https://dor.sd.gov/ 1-800-829-9188 (Option 2)

Renewable Energy Facility

(Wind & Solar)

The purpose of this document is to provide a general overview of the taxation of renewable energy facilities. It is not intended to answer all questions that may arise. The information contained in this fact sheet is current as of the date of publication.

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Renewable Energy Facility Definitions (SDCL 10-35-16)

A "renewable energy facility" is defined as any wind farm or solar facility.

A "wind farm" is defined as any property used or constructed for the purpose of producing electricity for commercial purposes utilizing the wind as an energy source and with a nameplate capacity of at least five thousand kilowatts.

View the following guides to learn more about sales and use tax and contractor's excise tax.

Sales Tax Guide

Contractor's Excise Tax Guide

A "solar facility" is defined as any property used or constructed for the purpose of producing electricity for commercial purposes utilizing solar radiation as an energy source and with a nameplate capacity of at least five thousand kilowatts.

Wind Farm Taxation

The property taxes on wind farms differ from how agricultural land, owner-occupied, and other property are taxed. Instead of real property taxes, wind farms that produce more than five thousand kilowatts pay the following alternative taxes:

- Nameplate Capacity Tax (SDCL 10-35-18); and
- Production Tax (Taxation rates differ based on when a wind farm facility began producing power.)

No taxes are due while the wind farm is under construction. The wind farm will begin paying taxes the year after the commercial operation date.

Wind Farm First Producing Power between July 1, 2007 and March 30, 2015

- **Nameplate capacity tax:** $3.00 multiplied by the nameplate capacity of the wind farm. Nameplate capacity is the number of kilowatts a renewable facility can produce.
- **Production tax:** $.00065 per kilowatt of electricity produced by the wind farm. (SDCL 10-35-19)

Wind Farm First Producing Power on or after March 31, 2015

- **Nameplate capacity tax:** $3.00 multiplied by the nameplate capacity of the wind farm. Nameplate capacity is the number of kilowatts a renewable facility can produce.
- **Production tax:** $.00045 per kilowatt of electricity produced by the wind farm. (SDCL 10-35-19.1)

There is one wind farm in South Dakota which began producing electricity prior to July 1, 2007. This wind farm is assessed and taxed like real property.

Example:

If a wind farm started producing power on January 1, 2018, how much tax would it pay for 2018 payable in 2019? The wind farm consists of 40 towers each capable of producing 1.50 megawatts of electricity and the wind farm generate electricity at 40% efficiency. *Remember: 1 megawatt = 1,000 kilowatts.*

Nameplate Capacity Tax

- 40 towers × 1.5 megawatts = 60 megawatts
- 60 megawatts × 1000 kilowatts = 60,000 kilowatts
- 60,000 × $3.00 = **$180,000**

Production Tax

- 40 towers × 1.5 megawatts = 60 megawatts
- 60 megawatts × 1,000 kilowatts = 60,000 kilowatts
- 60,000 × 24 hours × 365 days = 525,600,000 (Full production level)
- 525,600,00 × 40% = 210,240,000 (Actual amount of kilowatts of electricity produced)
- 210,240,000 × $.00045 = **$94,608**

Solar Facility Taxation

- **Nameplate capacity tax:** $3.00 multiplied by the nameplate capacity of the solar facility. Nameplate capacity is the number of kilowatts a renewable facility can produce. (SDCL 10-35-18)
- **Production tax:** $.00090 per kilowatt of electricity produced by the solar facility. (SDCL 10-35-19.1)

Wind Farm & Solar Facility Revenue Distribution (SDCL 10-35-21)

Wind farm and solar facility annual reports and taxes are due February 1 each year to the Department of Revenue.

Nameplate Capacity Tax Distribution

- 100% to the Renewable Facility Tax Fund.

Production Tax Distribution

- 80% to the State General Fund; and
- 20% to the Renewable Facility Tax Fund.

Payments are remitted to the counties prior to May 1 from the Renewable Facility Tax Fund. Upon receipt of the taxes, the county auditor distributes the taxes among the school districts, the county, and the organized townships where a wind tower or solar facility is located. The distribution rates are:

- 50% to the school district(s);
- 35% to the county;
- 15% to the organized township(s).

If a wind farm or solar facility is located in more than one county, each county receives the same percentage of the tax as the percentage of wind towers or solar facility located in the county.

*Wind Farm Revenue Impact on the State Aid to Education Formula**

Wind farms that started producing power prior to July 1, 2016:

- All of the school portion of revenue distributed counts as local effort.

Wind farms that started producing power after July 1, 2016:

- For the first 5 years after construction completion, 100% of the revenue is considered outside the state aid formula.
- Year 6 - 20% is considered as local effort while 80% is not.
- Year 7 - 40% is considered as local effort while 60% is not.
- Year 8 - 60% is considered as local effort while 40% is not.
- Year 9 - 80% is considered as local effort while 20% is not.
- Year 10+ - 100% is considered as local effort.

*For more information regarding the state aid to education formula, contact the South Dakota Department of Education.

Contact Us

If you have any questions, please contact the **South Dakota Department of Revenue.**

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