Fiscal Note

Fiscal Services Division

SF 2366 – Wind Energy Conversion Property Taxation (LSB6194SV.1)
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Fiscal Note Version – Final Action

Description

Senate File 2366 relates to the valuation of wind energy conversion property (wind turbines and wind farms) for property tax purposes. The Bill is generally effective upon enactment and applies to assessment year 2022 (property taxes due during FY 2024). A portion of the change made to Iowa Code section 427B.26(3) applies to wind energy conversion property assessment schedules commenced on or after the effective date of the Bill.

Background

Iowa Code section 427B.26, enacted in 1993 Iowa Acts, chapter 161, allows a city council or county board of supervisors to approve by ordinance a special valuation calculation for wind energy conversion property located within an applicable jurisdiction. The special valuation calculation established "net acquisition cost" as the basis for valuing a wind energy conversion property. The term, combined with the definition of "wind energy conversion property," means the acquired cost of the property (the wind plant, including but not limited to a wind charger, windmill, wind turbine, tower and electrical equipment, pad mount transformers, power lines, and substation) including all foundations and installation cost less any excess cost adjustment.

If the special valuation calculation is approved, the property value for property tax purposes is 0.0% of net acquisition cost for the first assessment year. The property value then increases five percentage points of net acquisition cost each assessment year for the next six years. Once the percentage reaches 30.0%, the property value remains at 30.0% of net acquisition cost for the remainder of the property's existence or until the granting body rescinds the ordinance that approved the special valuation calculation. If the ordinance is rescinded, the special valuation calculation ends after the 19th assessment year following the initial year of the special valuation calculation.

Iowa Code section 437A.6(1)(c), enacted in 1998 Iowa Acts, chapter 1194, exempts wind energy conversion property that is approved for the special valuation calculation from the utility replacement tax on electric generation property.

Assumptions

Section 1 of the Bill specifies that upon repeal and expiration of the special wind energy conversion property valuation calculation, a wind energy conversion property shall be subject to property assessment and taxation under Iowa Code chapter 437A (electricity and natural gas provider replacement property tax) and several other property tax provisions of the Iowa Code. It is assumed that Section 1 is a clarification of what would happen in such an instance under existing law.

Sections 2 and 3 of the Bill clarify that:

- The special valuation calculation for wind energy conversion property that subjects the property to regular property tax is in lieu of the electricity provider replacement tax.

- Maintenance, refurbishing, and/or repowering of the property shall not cause the project to receive the benefit of a new valuation schedule.
- The net acquisition cost shall not be adjusted after the third year of assessment, except to correct a clerical error.
- The term “substation” refers to a collector substation.

It is assumed that changes made in Sections 2 and 3 of the Bill are clarifications of existing law and represent the current value assessment guidance provided to local assessors by the Department of Revenue.

Fiscal Impact

All provisions of the Bill are clarifications of existing law and Department of Revenue assessment guidance and therefore have no identifiable fiscal impact.

Source

Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this Bill was prepared pursuant to Joint Rule 17 and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.