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# Legislative Fiscal Division

## Revenue Estimate Profile

### Wholesale Energy Tax

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**Revenue Description:** The wholesale energy transaction tax, enacted by the 1999 Legislature (HB 174) is imposed on the amount of electricity transmitted by a transmission services provider in the state.

**Statutory Reference:**

Tax Rate (MCA) – 15-72-104(1)

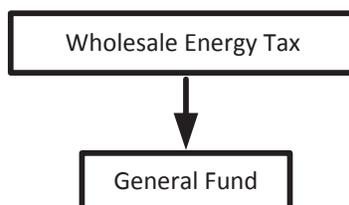
Tax Distribution (MCA) – 15-72-106(3)

Date Due – 30<sup>th</sup> day of the month following the end of the calendar quarter (15-72-110)

**Applicable Tax Rate(s):** The tax rate of 0.015 cent is applied to the number of kilowatt hours transmitted (or \$0.15 per megawatt). If the electricity is produced in-state and sold out-of-state, the taxpayer is the person(s) owning the electrical generation property, and the tax is collected by the transmission services provider. If the electricity is produced in-state for delivery in-state, or is produced outside the state for delivery in-state, the taxpayer is the distribution services provider, and the tax is collected by the transmission services provider. The tax does not apply to: 1) electricity that is transmitted through the state that is neither produced nor consumed in the state; 2) electricity generated in the state by an agency of the federal government for delivery outside the state; 3) electricity delivered to a distribution services provider that is a municipal utility or a rural electric cooperative which opts out of competition under HB 390 (1997 legislature); 4) electricity delivered to a purchaser that received its power directly from a transmission or distribution facility owned by an entity of the US government; 5) electricity meeting certain contractual requirements that is delivered by a distribution services provider that was first served by a public utility after December 31, 1996; 6) electricity that has been subject to the transmission tax in another state; and 7) a 5% line loss exemption for transmission of electricity produced in the state for delivery outside of the state.

**Distribution:** All proceeds are deposited into the general fund.

Distribution Chart:



**Summary of Legislative Action:** The 63<sup>rd</sup> Legislature did not enact legislation that impacted this source.

**Collection Frequency:** Quarterly

**% of Total General Fund Revenue:**

FY 2004 – 0.24%	FY 2007 – 0.20%	FY 2010 – 0.22%
FY 2005 – 0.22%	FY 2008 – 0.20%	FY 2011 – 0.22%
FY 2006 – 0.22%	FY 2009 – 0.21%	FY 2012 – 0.18%

**Revenue Estimate Methodology:**

The wholesale energy transaction tax is applied to the number of kilowatt hours transmitted less 5% for line loss on out-of-state transmissions. The forecast for the tax revenue is developed by estimating the annual taxable kilowatt hours transmitted for each company and any company anticipated to be transmitting within the forecast period. The tax rate is applied to the estimated number of kilowatt hours to produce calendar revenue estimates, which are then converted into fiscal year estimates.

Data

All energy transmitting companies are surveyed for anticipated kilowatt hours transmitted, anticipated new transmissions, anticipated downtime or reduced transmission, and a percentage split between in-state and out-of-state transmissions; these data used to develop growth rates. Data from quarterly reports produced by DOR provide a history of in-state and out-of-state kilowatt hours transmitted by each company.

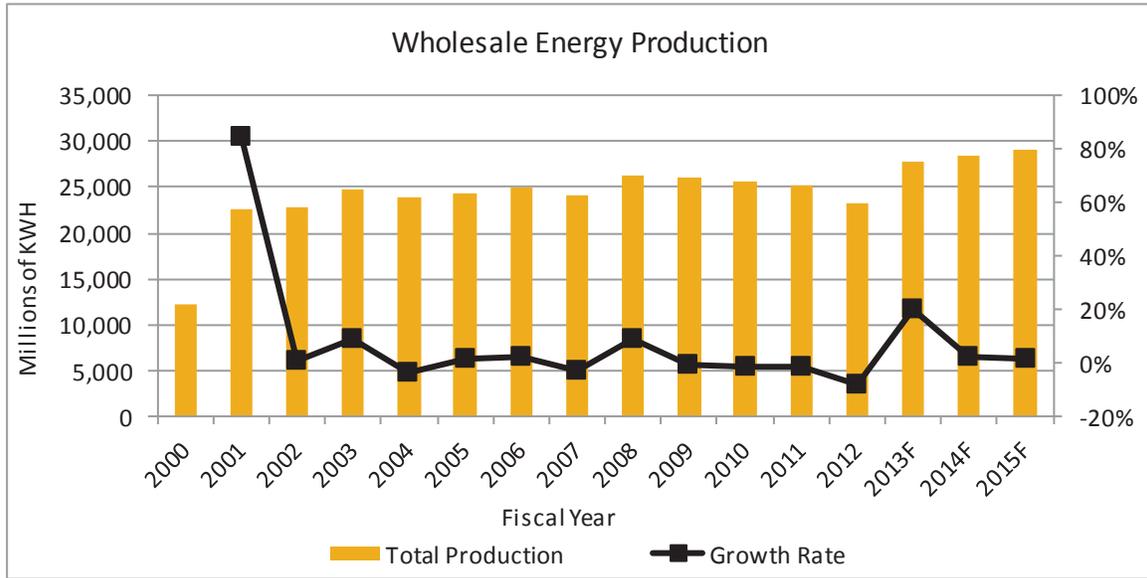
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#### Analysis

A growth rate based on the change in total yearly production from the actual/estimated year to the amount provided by the surveys was applied to the previous gross production amount. The totals are added for each year and allowable line loss is calculated and subtracted from the yearly total. Net taxable kilowatt hours are multiplied by the tax rate to produce total revenue from this source.



#### Adjustments and Distribution

Once total tax revenue for each fiscal year is determined, the applicable distribution percentage, 100% to the general fund, is applied.

#### Forecast Methodology:



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#### Revenue Estimate Assumptions:

This section contains the assumptions used to generate the revenue estimates contained in Senate Joint Resolution 2. It does not reflect changes, if any, enacted by the 2013 Legislature that may affect future estimates of this revenue source.

	t	Total Tax	GF Tax	KWH Fiscal	Line	Credits	Tax
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Loss Fiscal</u>	<u>Millions</u>	<u>Rate</u>
Actual	2002	2.906	2.906	22,775.158	697.796	0.000	0.015%
Actual	2003	3.532	3.532	24,780.402	730.789	0.000	0.015%
Actual	2004	3.293	3.293	23,961.126	725.187	0.000	0.015%
Actual	2005	3.370	3.370	24,326.536	749.863	0.000	0.015%
Actual	2006	3.813	3.813	24,870.822	758.471	0.000	0.015%
Actual	2007	3.651	3.651	24,070.521	709.589	0.000	0.015%
Actual	2008	3.856	3.856	26,192.843	796.685	0.000	0.015%
Actual	2009	3.865	3.865	26,004.638	783.005	0.000	0.015%
Actual	2010	3.556	3.556	25,546.398	774.161	0.000	0.015%
Actual	2011	3.946	3.946	25,240.578	759.051	0.000	0.015%
Actual	2012	3.427	3.427	23,182.689	663.193	0.000	0.015%
Forecast	2013	4.038	4.038	27,762.064	840.774	0.000	0.015%
Forecast	2014	4.140	4.140	28,461.344	861.952	0.000	0.015%
Forecast	2015	4.217	4.217	28,992.297	878.032	0.000	0.015%

Total Tax = (KWH Fiscal - Line Loss Fiscal) × Tax Rate - Credits

GF Tax = Total Tax

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#### Revenue Projection:

