This gross receipts tax is paid pursuant to SDCL 49-34A-45. The gross receipts tax under the statute pertains strictly to rural electric cooperatives, who are a minority electric utility supplier within the boundaries of a City who are supplied by another utility, in our case the majority supplier is Black Hills Energy. The tax was enacted back in the 1970’s as a replacement tax for the personal property tax. Investor owned utilities, such as Black Hills Energy, are centrally assessed by the State of South Dakota. Below are the amounts of tax paid in the past and an estimate of future payments:

- **2012 – 1% = $89,163**
- **2013 – 1% = $92,025**
- **2014 – 1% = $103,205**
- **2015 – 1% = $107,415 (paid April 2016)**
- **2016 - 1% = Estimate of approximately $112,000**
- **2017 - 1% = Estimate approximately $115,000 (this proposed agreement)**

If we paid taxes on an Ad Valorem basis like Black Hills Energy does, based on our investment of approximately $11.5 million of electric plant within the limits of Rapid City, and using a mill levy of 3.025 mills, we would produce a tax of approximately $35,000. Compare that to our 2015 actual 1% gross receipts tax paid of $107,415.

The City of Rapid City can accept a rate in a range of 0% - 2% as a Gross Receipts Tax. In the interest of tax fairness for our members, when compared with what we would have paid on an Ad Valorem basis, we are asking the City of Rapid City an extension of the current revenue sharing agreement and accept a payment of 1% of gross receipts for 2017. This is still well above what we would be paying with the other tax.

In addition, we charge our members who live within the city limits of Rapid City the 2% City sales tax. This sales tax is passed directly on to the member consumer. With the gross receipts tax, we have a choice of either passing it directly on to the member through their bill, or absorbing it a cost of business. So far we have chosen the latter position of absorbing the tax within our rate base.

We also paid $29,945 in real estate taxes on land, buildings and substation land within Rapid City in 2015.

Our sales continue to grow within Rapid City, so I don’t see the tax going down at all.