

February 10, 2010

TO: Iowa Assessors & Deputy Assessors  
FROM: Dale Hyman, Administrator  
Property Tax Division  
RE: Cost Reporting for Wind Towers

Iowa Code §427B.26 provides for a special valuation of wind energy conversion property based on “net acquisition cost.” Some assessors asked for clarification on what is to be included in “net acquisition cost.”

**Should soft costs be included in net acquisition cost?**

Yes. Soft costs are typically included in determining the value of improved property under the cost approach. The 2008 Iowa Real Property Appraisal Manual (page 3-2) specifically includes soft costs in valuing improved property. In addition, the 1990 “Property Appraisal and Assessment Administration” book by the IAAO, page 207, states:

“In appraisal, costs consist of all expenditures necessary to complete construction of an improvement and place it in the hands of the buyer. Costs are either direct or indirect. Direct costs include materials, labor, supervision, equipment rentals, and utilities. Indirect costs include architectural and engineering fees, insurance, interest on construction loans, taxes incurred during construction, advertising and sales expenses, and reasonable overhead and profit.

“Accurate cost estimates will include all direct and indirect costs. Accordingly, when developing cost schedules, appraisers should be sure that all costs are accounted for.”

Nothing in the definition of “net acquisition cost” excludes soft or indirect costs from being part of the valuation of the wind tower conversion property. Part of the definition of net acquisition cost is an exclusion for “any excess cost adjustment.” An example would be if cost are accrued at the end of the year and the actual cost comes in lower, then there would be excess cost adjustment to report.

**Is land part of the entire wind energy plant to be valued and subject to the special valuation?**

No. The definitions of net acquisition cost and wind energy conversion property in 427B.26(4) are relative to improvements and not land or real property. Therefore, the intent is to value the land separately and give the special valuation only to the improvements on the land.

**Would a general ledger summary be helpful?**

Yes. A summary of the general ledger for the wind tower project would be helpful if it shows a breakdown of the cost of the project. Items that are in the general ledger but not in the net acquisition cost should be itemized and reviewed by the assessor.