

OTTER TAIL POWER COMPANY
Electric Utility - State of South Dakota
OPERATING INCOME SCHEDULES

Exhibit ____ (TAA-1), Schedule C-7
Page 1 of 1

DEVELOPMENT OF FEDERAL AND STATE INCOME TAX RATES

2017 Test Year

Let: F=Federal Income Tax = 35.00%
M=Minnesota State Income Tax Rate = 9.80%
D=North Dakota State Income Tax Rate = 4.31%
S=South Dakota Income Tax Rate = 0%
N=Net Income After Interest Deductions but Before Income Taxes

Jurisdictional:

Only Minnesota and Federal Income Taxes

M= 9.80% (N)
F= 18.94% (N)
M+F= 28.74% (N)

Only North Dakota and Federal Income Taxes

D= 4.31% (N)
F= 20.10% (N)
D+F= 24.41% (N)

Only South Dakota and Federal Income Taxes

S= 0.00% (N)
F= 21.00% (N)
S+F= 21.00% (N)

Composite: Combined Minnesota, North Dakota, South Dakota and Federal Income Taxes.

M + D + S + F = 26.20% (N)

- Notes:
- 1 Investment tax credits and surtax credits are ignored.
 - 2 State income taxes are deductible from federal taxable income.
 - 3 Net income is defined at each jurisdictional level.
 - 4 Composite income tax rates are determined by the Income Tax Department based upon apportionment laws (unitary and nonunitary) for each state involved.