

WHOLESALE ENERGY TRANSACTION TAX

Revenue Description

Title 15, Chapter 72, MCA, provides for the imposition and collection of the wholesale energy transaction tax at a rate of 0.015 cents per kilowatt-hour (kWh) on electricity transmitted by a transmission service provider in the state. Power generated by the U.S. government is exempt. This tax was effective January 1, 2000 and is deposited 100% in the state general fund.

Historical and Projected Revenue

Table 1 shows actual general fund revenue from the wholesale energy transaction tax for FY 2000 through FY 2006 and forecast revenue for FY 2007 through FY 2009.

Table 1 Wholesale Energy Transaction Tax (\$ millions)		
Fiscal Year	General Fund	Percent Change
A 2000	\$1.895	
A 2001	\$3.503	84.88%
A 2002	\$2.906	-17.05%
A 2003	\$3.532	21.53%
A 2004	\$3.293	-6.76%
A 2005	\$3.370	2.33%
A 2006	\$3.813	13.15%
F 2007	\$3.686	-3.34%
F 2008	\$3.757	1.92%
F 2009	\$3.829	1.92%

Fiscal Year	General Fund Revenue (\$ millions)
2000	1.895
2001	3.503
2002	2.906
2003	3.532
2004	3.293
2005	3.370
2006	3.813
2007	3.686
2008	3.757
2009	3.829

Table 1 indicates that revenue has been variable since FY 2001. Growth of taxable kilowatt-hours, shown in Table 2 on the next page, is more consistent over time. Several items account for this difference:

- FY 2000 revenue is only a half-year amount, and the accrual was \$189,611 high.
- In FY 2001, the year-end estimated accrual was \$174,357 too low, there was a tax overpayment of \$425,801, and there were approximately \$42,000 in miscellaneous adjustments.
- In FY 2002 a refund of \$425,801 was made for the overpayment in FY 2001.

- The FY 2003 accrual was \$69,000 too low.
- In FY 2004, there was a revenue adjustment, which reduced FY 2004 revenue by \$236,000 in SABHRS to account for a revised report on FY 2003 kilowatt-hour production, and the FY 2004 year-end accrual was \$109,247 above actual receipts.
- In FY 2006 the accrual was \$196,642 high.

When the aforementioned adjustments are removed from actual collections, a more stable amount of revenue was collected each year. Based on the estimated change in taxable kilowatt-hours, revenue is expected to fall slightly in FY 2006 to \$3.686 million, and then grow 1.92% each year in FY 2006 and FY 2007.

Forecast Methodology and Projection Calculation

There are two steps to estimating the wholesale energy transaction tax: estimating the taxable kilowatt-hours and calculating the tax.

Taxable Kilowatt Hours

The taxable kilowatt-hours in Montana have been increasing every year since FY 2000. Table 3 shows this consistent growth from FY 2001 through FY 2006. The average annual growth in taxable kilowatt-hours is shown to be 1.92%.

Table 2						
Taxable Kilowatt-Hours for Wholesale Energy Tax						
FY 2000 through FY 2006						
Fiscal Year	Quarter 1 July - Sept.	Quarter 2 Oct. - Dec.	Quarter 3 Jan. - March	Quarter 4 April - June	Fiscal Year Total	% Change
A 2000	-----0-----	-----0-----	6,616,241,959	5,284,198,270	11,900,440,229	
A 2001	5,419,469,746	5,943,776,467	5,696,989,674	4,870,218,101	21,930,453,988	-
A 2002	5,691,480,747	5,647,275,070	5,162,383,799	5,576,221,735	22,077,361,351	0.67%
A 2003	5,686,251,696	5,460,463,017	5,828,994,674	5,498,883,622	22,474,593,009	1.80%
A 2004	6,169,847,022	5,830,473,451	5,889,521,188	5,346,097,294	23,235,938,955	3.39%
A 2005	5,776,286,339	6,077,002,400	5,856,332,958	5,867,051,380	23,576,673,077	1.47%
A 2006	5,997,662,413	6,190,379,290	6,291,030,598	5,633,278,479	24,112,350,780	2.27%
Average Growth FY 2001 - FY 2006						1.92%
F 2007	6,112,760,090	6,309,175,285	6,411,758,134	5,741,383,474	24,575,076,982	1.92%
F 2008	6,230,066,539	6,430,251,025	6,534,802,482	5,851,563,049	25,046,683,096	1.92%
F 2009	6,349,624,149	6,553,650,260	6,660,208,104	5,963,857,017	25,527,339,530	1.92%

This average growth rate is used to forecast the yearly taxable kilowatt-hours in FY 2007 through FY 2009. Taxable kilowatt-hours are projected to be 24,575 million in FY 2007, 25,047 million in FY 2008, and 25,527 million in FY 2009.

Calculation of Projected Revenue

As shown in Table 3, the tax is calculated by multiplying estimated kilowatt-hours by the current tax rate of \$0.0015. Wholesale energy transaction tax revenue is estimated at \$3.686 million in FY 2007, \$3.757 million in FY 2008, and \$3.829 million in FY 2009.

Table 3					
Wholesale Energy Transaction Tax					
General Fund Revenue					
Fiscal Year	Estimated kWh	x	Tax Rate	=	Total Revenue
2007	24,575,076,982	x	\$0.00015	=	\$3,686,262
2008	25,046,683,096	x	\$0.00015	=	\$3,757,002
2009	25,527,339,530	x	\$0.00015	=	\$3,829,101

Data Sources

The Montana Department of Revenue provided the taxable kilowatt-hours by quarter. Tax collections were obtained from SABHRS.