

*Rec'd w/memo of
6/6/86, rec'd 6/19/86
Guidelines for Payments
109*

6/06/86 DRAFT -- FOR INTERNAL USE ONLY

DOE GUIDELINES FOR THE
ADMINISTRATION OF THE PAYMENTS-EQUAL-TO-TAXES (PETT)
SECTIONS [116(c)(3) AND 118(b)(4)]
OF THE NUCLEAR WASTE POLICY ACT (NWPA)

June 6, 1986

B606300441 B60606
PDR WASTE
WM-1 PDR

1.0 INTRODUCTION

In accordance with sections 116(c)(3) and 118(b)(4) of the Nuclear Waste Policy Act (NWPA), the Department of Energy will make payments during the site characterization, repository development, and operation phases of the repository program in amounts equal to the amounts that the eligible jurisdiction would receive were it authorized to tax site characterization activities and the development and operation of the repository as it taxes other real property and industrial (or in the case of Indian Tribes, commercial) activities. In implementing this program, it is the intention of DOE to be responsive to the appropriate State, Indian Tribe or unit of general local government taxation process.

These guidelines describe the policy and delineate the process and administrative structure of the Department of Energy (DOE) for the development, implementation and administration of the Payments-Equal-to-Taxes (PETT) program. This program is pursuant to sections 116(c)(3) and 118(b)(4) of the Nuclear Waste Policy Act (NWPA).

Six major areas are covered:

- The relationship of PETT to other NWPA financial assistance provisions;
- The concept of constructive tax liability;
- Definition of eligible jurisdictions;
- PETT commencement, scheduling and termination;
- Discussions between DOE and affected jurisdictions; and
- Accounting systems, procedures and activities;

Appendices to this paper include:

Appendix A -- recent tax structures in candidate affected jurisdictions for the first repository;

Appendix B -- accounting systems requirements;

Appendix C -- PETT Administrative procedures; and

Appendix D -- headquarters and project office roles.

The policy described and the process and administrative structure outlined below are general guidelines. They are intended to serve as a framework for discussions between DOE and affected jurisdictions.

2.0 PETT RELATIONSHIP TO OTHER NHPA FINANCIAL ASSISTANCE PROVISIONS

The amount of the payment will depend upon a precise application of the jurisdictions' tax structure to DOE property and activities. The PETT amounts, therefore, are neither related to impact mitigation grants, nor are they related to other grants or payments which may be made by DOE to affected jurisdictions.

3.0 CONCEPT OF CONSTRUCTIVE TAX LIABILITY

The Payments-Equal-to-Taxes (PETT) provisions of the NHPA are predicated upon the recovery of eligible taxes by States, Indian Tribes and units of general local government. Because of Federal sovereign immunity, no direct tax liability can exist between DOE and affected jurisdictions. To implement the PETT provisions of the NHPA, DOE will construe a tax liability for purposes of determining PETT; this will be known as a "constructive tax liability" because the liability is "constructed" for purposes of implementing the PETT provisions of the NHPA. DOE will determine these constructive tax liabilities based on proposals submitted by eligible jurisdictions which apply the tax structure of that jurisdiction to the activities and property associated with site characterization, development and operation of a high-level nuclear waste repository.

DOE will use the constructive tax liability approach to assure tax equity for the affected jurisdictions. By placing DOE in a position resembling a private sector taxpayer, the PETT program will enable affected jurisdictions to receive payments equal to taxes levied against activities and property.

Using the constructive tax liability approach for purposes of PETT will also assure that DOE is treated in a manner comparable with other private sector taxpayers as required by the NHPA. When DOE agrees that a tax liability would exist that has not otherwise been satisfied, such amount shall constitute a constructive tax liability component of PETT.

In determining the constructive tax liability, DOE will in all instances be guided by generally accepted accounting principles and jurisdictional tax structure and practices.

3.1. Candidate Taxes

Determination of specific constructive tax liabilities requires the identification of taxes eligible for recovery under PETT by States, Indian Tribes and units of general local government; the identification will include the tax rates, assessment bases and exemptions. To be eligible for recovery under PETT, a tax must be constitutionally valid.

It is anticipated that taxes levied against land, other real property and industrial (or commercial) activities by States, Indian Tribes, and units of general local government, for general purposes and under a general taxing authority, would be eligible.

3.2 Tax Structure

The tax structure is also an important element of PETT implementation. DOE must determine the classifications of taxes used to develop the taxable bases and associated rates, as well as exemptions. It is therefore necessary to identify for each eligible tax:

- Types of property or value measurements used to determine the taxable basis;
- Classes of rates applied to the taxable basis;
- Exemptions; and
- Scope of applicability.

Preliminary identification of taxes eligible for receipt under PETT include those which are related to property and DOE activities. The tax matrices in Appendix A identify recent rates, structure and exemptions applicable to every major class of tax in Washington, Nevada, and Texas, together with candidate units of general local government within these states. The matrices represent a preliminary compilation of the taxes in those jurisdictions. The matrices are only intended to identify tax structures as DOE understands them. The inclusion of a tax does not necessarily indicate that any PETT amount will ultimately accrue under that tax. Also, the failure to include a tax in a matrix does not indicate that DOE has determined that such tax is ineligible for PETT.

It is hoped that the states and local jurisdictions will assist DOE in formulation of a comprehensive list of eligible taxes. To expedite this effort, the matrix contains some comments on specific taxes. These comments are intended to focus the attention of prospective recipients on the preliminary analysis completed by DOE with respect to PETT implementation. It is hoped that early issue identification will start a dialogue aimed at early issue resolution.

3.3 Potential Activities Related to Determination of Constructive Tax Liabilities

Activities related to site characterization and repository development, construction and operation include:

- On-site improvements such as transport and utility development;
- Purchasing or leasing of real and personal property, including buildings, equipment and materials;
- Development and engineering activities during site characterization and site development, for example, activities relating to repository access systems, underground development, hydrology, geochemistry, drilling, testing and monitoring;
- Repository construction, including surface and underground facilities; and
- Repository operation activities including waste handling from the repository gate to the borehole.

3.4 Tax Assessment Bases for Inclusion in PETT

The basis for assessment determined by the jurisdictions for purposes of PETT must be consistent with the assessment bases within those jurisdictions for other taxpayers. For each tax assessment, DOE will require documentation by the jurisdiction for:

- Definitions and procedures used to determine assessed values; and
- Certification that the assessed value is comparable to that of other taxpayers in the jurisdiction.

4.0 ELIGIBLE JURISDICTIONS

DOE will award PETT to each State, Indian Tribe and unit of general local government that has a site approved for characterization within its boundaries. For purposes of PETT, the term "candidate site" means "...an area, within a geologic and hydrologic system, that is recommended by the Secretary under section 112 for site characterization, approved by the President under section 112 for site characterization, or undergoing site characterization under section 113." (NWP A Section 2(4)).

As used in the NWP A the term "unit of general local government" means "...any borough, city, county, parish, town, township, village or other general purpose political subdivision of a State." [NWP A Section 2(28)] DOE will need the assistance of both State and local jurisdictions to determine which governmental entities qualify as a "general purpose political subdivision of a State" for purposes of the NWP A. It is expected that any governmental entity that constitutes a "general purpose political subdivision of a State" for other statutory purposes will be treated similarly for purposes of the NWP A. It should be noted that "special purpose" entities such as school districts, sanitation districts, etc., may not meet the statutory requirement that eligible jurisdictions be "general purpose" political subdivisions.

5.0 PETT COMMENCEMENT AND TERMINATION

5.1 Site Characterization

For the site characterization phase, the eligible jurisdictions may receive PETT from commencement through termination of activities in accordance with the following:

- PETT will apply when the President approves sites for characterization; and
- Payments will continue until such time as all activities associated with site characterization are terminated at the site.

5.2 Site Development, Construction, Operation and Termination of Operations

When the President approves a site for repository development, PETT continues and will terminate at such time as all such activities, development, and operation are terminated.

6.0 DISCUSSIONS BETWEEN DOE AND AFFECTED JURISDICTIONS

There are extensive differences among the tax structures of the candidate sites. Implementation of PETT provisions, therefore, must be tailored to specific jurisdictional requirements. Understanding jurisdictional tax structures and practices requires that DOE:

- Conduct discussions with officials from States, Indian Tribes and local jurisdictions, to agree on the specific taxes applicable to the PETT program, the procedures for determining assessments and payment schedules; and
- Meet with tax officials from eligible jurisdictions to identify local tax administration practices and procedures that are important to the implementation of PETT.

6.1 PETT Procedural Agreements with Eligible Jurisdictions

The following process should be followed to reach agreement on PETT with eligible jurisdictions:

- DOE will hold meetings and discussions with appropriate representatives of eligible States, Indian Tribes and units of general local governments. Discussions shall address:
 - reporting procedures for DOE eligible jurisdictions;
 - specific PETT application procedures;
 - channels and methods for communication;
 - individuals and offices responsible for PETT within eligible jurisdictions; and
 - disbursement mechanisms.

(See Appendix C for a discussion of PETT administration procedures.)

A record of the discussions shall be maintained sufficient to establish the positions of all parties; and

- Subsequent to the completion of meetings between the eligible jurisdictions and DOE, the final PETT agreements shall be developed.

6.2 PETT Amounts and Mechanisms for Disbursements

Each eligible jurisdictions will submit applications for PETT in accordance with DOE procedures. The PETT disbursement mechanisms will be tailored, to the maximum extent possible, to accommodate the requirements of States, Indian Tribes, units of general local government, and DOE.

Significant differences exist in the frequency with which taxes are paid. Some taxes must be paid monthly while others, such as property and franchise taxes, are paid on an annual basis. DOE will take into consideration the specific tax requirements and practices concerning payment for each eligible jurisdiction in determining PETT disbursement procedures.

7.0. ACCOUNTING SYSTEMS, PROCEDURES, AND ACTIVITIES

Two essential elements in the determination of the constructive tax liability for PETT are (1) the basis for property valuation and (2) the valuation of activities engaged in by DOE. The accounting and reporting approach for determining the valuation basis of PETT should include the following considerations:

- Application of Generally Accepted Accounting Principles;
- Identification of site-specific accounting activities; and
- Roles and responsibilities of DOE and eligible jurisdictions;

7.1 Application of Generally Accepted Accounting Principles (GAAP)

Section 116(c)(3) of the NWPA directs that PETT be awarded to affected jurisdictions as such jurisdictions tax "other real property and industrial activity". This perspective implies that development of PETT would be based upon comparable values of property and activities similar to those applied to private sector property and industrial activities. A predominant basis for determining these values are the accounting records associated with the property or activities. In the private sector, these records are usually developed and maintained in accordance with GAAP.

Because of the private sector perspective required by NWPA and the use of GAAP by private sector industrial activities, it therefore appears appropriate for DOE to adopt GAAP to account for repository site activities. Among the primary advantages associated with the use of GAAP are:

- A consistent basis for comparison with similar industrial activities;
- An established, accepted set of criteria for financial measurements of property and activities;
- Consistency with tax law and principles used by most tax jurisdictions;
- Comparability, from one period to the next, of financial information; and
- Principles that are understood and applied by tax and accounting professionals.

Moreover, DOE is presently using GAAP in accounting for the administration of the Nuclear Waste Trust Fund and property acquired for use by the Office of Civilian Radioactive Waste Management (OCRWM).

At a more technical level, GAAP provides guidance and criteria for determining the value of assets and the financial measurement of activities eligible under PETT. These principles include criteria for:

- Capitalization expenditures for tangible and intangible assets;
- Capitalizing/expensing of expenditures for various activities related to repository characterization, development, and operation;
- Allocating costs from one period to the next,; and
- Measuring the value of activities, such as research and development, transportation, etc.

While the GAAP criteria are not a "cookbook" approach to determining the relevant tax basis, they are an acceptable starting point for many jurisdictions. To the extent that jurisdictional tax policy and practice result in deviations from values determined under GAAP, it will also be necessary to maintain records consistent with the individual jurisdictional requirements.

7.2 Identification of Site-specific Accounting Activities

In view of the disparate site activities and jurisdictional tax practices, policies and tax structures, separate accounting entities will be established for each candidate site. DOE will maintain accounting systems for each candidate site which facilitate the determination of constructive tax liabilities for each jurisdictional tax structure at a site. Candidate criteria for the accounting classification of expenditures related to sites could include:

- Activities occurring within the geographic boundaries of the site;
- Special accounting requirements imposed by the affected jurisdiction;
- Common capital equipment used at all sites that should be allocated among the sites; and
- Expenditures for the acquisition of assets on or at the site.

In addition to the identification of each site as an individual accounting entity for overall accounting purposes, it may also be necessary to segregate the types of activities related to the discrete phases of site characterization, development and construction, operation, and decommissioning. Segregation by phase may be desirable because of:

- Differences in the timing of impacts which various activities will have on PETT;
- The need for disaggregated information for DOE and affected jurisdictions to perform planning and budgeting; and
- Differences between the GAAP classification criteria and the tax requirements of specific jurisdictions.

Finally, it will be appropriate to consider the effects of the timing differences (if any) between the Federal fiscal year for calculating PETT and the tax year(s) of the affected jurisdictions. It may be that the Federal fiscal year will not correspond to the affected jurisdictions' fiscal years, thus creating an additional burden for reconciliation by the accounting systems at individuals sites.

See Appendix B for a review of accounting systems, procedures and activities.

7.3 Roles and Responsibilities of Affected Jurisdictions and DOE

To meet the PETT responsibility, DOE must provide relevant, detailed financial reports to the affected jurisdictions. However, affected jurisdictions must first provide DOE with sufficiently detailed information to facilitate DOE conformance with local tax policy, practices and procedures. Such detail could include:

- Types of taxes to be assessed/levied;
- Levels and changes in tax rates;
- Levels and changes in assessment bases; and
- Frequency of payments required by the affected jurisdictions.

In view of the crucial role this information has on the evaluation of payment applications as well as on DOE planning and budgeting, it seems appropriate to impose related reporting requirements on affected jurisdictions. These requirements would be in addition to the DOE payment reporting requirements contained in Appendix B.

APPENDIX A

TAX MATRICES

THE MATRICES ARE ONLY INTENDED TO IDENTIFY TAX STRUCTURES AS DOE UNDERSTANDS THEM. THE INCLUSION OF A TAX DOES NOT NECESSARILY INDICATE THAT ANY PETT AMOUNT WILL ULTIMATELY ACCRUE UNDER THAT TAX. ALSO, THE FAILURE TO INCLUDE A TAX IN A MATRIX DOES NOT INDICATE THAT DOE HAS DETERMINED THAT SUCH TAX IS INELIGIBLE FOR PETT.

IT IS HOPED THAT THE STATES AND LOCAL JURISDICTIONS WILL ASSIST THE DOE IN FORMULATING A COMPREHENSIVE LIST OF ELIGIBLE TAXES. TO EXPEDITE THIS EFFORT, THE MATRIX CONTAINS SOME COMMENTS ON SPECIFIC TAXES. THESE COMMENTS ARE INTENDED TO FOCUS THE ATTENTION OF PROSPECTIVE RECIPIENTS ON THE PRELIMINARY ANALYSIS COMPLETED BY DOE WITH RESPECT TO PETT IMPLEMENTATION. IT IS HOPED THAT EARLY ISSUE IDENTIFICATION WILL START A DIALOGUE AIMED AT EARLY ISSUE RESOLUTION.

DRAFT

FOR INTERNAL USE ONLY

WASHINGTON STATE

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Real Property	\$3.16/\$1000	Assessed value of taxable real property adjusted to 100% true and fair value.	Federal/State & Local government; Intangibles.	For purposes of the GETT program, real property owned by the U.S. government will be treated as though it is not exempt from real property tax.
Personal Property	\$3.16/\$1000	Assessed value of taxable real property adjusted to 100% true and fair value.	Business inventories.	
Business & Occupation	Major rates: retail - 0.471% manufacturing/ wholesaling - 0.404% services - 1.5%	Four major categories: Mfging, Wholesaling, Retailing, Services. Imposed on gross receipts. Considered as an excise tax on the privilege of doing business. Measured by gross income, gross proceed of sales, or the value of products.	Interstate commerce; Utilities.	
Public Utility	Most utilities - 3.852%; urban - 0.642%; motor trans. and all others - 1.926%	Includes privately owned firms providing public services, and utility operations performed by govt. agencies. Applies to gross income.	Retail sales tax does not apply to utility sales.	

A-1

DRAFT
 =====
 FOR INTERNAL USE ONLY
 =====

WASHINGTON STATE
 (Continued)

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Sales	6.5%	Imposed on tangible personal property purchased for use by the consumer; improvement of real or personal prop.; charges for labor & services rendered in connection with services to tangible and real personal property.	Non-profit organizations; Sales to nonresidents; Interstate commerce; Governmental activities.	GETT impact should be minimal. Sales taxes will be paid primarily by the contractor.
Use	6.5%	Imposed upon the use of any tangible personal property, the sale of which has not been subject to the sales tax.		GETT impact should be minimal. Use taxes will be paid primarily by the contractor.
Motor Fuels Gasoline	Ranges from .12-.16/gal.	Variable rate is determined semi-annually based on 10% of the average fuel price.	Federal/State government vehicles.	GETT impact should be minimal. Motor Fuels Gasoline taxes will be paid primarily by the contractor.
Special Fuels	Ranges from .12-.16/gal.	Levied on all fuels other than gasoline.	Federal/State government vehicles.	GETT impact should be minimal. Special Fuel taxes will be paid primarily by the contractor.

DRAFT

 FOR INTERNAL USE ONLY

WASHINGTON STATE
 (Continued)

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Motor Vehicle Excise	2.2% on fair market value of Washington registered vehicle.	Fair market value determined by the Dept. of Revenue.	Federal/State government vehicles.	GETT impact should be minimal. Motor Vehicle Registration fees will be paid primarily by the contractor.
Leasehold Excise	12%	Imposed on all leases of public property in lieu of property taxes. Measured by contract rent or computed economic rent. Cities and counties may levy up to 50% of the tax.	Temporary leases of less than 1 month, leases with taxable rents of greater than \$250/yr and certain leases on Indian land.	

DRAFT

 FOR INTERNAL USE ONLY

BENTON
 COUNTY

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Property	\$.12/\$1000	Assessed value of taxable real property adjusted to 100% true and fair value.	Federal/State & Local government.	For purposes of the GETT program, real property owned by the U.S. government will be treated as though it is not exempt from real property tax.
Real Estate	\$.12/\$1000	Imposed upon the sale of real property and is paid by the seller.		GETT impact should be minimal. Land will not be sold by the U.S. government.

A-4

DRAFT

 FOR INTERNAL USE ONLY

RICHLAND

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Municipal Business Tax	Varies with business category.	Imposed on private business and municipal and private utility companies. Four major kinds of tax base: - a % of gross revenue; - fixed fee for a specific business category or type; - fee based on the number of employees; and - fee based on the amount of floor space of the firm.		GETT impact should be minimal. Tax is only imposed on those companies located within the taxing jurisdiction.
Sales	.5%	Rate imposed is on the selling price or value of the article used.	If Benton County has a sales tax in effect (currently it does not), the city tax rate will be .425%.	GETT impact should be minimal. Sales taxes will be paid primarily by the contractor and will be paid only if incurred in the taxing jurisdiction.

DRAFT

 FOR INTERNAL USE ONLY

RICHLAND
 (Continued)

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Use	.5%	Rate imposed is on the selling price or value of the article used.	If Benton County has a sales tax in effect (currently it does not), the city tax rate will be .425%.	GETT impact should be minimal. Use taxes will be paid primarily by the contractor and will be paid only if incurred in the taxing jurisdiction.
Leasehold	.4%	Imposed when leasing publicly owned real or personal property within Richland.		GETT impact should be minimal. Tax will be paid only if incurred in the taxing jurisdiction.
Excise				

NEVADA STATE MATRIX

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Real Property	.02/\$100 Total ad valoren tax cannot exceed \$3.64/\$100.	Legislature sets state rate, local governing boards local ad valoren tax. Prop. assessed at 35% of taxable value; value is determined by appraisal of full cash value of land along with appraisal of replacement cost of any improvement less all applicable depreciation and obsolescence. Taxable value of a possessory interest in fed. govt property is determined either by capitalizing the fair econ. income expectancy, or by reducing the replacement cost by all applicable depreciation and obsolescence;. Depreciation-1.5% of replacement cost on an improvement made on real prop. Real and personal prop. normally exempt (e.g. fed. owned) are taxed if prop. was "leased, loaned, or otherwise made available to a business conducted for profit. Provisions for determining possessory use and tax liability of ea. contractor are contained in an agreement b/t Nye County and the Atomic Energy Comm.	United States, State, and Local government property.	For purposes of the GETT program, real property owned by the U.S. government will be treated as though it is not exempt from real property tax.

A-7

DRAFT

FOR INTERNAL USE ONLY

NEVADA STATE MATRIX
(Continued)

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Personal Property	.02/\$100	Taxable value determined by cost of replacement less all applicable depreciation and obsolescence.	Motor vehicles, business inventories.	
Sales	2%	Applied to all gross receipts from retail sales.	Materials purchased for use in performance of U.S. government contracts.	GETT impact should be minimal. Sales taxes will be paid primarily by the contractor.
Use	2%	Imposed on the storage, use or consumption of personal property within Nevada that was purchased outside Nevada. Applied to the purchase price.	Motor vehicle fuel	GETT impact should be minimal. Use taxes will be paid primarily by the contractor.
Local School Support	1.5%	Base is the same as Sales and Use taxes. Comingled with Sales and Use tax. This tax is imposed over and above the 2% Sales and Use tax		GETT impact should be minimal. Local School Support taxes will be paid primarily by the contractor.
Basic City/County Relief	.5%	Base is the same as Sales and Use taxes. Comingled with Sales and Use tax. This tax is imposed over and above the 2% Sales and Use tax		GETT impact should be minimal. Basic City/County Relief taxes will be paid primarily by the contractor.

A-8

NEVADA STATE MATRIX
 (Continued)

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Supplemental City/County Relief	1.75%	Same base as Sales and Use taxes. Comingled with Sales and Use taxes. This tax is imposed over and above the 2% Sales and Use tax. A state mandated county imposed tax designed to partially replace local property taxes.		GETT impact should be minimal. Supplemental City/County Relief taxes will be paid primarily by the contractor.
Excise/Motor Vehicle Fuel Tax	Varies with fuel type.	Imposed on each gallon of motor vehicle and jet fuel sold in the state.	The tax paid on fuel used off the highways may be refunded if at least 200 gallons, are used over a 6 month period. DOE contractors at the NTS are often eligible.	GETT impact should be minimal. Excise/Motor Vehicle Fuel Tax will be paid primarily by the contractor.
Vehicle Privilege	.04 on each \$1.00 of valuation.	Imposed for operating any vehicle upon public hwy. Vehicle owned by the U.S. government which are leased, loaned, or otherwise made available to a business conducted for profit are subject to the tax.		GETT impact should be minimal. Vehicle Privilege taxes will be paid primarily by the contractor.

A-9

DRAFT

FOR INTERNAL USE ONLY

NEVADA STATE MATRIX
(Continued)

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Net Mine Proceeds	Same as Real Property.	Tax on extracted minerals.		Probably not applicable to GETT.
Unemployment Compensation	Based on claim experience. Ranges from .3% to 5.4% on the first \$11000 of salary.	Employers pay an unemployment compensation tax on the first \$11000 of salary paid to an employee.		GETT impact should be minimal. Unemployment Compensation taxes will be paid primarily by the contractor.

A-10

DRAFT
 =====
 FOR INTERNAL USE ONLY
 =====

NYE COUNTY

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Property	.6879/\$100	Total ad valorem tax levy for all public purposes (State and local) must not exceed \$3.64/\$100 assessed valuation.	U.S., State, and local government property	For purposes of the GETT program, real property owned by the U.S. government will be treated as though it is not exempt from real property tax.
Motor fuel excise	.04/gal over state rate.	Imposed on each gallon of motor vehicle and jet fuel sold in the state.	The tax paid on fuel used off the highways may be refunded if at least 200 gallons, are used over a 6 month period. ODE contractors at the NTS are often eligible.	GETT impact should be minimal. Motor Fuel Excise Tax will be paid primarily by the contractor.

A-11

DRAFT

 FOR INTERNAL USE ONLY

STATE OF TEXAS

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Franchise	\$5.25 for each \$1000 of taxable capital within Texas. Minimum of \$68.00.	Corporate capital value based.		
Sales	4.125%	Applied to all retail sales and rentals plus sales of materials to contractors and sales of machinery to contr., infgrs., and producers.	Goods sold for use of U.S. Govt., State of Texas or its political subdivisions.	GETT impact should be minimal. Sales taxes will be paid primarily by the contractor.
Use	4.125% of price upon storage, use or consumption of taxable items purchased, leased or rented for use in TX	Imposed on property bought outside one state or unit of general local government and used in another state or unit of general local govt.	Sales tax paid for items in another state may be applied as credit to Texas obligation.	GETT impact should be minimal. Use taxes will be paid primarily by the contractor.
Motor Fuels	Data not available			GETT impact should be minimal. Motor Fuels taxes will be paid primarily by the contractor.

A-12

DRAFT

 FOR INTERNAL USE ONLY

STATE OF TEXAS
 (Continued)

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Excise:	Categories:			GETT impact should be
Motor Veh.	Commercial Mtr. Veh.			minimal. Excise taxes will
Registration	and Truck Tractors;			be paid primarily by the
	base fee + incren.			contractor.
	weight fee.			
	Passenger Cars;			
	yearly flat fee based			
	upon the age of the			
	vehicle.			
	Truck Tractor or			
	Conn. Veh. w/semi-			
	trailers; base fee +			
	incremental wt. fee.			
	Trailers and Semi-			
	Trailers; see above.			

A-13

DRAFT

FOR INTERNAL USE ONLY

DEAF SMITH COUNTY

TAX	RATE (1984)	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Real Property	.513 per \$100 assessed valuation.	Appraised Value: Reasonable and fair market value as of Jan. 1. Assessed Value: Appraised value multiplied by the assessment ratio (100%). Four stages: Appraisal Value Equalization Tax Assessment Tax Collection	Mineral Interest Not Being Produced: If a mineral interest is not being produced, the property is appraised at the price for which the interest would sell while the mineral is in place and not being produced.	Change of Land Use: If the use of the land appraised for agriculture changes, an additional tax is imposed on the land. This tax is equal to the difference between the taxes imposed on the land for each of the five years preceding the year in which the change occurs and the tax that would have been imposed had the land been taxed on the basis of market value in each of those years. Interest at an annual rate of 7%, calculated from the dates on which the differences would have become due, is added.

DRAFT

FOR INTERNAL USE ONLY

DEAF SMITH COUNTY
(Continued)

TAX	RATE (1984)	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Personal Property	.513 per \$100 assessed valuation.	See Real Property for definition of valuations. Personal property that can be seen, weighed, measured, felt or otherwise perceived by the senses.	A document or other perceptible subject that constitutes evidence of a valuable interest, claim or right which, in and of itself, has no negligible or no intrinsic value.	

DRAFT

 FOR INTERNAL USE ONLY

MUNICIPALITIES IN THE STUDY AREA - AMARILLO, HEREFORD, CANYON

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Sales 1% Metro. Transit Authority (MTA) tax, where applicable, not to exceed 1%.	See state matrix	See state matrix	CETT impact should be minimal. Sales taxes will be paid primarily by the contractor and will be paid only if incurred in the taxing jurisdiction.	
Use 1% Metro. Transit Authority (MTA) tax, where applicable, not to exceed 1%.	See state matrix	See state matrix	CETT impact should be minimal. Use taxes will be paid primarily by the contractor and will be paid only if incurred in the taxing jurisdiction.	

A-16

DRAFT

 FOR INTERNAL USE ONLY

SCHOOL DISTRICTS - HEREFORD, VEGA

TAX	RATE	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
Real Property	Not available	Not available	Not available	Taxes levied in "special-
				purpose" tax districts are
				specifically excluded by
				P.L. 97-425 (Nuclear Waste
				Policy Act of 1982)

DRAFT

FOR INTERNAL USE ONLY

SPECIAL DISTRICTS
PROPERTY TAXES

DISTRICT	RATE (1984)	STRUCTURE	SELECTED EXEMPTIONS	COMMENTS
D.S.C. Hospital	.120 per \$100 assessed valuation			Taxes levied in "special- purpose" tax districts are specifically excluded by P.L. 97-425 (Nuclear Waste Policy Act of 1982)
High Plains Underground Water Dist. #1	.00725 per \$100 assessed valuation			Taxes levied in "special- purpose" tax districts are specifically excluded by P.L. 97-425 (Nuclear Waste Policy Act of 1982)

A-18

6/06/86 DRAFT -- FOR INTERNAL USE ONLY

APPENDIX B

ADDITIONAL PETT ACCOUNTING CONSIDERATIONS

B.1 Accounting Systems

Although GAAP does not address the specific form of the systems to be used for accounting activities, the end-products of the systems are generally described. Major report components of an accounting system include:

- Statement of Operations;
- Balance sheet;
- Sources and uses of funds; and
- Disclosure of detail regarding major activities/transactions (such as to support individual constructive tax payments).

Because the information required to determine PETT comes primarily from data related to assets and expenses, the income statement and balance sheet for each site would not have the same meaning as for a private firm. No "income" would be realized, although funds would be supplied through the Trust Fund to cover expenses. Similarly, funds would also be provided to acquire assets, although no corresponding accounting entries would necessarily be made to categories of equity or debt. The major components of the respective statements would therefore include:

- Statement of Operations:
 - cash expenses
 - non cash expenses
 - funds supplied by the Trust Fund to cover the expenses
- Balance sheet:
 - assets
 - payable, accrued expenses
 - funds supplied by the Trust Fund to finance acquisition of the assets
- Sources and uses of funds:
 - reconciliation of changes in the investment in assets at the site

Multiple subsidiary systems would also be necessary to have the accounting system conform to PETT-related requirements, as well as to facilitate the various budgeting and planning activities of DOE and the affected jurisdictions. These activities might also include the reconciliation of fund accounting methods used by governments and the GAAP accrual accounting methods used by private sector industrial entities. These subsidiary systems could include those related to:

- Funds provided by DOE;
- Classes of expenses incurred as related to the specific sites; and
- Classes of real and personal property, plant and equipment

Sufficient detail will likely be required to meet the tax requirements of affected jurisdictions, particularly the level of disaggregation typical for real and personal property. This requirement will entail the development of extensive property records for each of the sites.

B.2 Reporting Requirements

Section 302(e) of the NWPA requires an annual report to Congress on Trust Fund activities. This report is currently developed using GAAP and is audited by independent, private-sector auditors. Additional reporting requirements likely will be necessary to implement PETT. Affected jurisdictions will need periodic reports on sites to prepare applications for payment. OCRWM will need reports to evaluate the requests for payment and perform the planning and budgeting activities. It will be appropriate, therefore, for DOE to issue periodic financial reports to the affected jurisdictions containing sufficient detail to permit them to prepare the PETT payment requests. These reports would be provided as soon as practicable after the close of the tax or fiscal years and would include:

- An annual evaluation of conformance with accounting policies and requirements;
- sufficient detail to prepare grant applications by affected jurisdictions; and
- Supplemental quarterly reports with less detail and unaudited.

B.3 Roles of Auditors

B.3.1 DOE Auditors

For purposes of PETT, independent auditors employed by DOE for the audit of site related accounting activities will limit the scope of the audit to conformance with GAAP and the tax requirements of affected jurisdictions. The DOE auditors will, in general:

- Be prohibited from acting in an audit or consulting capacity with the affected jurisdictions;
- Be available to affected jurisdictions for explanation of audit results regarding PETT; and
- Be limited to site related accounting for purposes of explanation to affected jurisdictions.

Because many aspects of the Nuclear Waste Trust Fund and nuclear waste storage program are beyond the scope of PETT, DOE has no obligation to extend the role of its auditors beyond concerns that are site-specific in nature.

B.3.2 Auditors of the Affected Jurisdictions

It is expected that auditors from the affected jurisdictions will want to examine DOE's accounting policies, practices, and procedures to ascertain conformance to the requirements. In view of the PETT requirements under NWPA, such evaluation will provide valuable information to DOE. However, there are questions regarding access and costs associated with this examination. Consequently, it will be necessary to carefully specify the timing of such audits, the use of DOE personnel, and access to DOE records.

6/06/86 DRAFT -- FOR INTERNAL USE ONLY

APPENDIX C

PETT ADMINISTRATIVE PROCEDURES

(TO BE DEVELOPED)

6/06/86 DRAFT -- FOR INTERNAL USE ONLY

APPENDIX D

HEADQUARTERS AND PROJECT OFFICE ROLES

D.1 Overview

Headquarters and Project Offices each have responsibilities in the management and administration of the PETT program. Headquarters will oversee the process to promote consistency and equity throughout the PETT program; Project Offices will administer the individual payments to eligible jurisdictions.

D.2 Role of Headquarters

Headquarters in consultation with Project Offices, will be responsible for:

- Analyzing and developing programmatic financial assistance policies and procedures;
- Responding to requests for financial assistance information from GAO, OMB, Congressional committees, program management, and others;
- Ensuring consistency and equity in administration of the PETT program;
- Promoting effective interaction among Project Offices;
- Performing Office of Geologic Repositories (OGR) wide programmatic, financial and legal review of applications;
- Working with Project Offices to resolve PETT-related issues;
- Concurring on PETT applications; and
- Reviewing activities conducted within PETT to ensure program-wide comparability.

D.3 Role of Project Offices

The Project Offices in consultation with Headquarters will be responsible for:

- Notifying eligible jurisdictions of availability of NWPA PETT programs;
- Assisting applicants in preparing applications;
- Forwarding copies of applications to Headquarters;
- Performing site-specific programmatic, financial and legal review of applications;

- Identifying issues and proposing resolution for coordination with Headquarters;
- Forwarding Project Office comments to applicants and requesting revised applications;
- Receiving revised PETT applications and forwarding copies to Headquarters;
- Submitting PETT award documents to Headquarters for concurrence;
- Upon concurrence, providing PETT and forwarding copies of PETT documents to Headquarters;
- Administering PETT;
- Maintaining PETT documentation and administrative records;
- Monitoring activities and records to ensure programmatic and financial compliance; and
- Forwarding copies of monitoring reports and reports from jurisdictions receiving PETT to Headquarters.