

# CAPITAL CREDIT ALLOCATIONS

## 2022 notices were sent in early June

B-Y Electric sent out capital credit allocation notices at the beginning of June. This notice indicates your share of the margins from 2019, 2020, and 2021 electric energy sales.

### WHAT ARE CAPITAL CREDITS?

Bon Homme Yankton Electric is a non-profit, member owned cooperative. This doesn't mean there are no profits earned, but that any profits or margins that are generated are split amongst the members based on how much they spent on electricity for the year that is being allocated.

### I HAVE SEVERAL ACCOUNTS, WHY DO I ONLY RECEIVE ONE NOTICE?

Even if you pay a bill for several locations, you have just one membership with the cooperative and will just receive one official allocation notice. If you would like more detailed information, contact our office.

### WHEN DO YOU ISSUE REFUNDS?

Capital credit refunds are usually processed every year using a first in first out method. The 2021 refund included allocations from 2002.

Depending on the financial condition of the cooperative, the next refund will finish 2002 and start 2003 but has not been scheduled at this time. In the past few years, we have issued capital credit refunds late in the fall.

2020 was the first year we issued capital credits as bill credits for active members and printed credits for inactive members.

### WHAT HAPPENS IF A MEMBER MOVES??

Members cannot claim the balance of their account when they leave our system. As long as we have their current address, we will continue to send them

their refund checks on our regular refund schedule. Several checks go unclaimed because we are unable to locate previous members.

The Affidavit of Address form as well as a list of members with outstanding or unclaimed checks are available at [byelectric.coop/capital-credits](http://byelectric.coop/capital-credits).

### WHAT IF A MEMBER PASSES AWAY?

Upon the death of a member, the bylaws allow the capital credit account to be refunded at a discounted amount up to the date of death. 30 days need to pass after the date of death and an application has to be made, reviewed by our attorney and approved by the board.

### DO MEMBERS HAVE TO PAY TAXES ON THEIR ALLOCATION?

It is not required that capital credit allocations be reported to the IRS at the time it is allocated. When

the capital credits are refunded, the refund is only considered taxable income in relation to the same portion of the electric bill that was claimed as a business or farm expense in the year that it was originally allocated.

Most members either report the allocation or the refund as taxable income for their farm, but you should not report both-just be consistent.

If you always report the allocation but have already filed your taxes, you may save this notice for your 2022 taxes.

For more information, members should contact their tax preparer.

Contact the office if you have any questions regarding capital credits. You will not get a notice unless you purchased electricity in 2019, 2020, and/or 2021.

#### CAPITAL CREDIT ALLOCATION NOTICE

Notice Date:	May 19, 2022
Member Number:	99999999
Current Allocation:	\$123.45
Total Allocation:	\$5,876.54

This is NOT a bill.

Do NOT pay.

Do NOT deduct this amount from any energy payments.

Thank you for being a member of Bon Homme Yankton Electric. As a member you are part owner of this non-profit cooperative. One way your ownership is reflected is through capital credits or patronage capital. This is your share of what's left over after the cooperative pays all its expenses. The amount allocated is based on the margins of this cooperative as well as East River Electric Power Cooperative, Basin Electric Power Cooperative, and other associated cooperatives. The amount added to your account is based on your electric purchases. This capital is held for a time and then refunded using a first-in-first-out method.

For any questions about tax issues regarding capital credit allocations or refunds, contact your tax preparer.

#### Contact our office if:

- You have a new mailing address
- You have a new name
- You have a joint membership and you have gotten divorced
- A member has passed away
- Your business or organization is no longer in existence
- You have any other questions regarding this notice or anything else about your cooperative

Remember: We can't send out your future refund checks if we don't know your current mailing address!

To keep things simple, we are no longer including the listing of allocations by year. If you wish to have this information, please contact our office.

SAVE THIS NOTICE FOR YOUR RECORDS

This cooperative is an equal opportunity employer and provider.