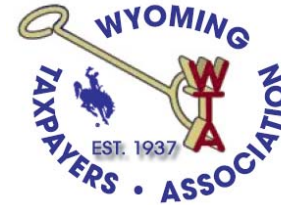


# WYOMING TAXPAYERS ASSOCIATION

## ACTION ALERT



### SUMMARY JOINT REVENUE COMMITTEE JUNE 30-JULY 1, 2010

Members of the Joint Revenue Committee met in Gillette on June 30 and July 1<sup>st</sup> to discuss revenue projections, wind power, Tax Reform 2000, the manufacturing equipment's sales tax exemption, and several smaller issues.

#### REVENUE UPDATE

A copy of the revenue information provided at the meeting can be found at:  
<http://legisweb.state.wy.us/budget/June%202010%20Presentation%20ver%204.pdf>

Total GF (General Fund) and BRA (Budget Reserve Account) revenues are projected to be down less than expected in the 2011-2012 biennium, by \$214.6M compared to last November's projection of \$382.8M.

The amount of GF/BRA money available for the LSRA (Legislative Stabilization Reserve Account) is expected to be down \$11.7M from \$363.4M in the 2011-2012 biennium, which is the lowest it has been since before 2000. However, the fund is projected to increase to \$279.7M in the 2013-2014 biennium.

#### EXTRA SPENDING

Extra spending is being cut from the 2009-2010 biennium to the 2011-2012 biennium, from \$1,009.4M to \$311.8M as of March 5. Total Type 3 appropriations should fall and ongoing commitments will become a larger percentage of spending as shown below:

Biennium	Total (in billions)	Percentage for ongoing spending
2007-2008	3.626	66.96%
2009-2010	3.515	71.28%
2011-2012	2.908	89.28%

The next chart illustrates how extra spending has shifted to local governments, the Business Ready Community Program and Community Facilities Program:

Biennium	Locals, BRC, Comm. Fac.	All other extras	WYDOT	Capcon & UW fac. match	Total Spending (in millions)
2007-2008	34.87%	14.03%	19.06%	32.04%	1,197.9
2009-2010	43.76%	7.58%	23.21%	25.45%	1,009.4
2011-2012	46.81%	8.92%	21.18%	23.09%	311.8

#### PROPERTY TAX BASE

2010's assessed valuation (based on 2009 data) is expected to be higher than previous projections of \$20.26 billion, and is also expected to be above projections for 2011. This is good news because property taxes are important to funding schools and other programs. 2011-2012 is expected to be the bottom of the cycle for minerals, and recovery should start in the 2013-2014 biennium with higher assessed valuations, severance taxes and mineral royalties.

#### GF REVENUES

The April revenue data was updated and will be posted on the LSO website. The situation is improving, and revenues should be above projections for FY2010. The General Fund revenues through March 2010 compared to predictions are shown in the table on the next page from the April 16 CREG report.

GF Source - Millions	Year to Date	Year to Date Change	Year to Date Pace
Sales and Use Taxes	\$260.4	\$-22.3	-5.1%
PMTF & Pooled	\$153.5	\$7.8	4%
Severance Taxes	\$150.1	\$32.5	18%
All Other	\$97.6	\$12.5	10.6%
Total	\$661.6	\$30.5	3%

The table shows that sales and use taxes are below the forecast, but all other revenue sources have exceeded their forecast levels, and by March, receipts had exceeded the forecast by 3% or \$30,451,097.

## WIND ENERGY

The overall consensus of the committee was that any taxation regarding wind should generate revenue, incentivize the industry, take care of local governments, and accommodate the sage grouse.

Some of the issues with wind energy that were raised include impacts on Wyoming communities, costs to consumers, safety concerns, and types and amount of jobs wind creates. Other issues included competitiveness, transmission, the uncertainty in tax climates in the market and the effect of increased wind generation on mineral production in Wyoming.

### OPTIONS WITH TAXATION

The Committee was presented a detailed list of options for taxing wind energy. These are listed below.

- **Sales and Use**

The sales tax exemption on wind power expires on December 31, 2011. It applies to towers, turbines and other tangible personal property and the services to repair, alter, or improve it delivered to the state by the deadline. The legislature can continue the exemption beyond Dec 31, 2011, make payments level over 20 years, cap total taxes or reduce the rate, or change the distribution between state and other governments. Issues with capping or reducing the rate were raised because of the Streamlined Sales Tax Agreement.

- **Property**

Wyoming currently taxes 67.4 mills on 11.5% of a project's assessed value. The legislature can lower the assessment ratio on the property or create a PILOT (payment in lieu of taxes) program where companies compensate local governments for lost tax revenue. However, this concept comes with several issues including constitutionality, decreasing funding to schools, accounting for time value of money and others.

- **Generation**

Currently a \$1/MWh tax is set to take effect on January 1, 2012, with a 3 year grace period to allow producers to begin operations. 60% would go to counties and 40% to the state's general fund. The legislature could remove the generation tax, phase in the tax so operators have time to recover costs, and/or include a grandfather clause.

### WIND COSTING MODEL

Laura Ladd, Energy and Economics Advisor to Wyoming Governor Dave Freudenthal, presented a model of the relevant costs to wind energy producers to the committee. The slides from the presentation can be found at [http://legisweb.state.wy.us/2010/WyomingWindModel\\_7\\_01\\_2010.pdf](http://legisweb.state.wy.us/2010/WyomingWindModel_7_01_2010.pdf). The purpose of the model was to examine the impact of tax policy on Wyoming's competitiveness in producing wind energy.

The model found that the drivers of cost difference are capacity factor, capital cost and state tax treatments. It also found that state income tax, gross receipts, sales and property tax rates along with tax incentives are

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all important factors in placing wind farms and that Wyoming's closest competitors are Montana and New Mexico. When the capacity of Wyoming wind was not a factor, Wyoming was the most expensive state in which to produce.

The committee commented that strategic thinking was important, because the lowest cost state would not be the only one producing, and there is the chance to maximize revenues to the state. The model will be used as a tool in creating legislation and the committee will continue to work with Ms. Ladd to look at different tax strategies.

#### **SUBCOMMITTEE**

A subcommittee was formed at the end of the presentation to meet with industry group representatives, local governments, the Department of Revenue and Laura Ladd to come up with legislation to accomplish the consensus of the committee – to generate revenue, incentivize wind, take care of local governments, and accommodate the Sage grouse with a focus on revenue. The subcommittee includes: Sen. Cale Case, Sen. John Schiffer, Sen. Drew Perkins, Rep. Mark Semlek, Rep. David Miller, Rep. Rodney Pete Anderson and Rep. Patrick Goggles.

#### **TAX REFORM 2000**

The committee briefly reviewed the recommendations of Tax Reform 2000 and the issues the report found with Wyoming's tax structure. Committee members commented that several matters had been dealt with and that the Permanent Mineral Trust Fund provides stability, the Property Tax Refund Program is helping make the tax system more progressive and county assessors are better trained to explain the valuation process to make property taxes more transparent.

Remaining issues include the fact that special districts formed by public vote cannot have tax levels changed by county commissioners, \$48 million in sales tax revenue was lost from sales online, and Wyoming is still very dependent on minerals for revenue, among others. The committee has agreed to review Tax Reform 2000 further.

#### **MANUFACTURING EXEMPTION**

The sales tax exemption on manufacturing equipment is set to expire December 31, 2010. The Committee heard testimony relating to issues with only helping one industry, how often the exemption is used and the price of the exemption compared to jobs it creates.

The committee commented that reporting labor statistics should be mandatory. Included in a bill that will be drafted, will be reporting requirements to make sure the right kinds of jobs are counted. The Department of Employment will be included in drafting the bill.

A bill will be drafted to extend the sunset date for 5 years, and reviewed at the next meeting.

#### **OIL AND GAS FIELD TAXES**

A clarification was requested to negate the effects of contractor law and treat work done within 250 feet of a well like a retail service for that project. A bill will be drafted and specifics will be brought up at the next Joint Revenue Committee Meeting.

#### **SALES TAX COLLECTION AT SMALL EVENTS**

There have been issues with delivering tax return forms to gun shows and possible solutions are being investigated.

#### **NEXT MEETING**

The next meeting of the Joint Revenue Committee is scheduled for December 16-17, 2010 at a location to be determined, most probably, Cheyenne.