



Vote YES on HB309 (Hughes) Cap on Municipal Energy Tax Revenues

HB309 restricts the growth in city revenue from municipal energy tax (MET) on natural gas to 10% per year based on the previous year's collection. Revenue exceeding 10% will be proportionately rebated to ratepayers in December of the following fiscal year. If the rebate exceeds December's revenues, the remainder shall be rebated in the following month(s).

Fiscal impact is estimated at \$8 to \$10 million in FY2007.

Why is HB309 needed?

HB309 protects all natural gas users, including households and businesses, from excessively high MET when the price of natural gas increases rapidly. Municipal energy taxes are highly regressive and also harm energy-intensive manufacturers that are located within municipalities. HB309 also ensures that city operating revenues are not unnecessarily inflated due to temporary increases in natural gas.

Is HB309 the best solution?

HB309 is the solution that all parties – household ratepayers, industrial ratepayers, cities, and Questar, which collects the tax – could accept. Other possibilities, including a tax-per-decatherm approach (similar to the cents-per-gallon gas tax) or a "Truth-in-Taxation" approach which would require determining "new growth" and "base" usage, were considered but proved to be too complicated to administer.

If MET revenues are going to be capped, why not similarly cap state and county sales tax revenues on natural gas?

The state sales tax on *residential* energy use has already been reduced from 4.75% to 2.0%. Moreover, the 1.0% municipal sales tax that is imposed on all taxable transactions, including natural gas, is not being impacted by HB309. Since the state and the counties do not impose an MET, this issue does not apply to these entities.

Adjusting general sales tax rates based on fluctuating prices of all products and services would be too complicated from an administrative and compliance perspective.

Do cities need MET windfall to cover their own increased utility costs?

No, because other governmental entities – state, county, school districts, and special service districts – do not have a targeted tax to cover increased costs of a particular item. Governments should not be allowed to impose targeted taxes on concrete, steel, health insurance, or other items to cover their increased costs of purchasing these items

HB309 makes sense for households, businesses, cities, and natural gas utilities.

Please vote YES on HB309