



Control Number: 48872



Item Number: 7

Addendum StartPage: 0

APPLICATION OF MSEC §
ENTERPRISES, INC. FOR FEDERAL §
TAX CHANGE CREDIT RIDER §

BEFORE THE 2019 FEB -4 AM 11: 05
PUBLIC UTILITY COMMISSION
OF TEXAS PUBLIC UTILITY COMMISSION
FILING CLERK


**MSEC ENTERPRISES, INC.'S RESPONSE TO
COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

MSEC Enterprises, Inc. (MSEC) files this Response to the First Request for Information (RFI) filed by Public Utility Commission (Commission) Staff on January 14, 2019. Pursuant to 16 Tex. Admin. Code § 22.144(c)(2)(F), these responses may be treated as if they were filed under oath.

Respectfully submitted,

**LLOYD GOSSELINK ROCHELLE
& TOWNSEND, P.C.**

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(512) 472-0532 (Fax)
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GEORGIA N. CRUMP
State Bar No. 05185500

TY H. EMBREY
State Bar No. 24025346

ATTORNEYS FOR MSEC ENTERPRISES, INC.

CERTIFICATE OF SERVICE

I hereby certify that on February 4, 2019, a true and correct copy of the foregoing document has been served on all parties of record in accordance with 16 Tex. Admin. Code § 22.74.



GEORGIA N. CRUMP

DOCKET NO. 48872

**MSEC'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-1. Reference the Company's Annual Report¹ in Docket No. 47833, page 4, line 18, Federal Income Taxes of (\$344,694). Provide a detailed explanation as to why these taxes are negative.

Response

The income tax line referenced shows a net credit in the year 2017. This is due to the deferred tax benefit from the change (reduction) in the income tax rate.

Prepared by: Andy Dallmeyer

¹ *Water and Wastewater 2017 Annual Reports*, Docket No. 47833, 2017 Class B PUC Annual Report Wastewater (May 30, 2018).

DOCKET NO. 48872

**MSEC'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-2. Reference the Company's filing, claim of Earnings Before Taxes of \$794,726 for water and \$28,867.11 for sewer. Show a detailed calculation of these numbers using the 2017 Annual Report filed by the Company in Docket No. 47833.

Response

The information for water is as follows:

<u>Revenue</u>	\$	<u>5,235,778</u>
Operations	\$	(1,941,933)
Admin	\$	(587,438)
Depreciation	\$	(1,185,228)
<u>Interest</u>	\$	<u>(914,824)</u>
Patronage Dividends	\$	208,380
<u>Franchise Tax Paid</u>	\$	<u>(20,009)</u>
Earnings Before Taxes	\$	794,726

The information for sewer is as follows:

<u>Revenue</u>	\$	<u>130,056</u>
Operations	\$	(92,749)
<u>Depreciation</u>	\$	<u>(8,010)</u>
<u>Franchise Tax Paid</u>	\$	<u>(430)</u>
Earnings Before Taxes	\$	28,869

Prepared by: Andy Dallmeyer

DOCKET NO. 48872

**MSEC'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-3. Provide a detailed calculation of the Margins tax (Texas Franchise Tax) for:

- a. 2017; and
- b. 2018

Response

Attached to this Response are the Texas Franchise Tax EZ Computation Reports for report years 2016 (dated May 15, 2017) and 2017 (dated May 15, 2018). The Report for 2018 will not be available until May 2019.

The most recent Report calculates a Total Tax Due of \$19,998.37. This amount differs from the Franchise Taxes shown in Response to Staff 1-2 because the annual reports are based on estimated Franchise Taxes due. The actual Franchise Taxes paid are reflected in the tax return. The difference between the estimated amount and the actual amount paid is booked to accounts payable.

Prepared by: Andy Dallmeyer

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TX2017 05-169
 Ver. 8.0 (Rev. 9-16/8)
 Tcode 13252 ANNUAL

Texas Franchise Tax EZ Computation Report

Annualized total revenue must be \$20,000,000 or less to file this form

Taxpayer number Report year Due date
 32000001266 2017 05/15/2017

Taxpayer name MSEC ENTERPRISES, INC.				Secretary of State file number or Comptroller file number 0145205000	
Mailing address PO BOX 970					
City NAVASOTA		State TX	Country USA	ZIP code plus 4 77868 7478	
Check box if this is a combined report <input checked="" type="checkbox"/>		Check box if Total Revenue is adjusted for Tiered Partnership Election, see instructions <input type="checkbox"/>			
Is this entity a corporation, limited liability company, professional association, limited partnership or financial institution? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No					
Accounting year begin date** m m d d y y 0 1 0 1 1 6			Accounting year end date m m d d y y 1 2 3 1 1 6		
					NAICS code 811210

REVENUE (Whole dollars only, Items 1 -12)

1. Gross receipts or sales	1. ■	5454778.00
2. Dividends	2. ■	0.00
3. Interest	3. ■	0.00
4. Rents (can be negative amount)	4. ■	0.00
5. Royalties	5. ■	0.00
6. Gains/losses (can be negative amount)	6. ■	-16716.00
7. Other income (can be negative amount)	7. ■	886098.00
8. Total gross revenue (Add items 1 thru 7)	8. ■	6324160.00
9. Exclusions from gross revenue (see instructions)	9. ■	0.00
10. TOTAL REVENUE (item 8 minus item 9 if less than zero, enter 0)	10. ■	6324160.00
11. Gross receipts in Texas	11. ■	6136517.00
12. Gross receipts everywhere	12. ■	6324160.00
13. Apportionment Factor (Divide item 11 by item 12) (Round to 4 decimal places)	13. ■	0.9703
14. Apportioned revenue (Multiply item 10 by item 13) (Dollars and cents)	14. ■	6136332.45
15. Tax due before discount (Multiply item 14 by 0.00331) (Dollars and cents)	15. ■	20311.26
16. Discount (see instructions, applicable to report years 2008 and 2009)	16. ■	0.00
17. TOTAL TAX DUE (item 15 minus item 16) (Do not include payment if this amount is less than \$1,000)	17. ■	20311.26

Do not include payment if item 17 is less than \$1,000 or if annualized total revenue is less than the no tax due threshold (see instructions).

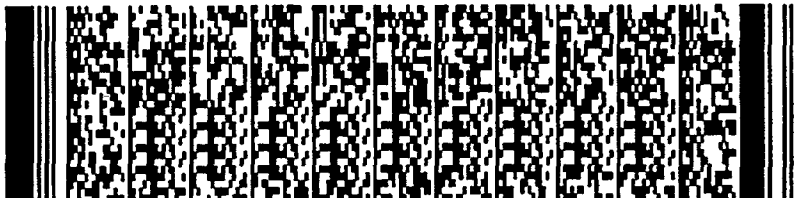
If the entity makes a tiered partnership election, ANY amount in item 17 is due. Complete Form 05-170 if making a payment.

Print or type name KERRY KELTON		Area code and phone number (936) 825-5100	
I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.		Mail original to: Texas Comptroller of Public Accounts P.O. Box 149348 Austin, TX 78714-9348	
sign here ▶	Date		

Instructions for each report year are online at www.comptroller.texas.gov/taxes/franchise/forms/. If you have any questions, call 1-800-252-1381.

** If not 12 months, see instructions for annualized revenue.

Texas Comptroller Official Use Only



VE/DE			
PM Date			



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TX2018 05-189
 Ver. 9.0 (Rev. 9-18/8)

Texas Franchise Tax EZ Computation Report

Annualized total revenue must be \$20,000,000 or less to file this form

■ Tcode 13252 ANNUAL

■ Taxpayer number 32000001266 ■ Report year 2018 Due date 05/15/2018

Taxpayer name MSEC ENTERPRISES, INC.				Secretary of State file number or Comptroller file number 0145205000	
Mailing address PO BOX 970					
City NAVASOTA		State TX	Country USA	ZIP code plus 4 77868 7478	Check box if the address has changed <input type="checkbox"/>
Check box if this is a combined report <input checked="" type="checkbox"/>		Check box if Total Revenue is adjusted for Tiered Partnership Election, see instructions <input type="checkbox"/>			
Is this entity a corporation, limited liability company, professional association, limited partnership or financial institution? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No					
Accounting year begin date** m m d d y y 0 1 0 1 1 7		Accounting year end date m m d d y y 1 2 3 1 1 7		NAICS code 221310	

REVENUE (Whole dollars only, items 1 -12)

1. Gross receipts or sales	1. ■	5345303.00
2. Dividends	2. ■	0.00
3. Interest	3. ■	0.00
4. Rents (can be negative amount)	4. ■	0.00
5. Royalties	5. ■	0.00
6. Gains/losses (can be negative amount)	6. ■	-6183.00
7. Other income (can be negative amount)	7. ■	914040.00
8. Total gross revenue (Add items 1 thru 7)	8. ■	6253160.00
9. Exclusions from gross revenue (see instructions)	9. ■	0.00
10. TOTAL REVENUE (item 8 minus item 9 if less than zero, enter 0)	10. ■	6253160.00
11. Gross receipts in Texas	11. ■	6041567.00
12. Gross receipts everywhere	12. ■	6253160.00
13. Apportionment Factor (Divide item 11 by item 12) (Round to 4 decimal places)	13. ■	0.9662
14. Apportioned revenue (Multiply item 10 by item 13) (Dollars and cents)	14. ■	6041803.19
15. Tax due before discount (Multiply item 14 by 0.00331) (Dollars and cents)	15. ■	19998.37
16. Discount (see instructions, applicable to report years 2008 and 2009)	16. ■	0.00
17. TOTAL TAX DUE (item 15 minus item 16) (Do not include payment if this amount is less than \$1,000)	17. ■	19998.37

Do not include payment if item 17 is less than \$1,000 or if annualized total revenue is less than the no tax due threshold (see instructions).

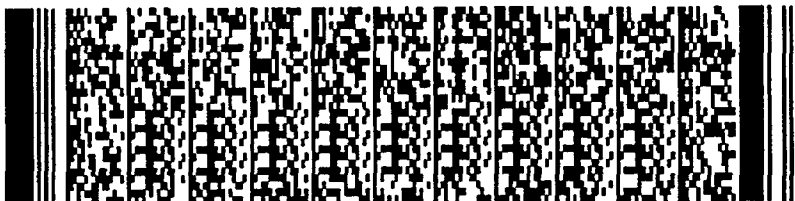
If the entity makes a tiered partnership election, ANY amount in item 17 is due. Complete Form 05-170 if making a payment.

Print or type name KERRY KELTON		Area code and phone number (936) 825-5100
I declare that the information in this document and any attachments is true and correct to the best of my knowledge and belief.		Mail original to: Texas Comptroller of Public Accounts P.O. Box 149348 Austin, TX 78714-9348
sign here ▶	Date	

Instructions for each report year are online at www.comptroller.texas.gov/taxes/franchise/forms/. If you have any questions, call 1-800-252-1381.

** If not 12 months, see instructions for annualized revenue.

Texas Comptroller Official Use Only



VE/DE				
PM Date				



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DOCKET NO. 48872

**MSEC'S RESPONSE TO
COMMISSION STAFF'S FIRST RFI**

Staff 1-4. Provide a copy of the most current Texas Franchise Tax Report completed that includes MSEC's income and financial information used to calculate the tax.

Response

Please see the Texas Franchise Tax EZ Computation Reports attached in response to Staff 1-3.

Prepared by: Andy Dallmeyer