CHAPTER 11. ELECTRIC COOPERATIVE TAX

Mutual and cooperative electrical associations are subject to a tax on gross earnings that is in lieu of all other taxes on transmission and distribution lines. The associations must be nonprofit and the principle purpose must be to distribute electricity to its members. (See expenditure 2.074 Nonprofit Electrical Distribution Associations.)

Associations must pay the lesser of :
(1) an in-lieu-of property tax at four percent on gross earnings minus power costs, or
(2) the sum of (a) the real market value of the transmission and distribution lines multiplied by the maximum school tax rate allowable under ORS 310.150, plus (b) the real market value of the transmission and distribution lines multiplied by $10 per $1,000 of real market value, and (c) the real market value of the transmission and distribution lines multiplied by the tax rate of the county for exempt bonded indebtedness as defined in ORS 310.140.

In 1997–98, all associations paid the gross earnings tax rather than property tax. In 1998–99, 18 of the associations paid the gross earnings tax and one paid the tax described in the second calculation.

Proceeds are distributed differently depending on which calculation method is used. If the first method is used, proceeds from the tax on gross earnings are distributed to the counties in proportion to the system's wire miles in each county. These payments are distributed one-third to the county school fund and two-thirds to the county general fund. If the second calculation method is used, payments are deposited in the unsegregated tax collections account and distributed according to the percentage distribution schedule in ORS 311.390.

11.001 REVENUE FROM GOVERNMENT LEASED LINES

Oregon Statute: 308.805
Sunset Date: None
Year Enacted: 1969

	Total
1997–99 Revenue Impact:	$60,000
1999–01 Revenue Impact:	$60,000

DESCRIPTION: Revenue received by nonprofit mutual and cooperative electric distribution associations for leasing lines to the government is not included in their gross earnings tax calculation for the electric cooperative tax.

PURPOSE: Presumably to allow a lower lease rate for governments, in effect exempting the governments from paying the tax.

WHO BENEFITS: In 1995, nineteen cooperatives scattered around the state paid the gross earnings tax, and five of the nineteen received this exemption.

EVALUATION: This expenditure achieves its purpose of ensuring there is no *de facto* taxation of government agencies through the fees charged for power line use. If the exemption were eliminated, either we would be taxing another government agency through the pass-through of a tax, or it would require the electric cooperatives to raise electrical rates in low-density, rural areas. [*Evaluated by the Office of Energy*.]