

MEMORANDUM
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SUBJECT: Wind Energy Conversion Property – Valuing and Reporting Replacement Components of Wind Energy Conversion Properties

TO: Iowa Assessors

FROM: Julie Roisen, MA, CAE
Local Government Services Division Administrator

Background:

The Iowa Department of Revenue (“Department”) has received inquiries from assessors and taxpayers regarding the valuation and reporting of wind energy conversion properties valued and assessed under the special valuation provisions set forth in Iowa Code section 427B.26. Specifically, the Department has been asked about the valuation and assessment of wind energy conversion properties that have had major components replaced or “repowered.” Additionally, the Department has been asked how taxpayers should report the replacement of components of wind energy towers to assessors.

Discussion:

A. Valuation and Assessment of Replaced Components of Wind Energy Conversion Properties Valued and Assessed Under Iowa Code Section 427B.26

The Department has been asked whether “repowering” or the replacement of components of wind energy towers amounts to substantially replacing a wind conversion property, such that the new “repower” or replacement of wind conversion property should be placed on a new assessment schedule under Iowa Code section 427B.26. For example, one taxpayer has identified that more than 80% of the components of a wind energy conversion property were removed and replaced, leaving roughly 20% of the original wind energy conversion property.

Previous Department guidance addresses this question, and states the following:

Per memorandums dated October 20, 2008 and March 15, 2010 and a policy letter dated June 8, 2017, all located on the Department’s website, it is the Department’s opinion that costs which are attributable to the original construction project should be added to the net acquisition costs as first assessed. All other costs that are attributable to maintenance or refurbishing of the wind plant property are not added to the net acquisition costs as first assessed at any time. If a new tower or other improvement is added to the wind plant after the plant was first subject to assessment, the new tower or improvement should be assessed when it first comes into service and will be subject to a new assessment schedule starting at zero percent of net acquisition costs for the first year.

If a taxpayer substantially replaces an existing tower or other improvements with a new tower or improvement, the new property will be subject to its own assessment schedule starting at zero percent. Net acquisition costs will consist of the acquired costs of the new property. Any original property remaining in use as part of the new tower or improvement, such as foundations and support buildings, will continue on the original assessment schedule. The assessor will have to remove the costs attributable to the components being replaced from the original assessment schedule or otherwise the taxpayer will be taxed on assets that no longer exist.¹

To the extent “repowering” or replacement of components of a wind energy conversion property results in a new tower or a taxpayer substantially replaces an existing tower or other improvements with a new tower or improvement, the new property will be subject to its own assessment schedule starting at zero percent. It is ultimately the assessor’s responsibility to determine how to value real property in their jurisdiction.² Therefore, the assessor should make a determination as to whether the “repowering” or replacement of components of wind energy conversion property amounts to substantially replacing an existing tower or other improvements with a new tower or improvement based on the information provided by the taxpayer.

B. Reporting of “Repowering” or Replacement of Components of Wind Energy Conversion Property

The Department has also been asked how taxpayers should properly report to assessors the “repowering” or replacement of components of wind energy conversion property. Taxpayers reporting “repowering” or replacement of components of wind energy conversion property should report to assessors the net acquisition cost of the new property.³ “Net acquisition cost” is defined under Iowa Code section 427B.26(4)(a) to mean “the acquired cost of the property including all foundations and installation cost less any excess cost judgment.”⁴ Taxpayers may not submit to assessors the fair market value or depreciated book value of the new property in lieu of the net acquisition cost. Assessors and taxpayers should also note that the assessor has inherent authority under Iowa Code section 441.17 to require any taxpayer to provide necessary documents for the assessor to properly value property for assessment purposes.

¹ See *Wind Energy Conversion Property*, March 22, 2019, available at: https://tax.iowa.gov/sites/default/files/idr/documents/PropertyTax-WindEnergyConversionProperty_032019.pdf. See also: *Policy Letter: Wind Energy Special Valuation*, June 8, 2017, available at: <http://itrl.idr.iowa.gov/Browse/OpenFile/5994%7Cwind%20tower%7CAI%7C%7CAI> stating that “costs that are capitalized as part of the maintenance of a previously-constructed wind energy plant should not be added to the net acquisition cost . . . Therefore, work performed on existing plant towers or buildings is not to be included in the net acquisition cost used to compute the special value of wind energy conversion property. However, if a new tower or building is constructed, that property should be first assessed when it comes into service and continue on a separate assessment schedule under the ordinance.”

² Iowa Admin. Code r. 701—71.2(1).

³ Iowa Code § 427B.26(2).

⁴ Taxpayers and assessors may find additional guidance regarding assets included in net acquisition cost in the following Department guidance: <http://itrl.idr.iowa.gov/Browse/OpenFile/5971%7Cwind%20tower%7CAI%7C%7CAI>.

This memorandum will be placed on the Department's website. Assessors are reminded to review the Department's website on occasion to see if there have been any updates in the treatment of wind energy conversion property.