

STATE CORPORATION COMMISSION

2006 Fiscal Impact Statement

1. Bill Number SB404

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ 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 the assessed value would generate an amount of revenue approximately equal to \$5,000 per megawatt of the nameplate production capacity. The \$5,000 base amount would be indexed every five years beginning January 1, 2012, by an amount equal to the percentage increase in the Consumer Price Index for all items, all urban consumers (CPI-U). The bill has an effective date of January 1, 2007.

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 there are currently no facilities greater than 25 megawatts that have been constructed and reported to the Commission for assessment, it is impossible to determine the impact at this time.

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 be equal to \$5,000 per megawatt of nameplate production capacity. There is no way to determine the impact because the facility has not been built as of this date. You would need to know what the Commission's assessment was in order to determine the applicable tax rate needed to generate revenue approximately equal to \$5,000 per megawatt of nameplate production capacity and therefore determine the impact on the locality. Also, using the term "approximately equal to \$5,000 per megawatt of nameplate production capacity" is very subjective and could be a cause for concern when determining what approximately means.

9. Specific agency or political subdivisions affected: This bill would affect any localities where electric suppliers have built wind turbine facilities assessed by the Commission.

10. Technical amendment necessary: None

11. Other comments: None

Date: 01/23/06 / RST

cc: Secretary of Finance