

Telecommunications Excise Tax

Revenue Description

The retail telecommunications excise tax is levied on the sales price of retail telecommunications services originating or terminating in the state. It is paid by the retail purchaser and collected by the provider.

Statutory Reference

Tax Rate – [15-53-130, MCA](#)

Tax Distribution – [15-53-156, MCA](#)

Date Due – 60 days after the end of the calendar quarter ([15-53-139, MCA](#))

Applicable Tax Rates

A tax of 3.75% is applied to the sales price of retail telecommunications services. Sales price includes payment for services such as distribution, supply, transmission, and delivery, but excludes federal taxes, relocation of service, equipment repair, prepaid calling cards, and other items. Gross receipts from the pre-paid wireless and internet services are also exempt.

Collection Frequency: Quarterly

Distribution: After retaining an allowance for refunds, all proceeds are deposited into the general fund.

Comparison of Legislative and Executive Forecasts

The difference between the legislative and executive forecasts is primarily due to modeling differences.

Retail Telecommunications Excise Tax (\$ Millions)				
	FY 2015	FY 2016	FY 2017	Total
Executive Forecast	\$19.520	\$19.380	\$19.320	\$58.220
Legislative Forecast	20.186	19.934	19.771	59.891
Difference	(\$0.666)	(\$0.554)	(\$0.451)	(\$1.671)
% Difference	-3.3%	-2.8%	-2.3%	-2.8%

Forecast Risks

- Changing rate of landline usage
- Changing market share of prepaid smartphones, which are not taxable

Revenue Estimate Methodology

Data

The estimate for this source is based on historical revenue data from SABHRS, U.S. Census Bureau data for landline use decline and cell phone use growth, IDC Mobile Phone Tracker statistics, Google smartphone statistics, and the IHS forecast of Montana population.

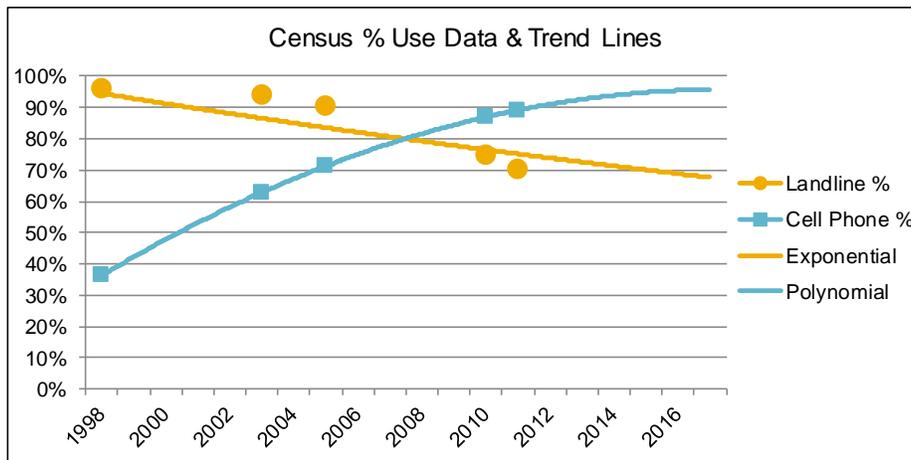
Analysis

Telecommunication services have changed with users—especially younger users and those in higher populated area—trending toward exclusive reliance on cell phones. Data collected by the U.S. Census Bureau on consumer trends suggests that many users had both landline and cell services as the cell phones increased in popularity, but now that cell service reliability is well established, users

Business and Personal Taxes

Telecommunications Excise Tax

are dropping their land line service. The graph below shows the national trends, which are applied to the Montana forecast:



Total revenue has been declining since FY 2011 in part due to the DOR's loss of the pre-paid wireless case in 2011. The impact of the case was initially estimated to be an annual reduction in revenue of about \$1.0 million. However, the growth in the market share of prepaid smartphones was likely underestimated, resulting in an underestimate of the revenue reduction.

The current estimate assumes the prepaid wireless market share plateaus at 40% of all wireless service; however, if trends follow that of European countries, the prepaid market share could go above 80%, which would result in lower revenue.

Revenue Estimate Assumptions

FY	Total Tax \$ Millions	GF Tax \$ Millions	Taxable Sales \$ Millions	Calculated Landline % Calendar	Calculated Cell Phone % Calendar	Prepaid Smartphone % Calendar	Taxable Cell Phone % Calendar
A 2002	\$19.594	\$19.594	\$512.754	90%	53%	0%	53%
A 2003	20.805	20.805	540.397	88%	58%	0%	58%
A 2004	20.890	20.890	536.139	87%	63%	0%	63%
A 2005	21.144	21.144	563.780	85%	67%	0%	67%
A 2006	21.209	21.209	565.572	84%	71%	0%	71%
A 2007	21.066	21.066	561.756	82%	75%	0%	75%
A 2008	22.350	22.350	563.408	81%	79%	2%	79%
A 2009	22.250	22.250	584.146	79%	82%	4%	82%
A 2010	23.523	23.523	563.234	78%	84%	8%	84%
A 2011	22.050	22.050	585.333	77%	87%	13%	87%
A 2012	21.459	21.459	568.306	75%	89%	18%	73%
A 2013	20.652	20.652	548.968	74%	91%	21%	72%
A 2014	19.657	19.657	523.635	73%	93%	32%	63%
F 2015	20.186	20.186	537.738	71%	94%	35%	61%
F 2016	19.934	19.934	531.033	70%	95%	40%	57%
F 2017	19.771	19.771	526.682	69%	95%	40%	57%

Business and Personal Taxes

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FY	Calculated Total % Calendar	Calculated Total % Fiscal	MT Pop. Age >=16 Millions	Calculated Tax. Phones Millions	Trend Taxable Sales \$ Millions
A 2002	143%	141%	0.714	1.007	\$510.594
A 2003	146%	145%	0.722	1.044	520.365
A 2004	149%	148%	0.732	1.083	530.370
A 2005	152%	151%	0.743	1.121	540.414
A 2006	155%	154%	0.755	1.159	550.273
A 2007	157%	156%	0.766	1.195	559.644
A 2008	159%	158%	0.776	1.227	568.073
A 2009	161%	160%	0.784	1.255	575.253
A 2010	162%	162%	0.791	1.278	581.356
A 2011	164%	163%	0.797	1.299	586.815
A 2012	148%	156%	0.805	1.255	575.157
A 2013	146%	147%	0.813	1.195	559.737
A 2014	136%	141%	0.821	1.155	549.340
F 2015	132%	134%	0.829	1.111	537.738
F 2016	127%	130%	0.837	1.085	531.033
F 2017	126%	127%	0.844	1.069	526.682

Revenue Projection

