

West River Electric Association
March 10, 2010
Rapid City Legal & Finance Committee

- **2009** – 1% = **\$63,361.17** – Will pay April 30, 2010
- **2010** – 1% - Estimating **\$65,575** – Will pay April 30, 2011
- **2011** – 1%-Estimating **\$67,545** – approved March 2009 – Will pay April 30, 2012
- **2012** – 1% - This is what we are asking for approval on. We can only request one (1) year at a time.
- This gross receipts tax is paid pursuant to SDCL 49-34A-45. The City of Rapid City can accept a rate in a range of 0%-2% as a Gross Receipts Tax. In the interest of tax fairness we are asking the City of Rapid City for extension of the current revenue sharing agreement and accept a payment of 1% for 2012.
- If we paid taxes on an Ad Valorem basis, based on our investment of approximately \$10.1 million within the limits of Rapid City, and using a mill levy of 3.025 mills would produce a tax of approximately \$30,500. This amount would be about one half of the tax we estimate paying for 2010.
- If we were centrally assessed like the Investor Owned Utilities, again based on an investment of \$10.1 million, it would produce a tax of approximately \$32,000. Approving our Gross Receipts Tax rate at 1% would have no effect on Black Hills Power. The Gross Receipts Tax we are referring to under SDCL 49-34A-45 pertains strictly to rural electric cooperatives, who are a minority electric utility supplier within the boundaries of a City who are supplied by another utility.
- Also, we charge our members who live within the city limits of Rapid City the 2 % City Sales Taxes. This tax is passed directly on to the consumer. Whereby on the Gross Receipts Tax, we have a choice of either passing it directly on to the consumer, or absorbing it as a cost of business. So far we have chosen the latter position of absorbing the tax within our rate base.
- Again, just reiterating what we have stated earlier in this memo, we believe it is a question of tax fairness and again ask you approve a 1% Gross Receipts Tax rate for 2012.