National Conference of State Legislatures

LEGISBRIEF

BRIEFING PAPERS ON THE IMPORTANT ISSUES OF THE DAY

JANUARY 2004 VOL. 12, NO. 5

Tax and Landowner Revenue from Wind Projects

By Leslie Kaas Pollock and Troy Gagliano

The wind power industry is growing tremendously.

The wind power industry is experiencing a tremendous surge in growth. The amount of wind-generated electricity doubled over the past five years in the United States, reaching nearly 4,700 megawatts (MW) at the end of 2002. That's enough to power more than 1.4 million average American homes. State policymakers are becoming more interested in wind power because it is a domestic source that can help states diversify their energy portfolios and protect consumers from volatile electricity prices. The expansion of wind power also is translating into significant economic development opportunities for many rural communities.

Many wind projects are generating tax revenue for counties, school districts and townships.

Local tax revenue. Many wind projects are generating tax revenue for counties, school districts and townships. Since the strongest wind resources are found mostly in rural areas, these often economically depressed locations are reaping the benefits. Local revenue takes many forms, from property and sales taxes to construction and maintenance jobs.

The largest source of local revenue from wind farms is property taxes, and the biggest beneficiary of this revenue is usually local school districts. Texas rural school districts have been infused with large amounts of money since commercial-scale wind development took off in West Texas in 1999. Upton County, home to two wind projects totaling 353 MW, received $3.6 million in revenue in 2002; 95 percent went to the McCamey School District. Two school districts in Pecos County received $4.7 million in 2002 from three different wind projects totaling 402.5 MW.

In Oregon, the Vansycle Ridge project and the Stateline Wind Energy Center (108 MW combined) paid $893,098 in taxes to Umatilla County in 2002. Of this total, approximately 60 percent goes to school districts, 20 percent to the county and local towns, and the remainder to small local districts, such as fire protection. Revenue is split similarly in Lincoln County, Minn., where 155 MW of wind from four different projects generated $471,822 in 2003. This money is split evenly (45 percent each) between the county and the school districts, with the remainder distributed to local municipalities.

County Property Tax Revenue from Wind Projects (2002)

Buena Vista, Iowa	$212,490
Gray, Kansas	330,000
Lincoln, Minnesota	471,822
Fenner (town), New York	150,000
Umatilla, Oregon	893,098
Upton, Texas	3,600,000
Pecos, Texas	4,700,000
Walla Walla, Washington	1,500,000
Carbon, Wyoming	373,535

Kansas and New York are payments in lieu of taxes. Iowa's amount increases to $1.3 million in 2007. Minnesota's amount is for 2003.

Revenue from wind farms can provide a significant boost to the local tax base. The 80 MW of

wind power produced in Worth County, Iowa, will generate approximately $500,000 in property taxes—an amount which adds approximately 9 percent to the total tax base of the county. In addition, the Prowers County, Colo., assessor estimates that property taxes paid on the 162 MW Lamar Wind Farm will increase county revenue by 13.5 percent annually.

Revenue from wind farms can provide a significant boost to the local tax base.

State Action

Creative Incentives. Counties and states are working to attract large-scale wind power development in a number of ways, including reducing or exempting renewable energy projects from property taxes. For example, a state law exempts the Kansas Gray County Wind Farm from paying property taxes. In a good faith agreement, the project owner agreed to make annual payments of $330,000 to Gray County in lieu of taxes. Similarly, the Fenner Wind Project in upstate New York benefits from a full property tax exemption. In order to help the town of Fenner cover costs associated with maintaining the project, the developer is paying $150,000 annually—an amount equal to one third of the town's tax revenue.

Rather than pay a lump sum to a local entity, some tax-exempt projects are spreading revenue around. One developer of a publicly owned (and thus tax-exempt) project in Washington paid a total of $511,000 to the state in 2003, which was redistributed throughout Benton County. Included in this amount is an annual wildlife mitigation fee paid to the state Department of Fish and Wildlife that is used to offset the harmful effects of the wind farms on local sagebrush habitat. In 2002, the year the project was built, the developer paid $1.2 million in taxes associated with the cost of construction.

Landowner Revenue. Wind projects also produce income for landowners who lease their land to developers. Landowners generally receive annual lease payments between $2,000 to $4,000 per turbine. The turbines are generally compatible with farming and ranching activities, occupying less than one acre each. Given that farmland in certain windy areas of Minnesota annually grosses approximately $300 an acre for corn and soybeans, it is easy to see how large scale projects can benefit rural landowners in areas with strong winds.

Wind projects also produce income for landowners.

Payments to landowners take various forms. Many developers begin by paying landowners during the initial phase of project development in order to reserve the use of their land. Developers also may offer minimum guaranteed payments to landowners. These minimums range from $750 per turbine per year at Storm Lake I in Iowa to $4,000 per turbine per year at Nine Canyon in Washington. Per turbine payments have been rising over the past few years and should continue to rise as more efficient and larger capacity turbines become more common.

Wind power is generating significant economic benefits for rural communities across the country at a time when it is greatly needed. Tax and landowner revenue associated with wind power development is breathing new life into these areas. For those states with lots of wind, legislators have it within their power to help attract new development to rural areas that have otherwise been hurt by recent economic downturns.

Wind power is generating significant economic benefits for rural communities.

Selected References

Taylor, Michael, Alan Fox and Jill Chilton. *Assessing the Economic Development Impacts of Wind Power. Final Report.* Washington, D.C.: National Wind Coordinating Committee, 2003. www.nationalwind.org

Contacts for More Information

Troy Gagliano and Matthew Brown
NCSL—Denver
(303) 364-7700 ext. 1404 and 1359
troy.gagliano@ncsl.org

Kevin Bryan
National Wind Coordinating Committee
(202) 965-6209
kbryan@resolv.org