



MONTANA DEPARTMENT OF REVENUE

Montana Alcohol Beverage Control

*Presentation for the
Economic Affairs Interim Committee*

Montana is a Control State

Montana Code Annotated (16-1-101)

It is the policy of the State of Montana, through the Montana Department of Revenue, to effectuate and ensure the entire control of the manufacture, sale, importation, and distribution of alcoholic beverages within the state.

Overall purpose of the code:

- Protect the welfare, health, and safety of the people of Montana.
- Promote temperance, create orderly markets, and aid in the collection of taxes.

Alcohol Beverage Control

Montana is one of 17 states and 2 counties known as "Control Jurisdictions."

These jurisdictions control the sale of distilled spirits and, in some cases, beer and wine through government agencies at the wholesale level.

As a control state, Montana believes that moderation can best be achieved by neither promoting nor encouraging the consumption of alcohol but, instead by controlling it.

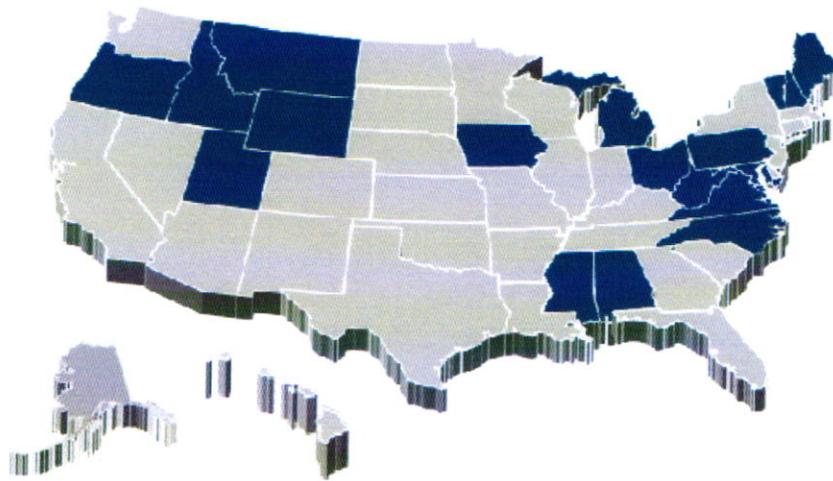
The purpose of control is to make liquor available to those adults who choose to drink responsibly, not to promote the sale of liquor.

By participating in the marketplace, we are able to serve our citizens with a broader and more flexible range of policy options to promote moderation in the consumption of alcoholic beverages and reduce alcohol abuse.

Another value of the control distribution system is that it operates solely on the revenue derived from the sale of alcoholic beverages in its jurisdiction. No property, state, or other local taxes are used to support control distribution system operations.

Contact Information:
Montana Department of Revenue – 406.444.6900
Liquor Control Division – 406.444.4324

The Control States



Alabama, Idaho, Iowa, Maine, Michigan, Mississippi, Montana, New Hampshire, North Carolina, Ohio, Oregon, Pennsylvania, Utah, Vermont, Virginia, West Virginia, Wyoming, Montgomery County (MD), Maryland Worcester County (MD)

Control Benefits to Montanans

Promote moderation

- Control systems promote moderation in consumption. Annual statistical data clearly shows that per capita consumption of distilled spirits is approximately 14.3% lower in control states than in open states.

Support of alcohol programs

- Revenues from liquor taxes are distributed to the credit of the Department of Public Health and Human Services for the treatment, rehabilitation, and prevention of alcoholism and chemical dependency.

Improve overall safety of communities through education, regulation and enforcement

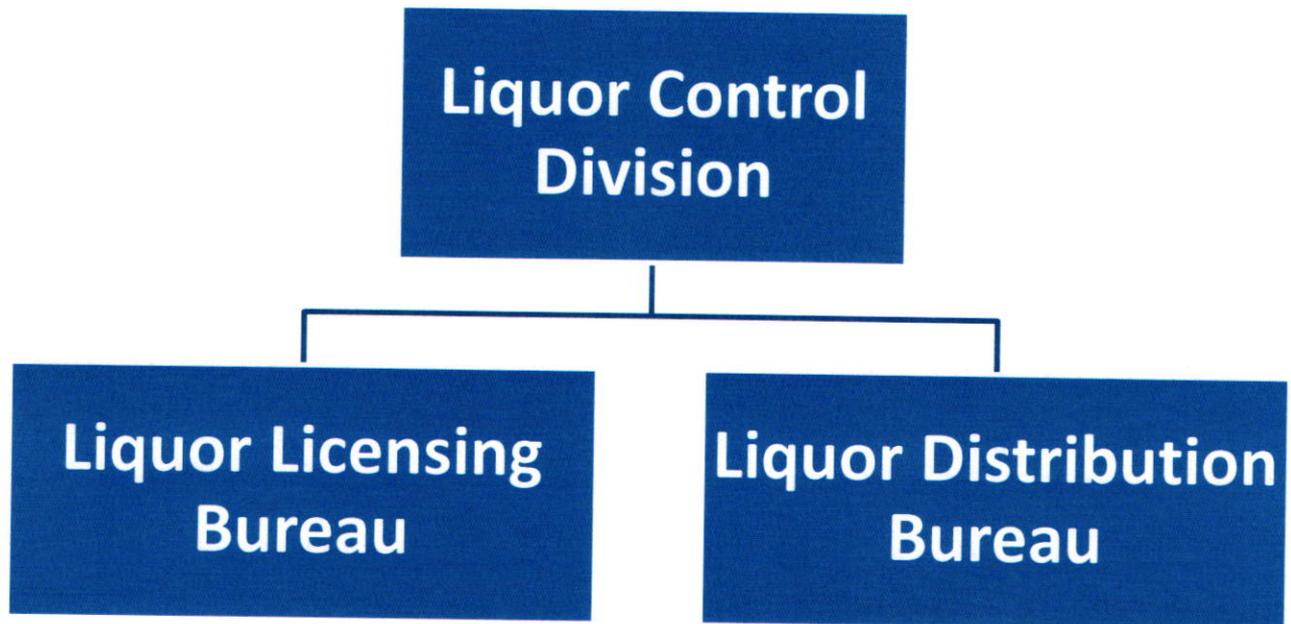
- The control state system continues to provide a regulatory environment that is better able to deter the ever-present risks and costs to the individual and the community of alcohol abuse.
- At one level, the uniform enforcement of applicable laws is made far more effective in a control state, where there are ordinarily fewer sales outlets and more importantly, where the economic incentive to violate those laws is greatly reduced.
- At another level, the control system itself serves both as a visible symbol of the public commitment to moderation and as a vehicle for the promotion of alcohol education and awareness programs to support that commitment.

Major source of revenue

- Liquor sales provide a source of revenue to the State of Montana. The state uses these revenues to help fund state-government operations and to support several government programs.

Department Structure for the Liquor Control Division

The Liquor Control Division is composed of two bureaus, Liquor Licensing and Liquor Distribution.



Liquor Licensing Bureau

The Liquor Licensing Bureau is responsible to protect the public health and safety in the consumption of alcohol by properly licensing alcohol beverage businesses in a fair and uniformed manner. The bureau is generally responsible for overseeing compliance with the state's liquor laws in respect to the manufacturing, distributing and retailing of alcoholic beverages, as provided for in the Montana Alcoholic Beverage Code (Title 16).

Duties and responsibilities include:

- Oversee and issue more than 4,600 licenses to manufacturers, importers, retailers and distributors of alcoholic beverages;
- Annually process renewal applications for these licenses;
- Review individual applicants for new licenses, transfer of ownership and transfer of location, including financial document information, and premises to determine applicant and premises meet standard requirements of the law;
- Educate licensees to ensure they understand the laws enacted by the legislature;
- Review investigative reports from local law enforcement and the Department of Justice and public complaints; and
- Ensure compliance with Montana's liquor laws.

The Department of Justice provides investigative and audit services for the Liquor Control Division under a Memorandum of Understanding.



Alcohol Beverage License Types

On-Premises Retail Licenses (Bars, Taverns and Restaurants)

This type of licensee may sell and serve alcoholic beverages for on-premises consumption or for off-premises consumption in the original packages, excluding restaurant beer and wine licenses who may only sell for on-premises consumption to patrons that order food.

Entities that primarily provide meals with table service and who are licensed to sell beer at retail or beer and wine at retail may upon approval by the department be granted a catering endorsement. This allows the business to cater a special event for on-premises consumption that would not otherwise be licensed to.

The Department of Revenue's Liquor Licensing Bureau and the Department of Justice's Gambling Control Division utilize a joint application to streamline the process to apply for certain on-premises licenses.

License Types

- All-Beverages Licenses
 - ◆ City – 1,039 issued (Quota)*
 - ◆ County – 423 issued (Quota)*

- Beer Licenses
 - ◆ City – 429 issued (Quota)**
 - ◆ County – 69 issued (No Quota)*

- Restaurant Beer and Wine Licenses – 241 issued (Quota)

Additional On-Premises License Types

- Fraternal or Veterans Licenses – All-beverages/beer – 81 (No Quota)*
- Golf Course Beer and Wine License – 20 (No Quota)
- Resort Retail All-beverages Licenses – 23 (No Quota)*
- Airport All-beverages Licenses – 7 (No Quota)*
- Passenger Carrier Licenses – 5 (No Quota)
- Special Beer & Wine License for Nonprofit Arts Organization – 16 (No Quota)
- Seasonal Beer & Wine License Yellowstone Airport – 1 (Specific Purpose)
- MT Heritage Retail Alcoholic Beverage Licenses – 3 (Specific Purpose)

**Gaming is available with these licenses with minor exceptions. (A Floater License issued after July, 2007 which resulted from a lottery is not eligible to offer gambling.)*

***Gaming is available with these licenses with minor exceptions. (New beer licenses issued after 1997 may not be used for premises where gambling is conducted.)*

Off-Premises Retail Licenses (Convenient Stores, Grocery Stores, Specialty Beer & Wine Stores and Drugstores licensed as a pharmacy)

This type of licensee may sell beer and table wine for off-premises consumption only. No consumption or tasting can occur on the licensed premises.

License Types

- Beer License – 76 issued (No Quota)
- Wine License – 10 issued (No Quota)
- Beer and Wine License – 790 issued (No Quota)
- Sacramental Wine License – 3 issued (No Quota)

May be issued to an establishment located in or outside of Montana that sells sacramental wine at retail to rabbis, priests, pastors, ministers or other officials of churches or other established religious organizations exclusively for off-premises use as a sacramental wine or for other religious purposes.

- Agency Liquor Stores – 96 issued (Quota)

Not a license, but contractual franchise agreement. May sell distilled spirits, fortified wines and table wines.

Manufacturer Licenses (Distillery, Brewery, Winery)

This type of licensee can manufacture, sell and distribute products they manufacture. A manufacturer licensed in the state that ships or sells directly to retailers or directly to consumers where allowed, is required to pay the tax on such products and provide the appropriate reporting forms to the department.

License Types

- Domestic Distillery License – 15 issued

This type of licensee can manufacture, distill, rectify, bottle, process and store liquor for sale to the department.

- ◆ Microdistillery (15 qualify)

A distillery located in Montana that produces 25,000 gallons or less of liquor a year.

- May provide samples of liquor produced on the premises in a sample room located on the licensed premises.
- The samples may be provided with or without charge between the hours of 10 a.m. and 8 p.m.
- No more than 2 ounces of liquor may be provided to an individual customer during a business day for on-premises consumption.
- No more than 1.75 liters of liquor may be provided to an individual customer during a business day for off-premises consumption.
- At least 90 percent of the aggregate amount of liquor provided for on- or off-premises consumption in the sample room must have been produced at the microdistillery.
- All liquor provided in the sample room must contain alcohol that was distilled at the microdistillery.
- May deliver product directly to an agency liquor store. Must electronically report all deliveries to department (*Effective January 1, 2016 - HB 506 from the 2015 Legislative Session*)

- **Brewery License – 65 issued**

This type of licensee can manufacture, sell and deliver beer from their licensed premises to any beer wholesaler, retail licensee or to the public. The licensee can provide samples but without charge if they produce less than 60,000 barrels of beer a year.

- ◆ **Small Brewery (63 qualify)**

A brewery located in Montana that produces not less than 100 barrels or more than 10,000 barrels of beer a year.

- May provide samples of beer that were brewed and fermented on the premises in a sample room located on the licensed premises.
- The samples may be provided with or without charge between the hours of 10 a.m. and 8 p.m.
- No consumption and possession before 10 a.m. or after 9 p.m.
- No more than 48 ounces of beer can be sold or given to an individual customer during a business day.

- **Domestic Winery License – 19 issued**

This type of licensee can manufacture, sell and deliver wine from their licensed premises to any table wine distributor, retail licensee or to the public.

- ◆ May provide samples of wine that it produced in a sample room located on the licensed premises.
- ◆ No restrictions exist on the amount of samples that may be provided per individual customer during a business day.
- ◆ The samples may be provided with or without charge between the hours of 8 a.m. and 2 a.m.

- **Foreign Winery or Importer Registration – 1,032 issued**

A foreign winery registered in the state can ship to licensed table wine distributors and to consumers if the winery holds a direct shipment endorsement issued by the department (545 issued). A wine importer can only ship to licensed table wine distributors.

- **Out-of-State Winery License – 7 issued**

This type of licensee can ship limited quantities directly to retail liquor licensees, licensed table wine distributors and to consumers if the winery holds a direct shipment endorsement issued by the department. The limit on direct shipments of wine to licensed retailers is 4,500 cases annually.

Beer Wholesaler and Table Wine Distributor Licenses

This type of licensee purchases beer and table wine either from a licensed brewery, winery, importer, beer wholesaler or table wine distributor for distribution and sell to retail licensees. This type of licensee may not sell to the public or allow consumption on their licensed premises.

License Types

- Beer Wholesaler License – 3 issued
- Table Wine Distributor License – 9 issued
- Beer Wholesaler and Table Wine Distributor License – 29 issued

Connoisseur's Licenses – 1 issued

This type of license allows an individual to receive direct shipments of beer from an out-of-state licensed brewery for the person's own consumption and not for resale. The individual is responsible for filing a semi-annual return and paying the tax for any shipments of beer received.

Vendor Permits and Vendor Representative Registrations – 114 issued

This type of permit allows a supplier of distilled spirits to have their products promoted within the state by registered representatives. The vendor is allowed to employ up to 5 individuals through independent contractors to promote its products. Additionally, the vendor may also register an unlimited number of individuals to promote its products who are direct employees, owners or officers of the distillery. All registered representatives must be residents of Montana. *(HB 350 from the 2015 Legislative Session)*

Special Permits – 474 issued

A tax-exempt organization, non-profit organizations, accredited postsecondary school or a professional sporting contest may apply for a special permit to sell beer and table wine to patrons at the special event. The beer or wine must be consumed at the time and within the enclosed area. Most special permits can be obtained for \$10 per day. Sports leagues can obtain a special permit for \$1,000 to cover the length of the specified season of play.

Licensing Fees

License Type	License Fee	Processing Fee	One-Time Fee	Renewal Fee
On-Premises Retail				
County All-Beverage	\$400	\$400		\$400
City All-Beverage	\$400 - \$800	\$400		\$400 - \$800
Beer	\$200	\$400		\$200
Beer with Wine Amendment	\$400	\$400		\$400
Restaurant Beer and Wine	\$400	\$400	\$5,000 - \$20,000	\$400
Veterans Club (County)	\$250	\$400		\$250
Veterans Club (City)	\$250 - \$650	\$400		\$250 - \$650
Golf Course Beer and Wine	\$400	\$400	\$20,000	\$400
Resort All-Beverage	\$2,000	\$400	\$20,000	\$2,000
Catering Endorsement				
All-Beverage	\$250	\$100		\$250
Beer	\$200	\$100		\$200
Off-Premises Retail				
Beer	\$200	\$200		\$200
Wine	\$200	\$200		\$200
Beer and Wine	\$400	\$200		\$400
Sacramental Wine	\$50	\$50		\$50
Wholesaler/Distributor				
Beer	\$400	\$200		\$400
Table Wine	\$400	\$200		\$400
Beer and Table Wine	\$800	\$200		\$800
Beer or Wine Sub-Warehouse	\$400	\$100		\$400
Beer and Wine Sub-Warehouse	\$800	\$100		\$800
Manufacturer				
Brewery (less than 20,000 barrels)	\$500	\$200		\$200
Brewery (more than 20,000 barrels)	\$500	\$200		\$500
Beer Storage Depot	\$500	\$100		\$500
Winery License	\$400	\$200		\$200
Winery Registration	\$0 - \$400			\$0 - \$400
Direct Shipment Endorsement	\$50			\$50
Distillery	\$600	\$200		\$600
Connoisseur				
Beer	\$50			\$25

Quota System

- Quota system has been in place since 1947
- There are two types of quota areas: city and county
- Quota system for incorporated towns and counties
 - ◆ **All-beverage licenses**
 - Incorporated towns - based on population within city limits
 - Counties – based on population within county limits less population in incorporated towns.
 - ◆ **Beer licenses** (can add a wine amendment)
 - Incorporated cities – based upon population within the city limits
 - Counties – no limit

City Quota Area (City licenses can be located within the corporate city limit and within a distance of 5 miles from the corporate limits.)

All-Beverage License Quota Amounts

- Population 500 or less = 2 licenses
- Population 501 - 3,000 = 3 licenses for first 1,000 inhabitants plus 1 for each additional 1,000 inhabitants
- Population 3,001 or more = 5 licenses for first 3,000 inhabitants plus 1 for each additional 1,500 inhabitants

Beer License Quota Amounts

- Population 500 or less = 1 license
- Population 501 - 2,000 = 1 license for every 500 inhabitants
- Population 2,001 or more = 4 licenses for first 2,000 inhabitants, 2 licenses for the next 2,000 inhabitants and 1 additional license for every additional 2,000 inhabitants

Restaurant Beer and Wine (RBW) License Quota Amounts

- Population 5,000 or less = 80% of beer quota
- Population 5,001– 20,000 = 160% of beer quota
- Population 20,001 – 60,000 = 100% of the beer quota
- Population 60,001 or more = 80% of the beer quota

County Quota Area

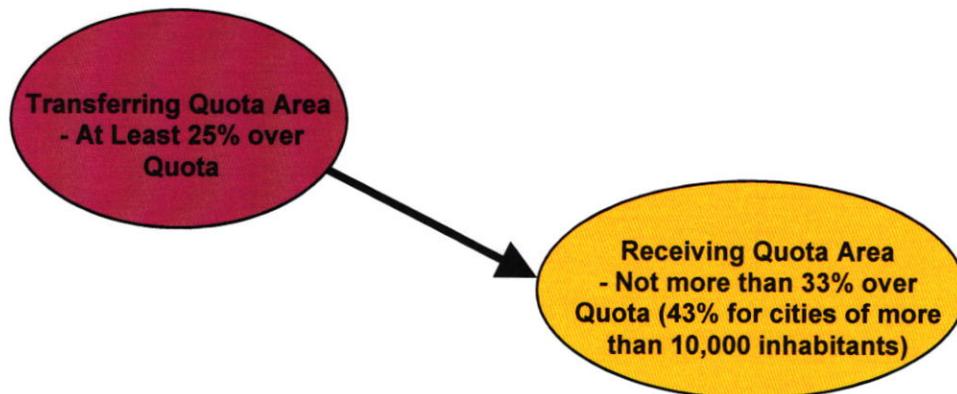
All-Beverage License Quota Amounts

All populations: 1 license for 750 inhabitants of the county after excluding the population of incorporated cities and incorporated towns in the county. County All-Beverage Licenses can be located anywhere in the county except within the boundaries of the incorporated cities and town and within a 5 miles radius.

Beer License Quota Amounts

No Limit

Floating Licenses between Quota Areas [16-4-204, MCA]



General Provisions

- Only All-beverages Licenses may be floated
- Must still meet Public Convenience & Necessity
- Floated licenses may not be transferred to another person for 5 years
- Floated licenses are not eligible to be floated again

Lottery All-Beverage Floater Licenses

- Liquor statutes provide a mechanism for all-beverage licenses to float from an existing location that is technically over quota to a location that is technically under quota.
- As population fluctuates, the number of quota licenses is adjusted.
- This year, the following licenses will be added: one all-beverage floater license, one beer license and one RBW license in Bozeman/Belgrade, one RBW license in Helena/East Helena, and one all-beverage floater license in Liberty County.
- If more applicants apply then the number of licenses available, the lottery rules come into effect.

Requirements for Lottery All-Beverage Floater Licenses

- Applicants cannot own an existing all-beverage license at the time of application.
- Applicants must provide a letter of credit of \$100,000.
- Applicants can apply for only one lottery a year.
- Successful applicants must open the business within 12 months of the lottery.
- Plus the gambling privilege is removed from the license.

General Licensing Requirements

- Applicants holding a financial ownership of 10% or more must pass a background check by submitting their fingerprints.
- Applicants must be current with all Montana taxes.
- Applicants must be 19 years of age or older.
- Applicants must not have been convicted of a felony or, if the applicant has been convicted of a felony, the applicant's rights must have been restored.
- Applicants must be likely to operate the establishment in compliance with all applicable laws of the state and local governments.
- Business must be authorized to do business in Montana.
- All licensees and their employees that sell or serve alcoholic beverages must receive responsible alcohol sales and service training by a state approved training provider. (*SB 29 from the 2011 legislative session*)
- A licensee may not possess an ownership interest in more than three all-beverage licenses. A licensee may not possess an ownership interest in more than half the total number of allowable all-beverage licenses in any quota area. (*SB 120 from the 2013 legislative session*)
- An ownership interest in other alcohol beverage tiers is prohibited.

Notice of Publication

Public Convenience and Necessity

- Department required to publish notices when new licenses, liquor license transfers and transfers of location are requested.
- Notice allows the public the opportunity to protest the approval of the license to the applicant and/or proposed location.
- Protests must equal 25% of the number of quota all-beverages licenses in the area located, but not less than 2 protests, in order to initiate a public hearing.
- Evidence needs to indicate that the license will "materially promote the public's ability to engage in the licensed activity."
- A license may not be issued if the department finds from a hearing that:
 - ◆ The welfare of the people residing or of retail licenses located in the vicinity of the premises for which the license is desired will be adversely and seriously affected;
 - ◆ The applicant or the proposed premises for licensing fail to meet the eligibility or suitability criteria;
 - ◆ A possible reason for denial listed in a conditional approval letter has been verified; or
 - ◆ The purposes of Montana Beverage Code will not be carried out by the issuance of the license.