

TAXATION OF WIND ENERGY SYSTEM PROPERTY

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House Bill 4521 (Substitute H-1)

Sponsor: Rep. Mark Meadows

Committee: Energy and Technology

Complete to 3-18-09

A SUMMARY OF HOUSE BILL 4521 AS REPORTED FROM COMMITTEE

Public Act 633 of 2006 amended the General Property Tax Act (MCL 211.8) to classify a *wind energy system* as personal property for taxes levied after December 31, 2005. The aim was to make wind energy systems eligible for a tax exemption available through 2012 for alternative energy personal property under Public Act 549 of 2002 (MCL 211.9i).

To qualify for an exemption from the collection of property taxes under this section, the property owner must receive a certificate of eligibility from the Michigan Next Energy Authority. If Next Energy issues this certificate, it forwards a copy to the local school district and local tax collecting unit. The school district then has 60 days in which to reject the exemption from certain school taxes by adopting a resolution in accordance with the act, and the local tax collecting unit likewise has 60 days in which to reject the exemption from certain non-school related taxes collected in that local tax collecting unit. If neither resolution is adopted rejecting the exemption, then the alternative energy personal property is exempt from taxation under the Property Tax Act.

Alternative energy personal property is defined so as to include "an "alternative energy system" under the Michigan Next Energy Act. Under that act, such property includes a number of systems, including a "wind energy system" (MCL 207.822(c)(iv)). A "wind energy system" under both the General Property Tax Act and the Next Energy Act means "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, that uses moving air to produce power." (MCL 211.8(l) & MCL 207.822(ff))

House Bill 4521 would amend the General Property Tax Act (MCL 211.8(l)) to include all of the following in the definition of a "wind energy system" if used primarily in connection with collecting, converting, using, transferring, or storing for future use wind energy for generating electricity:

- Wind energy conversion devices, including, but not limited to, turbines, rotors, electrical generators, control systems, inverters or other power conditioning units, blades, and towers.
- Related improvements including, but not limited to, foundations, concrete pads, footings, support fixtures, anchors, fences, temporary and permanent roads, signage, monuments, and markers, but not including buildings.

- Electrical storage systems and devices, transformers, substation equipment, and spare parts.
- Weather monitoring equipment.
- Easements rights-of-way, and leasehold interests used as sites for wind energy system towers.
- Underground and overhead lines and towers until the point at which they connect with the electricity grid.

[Note: A corresponding amendment to the definition of "wind energy system" contained in the Michigan Next Energy Authority Act, MCL 207.822(ff), may be needed.]

FISCAL IMPACT:

The bill would broaden the exemption from personal property taxes extended to wind energy systems. Although the fiscal impact cannot be determined because the amount of property that would qualify is not known, state government would lose the 6-mill State Education Tax (SET) levy. To the extent that the tax exemption isn't vetoed by resolutions adopted by the school district and/or the local tax collecting unit, local schools would lose the 18-mill non-homestead levy earmarked for local education, and local units of government (including counties) could lose operating, police, fire, etc. revenues. Because the School Aid Fund (SAF) provides the difference between the amount of revenue collected for schools and the foundation allowance, the SAF would have to offset the loss of local education revenue.

POSITIONS:

The Department of Treasury supports the bill. (3-17-09)

The Michigan Farm Bureau supports the concept of the bill. (3-17-09)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.