
RENEWABLE ENERGY DEVELOPMENT

STATE TAX POLICIES AND INCENTIVES IMPACTING RENEWABLE ENERGY DEVELOPMENT

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Specifically Apply to Tribal Governments:

- Interconnection Standards
- Wind Easements

**State Taxes that
Impact
Development**

Property Tax as Percent of Income

2.86 percent

Sales Tax

4 percent



	<p><u>Unemployment Insurance Tax</u></p> <p>0 percent to 9.5 percent</p> <p><u>Gasoline and Diesel Tax</u></p> <p>24 cents per gallon</p>
<p>Exemptions for Doing Business in Indian Country</p>	<p>SDCL 10-12A allows for state-tribal agreements.</p>
<p>Tax Incentives</p> <ul style="list-style-type: none"> ➤ Wind and Transmission Construction Tax Refund (Sales) ➤ Large Commercial Wind Exemption (Property) ➤ Renewable Energy System Exemption (Property) 	<p><u>Wind and Transmission Construction Tax Refund (Sales Tax)</u></p> <p>South Dakota provides a tax refund for new or expanded wind-energy facilities, new or upgraded transmission lines and associated facilities, and businesses that manufacture or distribute wind or transmission components.</p> <ul style="list-style-type: none"> ➤ <i>Sales Tax Incentive (refund):</i> 55 percent of taxes paid for projects that cost \$40 million or more; 45 percent of taxes paid for projects that cost \$10 million or more but less than \$40 million; and there is no refund if the project costs less than \$10 million. ➤ <i>Eligible Renewable Technologies:</i> Wind ➤ <i>Applicable Sectors:</i> Commercial and Industrial ➤ <i>Expiration:</i> December 31, 2012 ➤ <i>Authority:</i> SDCL § 10-45B-16, et seq. <p><u>Large Commercial Wind Exemption and Alternative Taxes (Property Tax)</u></p> <p>Alternative taxation calculations are applied to wind farms constructed after July 1, 2007 in lieu of all taxes on real and personal property which are levied by the state, counties, municipalities, etc. Wind farms must produce electricity for commercial sale and have a minimum capacity of five megawatts.</p> <p>There is an annual tax of \$3 per kilowatt of capacity of the wind farm and a 2 percent annual tax on the gross receipts of the wind farm. Gross receipts are calculated based on the number of kilowatt-hours produced multiplied by a base electricity rate which increases annually.</p> <p>Revenue generated from the alternative taxation method are deposited in a wind energy tax fund, and the receipts from the capacity tax and 20 percent of the gross receipts tax are redistributed back to the county treasurer.</p>



- *Incentive:* Alternative taxation methods for wind farms of 5 MW or greater
- *Applicable Sector:* Commercial
- *Authorities:* SDCL § 10-35-16 et seq.

Renewable Energy System Exemption (Property Tax)

All real property used or constructed for producing electricity is assessed in the same manner as other real property if the facility is less than five megawatts in capacity. But, the first \$50,000 or 70 percent of the assessed value of eligible property (whichever is greater) is exempt from the real property tax.

- *Incentive:* \$50,000 or 70 percent of the assessed value of eligible property (whichever is greater)
- *Eligible Renewable Technologies:* Solar Water Heat, Solar Thermal Electric, Solar Space Heat, Solar Thermal Process Heat, Photovoltaics, Landfill Gas, Biomass, Hydroelectric, Wind, Geothermal Electric, Geothermal Heat Pumps, CHP/Cogeneration, Municipal Solid Waste, Solar Pool Heating, Anaerobic Digestion, Geothermal Direct-Use and Small Hydroelectric
- *System Size Requirement:* Less than 5 MW
- *Applicable Sectors:* Commercial, Agricultural, Industrial and Residential
- *Authority:* SDCL § 10-4-42 et seq.

**State-
Implemented
Financial
Incentives and
Programs**

- **Revolving Loan Program**

Energy Efficiency Revolving Loan Program

Loans are available to pay for energy audits, energy efficiency improvements and renewable energy installations that carry a zero percent interest rate and must be repaid within 10 years. Renewable energy projects must be built on government buildings. Varying capacity limits apply.

- *Incentive:* 0% interest loan over 10-year payback period
- *Eligible Renewable Technologies:* Solar Water Heat, Photovoltaics, Solar Thermal Electric, Biomass, Wind, CHP/Cogeneration, Geothermal Heat Pumps and Solar-powered appliances
- *Applicable Sectors:* Nonprofit, State Government, Institutional and Schools

This program is funded through the Energy Efficiency Conservation Block Grant. For more information visit http://www.state.sd.us/boa/ose/OSE_Statewide_Energy.htm.



<p>State-Implemented Manufacturing and Business Incentives</p>	<p>See <i>Wind and Transmission Construction Tax Refund</i> in “Tax Incentives” section.</p>
<p>Renewable Portfolio Standard (Goal)</p>	<p><u>Renewable, Recycled and Conserved Energy Objective</u></p> <p>South Dakota enacted legislation in 2008 (HB 1123) to establish a goal that 10 percent of all retail electricity sales be obtained from recycled and renewable energy by 2015. This was modified in 2009 to also allow “conserved” energy to meet the objective.</p> <ul style="list-style-type: none"> ➤ <i>Goal:</i> 10 percent by 2015 ➤ <i>Eligible Renewable Technologies:</i> Solar Thermal Electric, Photovoltaics, Landfill Gas, Biomass, Wind, Hydroelectric, Geothermal Electric, Municipal Solid Waste, Hydrogen, Anaerobic Digestion, CHP/Cogeneration and Electricity Produced from Waste Heat ➤ <i>Applicable Sectors:</i> Municipal Utility, Investor-Owned Utility and Rural Electric Cooperative ➤ <i>Authorities:</i> SDCL § 49-34A-94 et seq. and SDCL § 49-34A-101 et seq
<p>Regulatory Policies</p> <ul style="list-style-type: none"> ➤ Interconnection Standards ➤ Wind Easements ➤ Performance Standards for State Buildings ➤ Model Ordinance for Wind Energy Siting 	<p><u>Interconnection Standards</u></p> <p>Adopted in May 2009, South Dakota has interconnection standards for distributed generation that apply to IOU customers. There are four tiers of interconnection systems up to 10 MW in capacity.</p> <ul style="list-style-type: none"> ➤ <i>Eligible Renewable Technologies:</i> Photovoltaics, Solar Thermal Electric, Landfill Gas, Wind, Biomass, Hydroelectric, Geothermal Electric, CHP/Cogeneration, Small Hydroelectric, Anaerobic Digestion, Fuel Cells, Micro turbines, Fuel Cells using Renewable Fuels and other distributed generation technologies ➤ <i>Applicable Sectors:</i> Tribal Government, Federal Government, State Government, Local Government, Schools, Nonprofit, Residential, Industrial, Commercial, Institutional and Agricultural ➤ <i>Applicable Utilities:</i> Investor-owned utilities ➤ <i>Authority:</i> S.D. Administrative Code § 20:10:36 <p><u>Wind Easements</u></p> <p>Property owners may grant a wind easement with a maximum term of 50</p>



years as a conveyance of an interest in real property. They must be established in writing and must be recorded and indexed in the office of the register of deeds of the relevant county.

- *Eligible Renewable Technology:* Wind
- *Applicable Sectors:* Tribal Government, Federal Government, State Government, Local Government, Schools, Nonprofit, Residential, Agricultural and Institutional
- *Authority:* S.D. Codified Laws § 43-13-16, et seq.

High-Performance Building Requirements for State Buildings

New state construction and renovations must meet high-performance building standards. State buildings must achieve the U.S. Green Building Council's LEED Silver rating. This applies to all new construction and renovations by state agencies, departments and institutions that cost more than \$500,000 or includes more than 5,000 square feet of space.

- *Eligible Renewable Technologies:* Passive Solar Space Heat, Solar Water Heat, Solar Space Heat, Photovoltaics, Wind, Biomass, Geothermal Heat Pumps, CHP/Cogeneration, Daylighting and Small Hydroelectric
- *Authority:* SDCL § 5-14-32 et seq.

Model Ordinance for Siting of Wind Energy Systems

The South Dakota PUC created a model ordinance for siting wind energy systems which is designed for local governments. It addresses setbacks, lighting, noise, appearance, code compliance, abandonment, the permitting process and more.

- *Applicable Sectors:* Residential, Local Government, Nonprofit, State Government, Federal Government, Schools, Agricultural and Institutional
- *Authority:* S.D. Codified Laws § 43-13-21, et seq.

For more information visit <http://puc.sd.gov/twg/default.aspx>.

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Sources:

Database of State Incentives for Renewables & Efficiency, a joint effort between U.S. Department of Energy Office of Energy Efficiency & Renewable Energy, North Carolina Solar Center and the Interstate Renewable Energy Council; www.dsireusa.org

Incentives for Businesses 50 State Handbook, State Capitol Group (Washington, D.C.: State Capitol Group, July 2010); www.statecapitalgroup.org

Robyn, Mark, *2012 State Business Tax Climate Index*, Tax Foundation (Washington, D.C.: Tax Foundation, January 2012); http://taxfoundation.org/files/2012_tax_foundation_index_bp62.pdf.

Various state websites

