

Department of Taxation 2005 Fiscal Impact Statement

1. Bill Number SB1011

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Hanger

3. Committee Finance

4. Title Property taxes; generating equipment of electric suppliers.

5. Summary/Purpose:

Property taxes; generating equipment of electric suppliers. Provides that generating equipment of electric suppliers utilizing wind turbines shall be taxed at a rate or rates that when applied to fair market value would generate an amount of revenue approximately equal to \$3,000 per megawatt of production capacity. The bill has an effective date of January 1, 2006.

6. Fiscal Impact Estimates are not available: There is a possible fiscal impact to those localities where a wind turbine facility has been constructed by an electric supplier, but since the facility has not been constructed it is impossible to determine the impact. See Item 8.

7. Budget amendment necessary: No

8. Fiscal implications: There could be a fiscal impact to the localities where electric suppliers have constructed wind turbine facilities. The State Corporation Commission would assess the wind turbines and certify the assessments to the localities as it currently does with the incumbent electric utilities as well as the electric suppliers it assesses. Currently under § 58.1-2606 C, any assessment on generating equipment certified by the Commission shall be taxed at a rate determined by the locality but shall not exceed the real estate rate for that locality. This proposed legislation would allow a locality the flexibility to adjust their tax rates above or below the real estate rate on wind turbine assessments certified by the Commission in order to generate an amount of revenue that would approximately equal to \$3,000 per megawatt of capacity. There is no way to determine the impact because the facility has not been built as of this date. The Commission's assessment would need to be known in order to determine the applicable tax rate needed to generate approximately \$3,000 per megawatt and therefore determine the impact on the locality.

9. Specific agency or political subdivisions affected: State Corporation Commission; in addition, this bill would affect any localities where electric suppliers have built wind turbine facilities assessed by the Commission.

10. Technical amendment necessary: Line 25 should read "assessed value" and not "fair market value." The Commission certifies to the localities the assessed value. This is

determined by applying the stated local ratio to the fair market value as determined by the Commission. Also, line 28 may be more clearly defined if the term production capacity was replaced with nameplate capacity. It may also be beneficial to end the sentence after nameplate capacity because the capacity permitted by the Commission may be different from the actually capacity of the facility once it is in operation.

There is a January 1, 2006, effective date on this legislation.

11. Other comments: None

Date: 01/24/05 / RST

cc: Secretary of Finance