

SOUTH DAKOTA LEGISLATIVE RESEARCH COUNCIL

FISCAL NOTE, 2013 LEGISLATIVE SESSION

FISCAL NOTE 2013-SB157A

SB 157 revise the distribution from the wind energy tax fund.

SDCL 10-35-22 currently provides the eligibility for partial tax rebates for companies requiring transmission lines or wind farm collector systems.

Due to the complex nature of current law, an example has been provided to show the present distribution under SDCL 10-35-22 and the distribution proposed by the Senate Taxation Engrossed version of SB 157.

<u>End of Year #</u>	<u>Present Distribution</u>	<u>Distribution Proposed by Senate Engrossed SB 157</u>
7/1/08	Commercial Operation Started	
2009	1	
2010	2	Years 0-5
2011	3	90% Rebate to Company
2012	4	10% to Local Governments*
2013	5	
2014	6	Years 6-10
2015	7	50% Rebate to Company
2016	8	20% Local Governments
2017	9	2.5% Townships
2018	10	27.5% State
2019	11	
	↓	
	After Year 10	After Year 10
	0% Rebate to Company	0% Rebate to Company
	20% Local Governments	20% Local Governments
	80% State	2.5% Townships
		77.5% State

* Apportioned to counties, schools, townships, water districts, and other special districts in the same manner as agricultural property taxes.

The Department of Revenue believes that based on 2012 data, the following dollars would be taken away from the State Property Tax Reduction Fund and given to townships under the Senate Taxation Engrossed version of SB 157.

2014 \$13,116 (MinnDakota Wind & Tatanka Wind are the only two that will be in year 6 of the rebate program - this is the first year any of the wind farms will be in year 6 of the rebate program)

2015 \$24,289 (Wessington Wind, Buffalo Ridge I, & Rolling Thunder Power Partners will be in year 6 of the rebate program)

2016 \$50,247 (Day County Wind & Buffalo Ridge II will be in year 6 of the rebate program)

2017 \$67,435 (All commercial wind farms that pay the alternative taxes and are commercially operationally as of this time will be in at least year 6 (or later) of the rebate program)

2018 \$67,435 will be the approximate amount in year 2018 and future years.

The Department of Revenue calculated the amount of gross receipts tax from 2012 because they do not have all of the 2013 reports (2013 gross receipts are being used for Prairie Winds I and SD Wind Partners because the two wind farms were not in service on January 1, 2011, and thus did not pay an entire year of gross receipts in 2012).

There are two factors that go into the wind gross receipts tax formula, the kilowatt base rate and the wind. Based on those factors, the Department of Revenue made the following assumptions:

1. Regarding the kilowatt base rate - Pursuant to SDCL 10-35-19, the kilowatt base rate is to increase 2.5% per year. However, no increase in the kilowatt base rate is included in the estimates above.
2. Regarding the wind – Some years may generate more gross receipts just because the year is a windy one. The estimates above, however, are based upon 2012 data (with the exception of the 2 companies listed above.)

As a result, the estimates could be higher if the kilowatt base rate increases according to SDCL 10-35-19 and South Dakota experiences windier conditions.

After reviewing the estimate provided by the Department of Revenue, LRC staff believes that the estimate for the Senate Taxation Engrossed version of SB 157 is reliable.

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