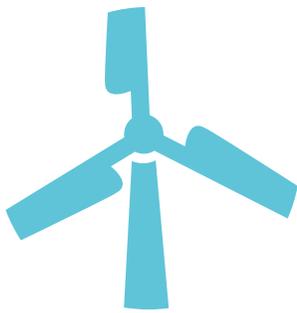


FACT SHEET: SOUTH DAKOTA WIND ENERGY TAX REVENUE



Wind farm development brings numerous economic benefits to the counties and local communities where they are located. Among the perks are direct payments to landowners who host turbines, and employment opportunities in the area during the construction and operation of a project.

In some cases, operators may also provide payments to neighbors who are near development but do not host turbines, and some wind farms are developed by associations that distribute payments to members. In addition, projects provide new tax revenue streams to rural communities, which help pay for local schools, roads, and police and fire services.

This fact sheet provides a breakdown of taxes that are typically paid by developers and operators of wind energy projects.

LOCAL TAXES IN RELATION TO WIND ENERGY

South Dakota currently generates more than 30 percent of the state's energy from wind, with over 977 megawatts (MW) of installed capacity as of 2017. Much of the local tax revenue from wind farms in South Dakota is collected through nameplate and production taxes.

Nameplate capacity tax

- ▶ The nameplate capacity tax is equal to \$3 per kilowatt multiplied by the generating capacity of the wind energy facility.
- ▶ The tax is collected annually beginning in the first calendar year that a facility generates power.
- ▶ The facility owner files with the South Dakota Department of Revenue, and the department then deposits this revenue into the renewable facility tax fund.

**For example,
a 100 MW facility
would pay \$300,000.**



Production tax

- For wind energy facilities generating electricity prior to April 1, 2015, the production tax is \$.00065 per kilowatt hour.
- Wind farms producing energy on or after that date pay \$.00045 kilowatt hour in production tax.

For example, 1,000 kilowatt hours of production would equal \$.65 and \$.45, respectively.

- The wind farm's owner will file a report on the production of the facility for the previous year with the secretary of the South Dakota Department of Revenue, and the revenue is deposited into the renewable facility tax fund.

Renewable facility tax fund

- The secretary of the Department of Revenue distributes taxes deposited in the fund from the nameplate capacity tax to the treasurer of the county where projects are located. Similarly, the secretary will distribute 20 percent of the taxes from the production tax to counties that host the project. Remaining revenue in the fund is deposited into the state's general fund.
- If a project is located in more than one county, the counties will receive a portion of revenue equal to the percent of the number of turbines from a project that is located within their boundaries.
- After receiving the revenue, auditors will apportion 50 percent of the money to school districts, 35 percent to the county, and 15 percent to organized townships where the project is located.
- Over a period of 10 years, local schools receive a decreasing share of the tax revenue from the Renewable Facility Tax fund. See illustration below.

