



## **Vote YES on SB34 (Dmitrich) Repeal of “Second” Electric Gross Receipts Tax**

### **What does SB34 do?**

SB34 repeals the “second” gross receipts tax that was imposed on Intermountain Power and Pacificorp in 1995. No other companies or individuals pay this tax. Fiscal note is \$2.6 million in FY2007 and \$5.5 million in FY2008.

### **Why should this tax be repealed?**

SB34 should not have been imposed in the first place. In 1995, the Legislature reduced the statewide basic levy. To prevent Intermountain Power and Pacificorp from receiving a property tax cut like all other property owners, the Legislature imposed the second gross receipts tax. By passing SB34, Intermountain Power and Pacificorp will be receiving a tax cut that everyone else received eleven years ago.

As a regulated utility, Pacificorp passes its 100% of the gross receipts tax and other taxes on to ratepayers (as opposed to passing taxes on to shareholders in the form of reduced dividends/stock value and on to employees in the form of reduced compensation). Therefore, since this tax is passed on to ratepayers, this tax is regressive. Repealing this tax will benefit ratepayers since taxes are part of the rate base.

Gross receipts taxes are generally bad tax policy. Businesses view gross receipts taxes as one of the worst forms of taxation because, unlike corporate income taxes, businesses pay gross receipts taxes even when they are not profitable. By repealing this tax, Utah sends a message to investors that this type of tax is not looked upon favorably by state policymakers.

### **What is the “first” electric gross receipts tax and will SB34 repeal this tax?**

The “first” gross receipts tax was imposed on Intermountain Power (not Pacificorp) in 1980, and SB34 does not repeal this tax. Since IPA is government-owned and normally not subject to taxes, special legislation was passed, with IPA’s support, to impose taxes on IPA. (In 2005, IPA was the third largest property taxpayer in Utah. Pacificorp was first. Kennecott was second. Qwest was fourth.)

The Legislature decided to impose the “first” gross receipts tax instead of a corporate income tax because IPA disburses 100% of its retained earnings to its members, meaning that there is no income subject to tax.

**Please vote YES on SB34**