

# FACT SHEET: IOWA WIND ENERGY TAX REVENUE



Iowa has been a national leader in wind energy, and each installment has brought numerous economic benefits to the communities where projects are located.

These benefits include direct payments to land-owners who host turbines, employment opportunities during the construction and operation of a project, and new spending infused into the local economy. In some cases, operators may also provide payments to neighbors who are near development but do not host turbines, and some wind farms developed by associations distribute payments to members.

Projects also provide new tax revenue streams to rural communities, which help pay for local schools, roads, and police and fire services. This fact sheet provides a breakdown of taxes that are typically paid by developers and operators of wind energy projects.

## LOCAL TAXES IN RELATION TO WIND ENERGY

Iowa currently generates enough energy from wind to meet nearly 40 percent of its electricity needs. Tax revenue from installed wind energy in Iowa primarily comes from property taxes.

In 2018, Iowa had 7,312 megawatts (MW) of installed capacity, generated by approximately 4,145 turbines located in the state.



## Property tax

Property taxes on wind energy conversion property are assessed and collected by the counties where projects are located.

### Wind energy conversion property =

the turbine itself as well as electrical equipment, power lines, substations, and transformers.

In Iowa, counties may create ordinances for special valuation of a wind energy system.<sup>1</sup>

- This special valuation is assessed based on the net acquisition cost.

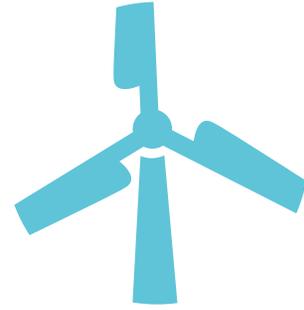
### Net acquisition cost =

total cost of the property + installation of the wind energy system.

- Property is assessed at a rate of 0 percent of the net acquisition cost in the first year after installation. The rate increases by 5 percent each following year before it is capped at 30 percent in year seven.

A 2014 study by the Iowa Department of Revenue provided an estimate of the new revenue that was generated by wind energy systems, specifically those that were awarded credits from the state's Wind Energy Production and Renewable Energy Tax Credit program.<sup>2</sup>

- For projects participating in the tax credit program, the total net acquisition cost used to determine the special assessment rate in 2006 was \$58.9 million. By 2013, the total cost was estimated to be at \$55.7 million.
- The report estimates that in 2009, existing participating projects with a special assessment generated \$80,000 for local counties and cities. These amounts were projected to increase to \$958,000 in 2015, and \$1.8 million in 2021.



### A wind system with a net acquisition cost of \$58.9 million would be assessed at:

- 0 percent on the first year.
- In the second year, the special valuation for the property would be 5 percent of the net acquisition cost, or \$2.9 million.
- This amount would increase by 5 percent each year until year seven when the property would be assessed at a capped special valuation of 30 percent of the net acquisition cost, or \$17.6 million.



1 Iowa Code 2019, Section 427B.26. Iowa Legislature, [legis.iowa.gov/docs/code/427B.26.pdf](https://legis.iowa.gov/docs/code/427B.26.pdf). Accessed March 2019.

2 Girardi, Anthony G. "Wind Energy Production Tax Credit and Renewable Energy Tax Credit Program Evaluation Study." Iowa Department of Revenue, 2014, [tax.iowa.gov/sites/files/idr/WEP%20and%20RE%20Tax%20Credit%20Evaluation%20Study.pdf](https://tax.iowa.gov/sites/files/idr/WEP%20and%20RE%20Tax%20Credit%20Evaluation%20Study.pdf). Accessed March 2019.

