

Rosebud Electric Cooperative Connections

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Manager's Column

Co-ops Pay Taxes



Gary Clayton
General Manager

Public television recently aired "Prohibition," a documentary by Ken Burns and Lynn Novick. Before temperance advocates could reasonably expect a ban on alcohol, they needed a replacement for the revenue from federal liquor taxes. Their problem was solved with the adoption of the 16th Amendment in 1913. It allowed the federal government to collect an income tax. Seven years later the 18th Amendment prohibiting the manufacture, sale or transportation of intoxicating liquors was adopted. An unforeseen consequence was the expansion and dominance of criminal organizations like the Chi-

cago Outfit headed by Al Capone.

Notorious Scarface was accused of multiple murders, but tax evasion was the most serious crime for which he was convicted. The term "bum rap" originated in underworld slang in the 1920s. It referred to "an unfair criticism or accusation." Although there's ample evidence that Al Capone's reputation on tax payments was deserved, electric co-op's get a bum rap when it comes to taxes.

How many times have you heard someone say, "Co-ops don't pay taxes!"? In my best gangster voice, "That's a bum rap." Electric co-op's pay the same taxes as other businesses: property tax, excise tax, sales tax and income tax on profits not returned to member-owners. In addition, electric co-ops in South Dakota pay 2 percent gross receipts taxes at each level of distribution, transmission and generation. Any time

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electric rates increase because the federal government slaps on another requirement or wholesale power costs go up, the gross receipts tax also increases. While South Dakota statute limits

tax increases applied to other utilities to a maximum of 3 percent per year, gross receipts taxes paid by electric cooperatives have increased by an average of 9.7 percent per year over the past 10 years.

Electric cooperatives are supporting a simple change to South Dakota tax law that will improve tax parity with other electric power providers by slowing the growth of electric co-op taxes to an estimated 3.7 percent per year. It will continue to honor our long-standing commitment to education. The proposal would replace the gross receipts tax with a kilowatt-hour tax.

J.B. Colbert, the French minister of finance under Louis XIV, understood taxes. He noted: "The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least amount of hissing." You, as one of more than 300,000 South Dakotans served by electric co-ops, can help fulfill our mission of providing great service at the lowest cost. You may need to do a little hissing so legislators know you're here.