



## DIRECTIVE 09-5

August 28, 2009

### ASSESSMENT OF WIND TURBINES AND WIND FARMS

**Purpose.** This directive will advise county assessors of the assessment procedures for wind turbines and wind farms.

**Statutory Authority** Neb. Rev. Stat. §77-801 (Cum. Supp. 2008) provides, in relevant part:

All public service entities shall, on or before April 15 of each year, furnish a statement specifying such information as may be required by the Property Tax Administrator on forms prescribed by the Tax Commissioner to determine and distribute the entity's total taxable value including the franchise value ... The county assessor shall assess all nonoperating property of any public service entity. A public service entity operating within the State of Nebraska shall, on or before January 1 of each year, report to the county assessor of each county in which it has situs all nonoperating property belonging to such entity which is not subject to assessment and assessed by the Property Tax Administrator under section 77-802.

**General Terms.** The following terms are used throughout this Directive:

*Nonoperating Property* means property owned or leased by a public service entity that does not contribute to the entity's function.

*Operating Property* means property owned or leased that contributes to a public service entity's function.

*Public Service Entity* means any person or entity organized for profit under the laws of this state or any other state or government and engaged in the business of waterworks, electrical power, gas works, natural gas, telecommunications, pipelines used for the transmission of oil, heat, steam, or any substance to be used for lighting, heating, or power, and pipelines used for the transmission of articles by pneumatic or other power and all other similar or like entities.

*Unit Value* means the valuation of the operating property of the company as an integrated group of assets functioning as an economic unit without reference to the independent value of the component parts.

### **Terms Related to Wind Farm Projects**

Project Area Boundary can encompass a large number of acres. For example, a single project area boundary may be 10,000 acres. These areas may encompass more than one county or state. The project components sited within this Project Area Boundary occupy a permanent footprint.

Wind Farm Project Components may consist of the following:

Wind Turbines. Comprised of three elements – the tower, nacelle, and rotor blades. The tower is constructed of tubular steel, and is topped by the nacelle, which houses the turbine's mechanical components. The rotor, mounted on the nacelle, consists of the blades.

Concrete Foundation Base. Each wind turbine is anchored to a concrete foundation base. The area or footprint of each turbine is based on the size of the concrete foundation base. The property owner can use the land for grazing or farming around the concrete foundation base.

Maintenance Building. A maintenance building used for general operations may be constructed at the project site.

Wind Farm Ancillary Facilities may consist of the following items:

1. Roads;
2. Underground electrical interconnections between wind turbines to collect and deliver electricity to a substation;
3. Fiber optic communication lines installed with the electrical collection system to monitor the operation of the wind farm;
4. Step-up transformers at each wind turbine location, plus a transformer for the electrical substation site. Each step-up transformer would be located on the concrete foundation base;
5. Electrical substations to step up the electrical collection system voltage to the existing local transmission line voltage;
6. Transmission lines and distribution plants used to connect the proposed substation to existing transmission lines; and
7. Meteorological monitoring towers that are constructed and used to collect data within a project area boundary. Depending on the project, some meteorological towers could remain within the project area during the life of the project.

### **Procedure and Implementation.**

To determine whether the wind turbine or wind farm is to be locally or centrally assessed, the county assessor must look to the ownership of the wind turbine or wind farm. If the wind turbine or wind farm is owned by a(n):

- Government entity, it is exempt from property taxation.
- Public power district, the gross receipts are not subject to property tax but are subject to in lieu of tax payments to local governments.
- Nonprofit entity, it is subject to local assessment.
- Individuals and businesses where the primary purpose is something other than electrical power generation, such as agricultural producers, it is subject to local assessment.
- Entity organized for profit, it may be subject to central assessment.

#### *Real Property at a Wind Farm*

Real property is defined as land, all buildings, improvements, and fixtures, except trade fixtures. The concrete foundation pads, maintenance building, roads, and fences on a wind farm project have been deemed to be real property. The costs associated for clearing and grading the land, and the addition of gravel or crushed stones are site enhancements and should be considered part of the real property value.

#### *Personal Property at a Wind Farm*

The wind turbines, transformers, step-up transformers, meteorological monitoring towers, electrical substations, distribution plants, and transmission lines have been deemed to be personal property and are subject to personal property taxation to the owner of the property at net book value, as provided by Neb. Rev. Stat. §77-120. To determine the net book value of the personal property at a wind farm project, the following recovery periods should be used:

##### Recovery Periods:

Turbines:	5 years
Electric transmission lines:	20 years
Substation and distribution plant:	20 years

### **Assessment**

Centrally assessed public service entities are subject to unit valuation by the Property Tax Administrator. If a centrally assessed public service entity owns or leases real or personal property, the leased property is included in the unit valuation. For example, if a centrally assessed public service entity has built operating property on leased land, the site value is already included in the unit valuation. If a wind developer, subject to central assessment, leases land for wind turbines, the site value (i.e., the concrete pad and site improvements) will be included in the centrally assessed unit value.

The county assessor shall not determine a site value for operating property, leased or owned, of a centrally assessed public service entity. Any land surrounding the wind turbine or wind farm site shall be assessed to the owner in accordance with Neb. Rev. Stat. §77-201; 100% of actual value if it is a residential or commercial parcel, or 75% of actual value if it is an agricultural or horticultural parcel of land.

If a wind turbine is subject to local assessment, the county assessor shall determine the market value for the real property. The majority of wind farm projects are built on leased land. The concrete foundation pad, roads, and fences are improvements on leased land. Improvements on leased land shall be assessed to the owner of the leased land, unless an Improvements on Leased Land Assessment Application, Form 402 ([http://www.pat.ne.gov/general/forms/pdf/402\\_impr\\_on\\_leased\\_land\\_assmt\\_app.pdf](http://www.pat.ne.gov/general/forms/pdf/402_impr_on_leased_land_assmt_app.pdf)) has been filed specifically describing that the improvements are the property of the lessee. Form 402 must be filed by the owner of the leased land in the respective county assessor's office. Personal property is subject to the same recovery periods as indicated above.

**Conclusion.** The assessment procedure for wind turbines and wind farms begins with determining the ownership, which will allow the county assessor to make the determination as to whether the wind turbine or wind farm is to be locally assessed or centrally assessed by the state.

If the wind turbine or wind farm is to be locally assessed, the real property shall be assessed at either 100% for residential or commercial parcels, or 75% of actual value for agricultural or horticultural land. The personal property is to be assessed to the owner of the property as the net book value of the property using the recovery periods set forth in this Directive.

**Enforcement.** Pursuant to Neb. Rev. Stat. §77-1330, the Nebraska Department of Revenue Property Assessment Division may take corrective action if any county official violates any directive of the Division.

APPROVED:

/s

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August 28, 2009

/s

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August 28, 2009