

The Utility Replacement Tax Task Force (the “Task Force”) met on Wednesday, December 15, 2021 at 3:30 p.m at the Grimes Building, Room B100, Des Moines, IA.

Task Force members present in person or by phone were:

Bill Peterson, Iowa State Association of Counties,
Alan Kemp, Iowa League of Cities
Michael Rubino, Deere & Company
Cheryl Crawmer, Cheryl, MidAmerican Energy
Jim Henter, Iowa Retail Federation
Regi Goodale, Iowa Association of Electric Cooperatives
Alex Cutchey, Iowa Association of Municipal Utilities
Kraig Paulsen, Iowa Department of Management (DOM)
Julie Roisen, Iowa Department of Revenue (IDR)

Not Present:

Shawn Snyder, Iowa Association of School Boards

Also present in person or by phone include: Roland Simmons, IDR, Nicholas Behlke, IDR, Carrie Johnson, DOM, Jacob Frame, MidAmerican Energy, Onnalee Kelly, MidAmerican Energy, Lucas Beenken, Iowa State Association of Counties, Emily Piper, Iowa Association of School Boards, as well as other members of the public not identified.

Co-Chairperson Paulsen called the meeting to order at 3:31 p.m.

Paulsen requested that motions be reflected as approved by unanimous consent if there are no objections.

Paulsen requested approval of agenda-approved by unanimous consent.

Paulsen requested approval of the minutes of the November 10, 2021 meeting-approved by unanimous consent.

Paulsen indicated he will represent DOM on the Task Force, and designated Julie Roisen as the co-chairperson representing IDR on the Task Force.

Paulsen asked members and attendees to introduce themselves.

Paulsen requested the task force approve the inclusion and appointment of Justin Gorman from Alliant Energy to the Task Force-approved by unanimous consent.

Wind Energy:

How to Assess Turbines Not Under a Special Valuation Ordinance:

MidAmerican provided the Task Force with draft legislative language. Roisen stated she and Behlke have looked at the language. The group discussed that if no ordinance is in place and electricity is sold on the grid, it may fall under the Utility Replacement Tax. Assessors may need to communicate with companies to find out if power is sold on the grid. The group also discussed whether the language takes into account other entities (not electric companies).

Paulsen stated that unless members object, IDR can take the draft language, modify and redistribute it, rather than take a vote today. Peterson asked if we knew if there would be a fiscal impact. Paulsen said there is no formal fiscal analysis at this point. Every county has put in place an ordinance before wind has located within their county at this time. Paulsen stated IDR will work to draft something for consideration by the Task Force.

Collector and Interconnect Substations:

The next discussion item was regarding interconnect substations. MidAmerican shared diagrams illustrating collector substations and interconnect substations. The draft legislative language would add collector substation to wind energy conversion property definition and also define collector substation. Paulsen said the discussion would be to clarify that the interconnect is under the Utility Replacement Tax and the collector is under the special valuation provisions, if an ordinance is in place. Goodale stated that some coops may own the interconnects but not collectors and Cutchey indicated the same for some municipal utilities. Paulsen stated there is no formal fiscal analysis yet. Crawmer stated in this case locals won't receive property tax for the interconnects, but will receive Utility Replacement Tax in their area, and that interconnects would meet the \$1 million requirement for a major addition. Peterson stated it makes sense to treat all interconnects the same way. Roisen stated we should seek consistency and make it easier for the assessors to administer. Goodale stated support for the language. Paulsen suggested the Task Force deal with it in the same way as the first issue, meaning IDR will work to draft something to bring to the Task Force for possible approval.

Repowering:

The next discussion item was repowering. Roisen indicated the issue is whether repowering wind turbines triggers new net acquisition costs and resets the assessment schedule. She said counties are treating it differently and since statute does not address it, IDR's guidance cannot be definitive. Piper stated it does impact debt levies if repowering goes back to zero. Paulsen stated we need to treat it the same across the state. Rubino asked if 30% of old net acquisition is better than 30% of new net acquisition. The group discussed that it is different over time, with potentially different impacts in different locations, and wind property has gone down in cost. Peterson stated if the tax goes away, it could result in a shift to other taxpayers. Goodale asked if this issue was a Utility Replacement Tax issue. Roisen said, though not directly a Utility Replacement Tax issue, it is impactful to utility companies and so therefore appropriate for the Task Force because of the composition of the Task Force. Rubino stated stability is a goal of the Utility Replacement Tax. Paulsen shared the intent to leave it at net acquisition and IDR would look at draft legislation for this topic as well.

Solar Energy:

Roisen indicated based on information shared, the tax differential for local governments between agricultural property tax revenue and Utility Replacement Tax does not appear to be a concern. Goodale stated there may be counties where it is better for solar value to be part of the Utility Replacement Tax instead of taxed as agricultural property. Paulsen requested approval to table the solar issue as a matter for the Task Force- approved by unanimous consent.

Crawmer and Simmons discussed the determination of lease acquisition costs and that it made sense to report capitalized lease costs. This may lead to revised IDR instructions for companies. Paulsen requested approval to table this solar issue as a matter for the Task Force- approved by unanimous consent.

Next Steps:

Paulsen indicated IDR will work with the Legislative Services Agency and try to have something drafted shortly after the first of the year. Paulsen said staff will email the draft language to the Task Force. If there is consensus and approval, he can meet with legislative leadership in Ways and Means regarding the draft legislation.

Adjourn at 4:53