

# 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 4<sup>th</sup>, 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.

## Taxation of Wind Energy

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.



# Taxation of Wind Energy

- 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.

# Taxation of Wind Energy

- 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

	Assessed Value	Taxable Value	Average mill levy	Taxes assessed (estimated)
2012	\$191,285,484	\$ 21,997,831	68.088	\$ 1,497,788
2013	\$169,797,981	\$ 19,526,768	68.352	\$ 1,334,694
2014	\$158,514,164	\$ 18,229,129	68.346	\$ 1,245,888
2015	\$166,455,175	\$ 19,142,345	68.485	\$ 1,310,964
2016	\$158,431,923	\$ 18,219,671	68.421	\$ 1,246,608



# Taxation of Wind Energy

- Generation tax – W.S. 39-22-101 et. Seq.
  - 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			
Fiscal Year	Total Taxes collected	State share	Local share
2013	\$ 2,626,527	\$ 1,050,611	\$ 1,575,916
2014	\$ 3,754,410	\$ 1,501,764	\$ 2,252,646
2015	\$ 4,430,368	\$ 1,772,147	\$ 2,658,221
2016	\$ 3,754,699	\$ 1,501,880	\$ 2,252,819



# Taxation of Wind Energy

- 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

# Taxation of Wind Energy

- 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.

# Taxation of Wind Energy

- 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

# Taxation of Wind Energy

- Prospective tax structure
  - ???

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Thank you!

