

## RETAIL TELECOMMUNICATIONS EXCISE TAX

### Revenue Description

Montana imposes a 3.75% excise tax on retail telecommunications services as directed in 15-53-130, MCA. Telecommunications services are defined as two-way transmission of information over a telecommunications network that originates *or* terminates in the state, *and* is billed to a customer with a Montana service address. Telecommunications service providers are required to collect the tax and make quarterly payments within 60 days after the end of each quarter. All revenue is allocated to the general fund pursuant to 15-53-156, MCA.

### Historical and Projected Revenue

Table 1 shows actual general fund revenue from telecommunications excise tax for FY 1996 through FY 2006 and forecast revenue for FY 2007 through FY 2009.

<b>Table 1</b> <b>Retail Telecommunications Excise Tax</b> <b>(\$ millions)</b>		
Fiscal Year	General Fund	Percent Change
A 1996	5.712	-
A 1997	6.045	5.83%
A 1998	5.773	-4.50%
A 1999	6.037	4.56%
A 2000	9.857	63.28%
A 2001	18.838	91.12%
A 2002	19.594	4.01%
A 2003	20.838	6.35%
A 2004	20.919	0.39%
A 2005	21.176	1.23%
A 2006	21.226	0.23%
<b>F 2007</b>	<b>21.357</b>	<b>0.62%</b>
<b>F 2008</b>	<b>21.488</b>	<b>0.62%</b>
<b>F 2009</b>	<b>21.621</b>	<b>0.62%</b>

  

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The telecommunications excise tax replaced the telephone company license tax on January 1, 2000. The telecommunications excise tax was intended to replace revenue losses from lower property taxes on telephone company property. The large increases in FY 2000 and FY 2001 reflect the transition from the telephone company license tax to the retail telecommunications excise tax. General fund revenue growth is forecast to grow by 0.62% annually during FY 2007 through FY 2009.

## Forecast Methodology and Projection Calculation

Retail telecommunications excise tax revenue is forecast using two steps: 1) calculate the average annual growth rate and 2) apply the growth rate.

### Step 1: Estimate Average Annual Growth Rate

Since FY 2003, the growth of the telecommunications excise tax has slowed. Therefore, the average annual growth rate used in this forecast is the average annual growth rate from FY 2004 to FY 2006, or 0.62%. Table 3 shows the calculation for the average annual growth rate.

<b>Table 2 Average Annual Growth Rate</b>		
Fiscal Year	Actual Rev.	Growth Rate
A 2004	20.919	0.39%
A 2005	21.176	1.23%
A 2006	21.226	0.23%
		1.85%
		÷ 3
Avg. Annual Growth		0.62%

### Step 2: Apply the Growth Rate

Table 3 shows the calculation for forecasting the telecommunications excise tax. The previous fiscal year revenue is multiplied by the estimated growth rate plus 100% to yield general fund revenue. Total general fund revenue is forecast to be \$21.357 million in FY 2007, \$21.488 million in FY 2008, and \$21.621 million in FY 2009.

<b>Table 3 Apply Annual Growth Rate</b>			
Fiscal Year	Prev. FY Rev.	Growth Rate	GF Revenue
F 2007	\$21.226	X 100.62%	= \$21.357
F 2008	\$21.357	X 100.62%	= \$21.488
F 2009	\$21.488	X 100.62%	= \$21.621

## Data Sources

Retail telecommunications excise tax revenue data is from SABHRS Report MTGL109.