

**TAXATION OF PUBLIC UTILITIES**

The following is a highly generalized discussion of how public utilities are taxed in Wisconsin. Detailed information on required tax forms, filing and payment dates, and related information for utility taxpayers is available elsewhere on the Department of Revenue's (DOR) web site.

**Background**

Most public utility companies in Wisconsin are exempt from local property taxes and subject instead to special state taxes.

Carlines; electric cooperative associations; municipal light, heat, and power companies; and private light, heat, and power companies are subject to a state tax based on their gross revenues. The tax rate for carlines is the state net property tax rate. The tax rates for the other gross revenue taxpayers are 0.97% for natural gas revenues, 1.59% for wholesale electric revenues, and 3.19% for all other revenues.

Airlines, conservation and regulation companies, municipal electric association projects, pipelines, and railroads are subject to an ad valorem (value-based) state tax on the portion of their total ("unit") value allocable to Wisconsin taxed at the state average net tax rate. Telephone companies pay a state ad valorem tax based on the actual net tax rate in the locality where the property is located.

The table shows utility tax collections in FY16 for gross revenues and ad valorem taxpayers. The taxes are deposited in the General Fund unless otherwise noted below.

<b>UTILITY TAX COLLECTIONS, FY 16</b>	
<b>Utility by Type of Tax</b>	<b>Collections</b>
<b>Gross Revenues</b>	
Carlines	\$ 160,239
Electric Cooperatives Associations	11,747,206
Municipal Light, Heat, and Power	3,488,001
Private Light, Heat, and Power	226,050,364
<b>Ad Valorem - Unit Value</b>	
Airlines (Transportation Fund)	5,103,283
Conservation and Regulation Companies	186,890
Municipal Electric Association Projects	4,946,904
Pipelines	37,315,661
Railroads (Transportation Fund)	38,497,517
<b>Ad Valorem – Tangible Property Value</b>	
Telephone Companies	76,474,118
<b>TOTAL</b>	<b>\$ 403,970,183</b>

If a private light, heat, and power company's property is within a single municipality, and the company's primary business is the retail sale of electricity, natural gas, or water to end users, then the company is subject to local property taxes and exempt from state utility taxation.

If a private company's primary business is selling electricity at wholesale, and if its total generating capacity within Wisconsin is 50 megawatts (MW) or more, the company is deemed to be a "qualified wholesale electric company" and subject to state utility taxes as a private light, heat, and power company. If the company's total generating capacity in Wisconsin is under 50 MW, the company is subject to local property taxes and exempt from state utility taxation.

Gross revenues taxpayers are allowed to make the following deductions or exclusions from their taxable revenues:

1. A private light, heat, and power company may deduct either 50% or 100% of the cost of power purchased under state or federal approved wholesale rates. The 100% level applies if the company purchases more than 50% of the power it sells, the power is not purchased from an "affiliated interest" (no co-ownership interests), and the seller is subject to the state's gross revenues taxation. The 50% level applies if the company buys more than 90% of the power it sells and its gross revenues are less than \$50 million.
2. An electric cooperative association may deduct 100% of the cost of electricity it purchases for resale if (a) the cooperative purchases more than 50% of the power it sells and seller's revenues are subject to Wisconsin's gross revenues tax, or (b) it purchased more than 50% of the power it sold in 1987 from an out-of-state supplier.
3. Except for a qualified wholesale electric company or an electric transmission company, any light, heat, and power company may deduct the following from their taxable gross revenues: (a) interdepartmental sales and rents, (b) the portion of the state sales tax they retain as compensation for their collection costs, (c) the state-mandated low-income assistance fee, (d) grants under s. 16.958 (2) (b). [air quality improvement program], and (e) for companies that do not participate in the state program, any fees received for the operation of a joint program providing low-income assistance.
4. An electric transmission company may exclude revenues for services provided to: (a) electric cooperatives organized under Wisconsin law that provide wholesale service to their members; (b) municipal light, heat, and power companies based in Wisconsin, and (c) private light, heat, and power companies which are subject to the state's gross revenues tax.

For utility companies subject to the ad valorem taxes, the following types of property are exempt from taxation:

1. All property of a "hub airline", defined as an airline that, in the prior year, met one of the following conditions: (a) it operated at least 45 common carrier flights each weekday out of a single Wisconsin airport to at least 15 non-stop destinations, or (b) it was headquartered in Wisconsin and operated, from one or more airports in Wisconsin, at least 20 common carrier flights each weekday.

2. Motor vehicles, but only for vehicles on which the state's vehicle registration fee applies, and only if that fee is actually paid.
3. Waste treatment facilities.
4. Computers, cash registers, and fax machines, except for fax machines that are also copiers.
5. Property of a telephone company used less than 50% in the operation of a telephone company. Such property is, however, subject to local property taxes.