

# 2017 MAAO CONFERENCE

## WIND TURBINES

### VALUATION AND TAXATION

#### A. Introduction

#### B. Real Property

- Land Lease Valuation on Direct Capitalization Exhibit A
- Maintenance Facilities Valuation of Maintenance Facilities Exhibit B
- Other issues Ag Tax, Reclassification, Courtesy Accounts, County Business Tax Credits, FCMA Penalties, and Private Management. Exhibit C

#### C. Personal Property

- Wind Turbine Laura Kittle Summary Exhibit D
- Cabling (Transmission)
- Switch Yard

#### D. Payment in lieu of taxes Tax Property 7-514(c) (include with Exhibit D)

Rec'd 5/13/16 from Roy Steeman regarding Cell & Solar  
**EXHIBIT A**

CONCLUSION FOR CELL TOWER LEASES ARE SIMILAR TO SOLAR LEASES:

BPRUC 80130

Special conditions outlined in Procedures manual.

SURVEY MATERIALS INDICATE DECLINING CAP RATES ON NET LEASE PROPERTY SALES.

LAND LEASE TRANSACTIONS DO NOT REQUIRE CAPITAL COST RECOVERY, BUT MOST CELL TOWERS REQUIRE CAPITAL INVESTMENT ON BEHALF OF CELL TOWER OWNER. TOWER IS CLASSIFIED AS PERSONAL PROPERTY.

*17% CAP for Cell*

MODEL:

INCOME	\$20,000	(For Example)
VAC 5%	(\$1000)	
EXPENSES 10%	(\$1900)	
NET INCOME	\$17,100	
CAP RATE	7%	←
VALUE	\$244,000	

*Do Not Value  
Fence + Buildings  
5/12/16 per Roy.*

MOST CELL TOWER SITES NOT VALUED AT THIS LEVEL. GET THE LEASE. DCF APPROACH WILL LIKELY YIELD A LESSER VALUE BASED UPON REMAINING LEASE TERM.

CONCLUSION FOR SOLAR LAND LEASES:

BPRUC 58000 Non-Utility Electricity Generating Plant (NUG)

SURVEY MATERIALS INDICATES DECLINING CAP RATES ON NET LEASE PROPERTY SALES.

LAND LEASE TRANSACTION DO NOT REQUIRE CAPITAL COST RECOVERY.

IMPROVEMENTS SUCH AS FENCING AND PAVING ASSESS AS REAL PROPERTY.

SOLAR PANELS ARE ASSESSED AS PERSONAL PROPERTY.

ESTIMATED CAP RATE FOR LAND @ 6%.

*Cap rate for Solar*

NOT APPLICABLE FOR NET METERING AGREEMENTS.

ABSENT OF ACTUAL LEASE INFORMATION:

RECOMMENDED VALUES ON RURAL LAND, APPROXIMATELY \$20,000 PER ACRE.

INDUSTRIAL LAND FOR ENERGY PRODUCTION ASSESSED AT SECONDARY INDUSTRIAL LAND RATES.

**Pro-Forma Income Model**

Land Area X \$1500 per Acre

-5% Vac.-10% Exp

NOI Capitalized @ 6% Assume NNN Value \$21,000 per Acre

*TA*

# EXHIBIT B

8 TOTAL IMPROVEMENT VALUE						780,000
9 LAND VALUATION						
LAND TYPE	SIZE	RATE	ADJUSTMENT	LAND NOTE	COST	
C034	1.0000 Acreage	25,000.00	1.00	} (A)	UPPER WIND PRIMARY	25,000
C018	2.0000 Acreage	5,000.00	1.00		R WIND SECONDARY	10,000
C014	2.3500 Acreage	1,000.00	1.00		UPPER WIND EXCESS	2,300
C042	(C) { 1.6000 Acreage	75,000.00	1.00	} (B)	TURBINE #T38	120,000
C042		75,000.00	1.00		TURBINE #T39A	120,000
Other Land	4.7500 Acreage	250.00	1.00	OLD QUARRY	1,100	
Other Land	2.8900 Acreage	187.50	1.00	POWER LINE	500	
Class2	290.1100 Acreage	187.50	1.00		54,300	
10 TOTAL LAND VALUE						333,200
11 TOTAL PROPERTY VALUE						773,100

(A) Office, Maintenance Facility Land valued at market

(B) Turbine Sites, value developed using direct cap.

(C) Land area for each site, obtained from Garrett County Zoning. (1.6 Acres each site)

EXHIBIT C

May 24, 2016

~~██████████, ██████████~~

~~██████████~~

Oakland, MD 21550

To Whom It May Concern:

Re: Account # ~~██████████~~

Please be advised you will be receiving a new assessment notice. This notice reflects a change in value brought about by the construction of windmill(s) on your property. We have broken down the value below which will be reflected on your 2016-17 tax bill. You may want to send a copy of this notice to the windmill company.

	<u>FULL MARKET VALUE (PHASED IN)</u>	
	<u>2016-17</u>	<u>2017-18</u>
LAND -	240,000 (T#9&10)	240,000 (T#9&10)
IMPROVEMENTS -	-0-	-0-
Total Assessed Value -	240,000	240,000

If you have any questions please do not hesitate to contact me.

Sincerely,

Philip Smith  
Supervisor of Assessments

PS/ar

# EXHIBIT D

## Assessment of Utility-Scale Wind Farms

The SDAT Utility Valuation Unit values the personal property of wind farms that generate electricity for sale. The personal property of the wind farms is assessed annually.

Each wind farm company files an annual property tax return, Form 17-G, with the Department. The personal property is reported at original cost. The towers, turbines, and generators are classified as personal property along with any additional other machinery and equipment.

The Department currently uses a 30 year life for long lived electric generation machinery and equipment. The property is depreciated at a standard 3.3% per year down to a 25% floor. (COMAR 18.03.01.02) Additions to personal property in future years also receive the standard depreciation according to year of acquisition.

There is a 50% exemption for machinery and equipment used to generate electricity for sale as provided in Tax Property 7-237. This exemption applies to the towers, turbines and generators which are the largest components of the wind farm property.

The Utility Valuation Unit of the Department values the property and issues the Notice of Assessment. Local governments are responsible for billing and collecting the property tax. The tax rate is the local personal property tax rate.

Real property such as land and buildings is assessed by the SDAT Real Property office located in the county. Real property is revalued on a triennial cycle, that is, it is reviewed and valued every three years. Typically real property is a small portion of the overall value. The tax rate is the local real property tax rate.

There is also a provision in Tax Property 7-514 (c) for the wind farm owner and the County to enter into an agreement for a negotiated payment by the owner in lieu of taxes on the facility (PILOT).

From Laura Kittel, Franchise Tax and Utility Valuation Program Manager  
5/1/2017

(2) is used exclusively for that purpose. (1989, ch. 415.)

### § 7-236. Refueling equipment or machinery.

(a) *"Clean-burning fuel" defined.* — In this section, "clean-burning fuel" has the meaning stated in § 9-101 of the Tax - General Article.

(b) *Exemption.* — Except as provided in subsection (c) of this section, refueling equipment or machinery used only to dispense clean-burning fuels into motor vehicles is not subject to property tax.

(c) *Tax rate.* — The property tax for refueling equipment or machinery used only to dispense clean-burning fuels into motor vehicles is the applicable tax rate applied to:

- (1) 20% of the assessed value in taxable year 1998;
- (2) 40% of the assessed value in taxable year 1999;
- (3) 60% of the assessed value in taxable year 2000;
- (4) 80% of the assessed value in taxable year 2001; and
- (5) 100% of the assessed value in taxable year 2002 and each taxable year thereafter. (1993, ch. 269.)

### § 7-237. Machinery or equipment used to generate electricity, steam for sale, hot or chilled water for sale.

(a) *Exempt from property tax.* — Except as provided in subsection (b) of this section, personal property is exempt from property tax if the property is machinery or equipment used to generate:

- (1) electricity or steam for sale; or
- (2) hot or chilled water for sale that is used to heat or cool a building.

(b) *Subject to county or municipal corporation property tax.* — Subject to § 7-514 of this title, personal property that is machinery or equipment described in subsection (a) of this section is subject to county or municipal corporation property tax on:

- (1) 75% of its value for the taxable year beginning July 1, 2000; and
- (2) 50% of its value for the taxable year beginning July 1, 2001 and each subsequent taxable year. (1999, chs. 5, 6; 2000, ch. 526; 2007 Sp. Sess., ch. 2, § 4.)

**Editor's note.** — For applicability to tax years after July 1, 2000; applicability of changes to the public service company franchise tax and income tax after December 31, 1998, and income tax credit for tax paid for tax year beginning on or after July 1, 2000; and requirements when for federal tax purposes a public service company's tax year is not the calendar year, see chs. 5, 6, Acts 1999.

For applicability of changes to property tax after July 1, 2001, of changes to the income tax

to tax years after December 1, 2001, and for steam heating companies income tax credit for tax paid for tax year beginning on or after July 1, 2001, see ch. 526, Acts 2000.

Section 18, ch. 2, Acts 2007 Sp. Sess., provides that "Section 4 of this Act shall be applicable to all taxable years beginning after June 30, 2008."

- (3) 70% of its value for the third taxable year beginning after enactment of the law;
- (4) 60% of its value for the fourth taxable year beginning after enactment of the law;
- (5) 50% of its value for the fifth taxable year beginning after enactment of the law;
- (6) 40% of its value for the sixth taxable year beginning after enactment of the law;
- (7) 30% of its value for the seventh taxable year beginning after enactment of the law;
- (8) 20% of its value for the eighth taxable year beginning after enactment of the law;
- (9) 10% of its value for the ninth taxable year beginning after enactment of the law; and
- (10) 0% of its value for the tenth taxable year beginning after enactment of the law and for each taxable year thereafter. (2005, ch. 386, § 2; 2006, ch. 38.)

**§ 7-514. Increase in assessment for machinery or equipment used to generate electricity, steam for sale, hot or chilled water for sale subject to county property tax.**

(a) *Scope.* — This section shall be applicable to all taxable years beginning after June 30, 2008.

(b) *In general.* — (1) Notwithstanding § 7-237 of this title, and subject to paragraph (2) of this subsection, for a taxable year beginning before July 1, 2011, the governing body of a county may increase to not more than 65%, by law, the percent of the assessment of any personal property described in § 7-237 of this title that is subject to county property tax.

(2) The governing body of a county may not increase the percent of assessment of personal property described in § 7-237 of this title that is subject to county personal property tax to more than:

- (i) 65% for the taxable year beginning July 1, 2008;
- (ii) 60% for the taxable year beginning July 1, 2009; and
- (iii) 55% for the taxable year beginning July 1, 2010.

(3) (i) A county that increases the percent of assessment of taxable personal property under paragraph (1) of this subsection shall submit a copy of the law to the Department.

(ii) If the Department receives a copy of the law on or before May 1, the change shall be effective for the taxable year following the date the law is enacted.

(c) *Agreement with owner of facility for generation of electricity.* — (1) The governing body of a county may enter into an agreement with the owner of a facility for the generation of electricity that is located or locates in the county for a negotiated payment by the owner in lieu of taxes on the facility.

(2) An agreement for a negotiated payment in lieu of taxes under this section shall provide that, for the term specified in the agreement:

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ANNOTATED CODE OF MARYLAND

(i) the owner shall pay to the county a specified amount each year in lieu of the payment of county real and personal property tax; and

(ii) all or a specified part of the real and personal property at the facility shall be exempt from county property tax for the term of the agreement.

(d) *Exemption for real and personal property located in county.* — As specified in the agreement for a negotiated payment in lieu of taxes under this section, for the term specified in the agreement, the real and personal property at a facility for the generation of electricity that is located or locates in the county is exempt from county property tax.

(e) *Washington County.* — For each taxable year, Washington County shall distribute to the Town of Williamsport an amount equal to 35% of:

(1) any county property tax revenue attributable to increasing the percent of assessment of any personal property described in § 7-237 of this title that is subject to county property tax, as authorized under subsection (b) of this section; or

(2) any amount received by the county under a negotiated payment in lieu of taxes under this section from an owner of an electricity generation facility that is located or locates in the Town of Williamsport. (2007 Sp. Sess., ch. 2, § 4; 2012, ch. 112.)

*Effect of amendments.* — Chapter 112, Acts 2012, effective June 1, 2012, reenacted (c) without change; and in (e)(2) added "from an owner of an electricity generation facility that is located or locates in the Town of Williamsport."

*Editor's note.* — Section 18, ch. 2, Acts 2007 Sp. Sess., provides that "Section 4 of this Act

shall be applicable to all taxable years beginning after June 30, 2008."

Section 2, ch. 112, Acts 2012, provides in part that "this Act shall be applicable to all taxable years beginning after June 30, 2012."

§ 7-515. Video lottery facility in Allegany County.

(a) *In general.* — The governing body of Allegany County shall enter into an agreement with an owner or operator of a video lottery facility that locates in Allegany County for a negotiated payment in lieu of taxes on the video lottery facility.

(b) *Conditions.* — An agreement for a negotiated payment in lieu of taxes under this section shall provide that, for the term specified in the agreement:

(1) a specified amount shall be paid to Allegany County in lieu of the payment of Allegany County property tax; and

(2) all or a specified part of the real and personal property at the video lottery facility shall be exempt from Allegany County property tax for the term of the agreement. (2007 Sp. Sess., ch. 4.)

§ 7-516. Economic development project — Prince George's County [Section subject to abrogation].

(a) *Definitions.* — (1) In this section the following words have the meanings indicated.

(2) "Designated focus area" means:

(i) a transit-oriented development, defined as a development or project within one-half mile of a Washington Metropolitan Area Transit Authority



§ 7-512

subsection (a) of this section, Garrett County shall submit a copy of the law to the Department.

(2) If the Department receives a copy of the law on or before March 1, the change shall be effective for the taxable year following the date the law is enacted. (1997, ch. 587; 2008, ch. 36.)

§ 7-512. Agreement for negotiated payment in lieu of taxes for electricity facilities in Cecil County.

(a) *In general.* — (1) The governing body of Cecil County may enter into an agreement with the owner of a facility for the generation of electricity that locates in Cecil County for a negotiated payment by the owner in lieu of taxes on the facility.

(2) An agreement for a negotiated payment in lieu of taxes under this section shall provide that, for the term specified in the agreement:

(i) the owner shall pay to Cecil County a specified amount each year in lieu of the payment of Cecil County property tax; and

(ii) all or a specified part of the real and personal property at the facility shall be exempt from Cecil County property tax for the term of the agreement.

(b) *Exemption from property taxes.* — As specified in an agreement for a negotiated payment in lieu of taxes under this section, for the term specified in the agreement, the real and personal property at a facility for the generation of electricity that locates in Cecil County is exempt from Cecil County property tax.

(c) *Assessable base.* — Notwithstanding subsections (a) and (b) of this section, the assessment of any property exempted under this section shall be included in the assessable base of Cecil County for the purpose of computing any State aid to education under § 5-202 of the Education Article or other payments of State aid to the county that by law are based on the assessment of property. (2001, ch. 126.)

*Editor's note.* — For prospective applicability to calculations of payments of State aid after July 1, 2001, see ch. 126, Acts 2001.

§ 7-513. Personal property tax — Dorchester County.

(a) *Reduction allowed; exception.* — Subject to subsection (b) of this section, the governing body of Dorchester County may reduce, by law, the percent of the assessment of personal property other than operating personal property of a public utility.

(b) *Rates of reduction.* — If the governing body of the county enacts a law reducing the assessment of personal property, personal property other than operating personal property of a public utility is subject to county property tax on:

(1) 90% of its value for the first taxable year beginning after enactment of the law;

(2) 80% of its value for the second taxable year beginning after enactment of the law;

PILLOT  
Cecil County