

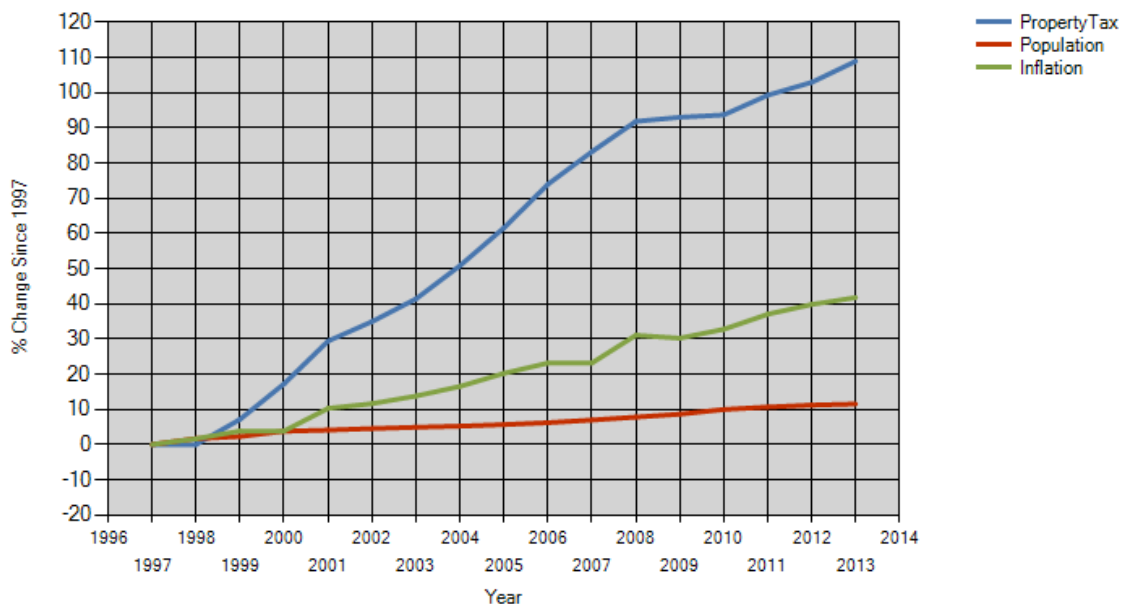


Testimony to House Taxation Committee HB 2396 – Renewable Energy Property Tax Exemptions 19 March 2015 Dave Trabert, President

Chairman Kleeb and members of the Committee:

We appreciate the opportunity to submit testimony in support of HB 2396, which would limit property tax exemptions for producers of renewable energy to a maximum of ten years. Currently, the law provides these businesses with permanent exemptions.

Giving property tax exemptions to private companies, regardless of the rationale, only increases everyone else's property tax. Local government spending is not curtailed to absorb the exemption; cities and counties will just raise taxes on business and residential property. As shown below, via the Kansas Department of Revenue, taxes have grown at two to three times the rate of inflation since 1997. In fact, the largest increases occurred in the years when the state legislature fully funded the Local Ad Valorem Tax Reduction Fund – which was intended to provide local property tax relief. Local government took that money and still stuck taxpayers with large increases.



This chart compares individual counties' property tax growth to the change in population and inflation (Consumer Price Index, Midwest Urban Cities) between 1997 and 2013.

We can actually quantify the amount of excess taxation being inflicted on homeowners and other businesses. The attached report from Kansas Legislative Research shows that PILOT (Payment In Lieu of Tax) payments on tax-exempt wind farms for 2013 totaled \$8.6 million but KDOR estimates the tax on those farms would be \$117.1 million; it was released in February 2014 but remains illustrative and the committee may be interested in updated information from KLRD. If these wind farms were paying their fair amount of property tax, local government could reduce taxes on everyone else by \$108.4 million.

While these wind farms have enjoyed tremendous tax preference treatment, some of the counties where they are located have dramatically raised property tax since 1997 according to Kansas Department of Revenue:

- Barber +244%
- Kingman +159%
- Lincoln +157%
- Harper +128%
- Elk +98%
- Ford +92%
- Gray +91%

These tax increases occurred over the last sixteen years and most wind farms have only been in operation for less than ten years. I'm not implying that wind farm exemptions caused the full amount of these increases; the point is that residents need tax relief more than government needs additional money.

So in addition to capping the exemption at ten years, we encourage you to consider an amendment that requires local governments to proportionally reduce their mill rates when these exemptions expire so that instead of generating even more money for government on this newly-taxable property, it is used to give relief to other property tax owners.

We appreciate this opportunity to provide testimony and encourage you to report HB 2396 favorably for passage.

2013 PILOT/Donation Payments and Estimated Tax for Tax Exempt Wind Farms with a 2013 Valuation for the Completed Project

Project Name (County)	Size (MW)	In Service Year	2013 PILOT/ Donation Payment	2013 Est. Tax Based on Avg. Co. Rural Levy	Length of PILOT	Description of PILOT
Gray County	112	2001	\$224,400	\$226,387	Until commercial operation ceases	Annual 2% increase. Previous PILOT (2001-2011) was higher – increased annually by CPI on base of \$305,000.
Elk River (Butler)	150	2005	\$150,000	\$537,952	15 years	First payment in 2006, \$150K/year
Spearville 1 (Ford)	100.5	2006	\$257,021	n/a	30 years	2007, \$221,628; 2.5% annual increase thereafter
Meridian Way (Cloud)	201	2008	\$300,000	\$3,122,282	20 years	2010, \$100K; 2011, \$150K; 2012, \$200K; 2013-2029, \$300,000
Smoky Hills I (Lincoln/Elsworth)	100.8	2008	\$300,000	\$2,855,096	10 years	2007, \$400K; 2008-2016, \$300K.
Smoky Hills II (Lincoln/Elsworth)	148.5	2008	\$441,964	\$2,197,892	10 years	2008, \$589,286; 2009-2017, \$441,964
Central Plains (Wichita)	99	2009	\$265,192	n/a	10 years	2010, \$2,500/MW; annual increase by Sept. CPI thereafter but not to exceed \$320,000
Fiat Ridge I (Barber)	100	2009	\$216,486	\$877,354	Until commercial operation ceases	2009, \$200K; 2% annual increase thereafter
Greensburg (Kiowa)	12.5	2010	n/a	\$388,938	n/a	No PILOT
Spearville 2	48	2010	\$288,539	n/a	30 years	2011, \$274,636; 2.5% annual increase thereafter
Caney River (Elk)	200	2011	\$936,360	\$9,450,778	20 years	2011, \$4,500/MW installed capacity; 2% annual increase thereafter
Cimmaron I (Gray)	165	2012	\$414,000	\$11,127,518	Until termination of PPAs	2013, \$2,500/MW installed capacity; 2% annual increase thereafter, but not to exceed \$3,400/MW
Cimmaron II (Gray)	131	2012	\$327,500	\$6,523,028	Until termination of PPAs	2013, \$2,500/MW installed capacity; 2% annual increase thereafter, but not to exceed \$3,400/MW
Ensign (Gray)	98.9	2012	\$247,260	\$5,755,613	Until commercial operation ceases	2013, \$2,500/MW installed capacity; 2% annual increase thereafter
Fiat Ridge II (Barber, Harper, Kingman)	470.4	2012	\$1,410,300	\$34,457,742	Until commercial operation ceases	2013, generally \$3,000/MW installed capacity; 2% annual increase thereafter, some timing differences between counties
Ironwood (Ford)	167.9	2012	\$422,432	\$11,148,783	Until commercial operation ceases	Annual increase of 3.07% beginning in 2014
Post Rock (Lincoln, Elsworth)	201	2012	\$643,200	\$14,895,936	10 years	\$3,200/MW, no increases

2013 PILOT/Donation Payments and Estimated Tax for Tax Exempt Wind Farms with a 2013 Valuation for the Completed Project

Project Name (County)	In Service Year	2013 PILOT/ Donation Payment	2013 Est. Tax Based on Avg. Co. Rural Levy	Length of PILOT	Description of PILOT
Shooting Star (Kiowa)	2012	\$700,000	\$6,014,498	30 years, then renegotiate	Beginning 2013: Years 1-6, \$6,666.67/MW; Years 7-25, \$4,761.90/MW; Years 26-30, previous year's payment adjusted for CPI increase
Spearville 3 (Ford)	2012	\$253,460	\$7,552,740	Until commercial operation ceases	Annual increase of 3.1% beginning in 2014
Buffalo Dunes (Finney, Grant, Haskell)	2012 2013	\$658,500	n/a	20 years - Grant & Haskell; 10 years - Finney	2013, Grant & Haskell \$3,750/MW installed capacity; 2% annual increase thereafter. 2013 Finney - \$500/MW installed capacity, 2% annual increase thereafter. Note: Finney Co. payment is for transmission lines & related infrastructure - no turbines there.

**Total 2013 PILOT
Payments**

\$8,656,604

117,132,537

¹
 + STENEVILLE + CONTRA PLANS + BUREAU BUREAU
 LIKELY ADDITIONAL ³ 13,000,000 ±

NOTES:

Wind farms owned by utilities are not valued separately from the entire utility, so contain "n/a" in the estimated tax column. This includes Spearville and 11 (KCP&L) and Central Plains (Westar).

Wind farms that went into operation in 2013 will have an initial valuation for the completed facility as of 1/1/14, available in summer 2014. This applies to Buffalo Dunes.

Estimated tax for wind farms that went into operation from 2011 to the present is significantly higher than for older wind farms, which reflects a difference in the method of determining value. When a facility is new, value is based on the cost to construct. After it has been in operation it is valued based on income generated, often an average of several years.

2013 Estimated Tax Amounts were provided by the Kansas Department of Revenue, Property Valuation Division.

PILOT amounts and descriptions are from contracts obtained from County Treasurers.