

Presentation to the WI Counties Utility Tax Association

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Relevant Statutes

Chapter 70

- Local government taxation of real property (land and improvements) and personal property

Chapter 76

- State taxation of public utilities, including light, heat, and power utilities

If an entity is taxed under Chapter 76 (by the state), its operating property is not taxed under Chapter 70 (by local governments)

Utility Taxes

Ad Valorem Utilities

- Telephone
- Conservation and Regulation
- Municipal Electric
- Pipelines
- Air Carriers (Deposited in Transportation Fund)
- Railroads (Deposited in Transportation Fund)

Tax Assessment = full market value of utility's taxable property * tax rate

Tax Rate = statewide average net property tax rate

Tax Assessment for telephone companies = net property tax rate in the jurisdiction where the property is located * value of property within that jurisdiction

- Net property tax rate and market value are calculated for each jurisdiction in which property is located

Gross Revenue Utilities

- Private Light, Heat, and Power (LHP)
- Municipal LHP
- Electric Cooperatives
- Car Line Companies

Tax Assessment = taxable gross revenues or gross receipts * applicable tax rate

Tax Rates = 3.19%, except:

0.97% for sale of gas services; and

1.59% for wholesale sale of electricity

Utility Tax Collections

(\$ in Millions)

| | 2015-16 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 Est. |
|---------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <u>Gross Revenue:</u> | | | | | | | |
| Private Light, Heat, & Power* | \$226.05 | \$229.62 | \$235.39 | \$231.47 | \$225.41 | \$225.67 | \$235.60 |
| Electric Cooperatives* | 11.75 | 12.05 | 12.46 | 13.35 | 12.75 | 12.94 | 13.70 |
| Municipal Light, Heat, & Power* | 3.49 | 2.90 | 3.07 | 2.70 | 2.73 | 2.76 | 2.90 |
| Car Lines Companies | 0.16 | 0.14 | 0.21 | 0.27 | 0.21 | 0.25 | 0.20 |
| <u>Ad Valorem:</u> | | | | | | | |
| Telephones | 76.47 | 70.78 | 63.59 | 67.20 | 66.17 | 62.87 | 67.40 |
| Pipelines | 37.32 | 39.73 | 45.53 | 44.88 | 44.51 | 47.24 | 44.80 |
| Municipal Electric Companies* | 4.95 | 4.93 | 4.80 | 4.71 | 4.44 | 4.27 | 4.10 |
| Conservation & Regulation | 0.21 | 0.21 | 0.22 | 0.33 | 0.27 | 0.26 | 0.30 |
| Refunds, Penalties, and Miscellaneous | <u>0.20</u> | <u>0.12</u> | <u>0.07</u> | <u>0.03</u> | <u>0.66</u> | <u>0.00</u> | <u>0.00</u> |
| Total | \$360.60 | \$360.47 | \$365.34 | \$364.94 | \$357.15 | \$356.26 | \$369.00 |
| Annual Change | | 0.0% | 1.3% | -0.1% | -2.1% | -0.2% | 3.6% |

*Taxes Derived from Property Eligible for Utility Aid

Taxes Derived from Property Eligible for Utility Aid

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| Association of Municipal Electric | <u>4.95</u> | <u>4.93</u> | <u>4.80</u> | <u>4.71</u> | <u>4.44</u> | <u>4.27</u> | <u>4.10</u> |
| Total | \$246.24 | \$249.50 | \$255.72 | \$252.23 | \$245.33 | \$245.64 | \$256.30 |
| Annual Change | | 1.3% | 2.5% | -1.4% | -2.7% | 0.1% | 4.3% |

Utility Aid

Utility Aid Formula

- 9 Mill Payment
 - Based on net book value of utility property x 9 mills
- Capacity Payment
 - Based on generating capacity (in MW) x \$2,000
- Incentive Payments
 - Brownfield adjacent
 - Baseload generating facility
 - Alternative energy
 - Cogeneration production plant
 - Nuclear storage
- Decommissioning Aid (5-year/20% stepdown from last payment)

9 Mill Payment and Capacity Aid Payment

- Divided between the municipality and county where the property is located
- Utility property in Towns
 - Town receives one third of calculated payment amount
 - County receives two thirds of calculated payment amount
- Utility property in Cities or Villages
 - City or Village receives two thirds of calculated payment amount
 - County receives one third of calculated payment amount

Example of Utility Aid Calculation

- Town of Badger
- NBV: \$2,189,698
- Generating Capacity: 19.2 MW
- Population Cap: \$489,600 (\$425 x Population)
- $Aid\ Payment = \frac{(\$2,189,698 * .009) + (19.2 * \$2,000)}{3} + (19.2 * \$1,000)$

Town portion of NBV and MW capacity payment Incentive aid payment
- $Aid\ Payment = \$38,569.09$

Utility Aid Payments

| | 9 Mill Payment | Capacity Payment | Incentive Aids | Total |
|------|---------------------------|-----------------------------|---------------------------|--------------|
| 2017 | \$29,205,193 | \$35,866,633 | \$9,725,880 | \$73,522,343 |
| 2018 | 30,618,320 | 35,559,933 | 10,511,005 | 75,663,453 |
| 2019 | 32,322,092 | 34,123,133 | 10,189,340 | 75,643,004 |
| 2020 | 34,100,839 | 34,707,200 | 10,055,855 | 77,898,506 |
| 2021 | 35,838,026 | 36,449,800 | 11,377,650 | 82,610,712 |

Utility Aid Recipients

| | <u>Received Payment</u> | <u>Amount of Payment (\$ in Millions)</u> |
|----------|------------------------------------|--|
| Towns | 753 | \$12.1 |
| Villages | 200 | 9.5 |
| Cities | 165 | 20.9 |
| Counties | 72 | 40.2 |
| Total | 1,190 | 82.6 |

Further Information

LFB Informational Papers

- Paper 7, Taxation and Regulation of Public Utilities
- Paper 21, Shared Revenue Program (County and Municipal Aid and Utility Aid)
- https://docs.legis.wisconsin.gov/misc/lfb/informational_papers/january_2021

Revenue Estimates

- https://docs.legis.wisconsin.gov/misc/lfb/revenue_estimates/185_january_25_2022.pdf

DOR Assessment Resources

- https://www.youtube.com/watch?v=cD6kFZF_7fE
- <https://www.revenue.wi.gov/documents/wpam22.pdf>