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Senate Bill 46 (as introduced 1-22-19)
Sponsor: Senator Curtis S. VanderWall
Committee: Finance

Date Completed: 1-22-20

CONTENT

The bill would amend the General Property Tax Act to specify that the true cash value of a wind energy system would be the sum of its original (historical) installed cost multiplied by an applicable multiplier, plus the value of specified property interests.

Specifically, for the purposes of a statement submitted under Section 19, the true cash value of a wind energy system would be the sum of its original (historical) installed cost multiplied by the applicable multiplier, plus the value of any applicable easements, rights-of-way, or leasehold interests prorated per megawatt for each wind turbine, but not less than \$29,067 per megawatt.

(Section 19 of the Act requires a supervisor or other assessing officer who ascertains the taxable property in his or her assessing district to require any person whom he or she believes has personal property in his or her possession to make a statement of all the personal property of that person.)

"Applicable multiplier" would mean one of the following:

- For each wind energy system reported, a multiplier set forth in a table of multipliers adopted by the State Tax Commission on or before November 30, 2019, based on the assumptions described below.
- If the Commission fails to adopt the multiplier table described above on or before November 30, 2019, for each wind energy system reported, a multiplier set forth in a table that the Commission must adopt on or before December 31, 2019, based on the assumptions described below.

These assumptions would apply to the applicable multipliers, except for a multiplier that was created after November 30, 2019, but before December 31, 2019, which would have to have an annual reduction of exactly 0.04 following the year immediately succeeding completed installation of the wind energy system: a) the average service life of a wind energy system would be at least 30 years, b) the appropriate multiplier for the year immediately succeeding completed installation of a wind energy system would be 1.0, and for each year thereafter the appropriate reduction of the multiplier could not exceed 0.04, and, no matter how many years passed after installation, the multiplier would have to be at least 0.4 until the wind energy system was physically removed, and c) no adjustments to multipliers could be made for tax or other governmental incentives.

"Original (historical) installed cost" would mean the original cost new of all site improvements in the year incurred reported in accordance with the asset recording methods required under generally accepted accounting principles, including those costs described below:

- Direct costs, including costs of installation, equipment, materials, and labor; costs of the rotor, drive train, tower, controls, electric interface, and tower foundation; costs of all land improvements other than buildings, including roads and fences; costs of computer equipment and communication facilities; and the contractor's profit required to construct the wind energy system.
- Indirect costs, including administrative costs, overhead, freight, wind studies, and professional fees; financing costs, including interest paid on construction loans; taxes, including sales tax; and the builder's or developer's all-risk insurance during construction.

These costs would have to be determined without adjustment for purchase-method, fresh-start, or push-down accounting and without reduction for the value of any tax or other governmental incentives.

"Wind energy system" would mean that term as described in Section 8(1) of the Act: an integrated unit consisting of a wind turbine composed of a rotor, an electrical generator, a control system, an inverter or other power conditioning unit, and a tower, which uses moving air to produce power.

MCL 211.27

Legislative Analyst: Drew Krogulecki

FISCAL IMPACT

As currently written, the fiscal impact of the bill is unclear. The bill references depreciation schedules that must be adopted at State Tax Commission (STC) meetings held on or before November 30, 2019, or on or before December 31, 2019. Both of these STC meetings have already occurred. At the December 17, 2019 meeting the STC adopted a depreciation schedule that does not conform to the terms of the bill. The bill does not contain retroactivity provisions, nor provide for what depreciation rules should be in place if the terms of the bill are not met. As a result, it is unclear what fiscal impact the bill would have, whether it would invalidate the already-adopted depreciation schedule, have no impact whatsoever, and/or serve as the basis for litigation against the State.

Assuming the issues addressed above were resolved, the bill would have no impact on State revenue or expenditures, but would increase local unit revenue by an indeterminate amount that would depend on a variety of economic circumstances as well as local millage rates. As industrial personal property, the property that would be affected by the bill is exempt from the State Education Tax and the 18 mills levied by local school districts on nonhomestead property. However, the affected property does not qualify as eligible manufacturing personal property and is not exempt from other local property taxes.

The bill would impose a fixed depreciation schedule on affected property, and the schedule required by the bill would cause taxable values to decline at a slower rate than under current law. The actual amount of additional revenue the bill would generate is unknown because it would depend on the acquisition costs of affected property and the specific millage rate levied by a local unit in which affected property was located.

Fiscal Analyst: David Zin

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.