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Details:

(FORM UPDATED: 07/12/2010)

**WISCONSIN STATE LEGISLATURE ...
PUBLIC HEARING - COMMITTEE RECORDS**

2007-08

(session year)

Senate

(Assembly, Senate or Joint)

**Committee on ... Commerce, Utilities and Rail
(SC-CUR)**

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INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

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State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Senate Committee on Commerce, Utilities and Rail Hearing, March 5, 2008

2007 AB 654 – Regarding Eliminating the Study Related to Imposing Local General Property Taxes on Public Utility Property – Representative Honadel

Description of Current Law and Proposed Change

Public utilities are exempt from local property taxes, but are subject to special state taxes. Electric cooperatives and private light, heat, and power companies pay a state tax based on their gross revenues at a rate of 0.97% on gas revenue, 1.59% on wholesale electric revenue, and 3.19% retail electric and all other revenue. Municipal electric associations (e. g., Wisconsin Public Power) pay a state tax based on the value of their property in Wisconsin taxed at the statewide average net tax rate. Revenue from these taxes in FY 07 was about \$208 million.

To help compensate for the cost of services provided to tax exempt utility property, the utility shared revenues program makes payments to localities where certain types of utility property are located. The main components of this program are discussed below.

The principal payment is based on the net book value (original cost less depreciation) of qualifying property (production plant in operation on January 1, 2004, substations, and general structures) for eligible utilities (electric cooperatives; private light, heat, and power companies; and municipal electric associations). For property in a town, the town is paid 3 mills and the county is paid 6 mills. For property in a village or city, the village or city is paid 6 mills and the county is paid 3 mills. The total value of "qualifying property" in a municipality may not exceed \$125 million.

The other major payment is for electric generating plants that began operation or were "repowered" after December 31, 2003. The base payment is \$2,000 per megawatt (MW) of generating capacity. For property in a town, the town is paid one-third (\$667) and the county two-thirds (\$1333). For property in a village or city, the municipality is paid two-thirds and the county one-third. Both the municipality and county may qualify for up to three incentive payments on these plants: (1) for a plant with 1 MW or more of capacity (except for nuclear plants), \$600 per MW if the plant is built on a brownfield or on or adjacent to an existing or decommissioned power plant, (2) for a base-load plant with a capacity of over 50 MW, \$600 per MW, and (3) for a plant with 1 MW or more of capacity, \$1,000 per MW if the plant is a co-generation plant or derives its energy from a renewable source.

Projected utility shared revenue payments for 2008 may generally be summarized as follows:

Payment	Municipalities	Counties	Total
Ad valorem	\$ 16,241,947	\$ 16,435,307	\$ 32,677,254
Megawatt-based	2,500,000	2,000,000	4,500,000
Incentives	871,200	871,200	1,742,400
Total	\$ 19,113,147	\$ 19,806,507	\$ 38,919,654

Under Section 9141 (1f) of 2007 Wisconsin Act 40 (the biennial budget), the Department of Revenue is required to convene a study group to examine the feasibility and desirability of imposing local general property taxes on all property, excluding production plants, of electric cooperatives, municipal utilities, and private light, heat, and power companies. The group must be convened no later than December 31, 2008. The study group must include residents of communities that host public utility property; representatives of electric cooperatives, municipal utilities, and light, heat, and power companies; members of the public who have expertise in the taxation of public utilities and in transmission line siting; and any other individuals who the department of revenue believes to have expertise related to the study. The study group must report its findings to the legislature (under s. 13.172 (2)) no later than May 1, 2009.

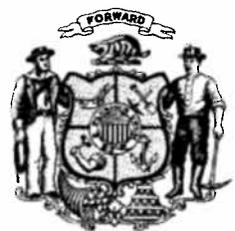
The bill repeals the requirement that DOR convene this study group.

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WISCONSIN STATE LEGISLATURE



MARK R. HONADEL

STATE REPRESENTATIVE • 21ST ASSEMBLY DISTRICT

MAJORITY CAUCUS CHAIR

Testimony to Senate Committee on Commerce, Utilities & Rail
In Support of Assembly Bill 654
By Representative Mark Honadel

Chairman Plale, Vice Chair Breske and members of the committee, I am here to speak in support of Assembly Bill 654 which I co-authored with Senator Plale.

Assembly Bill 654 is a simple follow up bill to clarify a budget amendment that Senator Plale and I submitted to update how state public utility aid is calculated and paid to host communities and counties. With the change approved in the state budget, towns, villages and cities, along with their respective counties, that host power production plants, will receive state aid based upon a capacity-based formula. This change will provide for a consistent and equitable method to distribute public utility aid.

In addition to the capacity-based formula, earlier versions of our proposal looked at the possibility of conducting a Department of Revenue study to impose a property tax on the general structures owned or leased by light, heat, and power companies. These tax payments were to be offset by state tax credits to offset the payments.

After reviewing the Department of Revenue administrative costs, as well as the millions of dollars in net costs to the general fund, we decided to remove the study and property tax provision from our budget amendment. However, since the language was included in the final state budget, I am here today to ask for your support of Assembly Bill 654 to eliminate the Department of Revenue study, to modify our public utility provision to its original intent.

Thank you again for your consideration, I'll be happy to answer any questions from committee members.

Working For You!

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