

■ Illinois Restructures Invested Capital Tax, and Imposes Electricity Distribution Tax and Energy Assistance Charge

TO: All Distributors of Electricity and Natural Gas

Effective January 1, 1998, the Invested Capital Tax is no longer imposed on distributors of electricity that are not electric cooperatives. (Electric cooperatives must continue to pay the Invested Capital Tax.) Distributors of electricity that are not electric cooperatives must pay the new Electricity Distribution Tax instead.

In addition, all distributors of electricity and natural gas, except municipal electric utilities and electric cooperatives, must collect the Energy Assistance Charge from their customers and must pay this charge to the Illinois Department of Revenue. However, municipal electric utilities and electric cooperatives may elect to collect this charge from their customers. If they elect to do so, they must pay the charge to the Illinois Department of Revenue.

What is a “distributor”?

For purposes of the Invested Capital Tax, a “distributor of electricity” is an electric cooperative that is in the business of distributing electricity in Illinois

for use or consumption and not for resale.

For purposes of the Electricity Distribution Tax, a “distributor of electricity” is an electric utility or an alternative retail electric supplier that is in the business of distributing electricity in Illinois for use or consumption and not for resale. Electric cooperatives are not distributors of electricity for this tax.

For purposes of the Energy Assistance Charge, a “distributor” is a public utility, a municipal utility, or an electric cooperative that is in the business of distributing electricity, natural gas, or both in Illinois for use or consumption and not for resale. If you are a municipal utility or an electric cooperative, see “Am I responsible for collecting the Energy Assistance Charge?”

Am I responsible for paying the Invested Capital Tax or the Electricity Distribution Tax?

If you are an electric cooperative or a distributor of natural gas, you are still required to pay the Invested Capital Tax.

If you are a distributor of electricity and are not an electric

cooperative, you are no longer required to pay the Invested Capital Tax. Instead, you are required to pay the new Electricity Distribution Tax.

If you are a distributor of both gas and electricity and are not an electric cooperative, you are required to pay both taxes — the Invested Capital Tax on your gas plant operations and the Electricity Distribution Tax on your electric plant operations.

What is the Invested Capital Tax rate?

The Invested Capital Tax rate is equal to 0.8 percent of your invested capital for the taxable period.

What is the Electricity Distribution Tax rate?

The rate at which you pay the Electricity Distribution Tax is determined by the number of kilowatt-hours you distribute. The rates are:

- \$.00031 for the first 500 million kilowatt-hours distributed
- \$.0005 for the next 1 billion kilowatt-hours distributed
- \$.0007 for the next 2.5 billion kilowatt-hours distributed

- \$.0014 for the next 4 billion kilowatt-hours distributed
- \$.0018 for the next 7 billion kilowatt-hours distributed
- \$.00142 for the next 3 billion kilowatt-hours distributed
- \$.00131 for the all kilowatt-hours distributed in excess of 18 billion

How do I report the Invested Capital Tax or the Electricity Distribution Tax?

Both the Invested Capital Tax and the Electricity Distribution Tax are reported using the same return, Form ICT-4, Electricity Distribution and Invested Capital Tax Return.

When is Form ICT-4 due?

Form ICT-4 is due on or before March 15 following the close of your taxable period.

Am I required to make estimated payments?

If you are a distributor of natural gas, your quarterly estimated payment requirements have not changed. You are required to continue making quarterly estimated payments on Form ICT-1, Electricity Distribution and Invested Capital Tax Estimated Payment, on March 15, June 15, September 15, and December 15.

If you are a distributor of electricity, you will be required to make quarterly estimated payments beginning March 15, 1998.

What is the Energy Assistance Charge?

The Energy Assistance Charge is an amount that a public utility, a municipal utility, or an electric cooperative collects from each of its customers for electric or natural gas services delivered by the utility or cooperative. The utility or cooperative pays the total collected charges to the Illinois Department of Revenue on a monthly basis. Revenue collected from the charge is used to assist low-income residential customers in obtaining energy services.

Am I responsible for collecting the Energy Assistance Charge?

If you are a distributor of electricity and natural gas, but are not a municipal electric utility or an electric cooperative, you must collect the Energy Assistance Charge from your customers and pay this charge to the Illinois Department of Revenue.

However, if you are a municipal electric utility or an electric cooperative, you may elect to collect this charge from your customers. If you elect to do so, you must pay the charge to the Illinois Department of Revenue.

From whom do I collect the Energy Assistance Charge?

You collect the Energy Assistance Charge from each customer to whom you deliver electric services, natural gas services, or both.

How much do I collect for the Energy Assistance Charge?

The amount of Energy Assistance Charge you collect from each customer depends on the type of customer and the customer's electric or natural gas usage during the past calendar year.

The amounts you must collect are:

- \$0.40 per account to which you delivered residential electric service
- \$0.40 per account to which you delivered residential gas service
- \$4.00 per account to which you delivered nonresidential electric service and which had less than 10 megawatts of peak demand during the previous calendar year
- \$4.00 per account to which you delivered nonresidential gas services and less than 4 million therms of gas during the previous calendar year
- \$300 per account to which you delivered nonresidential electric service and which had 10 megawatts or more of peak demand during the previous calendar year
- \$300 per account to which you delivered nonresidential gas services and 4 million therms or more of gas during the previous calendar year

What is “residential electric service”?

“Residential electric service” is electric utility service for household purposes delivered to a dwelling of two or fewer units that is billed under a residential rate, or electric utility service for household purposes delivered to a dwelling unit or units that are billed under a residential rate and are registered by a separate meter for each dwelling unit.

What is “nonresidential electric service”?

“Nonresidential electric service” is all electric utility service that is not residential electric service.

What is “residential gas service”?

“Residential gas service” is gas utility service for household purposes delivered to a dwelling of two or fewer units that is billed under a residential rate, or gas utility service for household purposes delivered to a dwelling unit or units that are billed under a residential rate and are registered by a separate meter for each dwelling unit.

What is “nonresidential gas service”?

“Nonresidential gas service” is all gas utility service that is not residential gas service.

How do I pay the Energy Assistance Charge?

You pay the total amount of the Energy Assistance Charge you collected from your customers for electric services to the Illinois Department of Revenue on Form RPU-6, Energy Assistance Charge Return for Electricity Distributors.

You pay the total amount of the Energy Assistance Charge you collected from your customers for natural gas services on Form RG-6, Energy Assistance Charge Return for Natural Gas Distributors.

When are Forms RPU-6 and RG-6 due?

Forms RPU-6 and RG-6 are both due on or before the 20th day of the month following the month during which you collected the Energy Assistance Charge.

Questions?

If you have questions or need more information, please call or write us. Our telephone numbers and address are printed at the bottom of this bulletin.

For information or forms...

Call us at 217 782-8750 or 217 524-5409.

Call our TDD (telecommunications device for the deaf) at 1 800 544-5304.

Write us at Illinois Department of Revenue, P.O. Box 19039, Springfield, IL 62794-9039.

Visit our Web site at <www.revenue.state.il.us>.

Call Illinois Tax Fax, our fax-on-demand service, at 217 785-3400.

Call our 24-hour Forms Order Line at 1 800 356-6302.

