

**Policy Letter; Wind Energy Special Valuation; June 8, 2017**

**Topic Code: W067 Wind Energy Conversion Property Document Reference: 17900011**

*Sent via email*

June 8, 2017

Becky Nordskog  
Allete Tax Department  
30 W. Superior St.  
Duluth, MN 55802  
rnordskog@allete.com

**Re: Wind Energy Special Valuation**

Dear Ms. Nordskog:

Recently, you sent a question to Local Government Operations Chief Julie Roisen asking how refurbishments to wind energy conversion property will be valued.

**The facts as described in your letter:**

You own wind energy conversion property that is specially valued under Iowa Code § 427B.26. The property is currently valued at 30% of net acquisition cost. The original wind turbines need major component upgrades. These capital improvements will cost approximately \$45 million over four years and will include replacements and/or refurbishments of blades, gearboxes and generators. You ask how these capital improvements will be valued for property tax purposes.

**Law:**

In lieu of the valuation and assessment provisions in section 441.21, subsection 8, paragraphs “b”, “c”, and “d”, and sections 428.24 to 428.29, wind energy conversion property which is first assessed for property taxation on or after January 1, 1994, and on or after the effective date of the ordinance enacted pursuant to subsection 1, shall be valued by the local assessor for property tax purposes as follows:

- a. For the first assessment year, at zero percent of the net acquisition cost.
- b. For the second through sixth assessment years, at a percent of the net acquisition cost which rate increases by five percentage points each assessment year.

- c. For the seventh and succeeding assessment years, at thirty percent of the net acquisition cost.

Iowa Code § 427B.26(2) (2017).

For purposes of this section:

- a. “Net acquisition cost” means the acquired cost of the property including all foundations and installation cost less any excess cost adjustment.
- b. “Wind energy conversion property” means the entire wind plant including, but not limited to, a wind charger, windmill, wind turbine, tower and electrical equipment, pad mount transformers, power lines, and substation.

Iowa Code § 427B.26(4) (2017).

**Discussion:**

Iowa Code § 427B.26(1)(a) allows a city or county to enact an ordinance to value wind energy conversion property at a percent of actual value according to the statutory schedule set forth in section 427B.26(2). “Wind energy conversion property” includes the entire wind plant. Iowa Code § 427B.26(4)(b). The assessment of this property is based on a percentage of the property’s net acquisition cost which is defined to be the acquired cost of the property, including the cost of all foundations and installation costs. The property is assessed at zero percent of acquisition cost the first year the property is assessed. The percentage increases each year by five percentage points up to 30 percent, at which time it will continue to be assessed at 30 percent of net acquisition cost throughout the operating life of the property as long as the ordinance creating the special valuation continues in existence. If the ordinance is repealed, the property will continue to be assessed at 30 percent of the acquisition cost at least through the nineteenth year, after which the property will be assessed at fair market value. The ordinance can be repealed at any time that in the opinion of the city council or board of supervisors the special valuation ceases to be of benefit to the city or county. Iowa Code § 427B.26(1)(b).

In this case, the assessment of your property is governed by section 427B.26 and this section does not provide for the consideration of expenditures added to the existing wind energy conversion property that occur subsequent to the net acquisition cost as determined for the first year of assessment. The Department previously has determined that costs that are capitalized as part of the maintenance of a previously-constructed wind energy plant should not be added to the net acquisition cost. See Wind Towers Acquisition Cost, March 15, 2010, available at: <http://itrl.idr.iowa.gov/Browse/OpenFile/5971%7Cwind%20energy%20conversion%20property%7CAI%7C%7CA>. Therefore, work performed on existing plant towers or buildings is not to be included in the net acquisition cost used to compute the special value of wind energy conversion property. However, if a new tower or building is constructed, that property should be first assessed when it comes into service and continue on a separate assessment schedule under the ordinance. See *id.*

The work you describe, to the extent it does not result in a new tower or building being constructed, would not add to the net acquisition cost used for special valuation of the wind energy conversion property. However, this letter is merely an informal opinion based upon the facts provided, and the assessor must make the determination of how to value real property in his or her jurisdiction. Iowa Admin. Code r. 701—71.2(1) (421,428,441) (2017).

I hope this information has been helpful to you. Please remember that this letter is an informal opinion based only on the facts you provided and on the current law. In the future, the Department could take a position contrary to that stated in this letter. Any written advice or opinion rendered to members of the public by Department personnel that is not pursuant to a Petition for Declaratory Order under Iowa Admin. Code r. 701-7.24 is not binding upon the Department. If you have any additional questions regarding this matter please do not hesitate to contact me.

Sincerely,

Jane J. Severson  
Legal Services  
Iowa Department of Revenue  
(515) 725-2294  
[jane.severson@iowa.gov](mailto:jane.severson@iowa.gov)

See SF2366  
for 2022 Legislative Changes