

Ardon Web

Chairman Nelson, Commissioners, My name is and I live live

Freeman, SD

I support Wind Energy in Bon Homme and Charles Mix Counties.

I thought I should share with you the amount of annual tax revenue that a 200 MW wind farm creates for Local Schools, Counties & Townships.

Schools (50%)	\$340,000
County (35%)	\$238,000
Townships (15%)	<u>\$102,000</u>
	<u>\$680,000</u> in Annual Tax Revenue

I think this would definitely help our Local Schools, Counties & Townships.

Thank You

Give the Commissioners: SD Wind Tax Rates

South Dakota Tax Policies

On March 20, 2013, Gov. Dennis Daugaard signed SB 235 "Building South Dakota" economic development package into law. This bill brings SD into a much more competitive position through refunds that can equal the total amount of state sales tax paid by a new project.

The Governor also signed SB 195, which was the original wind incentive bill. This bill was mostly replaced by SB 235 (which improved SB195's original incentives). The remaining language of SB 195 essentially defined the allocation of a portion of a wind project's gross receipts tax monies to townships affected by wind projects.

OPX SD Nameplate and Production Taxes

In South Dakota, wind farms constructed after July 1, 2007, are subject to an alternative taxation calculation in lieu of all taxes on real and personal property levied by the state, counties, municipalities, school districts and other political subdivisions. The definition of "wind farm" includes only facilities producing electricity for commercial sale that have a minimum capacity of five megawatts (MW). All property used or constructed to interconnect individual wind turbines within a wind farm into a common project, termed the "collector system," is eligible for the exemption and alternative taxation. The alternative taxation method has two components. The first component is an annual tax equal to \$3 per kilowatt (kW) of capacity of the wind farm, prorated according to when the wind farm begins operation during the first calendar year. The second component is a 2% annual tax on the gross receipts of the wind farm. The gross receipts are calculated as the number of kilowatt-hours (kWh) produced multiplied by a base electricity rate of \$0.0475/kWh in 2008, with the base rate increasing by 2.5% annually thereafter

10-35-16. Definition of terms. Terms as used in this section and §§ 10-35-17 to 10-35-22, inclusive, mean:

- (1) "Collector system," all property used or constructed to interconnect individual wind turbines within a wind farm into a common project, including step-up transformers, electrical collection equipment, collector substation transformers, and communication systems;
- (2) "Company," any person, corporation, limited liability company, association, company, partnership, political subdivision, rural electric cooperative, or any group or combination acting as a unit;
- (3) "Nameplate capacity," the number of kilowatts a wind farm can produce, as assigned to the power units in the wind farm by the manufacturer and determined by the secretary;
- (4) "Wind farm," all real or personal property used or constructed for the purpose of producing electricity for commercial purposes utilizing the wind as an energy source and with a nameplate capacity of at least five thousand kilowatts. The term includes the collector system;
- (5) "Transmission line," an electric transmission line and associated facilities including the collector system, with a design of one hundred fifteen kilovolts or more.

10-35-17. Alternative annual tax on wind farm property. Any company owning or holding under lease, or otherwise, real or personal property used, or intended for use, as a wind farm producing power for

the first time on or after July 1, 2007, and prior to April 1, 2015, shall pay the alternative annual taxes provided in §§ 10-35-18 and 10-35-19. A wind farm that produces power for the first time on or after April 1, 2015, shall pay the alternative annual taxes provided in §§ 10-35-18 and 10-35-19.1. The alternative taxes imposed by §§ 10-35-18, 10-35-19, and 10-35-19.1, are in lieu of all taxes levied by the state, counties, municipalities, school districts, or other political subdivisions of the state on the personal and real property of the company which is used or intended for use as a wind farm, but are not in lieu of the retail sales and service tax imposed by chapter 10-45, the use tax imposed by chapter 10-46, or any other tax.

10-35-18. Annual tax based on nameplate capacity of wind farm. Any company owning or holding under lease, or otherwise, real or personal property used, or intended for use, as a wind farm producing power for the first time on or after July 1, 2007, shall pay an annual tax equal to three dollars multiplied by the nameplate capacity of the wind farm. The tax shall be imposed beginning the first calendar year the wind farm generates gross receipts. The tax shall be paid annually to the secretary the first day of February of the following year. The tax for the first calendar year shall be prorated based upon the percentage of the calendar year remaining after the company generates gross receipts. Except as otherwise provided in §§ 10-35-16 to 10-35-21, inclusive, the provisions of chapter 10-59 apply to the administration of the tax.

10-35-19. Annual tax on electricity produced by wind farm producing power for first time between July 1, 2007 and April 1, 2015. Any company owning or holding under lease, or otherwise, real or personal property used, or intended for use, as a wind farm producing power for the first time on or after July 1, 2007, and prior to April 1, 2015, shall pay an annual tax of \$.00065 per kilowatt hour of electricity produced by the wind farm. The owner of a wind farm subject to tax shall file a report with the secretary detailing the amount of electricity in kilowatt-hours that was produced by the wind farm for the previous calendar year. The secretary shall prescribe the form of the report. The tax for the electricity produced in a calendar year shall become due and be payable to the secretary on the first day of February of the following year. Except as otherwise provided in §§ 10-35-16 to 10-35-21, inclusive, the provisions of chapter 10-59 apply to the administration of the tax.

10-35-19.1. Annual tax on electricity produced by wind farm producing power for first time on or after April 1, 2015. Any company owning or holding under lease, or otherwise, real or personal property used, or intended for use, as a wind farm producing power for the first time on or after April 1, 2015, shall pay an annual tax of \$.00045 per kilowatt hour of electricity produced by the wind farm. The owner of a wind farm subject to the tax shall file a report with the secretary detailing the amount of electricity in kilowatt-hours that was produced by the wind farm for the previous calendar year. The secretary shall prescribe the form of the report. The tax for the electricity produced in a calendar year shall become due and be payable to the secretary on the first day of February of the following year. Except as otherwise provided in §§ 10-35-16 to 10-35-21, inclusive, the provisions of chapter 10-59 apply to the administration of the tax.

10-35-20. Wind energy tax fund created. The secretary shall deposit the tax imposed by §§ 10-35-18,

10-35-19, and 10-35-19.1 into the wind energy tax fund. There is created in the state treasury the wind energy tax fund.

10-35-21. Distributions from wind energy tax fund. The secretary shall distribute all of the tax deposited in the wind energy tax fund pursuant to § 10-35-18 and twenty percent of the tax deposited in the wind energy tax fund pursuant to §§ 10-35-19 and 10-35-19.1 to the county treasurer where the wind farm is located. If a wind farm is located in more than one county, each county shall receive the same percentage of the tax as the percentage of wind towers in the wind farm located in the county. Upon receipt of the taxes, the county auditor shall apportion the tax among the school districts, the county, and the organized townships where a wind tower is located. The tax shall be apportioned by the county auditor by allocating fifty percent of the tax to the school district where each wind tower is located, fifteen percent to the organized township where each wind tower is located, and thirty-five percent to the county. If a wind tower is located in a township that is not organized, the unorganized township's share of the tax for that wind tower is allocated to the county. The secretary shall distribute the money to the counties on or before the first day of May. Any remaining revenue in the wind energy tax fund shall be deposited in the state general fund.

10-35-22. Repealed by SL 2015, ch 66, § 4, eff. Apr. 1, 2015.

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Contractors Excise Tax

10-46B-1. Tax imposed on receipts from certain realty improvement contracts--Rate of tax--Exception. There is imposed an excise tax upon the gross receipts of all prime contractors and subcontractors engaged in realty improvement contracts for those persons subject to tax under chapter 10-28, 10-33, 10-34, 10-35, 10-36, or 10-36A or any municipal telephone company subject to chapter 9-41 or any rural water system, at the rate of two percent. **Notwithstanding the provisions of this section, the tax imposed by this chapter does not apply to the construction of a power generation facility as defined by § 10-45B-1.**

10-45B-1. *Definitions. Terms used in this chapter mean:*

(6) "Power generation facility," a facility with one power unit that generates electricity with a nameplate capacity of no less than five hundred megawatts; (Special Carve out for the Big Stone II coal power plant that was never built, up to \$24 million give away)

10-35-1. Companies subject to tax. **Any person, corporation, limited liability company, association, company, or partnership owning or holding under lease, or otherwise, any property in this state and operating the same for the purpose of furnishing electricity, heat, power, water, natural or artificial gas, or distributing the same for public use by means of transmission lines, gas or water pipelines, shall for the purposes of this chapter be held to be a light or power company, heating company, water company, or gas company.**

Gross Receipts Taxes Reduction (Construction)

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SDCL ch. 10-46C is a reduction of the contractors' excise tax from 2% to 1% for energy production facilities that are greater than 10 megawatts. The 1% contractors' excise is to be paid in four equal payments at the end of each year beginning with the construction year. There is no refund or reduction in the sales or use taxes paid. The application to be considered for this program must be submitted no less than 30 days prior to ground breaking.

Sales Tax

10-45-2. Tax on sale of tangible property. There is hereby imposed a tax upon the privilege of engaging in business as a retailer, a tax of four percent upon the gross receipts of all sales of tangible personal property consisting of goods, wares, or merchandise, except as otherwise provided in this chapter, sold at retail in the State of South Dakota to consumers or users.

Use Tax

10-46-2. Tax on tangible personal property purchased for use in state--Rate based on purchase price. An excise tax is hereby imposed on the privilege of the use, storage, and consumption in this state of tangible personal property purchased for use in this state at the same rate of percent of the purchase price of said property as is imposed pursuant to chapter 10-45.

Sales and Use Taxes Refund

Energy Policy Director
Governor's Office of Economic Development
605.773.3301

Cherissa.nielson@state.sd.us

The project owner applies to the Board of Economic Development for a reinvestment payment no later than 90 days after starting construction. If the board approves the application, the project owner must comply with the conditions of the approval, to include the payment of all taxes it owes on the project, before it receives the payment. At the conclusion of the project the project owner files an Affidavit for Reinvestment Payment with GOED, and if all of the conditions of the reinvestment payment have been met, GOED issues the reinvestment payment to the project owner. The payment will be remitted within 90 days of receipt of the affidavit and required information.

Beethoven went commercial (COD) on May 28th, 2015, that is when it started paying taxes. 2015 years taxes were 216/365 of a full year (59%).

Bon Homme County

Tripp/Delmont School: \$14,712.09
 R&B (Township): \$4,413.62
 County: \$10,298.45

Charles Mix County

Wagner School: \$3,678.03
 Tripp/Delmont School: \$31,263.17
 Choteau Creek Township: \$10,482.36
 County: \$24,458.81

Hutchinson County

Tripp/Delmont School: \$29,424.16
 Oak Hollow Township: \$8,827.25
 County: \$20,596.91

2015 Tripp/Delmont school received: \$75,399.42

<u>Bon Homme County</u>	<u>2015 (59%)</u>	<u>2016 (100%)</u>
Tripp/Delmont School	\$14,712.09	\$20,717.85
R&B (Township)	\$4,413.62	\$6,215.34
County	\$10,298.45	\$14,502.47
<u>Charles Mix County</u>		
Wagner School	\$3,678.03	\$5,179.47
Tripp/Delmont School	\$31,263.17	\$44,025.40
Choteau Creek Township	\$10,482.36	\$14,761.46
County	\$24,458.81	\$34,443.37
<u>Hutchinson County</u>		
Tripp/Delmont School	\$29,424.16	\$41,435.67
Oak Hollow Township	\$8,827.25	\$12,430.70
County	\$20,596.91	\$29,004.96
	<u>\$158,154.85</u>	<u>\$222,716.69</u>
Schools-Tripp/Delmont (41)	\$75,399.42	\$106,178.91
Schools-Wagner (2)	\$3,678.03	\$5,179.47
Townships	\$23,723.23	\$33,407.51
County	\$55,354.17	\$77,950.80
	<u>\$158,154.85</u>	<u>\$222,716.69</u>