

# End Pollution Control Subsidies

## *Examine All Spending*



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**EQUALITY STATE  
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**A**s part of a balanced response to its budget difficulties, Wyoming must closely examine its spending—all of its spending. The Legislature looks closely at state agency spending, but it doesn't look at "tax expenditures," when tax revenue is not collected due to tax exemptions and exclusions.

Wyoming's tax laws are full of exemptions. Some are constitutionally based; for example, the state cannot tax newspapers or houses of worship, as taxes may be construed as limitations on a free press or the free exercise of religious beliefs.

But Wyoming also does not tax manicures, because sales tax is not applied to most sales of "services" (this is called a tax exclusion). Sales of manufacturing equipment or farm implements are specifically exempt from sales tax. Sales of lodging provided by an outfitter are exempt, as are memberships in private clubs. And on it goes.

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## Report to the Public

The worst thing about Wyoming's tax exemptions and exclusions is that, in nearly all cases, we don't have a clue how much they cost. A "tax expenditure report" would quantify the amount of revenue lost to each tax exemption and exclusion. Then, legislators and the public could examine the costs and decide whether the exemption or exclusion is worth it. Wyoming is one of only a few states without any form of tax expenditure reporting.

Preparing a tax expenditure report in Wyoming now would be mostly guesswork, because most exempt or excluded entities don't file anything that could be used to compile data. But we could begin taking the steps to track and report tax exemptions and exclusions as part of preparing the state budget in a businesslike way.

## The Outdated Pollution Control Exemption

One notable exception to the overall lack of data is the property tax exemption for pollution control equipment. This exemption was enacted about 40 years ago when pollution controls were first imposed under the federal Clean Air and Clean Water Acts and similar state legislation. The exemption was intended to ease the costs of installing this new equipment and to provide an "incentive" for compliance.

But decades later, pollution control is no longer a novelty—it's simply a cost of doing business, a cost required by state and federal law. Yet the exemption still exists, and it currently costs Wyoming about \$14.6 million a year in revenues that would otherwise go mostly to schools.

## The Cost of Ending the Pollution Control Subsidy

About \$6.1 million of the total revenues lost under the pollution control exemption is due to power plants. At interim committee meetings, power company lobbyists testified that repealing the tax exemption would raise costs to Wyoming electricity consumers.

Repealing the tax exemption would roll the \$6 million into the rate base for electricity. But just \$2 million a year would fall on Wyoming consumers, since only about one-third of the power generated in Wyoming is consumed in-state.

Of the \$2 million, about \$1.2 million would be paid by industrial consumers, half a million by commercial establishments, and

\$320,000 by residential users. Broken down into consumer categories, that means:

With over 265,000 residential users in Wyoming, this means a whopping \$1.36 per year, or 11 cents per month, added to residential electric bills.

Commercial users would pay an extra \$9 per year (75 cents per month).

Industrial users would face the biggest increase at approximately \$500/year or \$42/month.

Wyoming electrical users bear the full cost of the tax exemption—a \$6 million loss to their schools. In other words, Wyoming consumers are subsidizing other power users in the region to the tune of about \$4 million. Repealing the exemption would mean recovering those funds with only a tiny increase in electric rates.

The same argument applies to the remaining \$8.5 million in exemptions for pollution control equipment on oil and gas extraction, coal mining, sugar factories, chemical plants, etc. Since most consumers of these products live outside the state, Wyoming residents' share of the increased cost would be minimal, while reaping the benefits of an additional \$8.5 million to schools and local governments.

1. Start tax expenditure reporting
2. Repeal the tax exemption for pollution controls

Two steps on the way to more responsible stewardship of your tax dollars.

