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## BILL ANALYSIS



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Senate Bill 1096 (as introduced 9-5-18)  
Sponsor: Senator Mike Green  
Committee: Finance

Date Completed: 12-3-18

**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, 2018, based on the assumptions described below.
- If the Commission fails to adopt the multiplier table described above on or before November 30, 2018, for each wind energy system reported, a multiplier set forth in a table that the Commission must adopt on or before December 31, 2018, based on the assumptions described below.

These assumptions would apply to the applicable multipliers, except for a multiplier that was created after November 30, 2018, but before December 31, 2018, 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(l) 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**

The bill would have no impact on State revenue, but would have an indeterminate impact on local unit revenue depending on economic circumstances. As industrial personal property, the property affected by the bill is exempt from the State Education Tax. However, the affected property does not qualify as eligible manufacturing personal property and is not exempt from local property taxes.

The bill essentially would impose a fixed depreciation schedule on affected property, rather than allowing valuations to vary based on market prices. In years where market values exceeded the depreciated values proposed by the bill, the bill would reduce revenue to local units by an unknown amount. In years where the market value of the property was less than the depreciated values, the bill would increase local unit revenue by an unknown amount.

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.