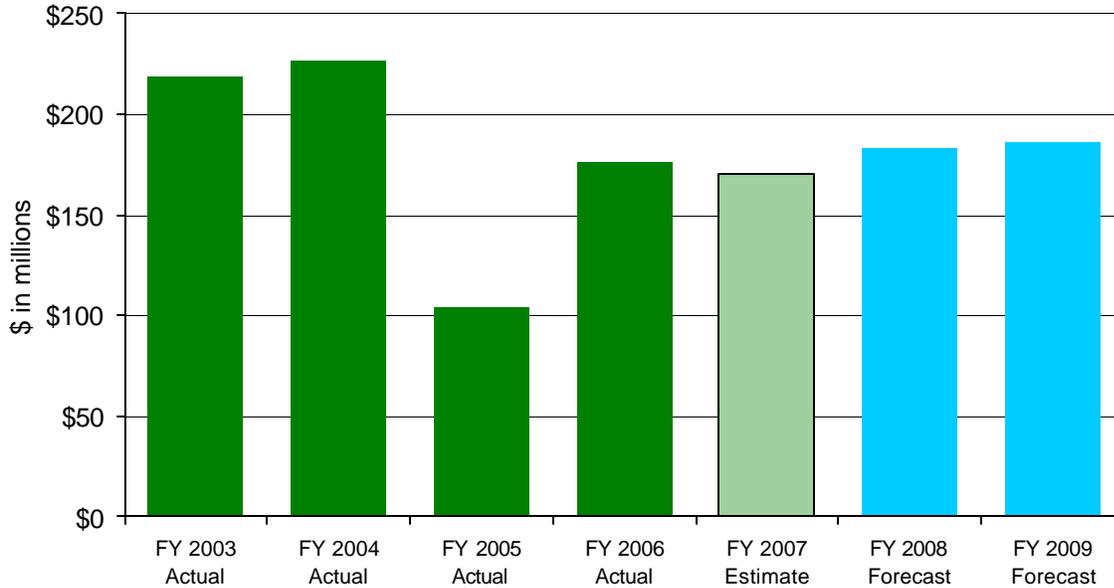


**Public Utility Excise Tax**

**GRF Revenues from the Public Utility Excise Tax**

(in millions)



	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Estimate	FY 2008 Forecast	FY 2009 Forecast
Revenue	\$218.7	\$226.4	\$104.1	\$176.2	\$170.5	\$183.3	\$186.3
Growth	-15.9%	3.6%	-54.0%	69.2%	-3.2%	7.5%	1.6%

The public utility excise tax, also known as the gross receipts tax, is a tax on the intrastate revenues of public utilities. The tax is levied on natural gas utilities, pipeline companies, heating companies, waterworks, and water transportation companies. All companies subject to the tax pay a tax of 4.75% of gross receipts except pipeline companies, who pay a tax of 6.75% of gross receipts.

The significant fluctuations in revenue from the tax shown in the graph above are due to statutory changes in the tax base and to changes made to the local government funds' shares of the tax revenue. Specifically, the local government fund freezes in the main operating budgets enacted by the 124th and 125th General Assemblies froze the revenues allocated to the local government funds in FY 2002 through FY 2005 at a level based on when electric companies paid this tax. Am. Sub. H.B. 66 of the 126th General Assembly changed the way the local government funds' shares were determined, which accounts for a GRF revenue increase of \$25.7 million in FY 2006. The revenue declines in FYs 2003 and 2005 are due to changes in the tax base. The decline in FY 2003 is due to the exemption of electric companies from the tax while the decline in FY 2005 is due

to the exemption of local telephone companies from the tax.<sup>2</sup> After the exemption of those two industries from the tax, natural gas companies accounted for over 98% of revenue generated by the tax in FY 2006.

The estimate of revenue for FY 2007 is based on analysis of historical temperature data for Columbus compiled by the National Weather Service, and on historical patterns of change in the average residential price of natural gas. Average prices for commercial and industrial customers were estimated using statistical regression analysis of the historical relationship between those prices and prices at the Henry Hub in Louisiana. Prices at the Henry Hub are published by the U.S. Energy Information Administration (EIA) on a more current basis than are average residential, commercial, and industrial prices, making it possible to estimate prices for January and February of this year using actual Henry Hub prices. Revenue estimates for FY 2008 and FY 2009 were based primarily on EIA forecasts of natural gas demand and prices taken from the February 2007 issue of *Short-Term Energy Outlook*.

---

<sup>2</sup> Electric companies were exempted from the tax by Am. Sub. S.B. 3 of the 123rd General Assembly, the electric restructuring bill. That bill also established the kilowatt-hour tax and subjected electric utilities to that tax, and to the corporate franchise tax (CFT). Local telephone companies were exempted from the tax by Am. Sub. H.B. 95 of the 125th General Assembly, and were simultaneously subjected to the CFT, and their sales were subjected to the sales tax.