

Understanding How States Share TVA in-lieu-of-tax payments; With Local Governments

TVA in-lieu-of-tax payments are based on TVA power sales revenue and TVA-owned property in each state. During the fiscal year, TVA makes monthly payments based on preliminary forecasts.

Tax equivalent payments are made to eight states and to counties within those states. In addition to the seven states in the service area, TVA makes payments to the state of Illinois for coal reserves owned by TVA.

TVA has been making tax-equivalent payments since 1933. Most of the money is paid directly to state governments. However, all or part of the amount paid by TVA is redistributed to local governments according to formulas in each state as follows:

Alabama retains twenty percent of its TVA tax equivalent payment for general fund purposes. The state allocates 75 percent to 16 TVA served counties and redistributes five percent to 15 dry, non TVA served counties. The TVA served counties share a portion of their payment with cities (based on population ratio), the school systems, hospitals, etc. within their boundaries.

Georgia allocates 100 percent of its TVA payment to city and county governments in which TVA has power property (including reservoir land allocated to power purposes) based on a formula which takes into account the net book value of TVA power property located in the counties and cities. The payments are further divided between the cities or counties and the school systems therein, based on the applicable property tax rate.

Kentucky retains 30 percent for general fund purposes and allocates the remaining 70 percent to 38 counties and 20 cities in which TVA owns power property. In addition, Kentucky makes redistribution payments to 42 school systems that are located within these cities and counties.

Mississippi retains 10 percent out of its TVA payment for general fund purposes. Tishomingo County receives 12.5 percent of the total payment plus its allocated share based on TVA power distributors' sales. The remaining 77.5 percent is distributed to 35 counties, 95 municipalities, and 69 school systems within the TVA service area. The allocations to the cities and counties are based on a ratio of TVA power distributors' sales and TVA's direct sales to industrial and governmental customers within each entity to total distributor sales within the state.

North Carolina allocates 100 percent of its TVA payment to 13 counties and two cities. The allocation is based on a ratio of the book value of the TVA property in each county to the total book value of TVA property within the state, multiplied by the county's or city's property tax rate.

Tennessee retains a specified base amount of \$55 million plus 48.5 percent of its TVA payment that exceeds the base amount. From its portion of the 48.5 percent increase, the state is required by statute to pay \$3.8 million annually to counties and \$358,000 to incorporated cities. These payments represent the base amount that the cities and counties were receiving in fiscal year 1977, when the state's procedure for allocating the TVA payments to local entities was modified. The state then allocates an additional 48.5 percent of the remaining 51.5 percent to every incorporated city and to its 95 counties. The cities' portion is 30 percent, and the counties' portion is 70 percent. However, before the allocation to the cities and counties is made, the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) is paid about \$107,000.

The redistribution to the cities is based on a population ratio, while the counties' allocation is based on population (30 percent); total acres in a county (30 percent), and the number of TVA owned acres in a county (10 percent). The remaining three percent of the tax equivalent payments are paid to those counties and cities designated as "impacted due to TVA construction of generating facilities." TACIR and the University of Tennessee County Technical Assistance Service also receive a percentage of these funds.

Virginia allocates 100 percent of its TVA payment to local governments in which TVA owns power property or has power sales. The payments are distributed to five Virginia counties based on a formula that takes into account TVA distributors' sales and the book value of TVA power property within the state.