

## 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 and forecast wholesale energy transaction tax revenue for FY 2000 through FY 2007.

<b>Table 1</b>		
<b>Wholesale Energy Transaction Tax</b>		
<b>(\$ millions)</b>		
Fiscal Year	General Fund	Percent Change
A 2000	\$1.895	
A 2001	\$3.503	84.9%
A 2002	\$2.906	-17.0%
A 2003	\$3.532	21.5%
A 2004	\$3.293	-6.8%
<b>F 2005</b>	<b>\$3.485</b>	<b>5.8%</b>
<b>F 2006</b>	<b>\$3.520</b>	<b>1.0%</b>
<b>F 2007</b>	<b>\$3.555</b>	<b>1.0%</b>

  

**Wholesale Energy Transaction Tax**  
**Adjusted General Fund Revenues**

Fiscal Year	General Fund Revenue (\$ millions)
2000	1.895
2001	3.503
2002	2.906
2003	3.532
2004	3.293
2005	3.485
2006	3.520
2007	3.555

Revenue growth has been highly variable. Growth of taxable kilowatt-hours, shown in Table 3 on the next page, has had more consistent growth. 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 fiscal year-end estimated accrual was \$174,357 too low, there was a tax overpayment of \$425,801, and there was 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 fiscal year-end accrual was \$109,247 too high.

When the aforementioned adjustments are removed from actual collections, a more stable amount of revenue was collected each year. Based on the estimated growth in taxable kilowatt-hours, revenue is expected to remain constant for FY 2005, and then grow 1% a year in FY 2006 and FY 2007.

### Forecast Methodology and Projected Calculation

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

#### Historical Taxable Kilowatt Hours

Only four years of fiscal year data are available as this tax was established in January 2000. A time series this short does not lend itself to a statistically reliable trend indicator, although the taxable kilowatt-hours in Table 3 show consistent growth from FY 2001 through FY 2004. The average annual growth is 2.1%.

<b>Table 3</b> <b>Taxable Kilowatt-Hours for Wholesale Energy Tax</b> <b>FY 2000 through FY 2004</b>						
Fiscal Year	Quarter 1 July - Sept.	Quarter 2 Oct. - Dec.	Quarter 3 Jan.- March	Quarter 4 April - June	Fiscal Year Total	% Change
2000	-----0-----	-----0-----	6,616,241,959	5,284,198,270	11,900,440,229	
2001	5,419,469,746	5,943,776,467	5,696,989,674	4,870,218,101	21,930,453,988	NA
2002	5,691,480,747	5,647,275,070	5,162,383,799	5,576,221,735	22,077,361,351	0.67%
2003	5,686,251,696	5,460,463,017	5,828,994,674	5,498,883,622	22,474,593,009	1.80%
2004	6,169,847,022	5,830,473,451	5,889,521,188	5,346,097,294	23,235,938,955	3.39%

New electrical power generation facilities may begin production in Montana and increase the state's production capability. This may be an indicator of increased sales, although not necessarily.

The first two quarters of calendar year 2004 are 0.81% less than the first two quarters of calendar year 2003, and it appears that some producers will have a reduced third quarter also. Therefore the growth rate for FY 2005 is held constant at the FY 2004 level. Based on a survey and discussions with company officials a 1% growth rate is used to estimate FY 2006 and FY 2007 kilowatt-hours.

Calculation of Project Revenue

Table 4 shows the tax calculation based on the projected taxable kilowatt-hours for FY 2005 through FY 2007. Wholesale energy transaction tax revenue is estimated at \$3.485 million in FY 2005, \$3.520 million in FY 2006, and \$3.555 million in FY 2007.

<b>Table 4</b>							
<b>Wholesale Energy Transaction Tax General Fund Revenue</b>							
Fiscal Year	Base Taxable kWh	X	Growth Rate	=	Estimated Kilowatt Hours	X	Tax Rate = General Fund
A 2004	23,235,938,955	X				X	=
<b>F 2005</b>	<b>23,235,938,955</b>	<b>X</b>	<b>0.0%</b>	<b>=</b>	<b>23,235,938,955</b>	<b>X</b>	<b>\$0.00015 = \$3,485,391</b>
<b>F 2006</b>	<b>23,235,938,955</b>	<b>X</b>	<b>1.0%</b>	<b>=</b>	<b>23,468,298,345</b>	<b>X</b>	<b>\$0.00015 = \$3,520,245</b>
<b>F 2007</b>	<b>23,468,298,345</b>	<b>X</b>	<b>1.0%</b>	<b>=</b>	<b>23,702,981,328</b>	<b>X</b>	<b>\$0.00015 = \$3,555,447</b>