

FISCAL NOTE

Bill #: SB512

Title: Impose energy excise tax for stable prices and other purposes

Primary

Sponsor: Mike Halligan

Status: As Amended by Conference Committee

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	<u>FY2002</u> <u>Difference</u>	<u>FY2003</u> <u>Difference</u>
Expenditures:		
General Fund	\$763,399	\$305,629
Revenue:		
General Fund	\$402,300,000	\$468,000,000
Net Impact on General Fund Balance:	\$401,536,601	\$467,694,371

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. Beginning July 1, 2001, this bill provides for a tax on revenue from sales of electrical energy at prices above \$0.045 per kilowatt-hour(KWH). The bill exempts sales from facilities built after July 1, 2001; sales from facilities used primarily to supply energy to the owners' business, sales from PURPA qualifying facilities; and sales of electricity from facilities owned by the United States.
2. The tax would be imposed at a rate of 90% on gross revenue in excess of \$0.045 per kilowatt-hour.
3. In fiscal 2002, most electricity generated in Montana and sold in the state will be priced at less than \$0.045 per kilowatt-hour. 1,200,000,000 KWH will be sold on the open market at a price of \$0.200 and 1,200,000,000 KWH will be sold on the open market at a price of \$0.150. 9,000,000,000 KWH will be sold by out-of-state utilities at a price of \$0.06. The tax per KWH on sales at \$0.200 would be \$0.1395 (90% x (\$0.200 - \$0.045)). The tax per KWH on sales at \$0.150 would be \$0.0945 (90% x (\$0.150 - \$0.045)). The tax per KWH on sales at \$0.060 would be \$0.0135 (90% x (\$0.060 - \$0.045)). Collections in fiscal 2002

(continued)

would be \$402,300,000 (1,200,000,000 KWH x \$0.1395 + 1,200,000,000 KWH x \$0..0945 + 9,000,000,000 KWH x \$0.0135).

4. In fiscal 2003, approximately 11,000,000,000 KWH subject to the tax would be sold on the open market at a price of \$0.080. The tax per KWH on these sales would be \$0.0315 (90% x (\$0.080 - \$0.045)). 9,000,000,000 KWH would be sold by out-of-state utilities at a price of \$0.06 and paying a tax of \$0.0135 per KWH. Collections in fiscal 2003 would be \$468,000,000 (11,000,000,000 KWH x \$0.0315 + 9,000,000,000 KWH x \$0.0135).
5. All revenue from the tax would be deposited in the general fund.
6. The Department of Revenue anticipates significant costs to administer this tax and achieve high compliance. The department would require four additional auditors and one researcher. These FTE would be responsible for creation of reporting forms, writing rules, processing reports, assisting taxpayers, and auditing returns. The department also anticipates significant costs of for litigation, primarily in the first year. This increases administrative costs a total of \$763,399 in fiscal 2002, and \$305,629 in fiscal 2003.

FISCAL IMPACT:

	FY2002 <u>Difference</u>	FY2003 <u>Difference</u>
FTE	5.00	5.00

Expenditures:

Personal Services	\$285,618	\$286,716
Operating Expenses	<u>477,718</u>	<u>18,913</u>
TOTAL	\$763,399	\$305,629

Funding:

General Fund (01)	\$763,399	\$305,629
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Revenues:

General Fund (01)	\$402,300,000	\$468,000,000
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Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	\$401,536,601	\$467,694,371
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LONG-RANGE IMPACTS:

This bill terminates July 1, 2005. Collections are projected to be lower in fiscal years 2004 and 2005 as electricity prices gradually fall. Prices are projected to be approximately \$0.070 per kilowatt-hour by the end of fiscal 2005.