

# FACT SHEET:

# NORTH DAKOTA WIND ENERGY TAX REVENUE

Wind farm development brings numerous economic benefits to the counties and local communities where the wind farms are located.

Among the perks are direct payments to landowners who host turbines, as well as employment opportunities in the area during the construction and operation of a project. In some cases, operators may also provide payments to neighbors who are near development but do not host turbines, and some wind farms are developed by associations that distribute payments to members.



In addition, projects 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 typically paid by developers and operators of wind energy projects.



## LOCAL TAXES IN RELATION TO WIND ENERGY

In 2017, wind energy accounted for 27 percent of electricity that was generated in North Dakota. The state had 2,996 megawatts of installed capacity with approximately 1,611 turbines located in the state. Tax revenue from wind development in North Dakota primarily comes from property taxes and an electric generation tax.

### Property tax

- Wind energy systems with a nameplate capacity of 100 kilowatts or more that were completed prior to Jan. 1, 2015, are subject to property taxes.
- A turbine is valued at 3 percent of its assessed value, unless it qualifies for a lower rate. A wind turbine qualifies for the lower 1.5 percent if it meets the following criteria:
  - 1 The system was completed before April 30, 2005, with a power purchase agreement after that date, or if it was completed prior to July 1, 2006, with a power purchase agreement before Jan. 1, 2006.
  - 2 If a system was completed after June 30, 2006, and before Jan. 1, 2015.
- Property taxes are paid to the county where the wind energy generation is located, and the county treasurer is responsible for distributing revenue to districts where turbines are located.
- The wind energy industry paid \$7.7 million in property taxes in 2016 according to a report prepared by North Dakota State University.<sup>1</sup>

<sup>1</sup> Bangsund, Dean A., Randal C. Coon, and Nancy M. Hodur. "Wind Energy Industry's Contribution to the North Dakota Economy in 2016." North Dakota State University, September 2018, [ageconsearch.umn.edu/record/263766/files/AAE779.pdf](https://ageconsearch.umn.edu/record/263766/files/AAE779.pdf). Accessed Oct. 9, 2018.



## Electric generation tax

- Wind farms and associated collection systems are subject to an electric generation tax of \$2.50 per kilowatt times the rated capacity of a turbine and one half of one mill – or .0005 – multiplied by kilowatt hours generated by projects.



For example, a **100 megawatt capacity project would pay \$250,000**. If the same project generated 500,000,000 kilowatt hours in a year, it would also pay **\$250,000**. This would put the total amount for electric generation tax paid at **\$500,000**.

- Revenue is deposited into the electric generation, distribution, and transmission tax fund. These funds are then distributed by the state treasurer to the counties where taxes were collected and distributed to taxing districts.

### ELECTRIC GENERATION TAX REVENUE FROM WIND ENERGY FROM 2012 TO 2015<sup>2</sup>

	2012	2013	2014	2015
Electric distribution tax	\$5,902,159	\$6,517,262	\$5,958,264	\$7,051,447
Electric transmission tax	\$1,340,856	\$1,360,977	\$1,415,425	\$1,454,001
Electric generation tax from wind	\$104,056	\$215,853	\$877,162	\$1,126,934
Electric generation tax from sources other than wind and coal	\$17,169	\$17,201	\$150,617	\$228,612

<sup>2</sup> “Wind Energy Taxation and Revenue Distribution Study – Background Memorandum.” North Dakota Legislative Council, July 2017, [legis.nd.gov/files/resource/committee-memorandum/19.9065.01000.pdf](https://legis.nd.gov/files/resource/committee-memorandum/19.9065.01000.pdf). Accessed Oct. 9, 2018.

