

West River Electric Association

February 13, 2008

Rapid City Legal & Finance Committee

- 2007 – 2% - Approximately \$97,000 – Will pay April 30, 2008
- 2008 – 1% - Estimating \$50,000 – Already Approved – Will pay April 30, 2009
- 2009 – 1% - Estimating \$55,000 – Already Approved – Will pay April 30, 2010
- 2010 – This is what we are asking for approval on. Can request only one (1) year at a time.
- This gross receipts tax is paid according to a state law. Up until about 3 years ago the City either had to take the 2% or nothing. The state law was changed three (3) years ago, and now the city can accept anywhere from 0% - 2%.
- We pay the tax as a minority electric utility within the city of Rapid City boundaries.
- If we paid taxes based on an Ad Valorem basis, based on our investment of approximately \$8.5 million within the limits of Rapid City, and using a mill levy of 3 mills would produce a tax of \$25,000 to \$26,000. It would be about one-fourth of the tax we will pay for 2007, and about one-half of the tax we estimate to pay for 2008 and 2009.
- If we were centrally assessed like the Investor Owned Utilities, again based on an investment of \$8.5 million, we estimate our tax would be approximately \$25,000. We are asking that the tax we pay be similar to what Black Hills Power has to pay.
- In addition, we will pay Rapid City directly approximately \$4,000 in real estate taxes in 2008.
- In addition, we also charge our members who live within the City limits of Rapid City the 2% City Sales Tax. That tax is passed directly on to the member.
- We believe our request for the reduction in the 2% gross receipts tax is a matter of tax fairness.