



foresight

MANAGEMENT

Utility Sales Tax Study

WHY

In many states, manufacturers are eligible for tax exemptions for utilities that are used in product manufacturing. This can include any electricity, gas, steam, or propane used in industrial processes, or any energy used to operate processing equipment. The requirements differ from state to state, but if you are a non-profit, manufacturer, or agriculture-related then you could be missing out on valuable tax exemptions.

Foresight has been assessing utility bills for over ten years and has successfully implemented utility sales tax exemption studies in multiple states over the past ten years. We will work closely with your team to assess your current exemption status and identify the best possible exemptions based on the energy consumption in your facilities. Our team will empower you to make decisions that will optimize cost mitigation going forward and maximizes the opportunity for any potential sales tax refunds.

BENEFITS

- Clear understanding of available exemption levels
- Lowered operational costs
- Potential for sales tax refunds

[SAMPLE REPORT](#)

HOW

Foresight starts all sales tax studies with the data. Depending on your state, we collect and analyze 36 to 48 months of historical gas and electric data to determine current and historical exemption levels. We take this data and build it into a tax exemption calculator that will help us determine any potential refund amounts. Oftentimes states will offer refunds back several years!

In addition, Foresight will conduct a Predominant Use Study, where our team will do a complete analysis of how electricity and natural gas are used at a location. Predominant Use Studies are considered best practice when establishing a tax exemption level – they allow us to separate areas that will be considered exempt from taxable areas of the building. Different states have different requirements for what are considered “exempt” and our team will help you to determine what exemptions you can and should take.

Once we have established all the above factors, we will create a report that explains the applicable sales tax laws in your state, a full inventory of energy consuming equipment, and all findings from the utility bill review. We will outline what exemption levels you can take going forward, and what potential refunds you may receive from the state. We’ll assist your team in filing any paperwork with utility companies and the state to acquire any refunds, as well as correcting your exemption levels moving forward. Depending on your state, the application consideration can take anywhere from weeks to months, but Foresight will follow up every step of the way to ensure your paperwork gets processed completely.

Since 2018, Foresight has completed dozens of sales tax audits that have resulted in annual savings and one-time refunds of well over \$5 million for our clients.

CASE STUDY

Client Profile

A large, multi-state manufacturer whose average consumption was nearly 55,000 megawatt hours and over 165,000 decatherms (Dth) of natural gas used per year.

Before Foresight

This company was buying their natural gas and electricity on the open market, through alternative energy suppliers, while taking **different levels of exemption on all services provided to them.**

The tax exemption levels for the local natural gas provider fluctuated over the years from 83% to 100% exempt, while the exemption levels for the gas supplier were at 0% exempt for the past two years.

The utility provider had an exemption level of 43%, while the electric supplier sales tax exemption varied from 76% to no exemptions being taken in the past three years.

After Foresight

Foresight conducted a utility **sales tax study at all plants to determine appropriate exemption levels.** We found that both natural gas and electricity were taking too small of exemption levels and could see a **refund for the past 48 months** of overpaid sales tax.

The proper exemption level for electricity was close to 87% for both the local utility and the alternative supplier. Going forward, they **reduced their total utility sales tax spend by an estimated \$100,000 a year** and were eligible for a **refund of \$440,000** in overpaid sales tax on electricity alone.

This company also saw incorrect sales tax exemptions being taken at all of their plants for natural gas. Correcting these exemption levels for both the utility and the supplier resulted in nearly **\$25,000 in yearly savings** and a **potential refund of \$106,000** in overpaid sales tax.

By participating in a sales tax study, not only did this client gain a better understanding of their exemption levels, they realized **actual savings of \$125,000 a year going forward** and received a refund from the state for overpaid sales tax from the past four years of \$550,000.

DON'T TAKE OUR WORD FOR IT...

IRA TAX REBATES

FREQUENTLY ASKED QUESTIONS

What kind of businesses qualify for exemptions?

It varies from state to state, but typically non-profits, manufacturers, and agriculture-related.

Can I get a refund if my sales tax exemption has been incorrect?

In many cases yes. States vary in how far back you can request a refund, but often it is several years.

How long does it take?

Anywhere from a month to a year depending on the state and the process for receiving an exemption. We will follow up at every step of the way to ensure that your exemption is filed, complete, and received.

How often should I check?

Exemption paperwork is not evergreen. This paperwork needs to be submitted as frequently as the state requires.

How does Foresight get paid to do this work?

Like many of our services, we can be flexible around what our clients need. We can develop a scope of work and charge a flat fee for the services provided, or we can enter into a shared savings agreement and charge based on how much savings we have helped our client achieve. There are pros and cons to each of these approaches and we are happy to work within the requirements of your company's budget and financial preferences.

