



TACIR Commission – TVA's PILOT

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Introduction

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Agenda

- Overview of Section 13 of the TVA Act
- Overview of Section 15d(g) of the TVA Act
- How are the PILOT amounts effected?
- How are Tennessee's PILOT funds redistributed?
- FY 17 Final Payments
- FY 18 Estimated Payments

Overview of Section 13

- May 18, 1933 – Congress passed the TVA Act.
- Section 13 of the TVA Act requires payments to :
 - States in which its power operations are carried out.
 - Counties in which it has acquired power property previously subject to ad valorem taxation.
- TVA pays 5 percent of gross proceeds from the sale of power in the prior fiscal year.
 - Certain sales are excluded.

Overview of Section 13

- Allocation of Tax Equivalent Payments
 - Allocated to states where TVA has power sales and/or holds power property
 - Currently allocated to Alabama, Georgia, Illinois, Kentucky, Mississippi, North Carolina, Tennessee, and Virginia
- Allocated using the following *average* ratio:
 - 50 percent, based upon TVA power property located within the state, compared to TVA's total power properties
 - 50 percent, based upon TVA power sales within the state, compared to total TVA power sales

Overview of Section 13

- Direct Payments
 - Paid to counties, generally, where TVA has purchased power property previously subject to ad valorem taxation
 - Reduce the tax equivalent payments allocated to the applicable state
 - Calculated based upon a two-year average

Overview of Section 15d(g)

- Section 15d(g) of the TVA Act recognizes:
 - Power generating facilities operated under a lease or lease purchase agreement constitute power property held.
 - Amounts paid by TVA to state/local jurisdictions as a result of a negotiated lease agreement will reduce total PILOT otherwise payable to state
 - > Reduction of payments to the state is subject to a certain threshold
 - Prevents “double payments” of taxes on the leased facilities



How are PILOT Amounts Effected?

- Fluctuations in total PILOT payments can be caused by:
 - The weather (mild or extreme)
 - The economy
 - TVA business decisions



How are TN PILOT Funds Redistributed?

- State retains base amount of \$55 million, plus an additional 48.5% of the amount that the PILOT payment for the fiscal year exceeds the base amount
- Majority of the remaining PILOT payments are redistributed to counties and cities based upon:
 - Population (City and Counties)
 - State acres (Counties)
 - TVA acres (Counties)
- Impact Payments



APPENDIX

FY 2017 Final PILOT Payments

State	Final Fiscal Year 2017			
	State Allocations	County Direct Payments	Payments Related to Leases	Total Payments
Alabama	\$ 87,016,906	\$ 41,868	\$ -	\$ 87,058,774
Georgia	8,400,887	54,182	-	8,455,069
Illinois	329,654	58,193	-	387,847
Kentucky	33,992,618	422,359	-	34,414,977
Mississippi	20,306,355	17,346,684	1,002,402	38,655,441
North Carolina	2,811,144	7,212	-	2,818,356
Tennessee	340,730,321	3,367,737	-	344,098,058
Virginia	1,239,820	1,291	-	1,241,111
Total	\$ 494,827,705	\$ 21,299,526	\$ 1,002,402	\$ 517,129,633

* Based upon audited financial data as of September 30, 2016

FY 2018 ESTIMATED PILOT Payments

Estimated Fiscal Year 2018

State	State Allocations	County Direct Payments	Payments Related to Leases	Total Payments
Alabama	\$ 87,492,444	\$ 41,868	\$ -	\$ 87,534,312
Georgia	8,429,550	54,182	-	8,483,732
Illinois	308,388	58,193	-	366,581
Kentucky	35,816,794	422,359	-	36,239,153
Mississippi	21,329,401	17,346,685	1,045,586	39,721,672
North Carolina	2,794,514	7,212	-	2,801,726
Tennessee	343,960,303	3,375,217	-	347,335,520
Virginia	1,203,189	1,291	-	1,204,480
Total	\$ 501,334,583	\$ 21,307,007	\$ 1,045,586	\$ 523,687,176

* Based upon Unaudited financial data as of September 30, 2017

