Wyoming Department of Revenue

Taxation of the Wind Energy Industry
Taxation of Wind Energy

- History of wind energy in Wyoming
  - Wyoming’s first wind turbines were constructed in Medicine Bow and dedicated on September 4th, 1982
    - Two turbines were constructed, one 4 mW turbine and one 2.5 mW turbine.
    - Built as a joint demonstration effort between the Bureau of reclamation and the National Aeronautics and Space Administration (NASA)
    - One turbine was in operation for only 18 months before a failed main bearing halted operation
    - The other failed in 1986 was rebuilt and destroyed by wind in 1994
  - The failures ended the demonstration and pointed to the difficulties in manufacturing large turbines.
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While the turbine only operated for 18 months the 4mW WTS-4 installed in Medicine Bow held the world power output record for over 20 years.
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- **Tax Structure**
  - Wyoming’s sales tax imposes the tax on the sale of tangible property unless an exemption applies.
  - During the 2003 session of the legislature House Bill 188 exempted equipment used to generate electricity from renewable resources.
  - During the 2010 session of the legislature House Bill 101 imposed a tax on production of electricity from wind resources.
  - On December 31, 2011 the exemption from sales tax on equipment used to generate electricity from renewable resources expired.
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- The property tax is imposed at the county level on wind energy assets present in the county on January 1 of any given tax year.
- The assessment ratio used to determine the taxable value of these assets is 11.5% as with all other industrial property.
- Taxable value is then multiplied by the mill levy assessed by the county on the listed property.
## Taxation of Wind Energy

### Property Taxes Paid on Wind Farms in Wyoming

<table>
<thead>
<tr>
<th></th>
<th>Assessed Value</th>
<th>Taxable Value</th>
<th>Average mill levy</th>
<th>Taxes assessed (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$191,285,484</td>
<td>$21,997,831</td>
<td>68.088</td>
<td>$1,497,788</td>
</tr>
<tr>
<td>2013</td>
<td>$169,797,981</td>
<td>$19,526,768</td>
<td>68.352</td>
<td>$1,334,694</td>
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<tr>
<td>2014</td>
<td>$158,514,164</td>
<td>$18,229,129</td>
<td>68.346</td>
<td>$1,245,888</td>
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<tr>
<td>2015</td>
<td>$166,455,175</td>
<td>$19,142,345</td>
<td>68.485</td>
<td>$1,310,964</td>
</tr>
<tr>
<td>2016</td>
<td>$158,431,923</td>
<td>$18,219,671</td>
<td>68.421</td>
<td>$1,246,608</td>
</tr>
</tbody>
</table>
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  • Tax is imposed on the production of electricity from wind resources.
    • The rate is $1 per megawatt of electricity produced
    • Tax is shared 40% to the state general fund and 60% to the counties where production is generated.
    • Allocation of the tax within the counties is based on each counties assessed value of wind generation assets in their county.
    • Generation is not taxed during the first three years of production.
## Taxation of Wind Energy

### Wind Generation Tax

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Total Taxes collected</th>
<th>State share</th>
<th>Local share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$2,626,527</td>
<td>$1,050,611</td>
<td>$1,575,916</td>
</tr>
<tr>
<td>2014</td>
<td>$3,754,410</td>
<td>$1,501,764</td>
<td>$2,252,646</td>
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<tr>
<td>2015</td>
<td>$4,430,368</td>
<td>$1,772,147</td>
<td>$2,658,221</td>
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<tr>
<td>2016</td>
<td>$3,754,699</td>
<td>$1,501,880</td>
<td>$2,252,819</td>
</tr>
</tbody>
</table>
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- Evolution of the current tax structure for sales and generation taxes
  - Exemption from sales tax for generation equipment passes in 2003 session.
  - Several years later there were concerns raised about the impact assistance payments being made to local government.
    - Because of the exemption and other economic factors impact assistance funding was minimal.
    - Local government feels that the funding was not covering economic impacts in their jurisdictions
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- Subcommittee formed by the Joint Interim Revenue Committee to study the industry.
  - Consultant hired to create a model to value various tax scenarios and consider the taxes impact on the wind industry.
  - Purpose of the study was to determine what impact removal of the sales tax exemption and implementation of a generation tax would have on the viability of wind generation facilities.
- The following year the generation tax was created by the legislature.
- The following year the exemption for generation equipment expired and the tax was imposed.
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- Projection of current tax structure
  - Assume the Chokecherry and Sierra Madre, project is completed as planned.
    - Estimate sales tax payments of approximately $232 million over the construction of 1,000 turbines.
    - Generation tax would increase by approximately $10.5 million annually after the 3 year exemption.
    - Property taxes are estimated at $377.5 million over 20 years of operation.
  - This assumes that the current tax structure remains in place
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- Prospective tax structure
  - ???
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Thank you!