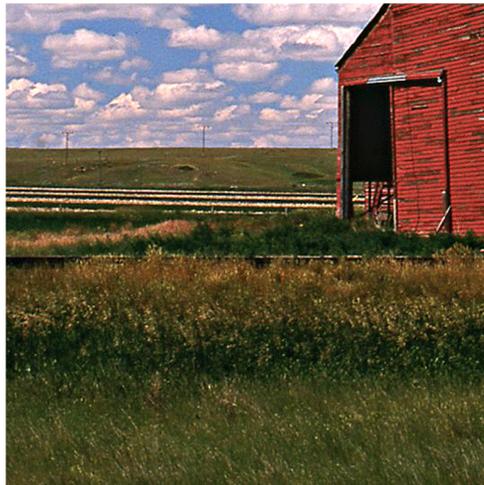


OTHER TAXES

BIENNIAL REPORT • MONTANA DEPARTMENT OF REVENUE



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Lodging Facility Use Tax

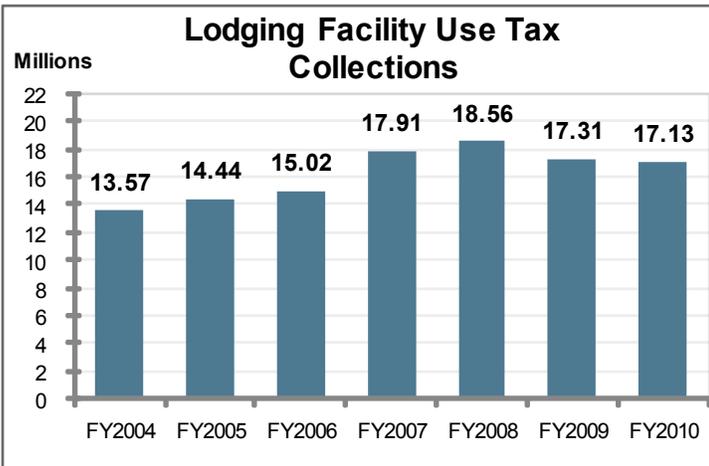
A tax is imposed on users of overnight lodging facilities, which include campgrounds, dormitories, condominium inns, dude ranches, guest ranches, hostels, public lodging houses, bed and breakfast facilities, and other structures containing individual sleeping rooms providing lodging facilities for periods of less than 30 days (15-65-101, MCA). This tax is 4% of the lodging charge and is collected by the owner or operator of the facility.

Proceeds from the tax are deposited in a state special revenue fund to the credit of the Department of Revenue. Department administrative costs are paid, various state funds are reimbursed for taxes paid by state agencies for in-state lodging, and \$400,000 is deposited in the Montana Heritage Preservation Account.

The balance of the tax is distributed as follows (15-65-111;15-65-121, MCA):

Lodging Facility Use Tax Collections	
FY2004	\$13,573,172
FY2005	\$14,441,179
FY2006	\$15,018,113
FY2007	\$17,906,542
FY2008	\$18,562,141
FY2009	\$17,307,397
FY2010	\$17,132,174

- 67.5% to the Department of Commerce for direct use.
- 1% to the Montana Historical Society to install and maintain roadside historical signs and historic sites.
- 2.5% to the university system for the Montana Travel Research Program.
- 6.5% to the Department of Fish, Wildlife and Parks to maintain facilities.
- 22.5% to various regional nonprofit tourism corporations in accordance with the ratio of the proceeds collected in each tourism region to total statewide collections. If an area's annual proceeds exceed \$35,000, half of the amount available for distribution to the nonprofit tourism corporation is reallocated to the nonprofit convention and visitor's bureau in that area.

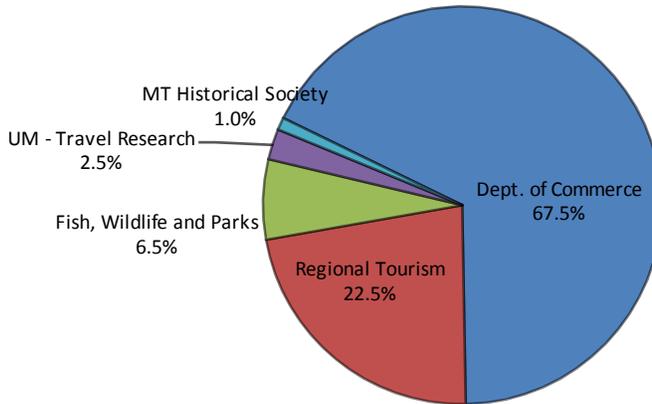


Collections for fiscal year 2009 totaled \$17,307,397 and collections for fiscal year 2010 totaled \$17,132,174.

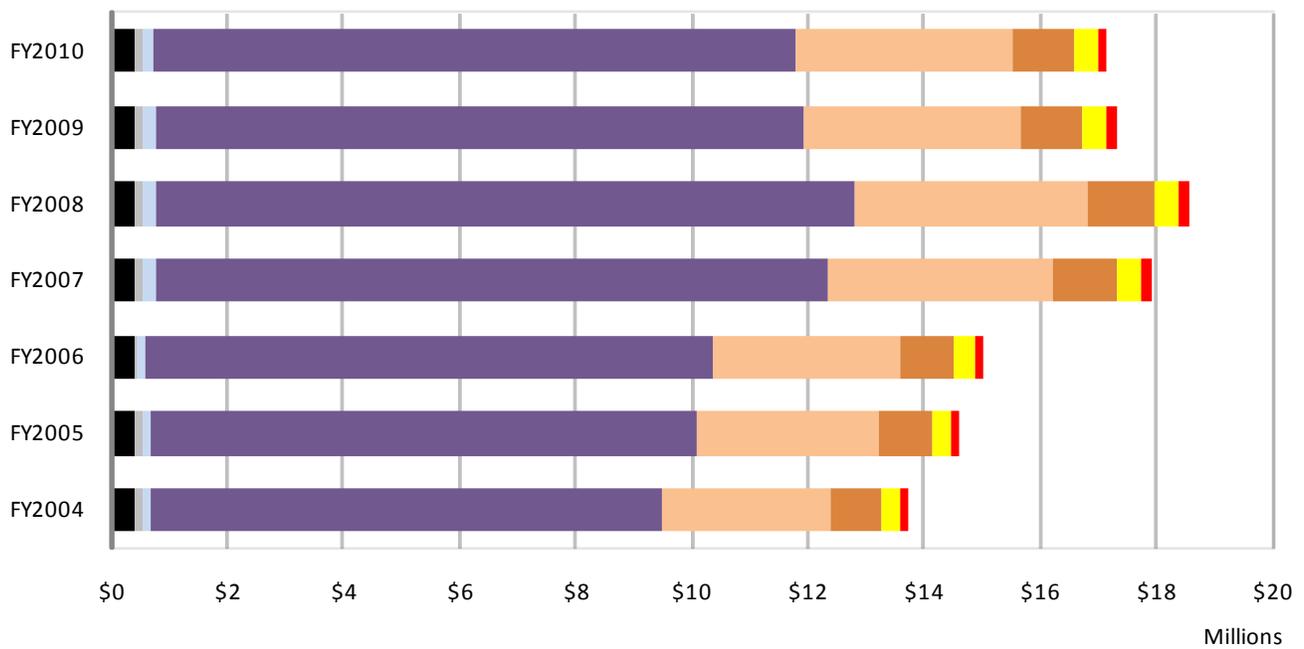
Lodging Facility Use Tax Distributions

Fiscal Year	MT Heritage Commission	Administration of Tax	State Agency Reimbursement of Tax	Dept. of Commerce	Non-Profit Tourism Corporations	Fish, Wildlife and Parks	UM - Travel Research	MT Historical Society
FY2004	\$400,000	\$137,254	\$133,480	\$8,795,514	\$2,931,837	\$846,975	\$325,760	\$130,304
FY2005	\$400,000	\$141,371	\$160,956	\$9,378,433	\$3,126,144	\$903,108	\$347,350	\$138,940
FY2006	\$400,000	\$29,122	\$177,942	\$9,727,458	\$3,242,486	\$936,718	\$360,276	\$144,110
FY2007	\$400,000	\$149,981	\$202,244	\$11,579,164	\$3,859,721	\$1,115,031	\$428,858	\$171,543
FY2008	\$400,000	\$149,107	\$207,708	\$12,018,595	\$4,006,198	\$1,157,346	\$445,134	\$178,053
FY2009	\$400,000	\$154,480	\$203,759	\$11,170,681	\$3,723,561	\$1,075,695	\$413,729	\$165,491
FY2010	\$400,000	\$131,358	\$198,231	\$11,071,744	\$3,690,582	\$1,066,168	\$410,065	\$164,025

Distribution of Lodging Facilities Use Tax After Montana Heritage Payment and State Agency Reimbursement



Lodging Facility Use Tax Distributions

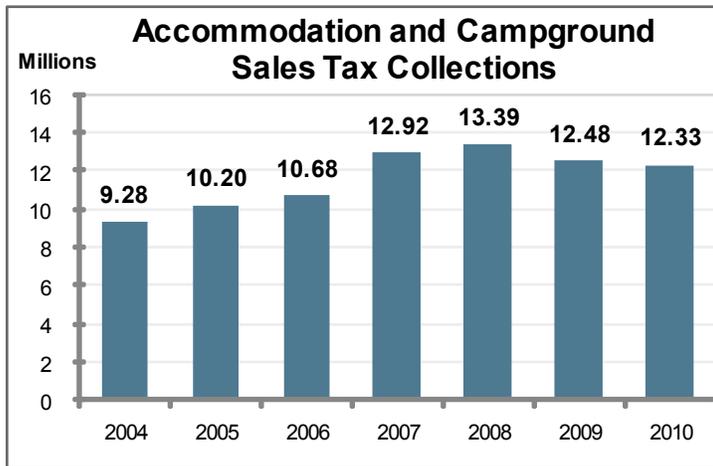


Sales Tax - Accomodations

In 2003, the Montana Legislature enacted a 3% selective sales and use tax on accommodations and campgrounds. The 3% sales tax on accommodations is levied in addition to the lodging facilities use tax (15-68-102, MCA). The sales tax on accommodations applies to the same facilities as the lodging facility use tax.

Collections for fiscal year 2009 totaled \$12,477,461. Collections for fiscal year 2010 totaled \$12,330,846. The revenue from the accommodations and campground sales and use tax is deposited in the state general fund (15-68-820, MCA).

Accommodation and Campground Sales Tax Collections	
FY2004	\$9,278,658
FY2005	\$10,200,914
FY2006	\$10,679,216
FY2007	\$12,916,075
FY2008	\$13,389,534
FY2009	\$12,477,461
FY2010	\$12,330,846



Sales Tax - Rental Vehicles

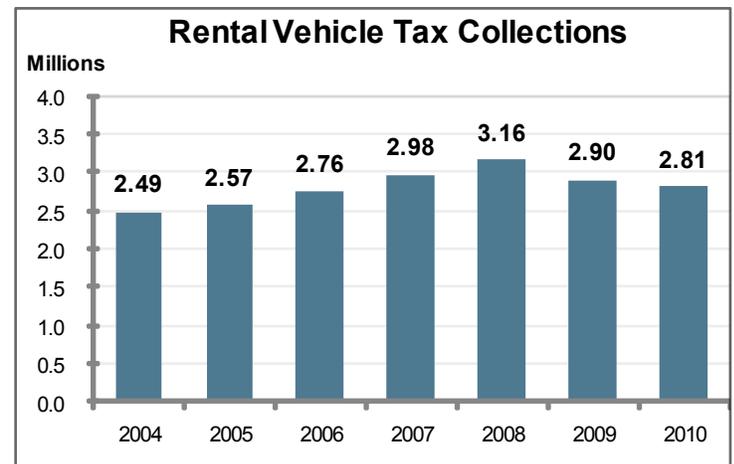
The 2003 Legislature enacted a 4% sales and use tax on base rental charges for rental vehicles (15-68-102, MCA). Owners or operators of a business with taxable transactions collect the tax and it is deposited in the general fund (15-68-820 MCA).

The base rental charges include time of use, mileage, charges for personal accident insurance, charges for additional or underage drivers and charges for certain accessory equipment. For this section of code, vehicles 22,000 lbs and over, farm vehicles, machinery or equipment, and vehicles rented with a driver are not subject to the selective sales tax.

Further exemptions include the sale of property or services that are exempt or nontaxable under 15-68 part 2, MCA. These include sales to the United States government, occasional sales by a business not normally engaged in providing services, leases by a tax-exempt organization, and the sale for re-sale of property, services or leases evidenced by a nontaxable transaction certificate.

Collections for fiscal year 2009 totaled \$2,904,340. Collections for fiscal year 2010 totaled \$2,807,415.

Rental Vehicle Tax Collections	
FY2004	\$2,485,989
FY2005	\$2,565,554
FY2006	\$2,755,072
FY2007	\$2,976,235
FY2008	\$3,157,239
FY2009	\$2,904,340
FY2010	\$2,807,415



Tobacco Products Tax

All tobacco products, excluding cigarettes and moist snuff, are subject to a tax of 50% of their wholesale price. A tax of \$0.85 per ounce is levied on moist snuff. The tax is collected from the wholesaler, less 1.5% for collection and administrative expenses. Tobacco products' tax revenues are deposited in the state general fund and special revenue fund after tribal revenue sharing payments (16-11-111; 16-11-114, MCA).

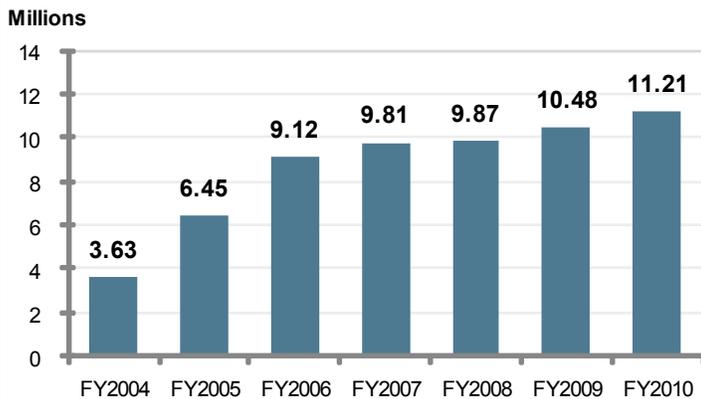
Before May 1, 2003, the tax rate on tobacco products was 12.5%. The 2003 Legislature increased the tax on tobacco products to 25% of the wholesale price. Then, Montana voters passed Initiative 149 (I-149), which increased the taxes on other tobacco products to 50% of the wholesale price and the tax on moist snuff to \$0.85 per ounce. The rates passed in I-149 became effective on January 1, 2005.

After tribal revenue sharing agreements, the revenue from the tobacco products tax is distributed 50% to the state general fund and 50% to the Department of Public Health and Human Services for health and Medicaid initiatives (16-11-119, MCA). In FY 2009, the tobacco products tax collections were \$10,479,063. In FY 2010, the tobacco products tax collections were \$11,210,117.

Tobacco Products Tax Collections

FY2004	\$3,625,893
FY2005	\$6,452,429
FY2006	\$9,118,757
FY2007	\$9,810,138
FY2008	\$9,872,434
FY2009	\$10,479,063
FY2010	\$11,210,117

Tobacco Products Tax Collections



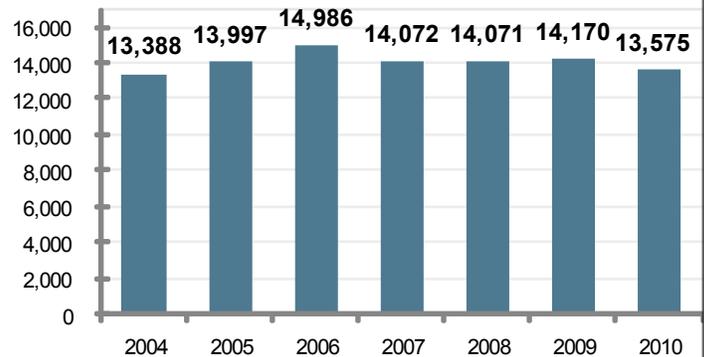
Cigarette License Fee

A license fee is imposed on cigarette dealers in Montana. Wholesalers, sub-jobbers and vendors (operating 10 or more machines) pay an annual license fee of \$50. Retailers and vendors (operating 9 or fewer machines) pay an annual license fee of \$5. Revenues from the license fees are deposited in the state general fund (16-11-122, MCA). In FY 2009, revenues were \$14,170 and in FY 2010 revenues were \$13,575.

Cigarette License Fee Collections

FY2004	\$13,388
FY2005	\$13,997
FY2006	\$14,986
FY2007	\$14,072
FY2008	\$14,071
FY2009	\$14,170
FY2010	\$13,575

Cigarette License Fee Collections

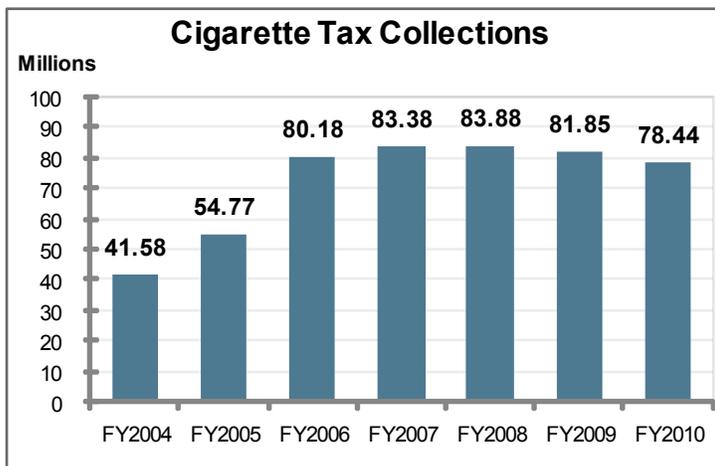


Cigarette Tax

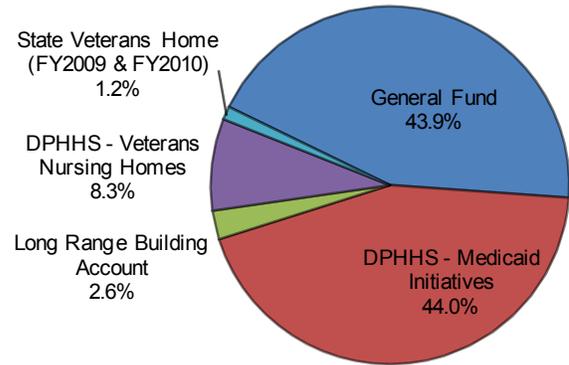
The cigarette tax rate has increased twice since 2003. On May 1, 2003, the cigarette tax rate increased from 18¢ to 70¢ per pack of 20 cigarettes, as mandated by the 2003 Legislature. On January 1, 2005, the tax rate increased from 70¢ per pack to \$1.70 per pack in compliance with Initiative 149 (I-149), which was passed by the Montana electorate in November 2004 (16-11-111, MCA). At \$1.70 per pack, Montana has the 17th highest cigarette tax in the United States.

The cigarette tax is pre-collected from retailers by state-licensed cigarette wholesalers who must affix a tax insignia to each package of cigarettes to indicate the tax has been paid. Retailers then include the tax in the retail price of cigarettes. Wholesalers remit the tax to the State of Montana, minus an allowance to defray the costs of affixing insignias and collecting the tax.

Cigarette Tax Collections	
FY2004	\$41,582,823
FY2005	\$54,765,356
FY2006	\$80,180,236
FY2007	\$83,380,418
FY2008	\$83,882,748
FY2009	\$81,849,518
FY2010	\$78,439,977



Distribution of Cigarette Tax Revenue



After distributing revenues according to tribal revenue sharing agreements, cigarette tax revenues are distributed: 8.3% or \$2 million, whichever is greater, to the Department of Public Health and Human Services for maintenance and operation of state veteran's nursing homes, 2.6% to the Long-Range Building Account, 44% to the Department of Public Health and Human Services for Health and Medicaid initiatives, - for fiscal years ending June 30, 2010 and June 30, 2011, 1.2% is deposited for the construction of the state veterans' home - and the remainder is deposited in the state general fund (16-11-119, MCA).

In fiscal year 2009 cigarette tax collections were \$81,849,518 and in fiscal year 2010, \$78,439,977.

Cigarette Tax - All States - As of July 1, 2010

(Per Pack)

Rank	State	Excise Tax Rate	Rank	State	Excise Tax Rate
1	Rhode Island	\$3.46	27	Arkansas	\$1.15
2	Connecticut	\$3.00	28	Oklahoma	\$1.03
3	New York (1)	\$2.75	29	Indiana	\$1.00
4	New Jersey	\$2.70	30	Illinois (1)	\$0.98
5	Hawaii (3)	\$2.60	31	New Mexico	\$0.91
6	Wisconsin	\$2.52	32	California	\$0.87
7	Massachusetts	\$2.51	33	Colorado (5)	\$0.84
8	Dist. of Columbia	\$2.50	34	Nevada	\$0.80
9	Vermont	\$2.24	35	Kansas	\$0.79
10	Washington	\$2.03	36	Utah	\$0.70
11	Alaska	\$2.00	37	Mississippi	\$0.68
12	Arizona	\$2.00	38	Nebraska	\$0.64
13	Maine	\$2.00	39	Tennessee (1) (2)	\$0.62
14	Maryland	\$2.00	40	Kentucky (2)	\$0.60
15	Michigan	\$2.00	41	Wyoming	\$0.60
16	New Hampshire	\$1.78	42	Idaho	\$0.57
17	Montana	\$1.70	43	West Virginia	\$0.55
18	Delaware	\$1.60	44	North Carolina	\$0.45
19	Pennsylvania	\$1.60	45	North Dakota	\$0.44
20	Minnesota (4)	\$1.56	46	Alabama (1)	\$0.44
21	South Dakota	\$1.53	47	Georgia	\$0.37
22	Texas	\$1.41	48	Louisiana	\$0.36
23	Iowa	\$1.36	49	Virginia (1)	\$0.30
24	Florida (6)	\$1.34	50	Missouri (1)	\$0.17
25	Ohio	\$1.25	51	South Carolina	\$0.07
26	Oregon	\$1.18			

High	\$3.46
Low	\$0.07
Average	\$1.33
U. S. Median	\$1.17

Source: Compiled by FTA from various sources

(1) Counties and cities may impose an additional tax on a pack of cigarettes in AL, 1¢ to 6¢; IL, 10¢ to 15¢; MO, 4¢ to 7¢; NYC \$1.50; TN, 1¢; and VA, 2¢ to 15¢.

(2) Dealers pay an additional enforcement and administrative fee of 0.1¢ per pack in KY and 0.05¢ in TN.

(3) Tax rate is scheduled to increase to \$2.80 per pack on July 1, 2010 and \$3.00 on July 1, 2011.

(4) Plus an additional 33.0 cent sales tax is added to the wholesale price of a tax stamp (total \$1.56).

(5) In addition, there will be a 2.9% state sales tax on top of the stated per pack tax rate from 7/1/2009 through 7/1/2011.

(6) Includes a \$1 per pack surcharge.

Unclaimed Property

The Montana Department of Revenue handles the state's unclaimed property, which includes such items as money, uncashed checks, drafts, state warrants, uncashed payroll checks, utility deposits, interest dividends or income, savings and checking accounts, safe deposit box contents, credit balances, customer overpayments, gift certificates, unidentified remittances, stocks, bonds and uncashed coupons.

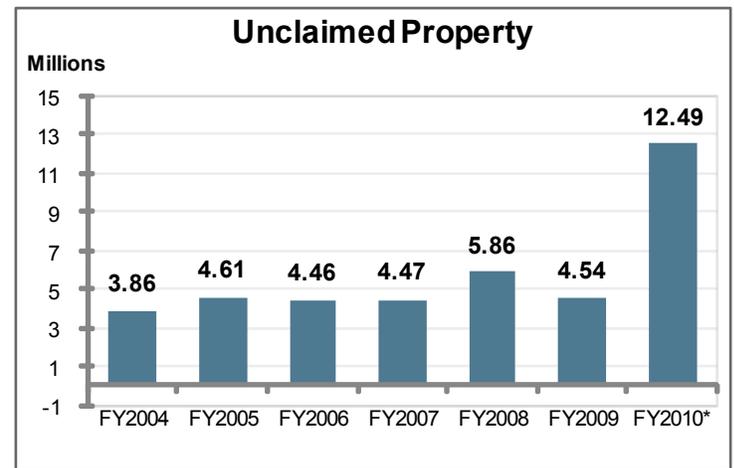
Since 1963, there has been approximately \$70,000,000 worth of unclaimed property turned over to the state and the department has returned nearly \$20,000,000 of that to its owners.

Under Montana's uniform unclaimed property act, any intangible and certain tangible property unclaimed by its owner must be turned over to the Department of Revenue. Montana is considered a "custodial state" and holds such property on behalf of the owners of lost or abandoned property. The department maintains records on all abandoned property reported in Montana. Reports filed by holders of abandoned property (banks and insurance companies, for instance) may be examined by the public.

All collections over \$100,000 (the amount allocated to the agency refund account) are transferred to the state's general fund. The refund period for items valued at more than \$50 is unlimited. In 2009, \$4,541,077 in unclaimed property was collected, and, in 2010, \$12,491,906 was collected.

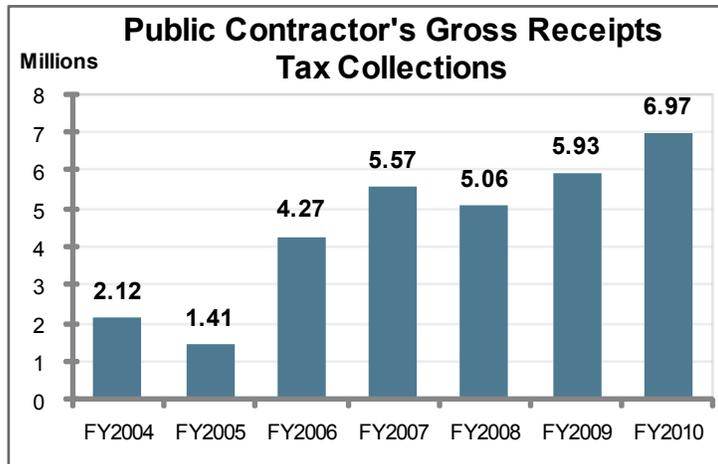
Unclaimed Property Collections	
FY2004	\$3,858,292
FY2005	\$4,610,094
FY2006	\$4,464,456
FY2007	\$4,474,991
FY2008	\$5,858,281
FY2009	\$4,541,077
* FY2010	\$12,491,906

*This large increase in collection was due to the sale of stock previously held as shares, as required by statute.



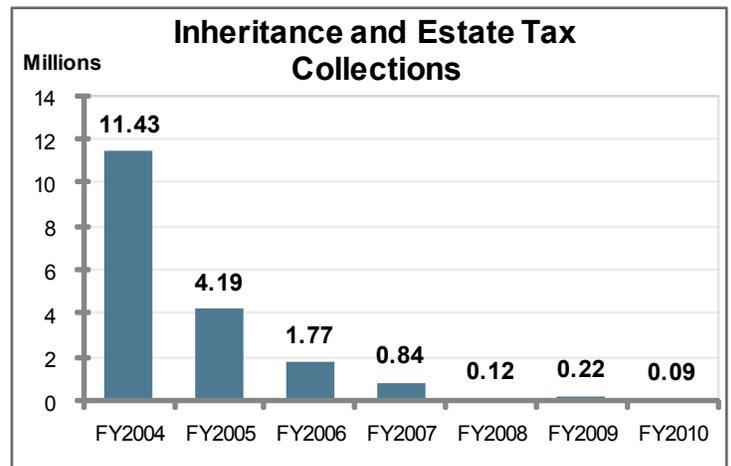
Prime contractors and all levels of subcontractors must pay a tax equal to 1% of all public contracts over \$5,000. Contractors can obtain part or all of the tax back by requesting refunds for business equipment and vehicle property taxes paid by their contracting business, and/or by claiming credit on their individual Montana income tax return or Montana corporation license tax return. Revenues are deposited in the general fund (15-50-311, MCA). In 2009, Public Contractor's Gross Receipts Tax collections were \$5,929,999 and, in 2010, collections were \$6,969,395.

Public Contractor's Gross Receipts Tax Collections	
FY2004	\$2,120,485
FY2005	\$1,410,831
FY2006	\$4,274,649
FY2007	\$5,566,958
FY2008	\$5,062,659
FY2009	\$5,929,999
FY2010	\$6,969,395



Montana's inheritance tax was repealed by the passage of Legislative Referendum 116 in November 2000, and does not apply to bequests made on or after January 1, 2001. Montana's estate tax equals the credit against federal inheritance tax for state taxes. The federal credit was phased out and there is no Montana estate tax for deaths on or after January 1, 2005.

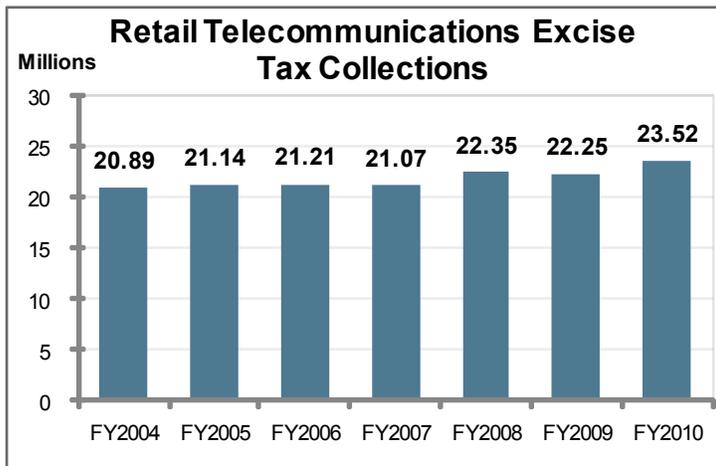
Inheritance and Estate Tax Collections	
FY2004	\$11,431,103
FY2005	\$4,190,613
FY2006	\$1,773,169
FY2007	\$838,865
FY2008	\$122,148
FY2009	\$217,097
FY2010	\$90,544



Retail Telecommunications Excise Tax

Prior to January 1, 2000, Montana levied a telephone company license tax of 1.8% on gross revenue telephone companies earned from in-state telephone calls. On January 1, 2000, the telephone company license tax was replaced by the retail telecommunications excise tax. The retail telecommunications tax is levied at a rate of 3.75% on retail sales of telecommunications service when the transmission either originates or terminates in Montana. All receipts from the Retail Telecommunications Excise tax are deposited in the state general fund (15-53-128, MCA). In 2009 and 2010, tax revenues were \$22,250,383 and \$23,523,474, respectively.

Retail Telecommunications Excise Tax Collections	
FY2004	\$20,890,335
FY2005	\$21,144,420
FY2006	\$21,208,947
FY2007	\$21,065,843
FY2008	\$22,350,323
FY2009	\$22,250,383
FY2010	\$23,523,474

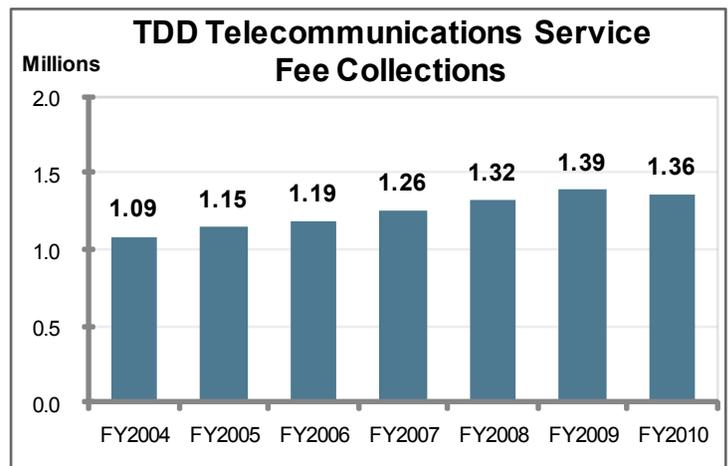


TDD Telecommunications Service Fee

A monthly fee of 10¢ per subscriber access line in the state is assessed for telephone exchange access services. The fee is paid by the subscriber, but is collected and remitted to the state by the service provider. The service provider may deduct and retain 0.75% of the total fees collected each month to cover its administrative expenses. The revenue from this fee is deposited in a special revenue account to provide telecommunications devices for persons with hearing disabilities (MCA, 53-19-311).

Legislation in 2007 modified state law to make clear that all telecommunications providers, including those using newer technologies or formats such as voice over internet protocol or prepaid wireless service, must collect the fee and remit the revenue to the state. In 2009 and 2010, fee revenue was \$1,389,821 and \$1,361,947 respectively.

TDD Telecommunication Service Fee Collections	
FY2004	\$1,086,929
FY2005	\$1,147,153
FY2006	\$1,185,297
FY2007	\$1,259,944
FY2008	\$1,320,796
FY2009	\$1,389,821
FY2010	\$1,361,947

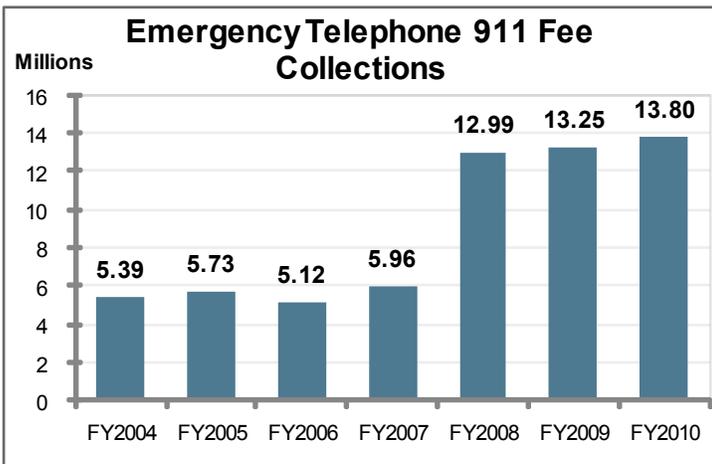


911 Emergency Telephone System Fee

For each access line, a fee of \$0.25 per month to support basic 911 services, \$0.25 per month to support enhanced 911 services, and \$0.50 per month to support wireless enhanced 911 services is collected from service subscribers.

The subscriber paying for exchange access line services is liable for the fees, but the fees are collected by the provider and are remitted to the state on a quarterly basis. The provider collecting the fee must file a return on or before the last day of the month following the end of each calendar quarter. 2.74% of the amount of fee collected must be deposited in the state special revenue fund and be used for the administration of the Emergency Telephone System Account. The remaining fee amount is paid to the state treasurer for deposit in the appropriate accounts (10-4-301, MCA). In 2009 and 2010, fee collections were \$13,249,845 and \$13,801,647, respectively.

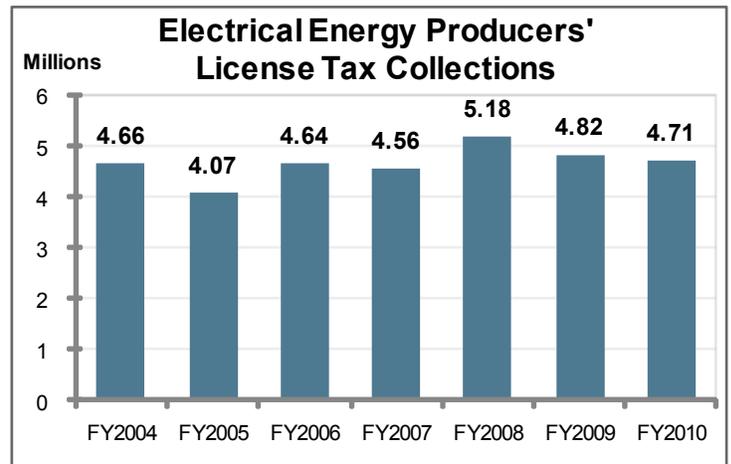
Emergency Telephone 911 Fee Collections	
FY2004	\$5,388,386
FY2005	\$5,733,140
FY2006	\$5,121,643
FY2007	\$5,960,166
FY2008	\$12,986,143
FY2009	\$13,249,845
FY2010	\$13,801,647



Electrical Energy Producers' License Tax

Businesses engaged in the production of electrical energy pay the electrical energy producers' license tax. The tax was first enacted in 1933 and is \$.0002 per kilowatt hour (kWh) of electrical energy generated, manufactured or produced in the state for barter, sale or exchange other than plant use. These tax collections are deposited in the state general fund (15-51-103, MCA). The license tax must be remitted each calendar quarter to the department with a statement on or before the 30th day of the month after the end of the calendar quarter (15-51-102, MCA). In 2009 and 2010 tax receipts were \$4,824,659 and \$4,713,429, respectively.

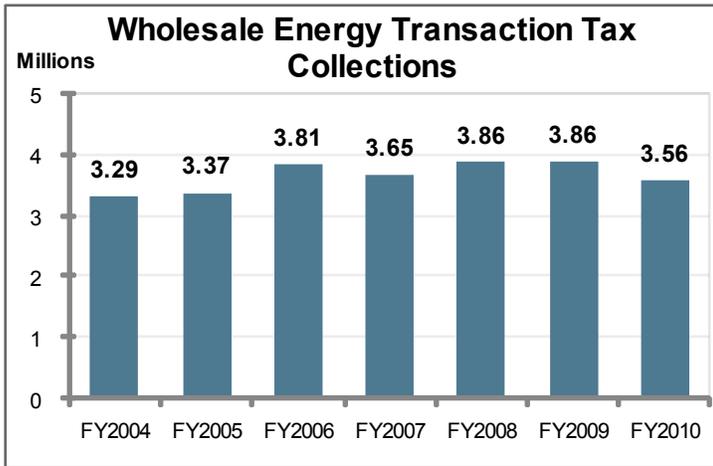
Electrical Energy Producers' License Tax Collections	
FY2004	\$4,660,529
FY2005	\$4,074,409
FY2006	\$4,644,508
FY2007	\$4,564,404
FY2008	\$5,179,013
FY2009	\$4,824,659
FY2010	\$4,713,429



Wholesale Energy Transaction Tax

The wholesale energy transaction tax is levied at a rate of \$0.00015 per kilowatt hour on all electricity transmitted by a transmission service provider in the state. The tax went into effect on January 1, 2000 and is paid on a calendar quarter basis. Payment is due to the state within 30 days after the close of the quarter. Payments are deposited into the general fund (15-72-101, MCA). In 2009 and 2010, tax revenue was \$3,864,771 and \$3,556,056, respectively.

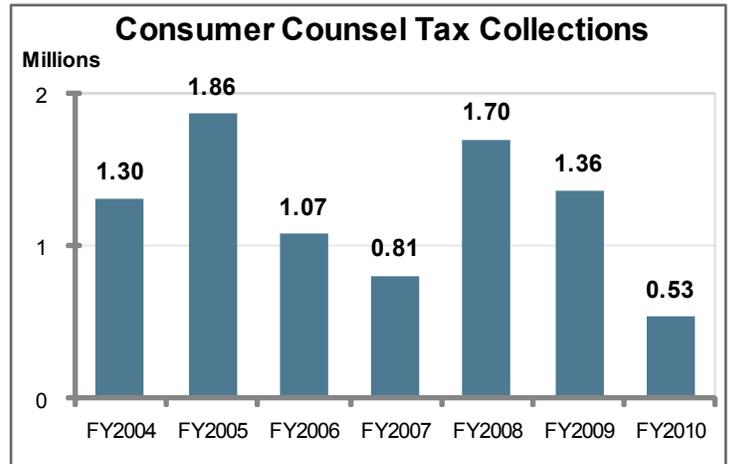
Wholesale Energy Transaction Tax Collections	
FY2004	\$3,292,659
FY2005	\$3,370,263
FY2006	\$3,813,495
FY2007	\$3,651,024
FY2008	\$3,856,112
FY2009	\$3,864,771
FY2010	\$3,556,056



Consumer Counsel Tax

All companies providing services regulated by the Public Service Commission are subject to a quarterly Consumer Counsel Tax on gross operating revenue. The tax rate is set annually for the succeeding fiscal year to cover appropriations for the operation of the Office of the Consumer Counsel. All collections are deposited in a state special revenue account (69-1-201; 223; 224, MCA). Consumer Counsel Tax receipts for 2009 and 2010 were \$1,355,530 and \$530,981, respectively.

Consumer Counsel Tax Collections	
FY2004	\$1,303,597
FY2005	\$1,860,324
FY2006	\$1,070,664
FY2007	\$806,829
FY2008	\$1,696,840
FY2009	\$1,355,530
FY2010	\$530,981



Hospital Facility Utilization Fee

Beginning in 2004, all hospitals licensed by the state (with the exception of the Montana State Hospital) are required to pay a utilization fee for each inpatient bed day. The fees must be paid by the hospital for the preceding calendar year on all taxable inpatient bed days. The table below provides the fee per inpatient bed day since the fee was instituted.

Subject to the yearly benchmarks provided below, all of the proceeds from the utilization fee are deposited in a special revenue account for use by the Department of Health and Human Services (15-66-102 (2), MCA) to

Hospital Facility Utilization Fee Collections	
FY2004	\$7,427,903
FY2005	\$8,757,918
FY2006	\$11,179,325
FY2007	\$12,559,877
FY2008	\$16,671,570
FY2009	\$19,582,981
FY2010	\$21,290,112

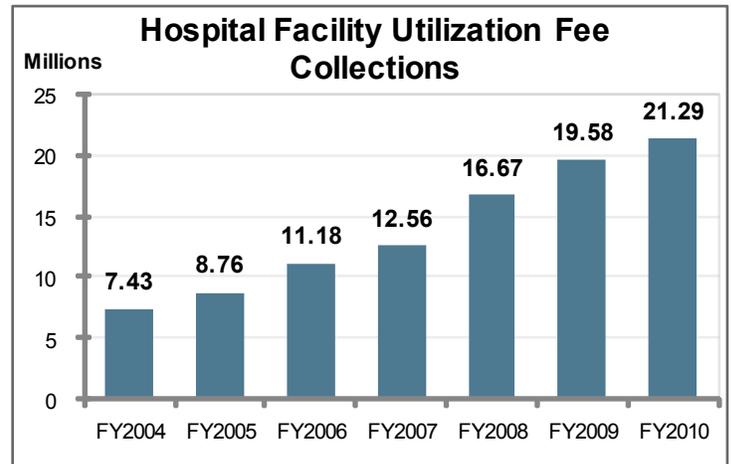
Time Period over which Fee Applies	Fee Per Inpatient Bed Day
January 1, 2004 through June 30, 2005	\$19.43
July 1, 2005 through December 31, 2005	\$29.75
January 1, 2006 through June 30, 2007	\$27.70
July 1, 2007 and December 31, 2007	\$47.00
January 1, 2008 through December 31, 2008	\$43.00
January 1, 2009 through December 31, 2009	\$48.00
Beginning January 1, 2010	\$50.00

provide reimbursements to hospitals serving Medicaid patients.

For fiscal year 2009, proceeds in excess of \$16,232,795 were deposited into the state general fund. Proceeds for 2009 were \$19,582,981 and \$3,350,186 was deposited in the general fund.

For state fiscal year 2010, proceeds in excess of \$18,505,269 were deposited into the state general fund. Proceeds for 2010 were \$21,290,112 and \$2,784,843 respectively.

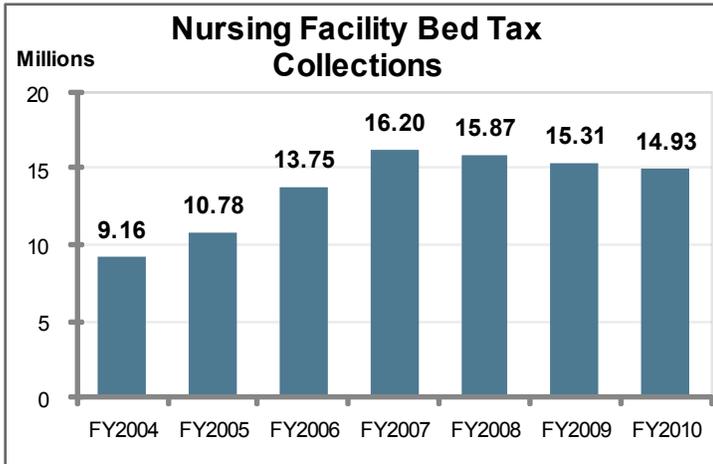
For state fiscal year 2011, proceeds in excess of \$19,818,193 will be deposited in the general fund.



Nursing Facility Bed Tax

All facilities licensed by the Department of Health and Human Services (DPHHS) and the Montana Mental Health Nursing Care Center (MMHNCC) are required to pay a utilization fee of \$8.30 per resident day. For all facilities, except for the Montana mental health nursing care center, \$2.80 is distributed to the general fund and \$5.50 is distributed to the nursing facility utilization fee account. The revenue distributed into the nursing facility account is used by the Department of Health and Human Services to increase the price-based reimbursement system payment rates to nursing homes (15-60-101, MCA).

Nursing Facility Bed Tax Collections	
FY2004	\$9,158,829
FY2005	\$10,780,189
FY2006	\$13,752,750
FY2007	\$16,196,108
FY2008	\$15,868,028
FY2009	\$15,308,973
FY2010	\$14,928,685



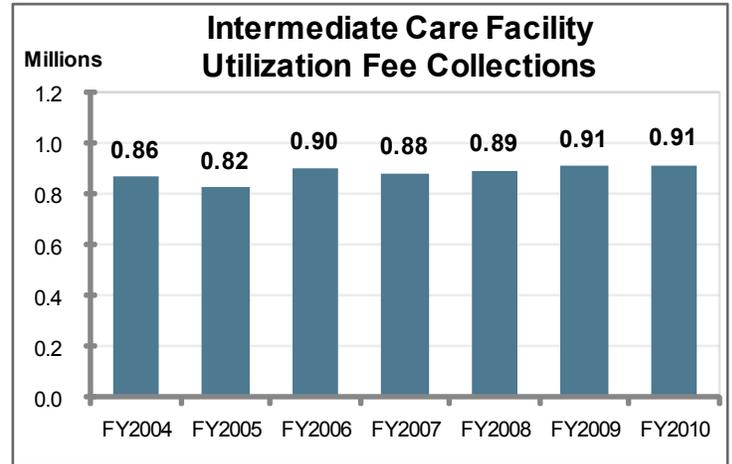
Utilization fees paid by the Montana Mental Health Nursing Care Center are distributed 30% to the state general fund and 70% to the prevention and stabilization account administered by the DPHHS to finance, administer, and provide health and human services (53-6-1101, MCA).

In fiscal years 2009 and 2010, tax collections were \$15,308,973 and \$14,928,685, respectively.

Intermediate Care Facility Utilization Fee

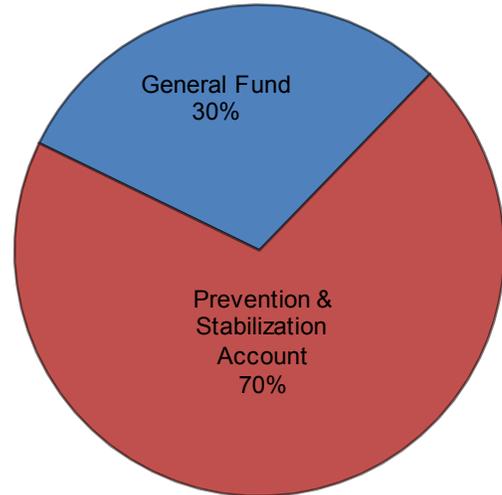
The Intermediate Care Facility Utilization Fee is collected at a rate of 6% of the quarterly revenue of intermediate care facilities for the developmentally disabled. The fee was first implemented by the 2003 legislature at a rate of 5%. The 2005 Legislature changed the fee to a quarterly payment of 6% of the intermediate care facility's quarterly revenue divided by the resident bed days for same time period.

30% of the revenue generated by this fee is deposited into the state general fund and 70% into the prevention and stabilization account in the state special revenue fund for the Department of Public Health and Human Services to administer. In 2009 and 2010, fee payments were \$907,764 and \$913,971, respectively. Payments are filed and paid quarterly (15-67-101, MCA).



Intermediate Care Facility Utilization Fee Collections	
FY2004	\$863,036
FY2005	\$821,923
FY2006	\$897,227
FY2007	\$877,482
FY2008	\$890,691
FY2009	\$907,764
FY2010	\$913,971

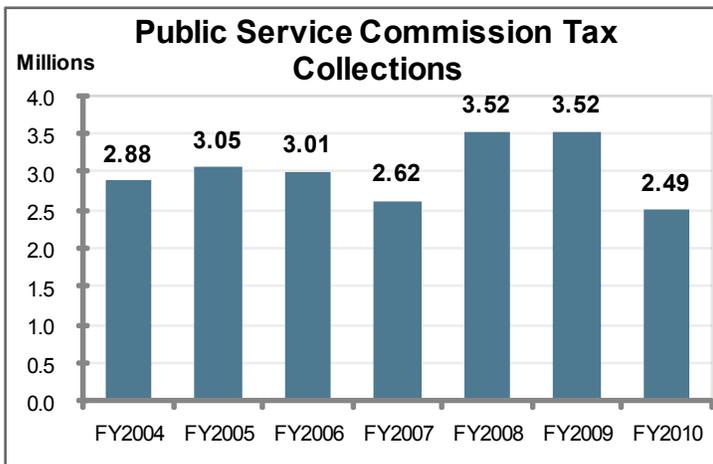
Distribution of Intermediate Care Facility Utilization Fee



Public Service Commission Tax

All companies providing services which are regulated by the Public Service Commission are subject to a quarterly tax on gross operating revenue, excluding revenues from sales to other regulated companies for resale. The tax rate is set annually for the succeeding fiscal year to cover appropriations for the operation of the Department of Public Service Regulation. All collections are deposited in a state special revenue account. Motor carriers are not subject to the tax (69-1-402, MCA). In 2009 and 2010, tax revenues were \$3,521,894 and \$2,493,209, respectively.

Public Service Commission Tax Collections	
FY2004	\$2,875,741
FY2005	\$3,050,213
FY2006	\$3,005,151
FY2007	\$2,619,321
FY2008	\$3,520,803
FY2009	\$3,521,894
FY2010	\$2,493,209



Rail Car Tax

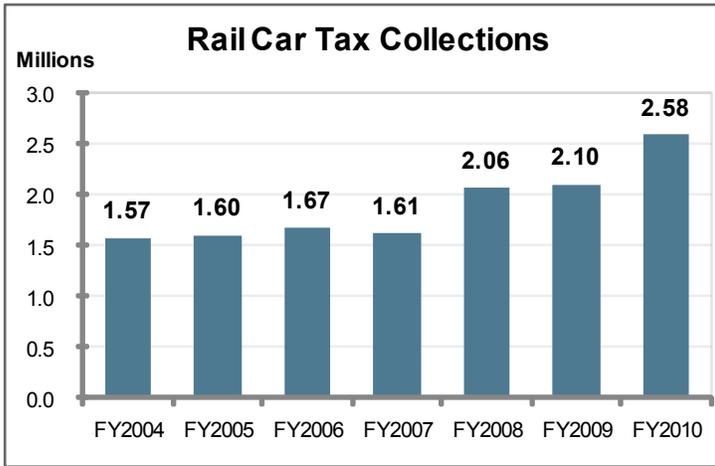
The rail car tax provides for the central assessment of rail car companies' operating properties. The rail car tax is assessed on the rolling stock of freight line companies. Section 15-23-214, MCA, provides that the tax is computed by multiplying the taxable value of the property by the average statewide mill levy for commercial and industrial property. Rail car tax revenue is deposited in the state general fund.

Rail car companies were moved from a gross receipts tax to an ad valorem tax by the July 1992 special session of the Montana legislature. Calculation of rail car tax is a three-step process. The first step is to determine the Montana market value of rail car companies. The second step is to calculate the taxable value by applying the class 12 taxable valuation rate to the Montana market value. The class 12 taxable value rate, which applies to railroad and airline property, is a composite rate reflective of the weighted average tax rate applied to all commercial and industrial property in the state. The third step is to apply the statewide average mill levy for commercial and industrial property to the taxable value. Section 15-23-211, MCA, provides a definition of the "average levy." Prior to fiscal year 2004, 95% of the average statewide mill levy was used as the average state mill. Under current law, tax calculations are calculated at 100% of the average statewide mill levy.

Rail Car Tax Collections	
FY2004	\$1,567,868
FY2005	\$1,604,005
FY2006	\$1,667,441
FY2007	\$1,614,509
FY2008	\$2,063,981
FY2009	\$2,099,454
FY2010	\$2,579,263

Calculate General Fund Revenue

The rail car tax general fund revenue is Montana's allocated rail car value multiplied by the class 12 taxable valuation rate, and then multiplied by the average state-wide mill levy for commercial and industrial property as shown in the table. The calculated tax may differ from actual collections due to delinquent taxes.



Calculation of Rail Car Tax - General Fund Fiscal Year 2010	
Description	FY2010
Total Montana Allocated Value	\$144,031,288
Multiply by Class 12 Tax Rate	3.45%
Taxable Value	\$4,969,079.44
Multiply by Mill Levy	524.81
General Fund Revenue	\$2,607,822.58

Rail Car Tax Assessment and Collections					
Fiscal Year	Montana Allocated Value	Class 12 Tax Rate	Statewide Mill Levy	Tax Assessed	Tax Collected
2004	\$84,020,000	3.88%	474.43	\$1,546,630	\$1,567,868
2005	\$82,645,528	3.81%	503.39	\$1,585,072	\$1,604,005
2006	\$89,055,569	3.74%	509.51	\$1,697,014	\$1,667,441
2007	\$85,817,421	3.55%	515.71	\$1,571,120	\$1,614,509
2008	\$113,863,887	3.52%	520.32	\$2,085,447	\$2,063,981
2009	\$116,403,478	3.44%	524.79	\$2,101,406	\$2,099,454
2010	\$144,031,288	3.45%	524.81	\$2,607,823	\$2,579,263

The Department of Revenue's Liquor Control Division administers Montana's Alcoholic Beverage Code (Title 16, Chapters 1 through 6 MCA), which governs the control, sale, distribution, and taxes of alcoholic beverages. This division is separated into two bureaus with separate responsibilities, the Liquor Licensing Bureau and the Liquor Distribution Bureau.

- Establishing and posting statutorily-defined prices for all liquor products distributed through the liquor warehouse; and
- Establishing, maintaining, and monitoring relationships, compliance issues, and state contracts with 97 separate agency liquor stores.

Liquor Licensing Bureau

The Liquor Licensing Bureau is responsible for administering liquor licensing laws in an effort to protect the welfare and safety of the public. The bureau oversees and enforces compliance with the state's liquor laws, as provided for in the Montana Alcoholic Beverage Code (Title 16, MCA).

Duties and responsibilities include:

- Issuing licenses and renewals for all individuals and entities producing, importing or selling alcoholic beverages in Montana;
- Verifying the suitability of liquor license applicants to ensure they meet the qualifications required to sell, manufacture, or distribute alcoholic beverages;
- Ensuring compliance with Montana's liquor laws by actively monitoring licensee premises activities and issuing violation notices as needed; and
- Providing expert testimony in cases of foreclosure, revocation, and other regulatory proceedings.

The Liquor Distribution Bureau

The Liquor Distribution Bureau is responsible for fulfilling the public's demand of distilled spirits and fortified wine through Agency Liquor Stores by efficiently maintaining a regulated channel of liquor distribution.

The bureau is responsible for overseeing and managing the effective receipt and distribution of alcoholic beverages in the state. General duties and responsibilities include:

- Overseeing all operations of the state liquor warehouse: ordering, maintaining, and monitoring liquor warehouse inventories in a manner that balances state interests with liquor distribution outlet customers;

Alcohol Taxes

Table Wine Tax

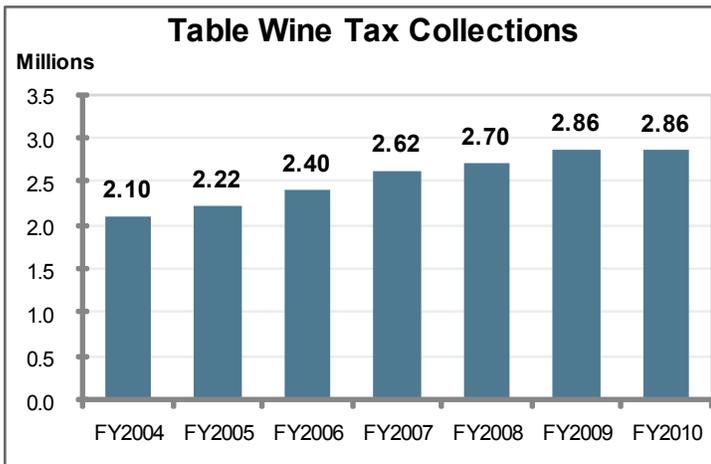
A tax of \$0.27 (\$0.28 if sold to an agency owned liquor store) per liter on table wine and a tax of \$0.037 per liter on hard cider are levied on wine and cider sold into Montana (16-1-411, MCA).

The revenues collected from the tax are deposited 69% to the state general fund and 31% to the Department of Public Health and Human Services for treatment, rehabilitation and prevention of alcoholism and chemical dependency.

Table Wine Tax Collections	
FY2004	\$2,104,356
FY2005	\$2,217,968
FY2006	\$2,397,695
FY2007	\$2,619,911
FY2008	\$2,701,397
FY2009	\$2,859,963
FY2010	\$2,856,546

A small portion of wine tax revenue is refunded from the general fund to the tribes that have a revenue-sharing agreement with the state. Currently the state has agreements with the Blackfeet, Fort Peck, and Fort Belknap Tribes.

In 2009 and 2010, table wine tax collections were \$2,868,286 and \$2,859,927, respectively.



Beer Tax

The State of Montana levies a tax on each 31-gallon barrel of beer sold in Montana. Depending on the size of the brewer a tax rate ranging from \$1.30 to \$4.30 per 31-gallon barrel is levied on beer sold into Montana (16-1-406, MCA).

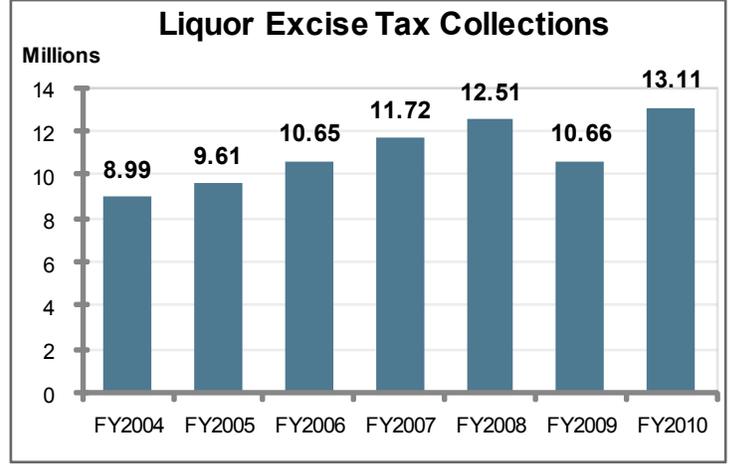
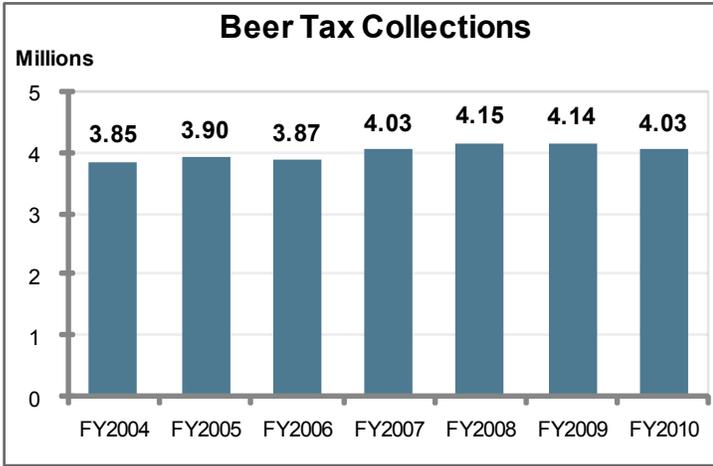
Barrels Produced By a Brewer	Tax Rate Per Barrel
Less than or equal to 5,000	1.3%
5,001 to 10,000	2.3%
10,001 to 20,000	3.3%
Greater than 20,000	4.3%

The revenues collected from the tax are deposited 76.74% to the state general fund and 23.26% to the Department of Public Health and Human Services for treatment, rehabilitation, and prevention of alcoholism and chemical dependency.

A small portion of beer tax revenue is refunded from the general fund to the tribes that have a revenue-sharing agreement with the state. Currently the state has agreements with the Blackfeet, Fort Peck, and Fort Belknap Tribes.

In fiscal year 2009, the liquor control division collected \$4,158,971 in beer tax revenue and \$4,056,146 in fiscal year 2010.

Beer Tax Collections	
FY2004	\$3,852,302
FY2005	\$3,903,377
FY2006	\$3,866,022
FY2007	\$4,030,526
FY2008	\$4,150,714
FY2009	\$4,141,236
FY2010	\$4,032,294



Liquor Excise Tax

The Department of Revenue collects an excise tax (in addition to the license tax) on the retail selling price of all liquor sold by the state liquor warehouse. The tax rate ranges from 3% - 16% of the retail selling price, depending on the number of proof gallons produced by the manufacturer nationwide.

Proof Gallons	Tax Rate Per Barrel
Less than 20,000	3.0%
20,000 to 50,000	8.0%
50,001 to 200,00	13.8%
More than 200,000	16.0%

The revenues collected from the tax are deposited to the state general fund (16-1-401, MCA). A small portion of this tax revenue is refunded from the general fund to the tribes that have a revenue-sharing agreement with the state. Currently the state has agreements with the Blackfeet, Fort Peck, and Fort Belknap Tribes.

Liquor excise tax collections were \$10,662,763 in fiscal year 2009 and \$13,113,048 in fiscal year 2010.

Fiscal Year	Revenue
FY2004	\$8,992,427
FY2005	\$9,609,132
FY2006	\$10,651,853
FY2007	\$11,716,614
FY2008	\$12,512,800
FY2009	\$10,662,763
FY2010	\$13,113,048

Liquor License Tax

The Department of Revenue collects a license tax (in addition to the excise tax) on the retail selling price of all liquor sold by the state liquor warehouse. The tax rate ranges from 2% - 10% of the retail price, depending on the number of proof gallons produced by the manufacturer nationwide.

Proof Gallons	Tax Rate
Less than 50,000	2%
50,000 to 200,000	8.60%
More than 200,000	10%

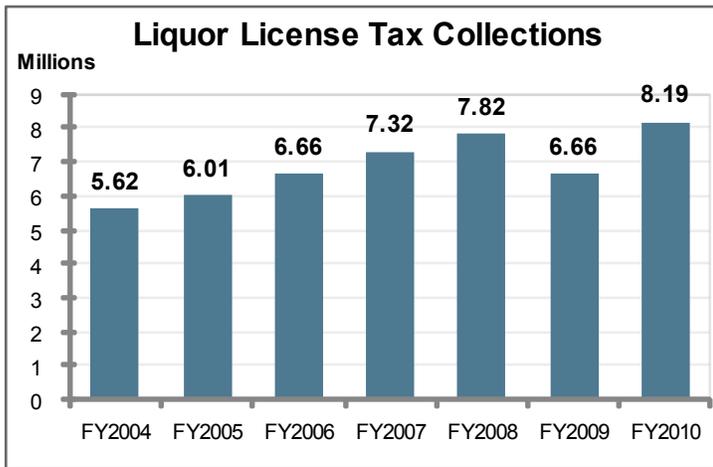
The revenues collected from the tax are deposited 34.5% to the state general fund and 65.5% to the Department of Public Health and Human Services for treatment, rehabilitation and prevention of alcoholism and chemical dependency (16-1-404, MCA).

A small portion of this tax revenue is refunded from the general fund to the tribes that have a revenue-sharing agreement with the state. Currently the state has agreements with the Blackfeet, Fort Peck and Fort Belknap Tribes.

Fiscal Year	Revenue
FY2004	\$5,621,399
FY2005	\$6,007,218
FY2006	\$6,658,036
FY2007	\$7,322,884
FY2008	\$7,820,500
FY2009	\$6,662,040
FY2010	\$8,194,517

Alcohol Taxes

Liquor License Tax collections were \$8,118,270 in fiscal year 2009 and \$8,138,240 in fiscal year 2010.



State Liquor Distribution Profits

Cost of goods, agent discounts and state operating expenses are paid from the gross profit of revenues collected by the Department of Revenue for distilled spirits sold to agency owned liquor stores.

The remainder of funds is set up as an accrual to be deposited the following year. In fiscal year 2009 the transfer was decreased by \$1,750,000 due to a legislative appropriation for the liquor warehouse renovation project.

Liquor Funds Transferred	
FY2002	5,600,000
FY2003	6,000,000
FY2004	6,500,000
FY2005	6,650,000
FY2006	7,450,000
FY2007	8,200,000
FY2008	8,775,000
FY2009	7,250,000
FY2010	9,000,000

Liquor Licensing and Fee

All individuals and corporations producing, importing, or selling alcoholic beverages in Montana must be licensed. Alcohol licensees pay an initial fee to obtain

a new license, plus an annual fee to renew the license. Beer and wine licenses, restaurant beer and wine licenses, brewery and winery registrations, and vendor permit applications and renewals have varying fees. All-beverage licenses, which allow retailers to serve all types of alcoholic beverages, pay an annual renewal fee based on a sliding scale. For all-beverage licenses in cities with a population of 10,000 or more, the annual renewal fee is \$800; in cities with smaller populations, renewal fees are lower. The number of licenses available in an area is limited by state law, depending on the population of the area (16-2-108, MCA).

The department retains license and fee revenues from the non-tax liquor collections in a liquor enterprise fund. The administrative and compliance expenses associated with enforcing the liquor laws of Montana by the Department of Revenue and the Department of Justice are paid from the liquor enterprise fund. Then the balance remaining in the fund at the end of the fiscal year is deposited in the state general fund.

Non-Tax Liquor Collections	
FY2002	\$2,225,504
FY2003	\$1,857,975
FY2004	\$2,062,646
FY2005	\$1,768,806
FY2006	\$2,091,179
FY2007	\$1,836,286
FY2008	\$3,155,184
FY2009	\$2,301,438
FY2010	\$2,242,529

Non-Tax Liquor General Fund Transfers	
FY2002	\$1,306,184
FY2003	\$558,198
FY2004	\$734,102
FY2005	\$431,316
FY2006	\$305,976
FY2007	\$436,316
FY2008	\$1,407,218
FY2009	\$399,280
FY2010	\$322,734

Alcohol Taxes

Fiscal Year	Cost of Goods Sold	Agency Store Commissions & Discounts	State Operating Costs
2002	\$35,279,453	\$6,797,458	\$1,477,563
2003	\$37,321,005	\$7,432,835	\$1,506,793
2004	\$39,933,421	\$8,165,280	\$1,331,391
2005	\$42,693,308	\$9,161,860	\$1,376,294
2006	\$47,306,545	\$10,147,568	\$1,464,299
2007	\$52,142,312	\$11,130,789	\$1,445,840
2008	\$55,687,736	\$12,114,487	\$1,578,194
2009	\$57,703,567	\$12,557,813	\$1,525,151
2010	\$57,881,004	\$12,616,802	\$1,687,744

Number of Licensees by License Type - FY2008					
Off-Premise			Wholesale		
Type of License	Number Issued	Annual Fee	Type of License	Number Issued	Annual Fee
Agencies	95	No Fee	Beer	4	\$400
Beer	98	\$200	Wine	2	\$400
Wine	8	\$200	Beer & Wine	26	\$800
Beer & Wine	718	\$400			
<i>Total Off-Premise</i>	919		<i>Total Wholesale</i>	32	
On-Premise			Breweries / Wineries		
Type of License	Number Issued	Annual Fee	Type of License	Number Issued	Annual Fee
Beer	78	\$200	Beer	89	\$200 - 500
Beer & Wine	638	\$400	Wine	729	\$25 - 400
Beer & Wine & Spirits	1,605	\$400-\$800			
<i>Total On-Premise</i>	2,321		<i>Total Suppliers</i>	818	