

# CBIA Energy Connections Bill Audits Save Manufacturers Thousands of Dollars



## Background

The State of Connecticut exempts manufacturers from taxes on the sale of gas, electricity and heating fuel used directly in the fabrication or manufacturing of a product to be sold. This tax exemption can save manufacturers 6.35% on both their demand and supply purchases, yet it must be initiated with both the utility and supplier. When sales tax exemptions occurs, this line item is removed from the electricity or gas invoice and the company is credited.

In addition, manufacturers with SIC codes between 2000–3999 are eligible for a gross earnings tax credit of 8.5% for electricity, 5% for natural gas. This credit, which also must be requested, appears on utility bills as “manufacturer gross earnings tax credit.”

## Challenge

CBIA Energy Connections, the organization’s consultative electricity and natural gas procurement program, regularly performs audits of members’ invoices to ensure that all relevant tax exemptions are applied. According to Tom Guerra, Energy Connections’ VP of Operations, “Our consultants routinely discover situations where manufacturers are not receiving proper sales and/or gross earnings tax credits. In one instance, a very large manufacturer in Southern Connecticut was not receiving the gross receipts tax credit from their utility on their two largest electricity accounts.”

## Solution



Based on this discovery, CBIA immediately contacted the utility, providing the necessary tax forms while requesting a retroactive refund on our member’s behalf to be paid for the maximum lookback period. This led to an investigation by the utility as to why the member was not receiving the credit.

## Results

Over the next two months, CBIA worked in conjunction with the utility's senior management. Finally, it was determined that the member was in fact eligible for two years' worth of gross earnings tax credits totaling over **\$136,000**, which were ultimately paid over the next two billing cycles.

Guerra continues, "This happens more than one would realize. In another situation, we discovered that a mid-sized manufacturer who decided to take advantage of CBIA Energy Connections was paying sales tax to both the utility and their third-party supplier for their two electricity accounts. We questioned this and brought it to the attention of the member, who was unaware of the manufacturers' sales tax exemption for energy. We then advised the member to complete the appropriate exemption form for each account, which were then submitted to both the utility and the supplier." In this situation, the member received \$65,000 in sales tax credits.

