

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6437

BILL NUMBER: HB 1196

NOTE PREPARED: Dec 30, 2010

BILL AMENDED:

SUBJECT: Wind Power Device Deduction Limitation.

FIRST AUTHOR: Rep. Lehe

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: For the property tax deduction for a wind power device for assessment dates after 2010, this bill excludes a device that produces electricity that is sold in the ordinary course of a trade or business. The bill provides that the exclusion does not apply to a device the primary purpose of which is to produce electricity for use on or in the immediate vicinity of the parcel on which the device is located and from which the electricity produced that exceeds the amount required for that use is sold to the electrical grid.

Effective Date: January 1, 2011 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Current law provides a 100% deduction for the increase in value to real property as a result of a wind tower. The deduction is provided to the owner of real property or a mobile home that is equipped with the tower. Beginning with property taxes payable in 2011 under this bill, the deduction would not apply to wind devices that produce electricity that is sold in the ordinary course of a trade or business.

At least one of the several utilities with wind power devices in Indiana has filed a deduction application for their property for taxes payable in 2011. The DLGF has taken the position that wind power devices owned by a utility do not qualify for the deduction. While the final determination of eligibility under current law

through available appeals is unknown, this bill would specify that the utility-owned property does not qualify.

If the property eventually qualifies under current law and if all of the utility companies file for the deduction, then the assessed valuation of the wind power devices would be removed from the tax rolls. Most wind projects have been granted abatements so most of their valuation has not yet been added to the tax base. The utility company that has filed the deduction application does not have an abatement. The assessed value in question for this project for taxes payable in 2011 is \$59.3 M.

If the utility companies eventually would prevail under current law, then this bill would have the effect of adding the wind power device assessments (minus allowed abatements) back into the tax base. The expanded tax base would shift a portion of the tax burden from all taxpayers to the owners of the wind power devices. The levies for rate-controlled funds would rise with the added valuation. If, on the other hand, the utility companies do not prevail under current law, then this bill would have no effect other than to clarify the statute.

State Agencies Affected:

Local Agencies Affected: County auditors; Civil taxing units and school corporations.

Information Sources: Commission on State Tax and Financing Policy meeting minutes, October 21, 2010.

Fiscal Analyst: Bob Sigalow, 317-232-9859.