

## **SOUTH DAKOTA CODIFIED LAWS**

### **CHAPTER 10-35**

#### **TAXATION OF ELECTRIC, HEATING, WATER AND GAS COMPANIES**

##### **10-35-18. Annual tax based on nameplate capacity of wind farm or solar facility.**

Any company owning or holding under lease, or otherwise, real or personal property used, or intended for use, as a wind farm producing power for the first time after June 30, 2007, or a solar facility, **shall pay an annual tax equal to three dollars multiplied by the nameplate capacity** of the renewable facility. The tax shall be imposed beginning the first calendar year the renewable facility generates gross receipts. The tax shall be paid annually to the secretary the first day of February of the following year. The tax for the first calendar year shall be prorated based upon the percentage of the calendar year remaining after the company generates gross receipts. Except as otherwise provided in §§ 10-35-16 to 10-35-21, inclusive, the provisions of chapter 10-59 apply to the administration of the tax.

##### **Tax per wind turbine**

2,500 kW X \$3 = **\$7,500 / year**

**This is deposited in the renewable facility tax fund.**

**10-35-19.1. Annual tax on electricity produced by wind farm after March 31, 2015 or by solar facility.**

Any company owning or holding under lease, or otherwise, real or personal property used, or intended for use, as a wind farm producing power for the first time after March 31, 2015, **shall pay an annual tax of \$.00045 per kilowatt hour of electricity produced by the wind farm.** Any company owning or holding under lease, or otherwise, real or personal property used, or intended for use, as a solar facility, shall pay an annual tax of \$.00090 per kilowatt hour of electricity produced by the solar facility. The owner of a renewable facility subject to the tax shall file a report with the secretary detailing the amount of electricity in kilowatt-hours that was produced by the renewable facility for the previous calendar year. The secretary shall prescribe the form of the report. The tax for the electricity produced in a calendar year shall become due and be payable to the secretary on the first day of February of the following year. Except as otherwise provided in §§ 10-35-16 to 10-35-21, inclusive, the provisions of chapter 10-59 apply to the administration of the tax.

**Tax per wind turbine.**

2500kW X \$.00045 X 365 days X 24 hours = \$9,855 / year

@30% efficiency = \$2,956.50 / year

@40% efficiency = \$3,942.00 / year

20% goes to the renewable facility tax fund.

@**30%** efficiency, 20% X \$2,956.50 = **\$591.30 / year**

@**40%** efficiency, 20% X \$3,942.00 = **\$788.40 / year**

**This is deposited in the renewable facility tax fund.**

## **10-35-21. Distributions from renewable facility tax fund.**

The secretary shall distribute all of the tax deposited in the renewable facility tax fund pursuant to § 10-35-18 and twenty percent of the tax deposited in the renewable facility tax fund pursuant to §§ 10-35-19 and 10-35-19.1 to the county treasurer where the renewable facility is located. If a renewable facility is located in more than one county, each county shall receive the same percentage of the tax as the percentage of wind towers or solar facilities in the renewable facility located in the county. Upon receipt of the taxes, the county auditor shall apportion the tax among the school districts, the county, and the organized townships where a wind tower or solar facility is located. The tax shall be apportioned by the county auditor by **allocating fifty percent of the tax to the school district where each wind tower or solar facility is located, fifteen percent to the organized township where each wind tower or solar facility is located, and thirty-five percent to the county.** If a wind tower or solar facility is located in a township that is not organized, the unorganized township's share of the tax for that wind tower or solar facility is allocated to the county. The secretary shall distribute the money to the counties on or before the first day of May. Any remaining revenue in the renewable facility tax fund shall be deposited in the state general fund.

### **Disbursements per wind turbine.**

#### **Township (15%)**

**@30% efficiency**  $(\$7,500 + \$591.30) \times 15\% = \$1,213.70$

**@40% efficiency**  $(\$7,500 + \$788.40) \times 15\% = \$1,243.26$

#### **County (35%)**

**@30% efficiency**  $(\$7,500 + \$591.30) \times 35\% = \$2,831.96$

**@40% efficiency**  $(\$7,500 + \$788.40) \times 35\% = \$2,900.94$

**School District (50%)**

**@30% efficiency**  $(\$7,500 + \$591.30) \times 50\% = \$4,045.65^*$

**@40% efficiency**  $(\$7,500 + \$788.40) \times 50\% = \$4,144.20^*$

**\*According to the State Aid General Education Formula**

(6B) Wind energy tax revenue," any wind energy tax revenue apportioned to school districts pursuant to § 10-35-21 from a wind farm producing power for the first time before July 1, 2016, shall be considered local effort pursuant to subdivision (6) and other revenue base amount pursuant to subdivision (6A). However, any wind energy tax revenue apportioned to a school district from a wind farm producing power for the first time after June 30, 2016, **one hundred percent shall be retained by the school district to which the tax revenue is apportioned for the first five years of producing power, eighty percent for the sixth year, sixty percent for the seventh year, forty percent for the eighth year, twenty percent for the ninth year, and zero percent thereafter;**

**Actual Disbursements to school per wind turbine**

<b>Year</b>	<b>@30% Efficiency</b>	<b>@40% Efficiency</b>
<b>1 thru 5</b>	<b>\$4,045.65</b>	<b>\$4,144.20</b>
<b>6</b>	<b>\$3,236.52</b>	<b>\$3,315.36</b>
<b>7</b>	<b>\$2,427.39</b>	<b>\$2,486.52</b>
<b>8</b>	<b>\$1,618.26</b>	<b>\$1,657.68</b>
<b>9</b>	<b>\$809.13</b>	<b>\$828.84</b>
<b>10 and beyond</b>	<b>\$0.00**</b>	<b>\$0.00**</b>

**\*\*Actually about \$0.03 per student statewide**

## **Production Tax Credit (revised 4/11/2017)**

### **Rebate Amount**

Systems commencing construction after December 31, 2016.

**Wind: \$0.0192/kWh for first 10 years of operation (2017)\*\*\***

\*\*\*Note that the exact amount of the production tax credit for the tax years 2017 depends on the inflation-adjustment factor used by the IRS in the respective tax years. The above production tax credit amount has been inflation adjusted **per this revision.**

### **Summary**

Note: Wind facilities commencing construction by December 31, 2019 can qualify for this credit. The value of the credit steps down in 2017, 2018 and 2019.

The federal renewable electricity production tax credit (PTC) is an inflation-adjusted per-kilowatt-hour (kWh) tax credit for electricity generated by qualified energy resources and sold by the taxpayer to an unrelated person during the taxable year. The duration of the credit is 10 years after the date the facility is placed in service for all facilities placed in service after August 8, 2005.

### **PTC per year for 2.5 MWh wind turbine**

**2500 kWh X \$0.0194/kWh X 24hr X 365 Days X 30% = \$127,458.00/year**

**2500 kWh X \$0.0194/kWh X 24hr X 365 Days X 40% = \$169,944.00/year**

**PTC over ten years @ 30% Efficiency \$1,274,580.00**

**PTC over ten years @40% Efficiency \$1,699,440.00**

## **Power Purchase Agreement**

A Power Purchase Agreement (“PPA”) is a long-term agreement between the seller of wind energy and the purchaser. Negotiating and signing a PPA is a critical step in the development of any wind energy project because it secures a long-term revenue stream through the sale of energy from the project. Securing a PPA will also be a condition to any equity and debt financing of the project. Power may be sold through a PPA to an investor-owned, municipal, or rural electric cooperative utility in the local market or, in some cases, to more distant utilities or wholesale or retail customers in unregulated markets. The buyers in these situations are called off-takers.

**At an agreement rate of \$25 per MWh one turbine would produce annually the following income.**

**2.5 MW X \$25 / MWh X 24 hr. X 365 days X 30% Efficiency = \$164,250.00**

**2.5 MW X \$25 / MWh X 24 hr. X 365 days X 40% Efficiency = \$219,000.00**

**PPA income over 10 years @30% Efficiency \$1,642,500.00**

**PPA income over 10 years @40% Efficiency \$2,190,000.00**