

Property Tax - Opinion - Wind Energy 427B.26

To: Assessors

From: Dale Hyman, Administrator, Property Tax Division

Date: October 20, 2008

Subject: Wind energy

Director Schuling wrote the following opinion:

The Department of Revenue has been asked to address issues raised by the special valuation allowed in Iowa Code §427B.26. Wind energy conversion property is assessed as industrial property pursuant to Iowa Code chs. 441 and 428. The Iowa Legislature created a special valuation for wind energy conversion property if a city council or county board of supervisors approves the special valuation procedures by ordinance. If an ordinance is passed the property is subject to a special valuation pursuant to §427B.26 instead of §§ 441.21 and 428.24-29. The remainder of the provisions in Iowa Code chs 441 and 428 would remain applicable. The first assessment is 0% and increases at 5% a year until it reaches 30%. It remains at 30%.

The property, if assessed pursuant to Iowa Code chs 441 and 428, would have been subject to a partial assessment as of January 1. The answers to the issues raised are dependent on whether §427B.26 allows for a partial assessment. It was the Legislature's intent to create a special valuation procedure for wind energy conversion property. It intended to provide a substantial tax reduction subject to local approval. The special valuation which will reduce local property tax revenues must be approved by city or county ordinance.

When an ordinance is passed the property is subject to a special valuation pursuant to §427B.26 instead of §§ 441.21 and 428.24-29. Section 427B.26 must be read in conjunction with the remainder of Iowa Code chs 441 and 428. Section 427B.26 details the special valuation procedure for wind energy conversion property approved by ordinance. "Wind energy conversion property means the entire wind plant..." The taxpayer is to file by February 1 of the assessment year in which the wind energy conversion property is first assessed. Since wind energy conversion property is defined as the entire wind plant, it is not subject to assessment until it is completed. This interpretation remains consistent with Iowa Code chs 441 and 428.

1. Should there be a partial assessment on wind energy conversion property?

No. Since wind energy conversion property is defined as the entire wind plant it is not subject to assessment until it is completed.

2. Do these wind towers all have to be assessed as separate parcels (buildings on leased land) if on separate 40's or can all those in the same taxing district be assessed together as one parcel?

Tower assessments could and probably should be combined if they are on the same parcel.

3. If a replacement turbine is installed on an existing tower for whatever reason after three years, does the schedule start over at 0% again?

A capital improvement should not impact the assessment until after the special valuation has run and the property is assessed at market value.

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