
Legislative Fiscal Division

Revenue Estimate Profile

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 (MCA) – 15-53-130

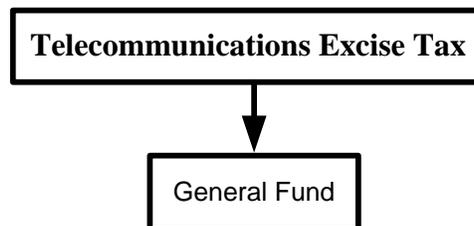
Tax Distribution (MCA) – 15-53-156

Date Due – 60 days after the end of the calendar quarter (15-53-139)

Applicable Tax Rate(s): The current tax rate 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 provision of internet services are also exempt. Credits previously allowed for costs of advanced telecommunications infrastructure improvements were repealed in House Bill 96 by the 2003 legislature.

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

Distribution Chart:



Collection Frequency: Quarterly

% of Total General Fund Revenue:

FY 2004 – 1.51%	FY 2007 – 1.14%	FY 2010 – 1.45%
FY 2005 – 1.38%	FY 2008 – 1.15%	FY 2011 – 1.24%
FY 2006 – 1.24%	FY 2009 – 1.23%	FY 2012 – 1.15%

Revenue Estimate Methodology:

Data

Data from quarterly reports produced by DOR provide a history of retail telecommunications sales for each individual company. Inflation data is obtained from IHS.

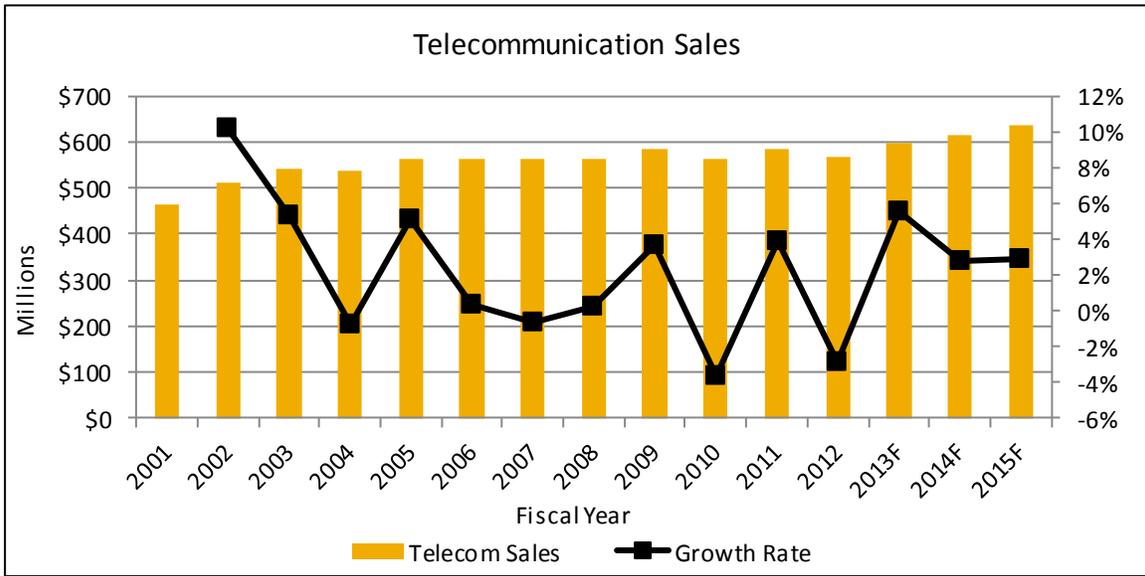
Analysis

The total retail telecommunication sales are reported by the DOR. The estimate for gross sales is modeled on Montana real gross state product for the information sector. Yearly estimated taxable sales are multiplied by the tax rate to produce gross tax revenue from this source.

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Adjustments and Distribution

Once gross tax revenue for each fiscal year is determined, the value is adjusted by audits. Audits are projected based on a ten-year moving average of actual audits beginning in FY 2001.

Forecast Methodology:



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Revenue Estimate Assumptions:

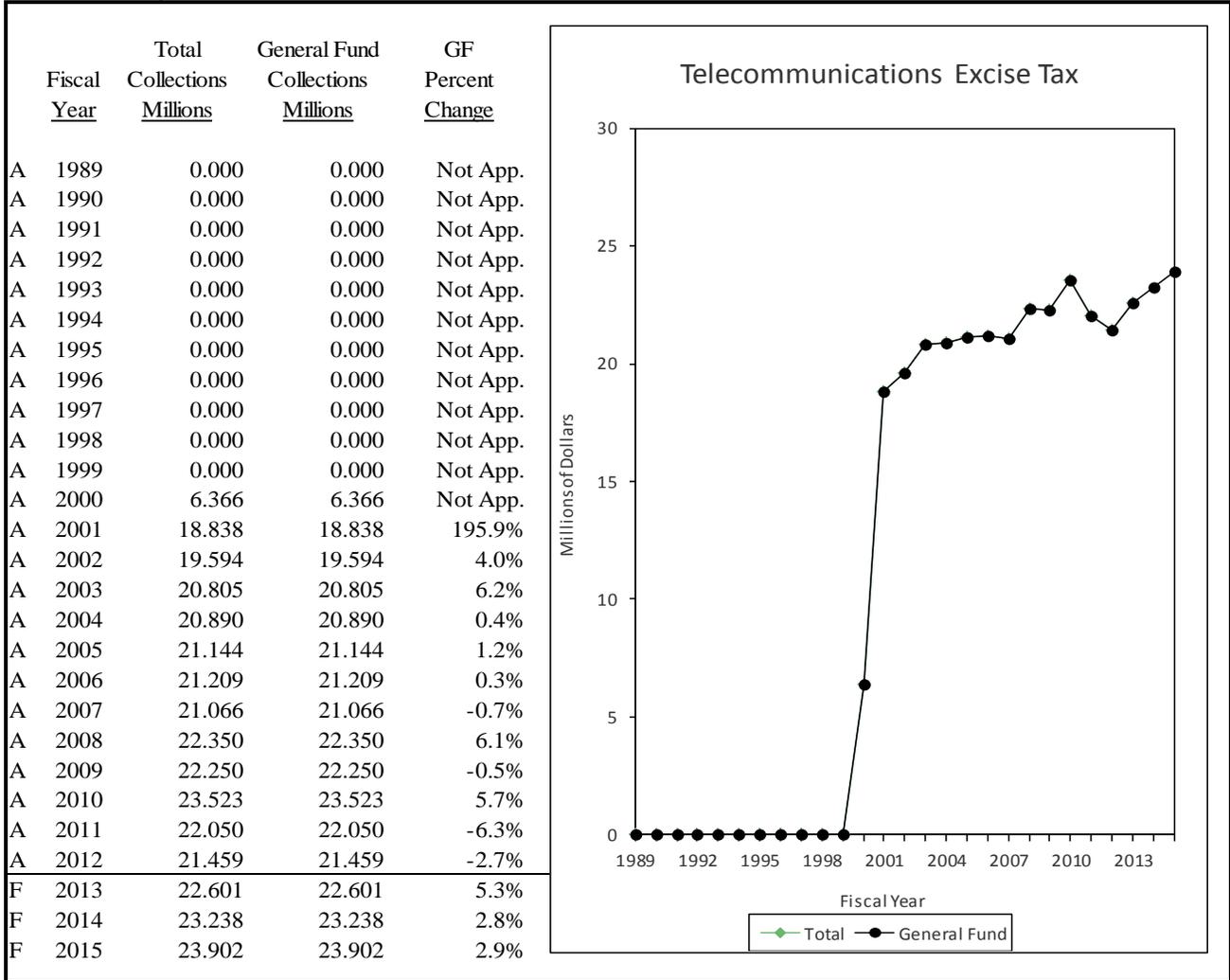
	t	Total Tax	GF Tax	Taxable Sales	Tax Rate	Credits	Audits
	<u>Fiscal</u>	<u>Millions</u>	<u>Millions</u>	<u>Millions</u>	<u>Percent</u>	<u>Millions</u>	<u>Millions</u>
Actual	2002	19.594	19.594	512.754	3.75%	0.252	0.617
Actual	2003	20.805	20.805	540.397	3.75%	0.004	0.544
Actual	2004	20.890	20.890	536.139	3.75%	0.053	0.838
Actual	2005	21.144	21.144	563.780	3.75%	0.000	0.003
Actual	2006	21.209	21.209	565.572	3.75%	0.000	0.000
Actual	2007	21.066	21.066	561.756	3.75%	0.000	0.000
Actual	2008	22.350	22.350	563.408	3.75%	0.000	1.223
Actual	2009	22.250	22.250	584.146	3.75%	0.000	0.345
Actual	2010	23.523	23.523	563.234	3.75%	0.000	2.402
Actual	2011	22.050	22.050	585.333	3.75%	0.000	0.100
Actual	2012	21.459	21.459	568.306	3.75%	0.000	0.148
Forecast	2013	22.601	22.601	600.021	3.75%	0.000	0.100
Forecast	2014	23.238	23.238	617.004	3.75%	0.000	0.100
Forecast	2015	23.902	23.902	634.710	3.75%	0.000	0.100
		Total Tax = Taxable Sales × Tax Rate - Credits + Audits					
		GF Tax = Total Tax					

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Revenue Projection:



Data Source(s): SABHRS, Department of Revenue

Contacts: Major Telecommunications Companies