

West River Electric Association

FAQ Sheet on Gross Receipts Tax

- This gross receipts tax is paid pursuant to SDCL 49-34A-45. The gross receipts tax under the statute 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, in our case the majority supplier is Black Hills Power and Light. The tax was enacted back in the 1970's as a replacement tax for the personal property tax. Investor Owned Utilities, such as Black Hills Power, are centrally assessed by the State of South Dakota. Below are the amounts of tax paid:
 - **2011** – 1% = **\$80,051**
 - **2012** – 1% = **\$89,163**
 - **2013** – 1% = **\$92,025**
 - **2014** – 1% = **\$103,205** (Paid April 2015)
 - **2015** – 1% = Estimating approximately **\$107,000** (will be paid in April 2016)
 - **2016** (this agreement) – 1.0% - Estimate of approximately **\$115,000**
 - **2017-** .75% - Estimate approximately **\$88,500**

- If we paid taxes on an Ad Valorem basis like Black Hills Power does, based on our investment of approximately \$11.5 million of electric plant within the limits of Rapid City, and using a mill levy of 3.025 mills, we would produce a tax of approximately \$35,000. Compare that to our 2014 actual 1% gross receipts tax of \$103,205.

- 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 for our members, when compared with what we would have paid on an Ad Valorem basis, we are asking the City of Rapid City for a 5 year extension of the current revenue sharing agreement and accept a payment of 1% of gross receipts for 2016 and then .75% for 2017 - 2020. This is still well above what we would be paying with the other tax. We are asking for a 5 year agreement this year, so we don't need to renew it each year.

- In addition, we charge our members who live within the city limits of Rapid City the 2 % City Sales Taxes. This sales tax is passed directly on to the consumer. With the gross receipts tax, we have a choice of either passing it directly on to the consumer's bill, or absorbing it as a cost of business. So far we have chosen the latter position of absorbing the tax within our rate base.

- We also paid approximately \$28,000 in real estate taxes on land, buildings and substation land within Rapid City in 2015

- Our sales continue to grow within Rapid City, so I don't see the tax going down at all.

- We have been strong supporters in the community, Chamber and economic development programs. We intend to continue that.