



October 27, 2022

To: Senate Select Committee on Wind Turbine Lighting

From: Matthew Willis, Senior Research Analyst

Re: Wind Energy Incentives

KANSAS WIND ENERGY INCENTIVES

As of February 1, 2022, the State of Kansas had 3,922 wind turbines spread across 38 counties.¹ In order to facilitate growth within the renewable energy sector, the State has two tax incentives focused on new, renewable electric cogeneration facilities.

Accelerated Amortization

[KSA 79-32,249](#) was established in 2007 and allows taxpayers who construct new, renewable electric cogeneration facilities to receive an accelerated depreciation on the facility for their Kansas income taxes. The facility's amortized costs are based upon a 10-year period where the amortization for the first year is 55.0 percent of the amortizable cost and each subsequent year is 5.0 percent of the amortizable cost.²

Property Tax Exemption

[KSA 79-201\(Eleventh\)](#) establishes a property tax exemption for "all property actually and regularly used predominantly to produce and generate electricity utilizing renewable energy resources or technologies." For those properties in which an application³ was filed for exemption or that received a conditional use permit to produce and generate electricity on the property between January 1, 1999, and December 31, 2016, the property tax exemption is for the life of the project. Following the enactment of [2015 House Sub. for SB 91](#), all projects applying for an exemption or receiving a conditional use permit on or after January 1, 2017, receive a 10-year

1 Numbers are based upon records submitted to the Property Valuation Division of the Kansas Department of Revenue by county appraisers offices.

2 Standard depreciation practices breaks the amortizable cost into equal portions over the amortization period of the asset in question.

3 All applications for property tax exemption must be filed with and authorized by the State Board of Tax Appeals.

property tax exemption.⁴ The bill also amended statute to specifically exclude renewable electric generation facilities from the definition of “commercial and industrial machinery and equipment” with regard to tax exemption statutes and excluded independent power producers who generate their power from renewable electric generation facilities for the sole purpose of wholesale sale from the definition of “public utility.”

Appraisal Practices

The majority of renewable electric generation facilities are appraised by county appraisal offices as the Property Valuation Division (PVD) of the Kansas Department of Revenue only appraises public utilities. Per a 2015 PVD memorandum to county appraisals regarding the appraisal of wind turbines, PVD notes what should be appraised by county appraisers and that it should be classified as the following:

- Equipment – Elements used to convert kinetic energy from the wind into electrical power and could include, but not be limited to, the tower, brakes, gear box, generator, heat exchanger, controller, and rotor; and
- Land – The area or “pad site” dedicated to the wind turbine and should be classified as commercial real property.

In determining the appraised value in order to calculate property tax, the PVD memorandum notes the “pad site” for the turbine should be determined at market value while the valuation of the wind turbine should correspond to the following outline:

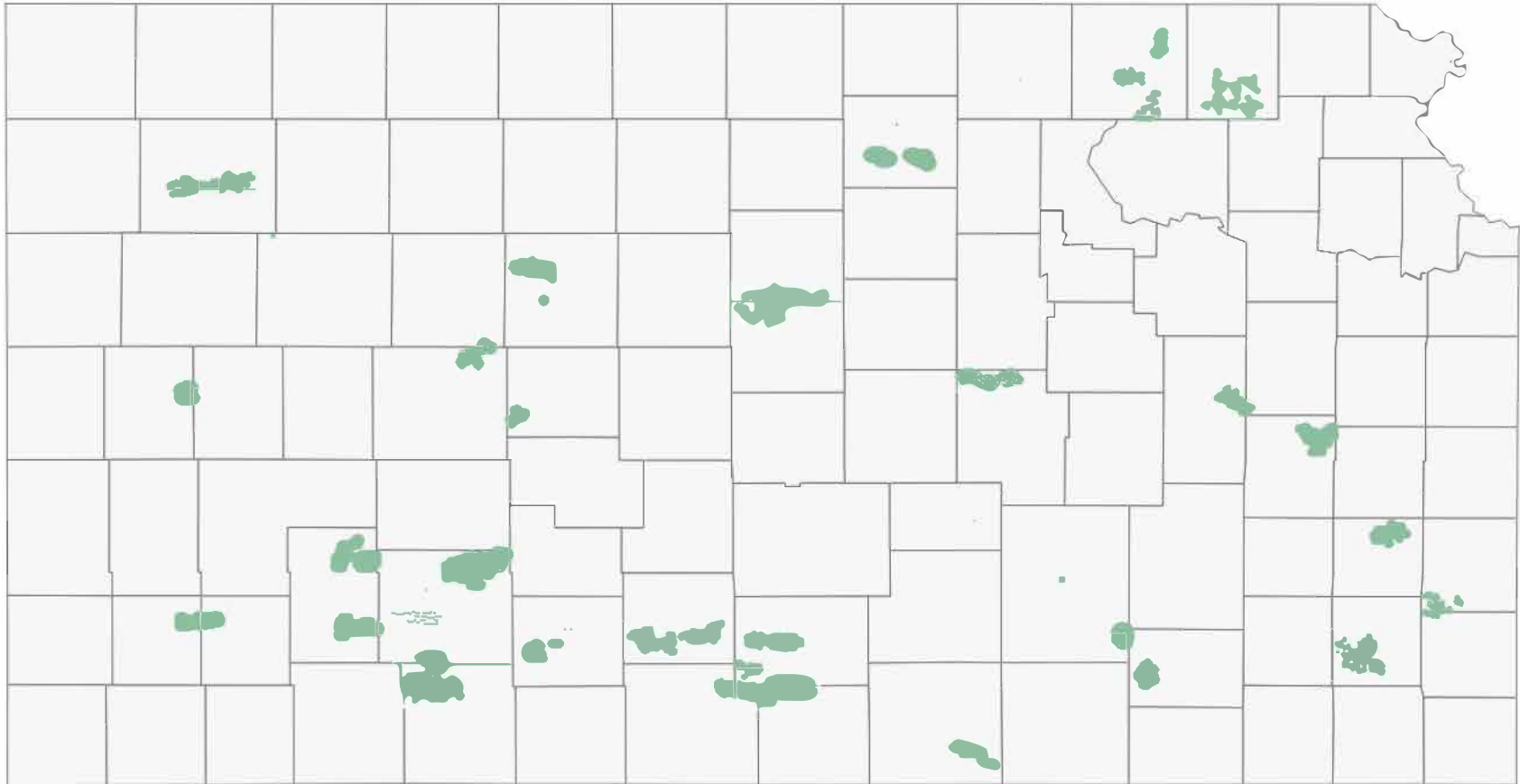
- Establish a baseline of the turbine’s retail cost when new (RCWN); then
- Apply a straight-line depreciation to the RCWN over the course of the turbine’s lifetime or seven years, whichever is shorter, to determine its value to a minimum of 20.0 percent of the turbine’s RCWN.

For wind farms with a 10-year exemption, upon the expiration of the exemption, the turbines will begin being taxed at the appropriate mill levies for their location. It is also noteworthy that, according to a PVD memorandum, it is common practice for wind farm operators to enter into a contract with the county that provide payments in lieu of taxes during some or all of the time period during which the wind turbines are exempt from property tax.

The attached visualizations can be found [here](#).

⁴ Both the lifetime and 10-year exemptions stipulate the exemption is conditioned upon the continued use of the property for renewable electricity generation.

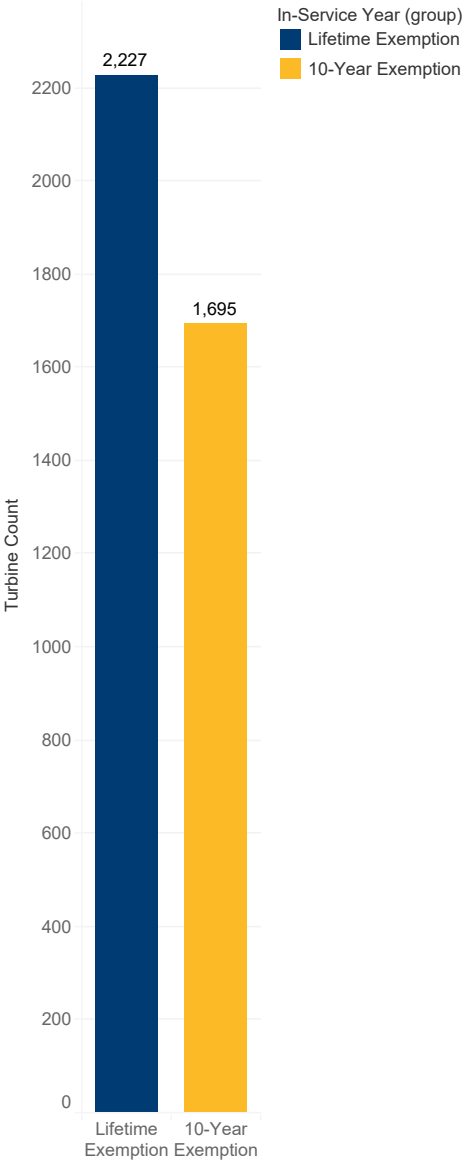
Wind Turbines in Kansas by Location (as of 2022)



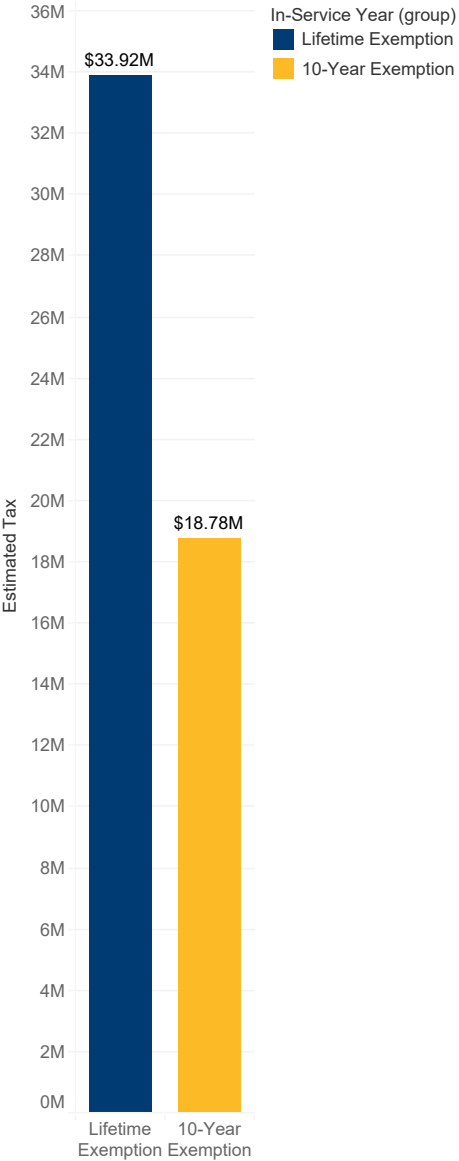
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Number of Wind Turbines in Kansas by Exemption Status

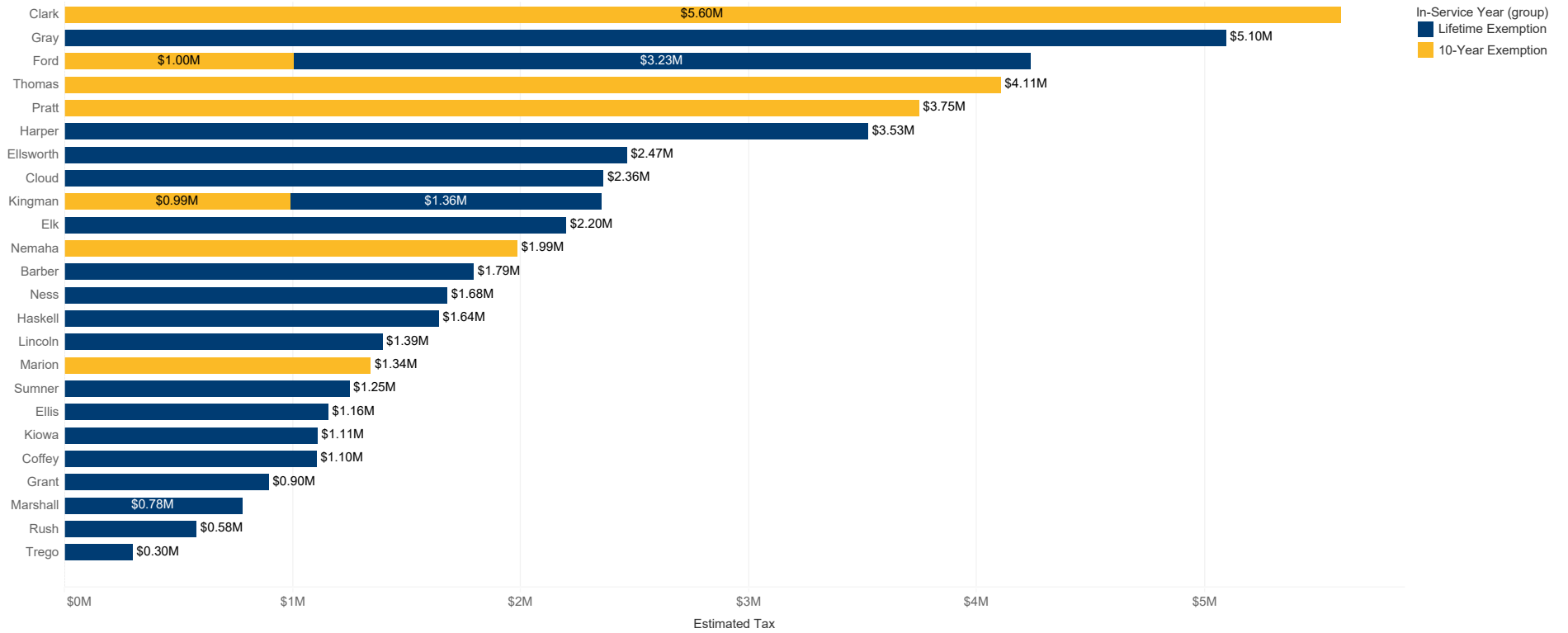


Statewide Estimated Tax by Exemption Status



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Estimated Tax by County and Exemption Status

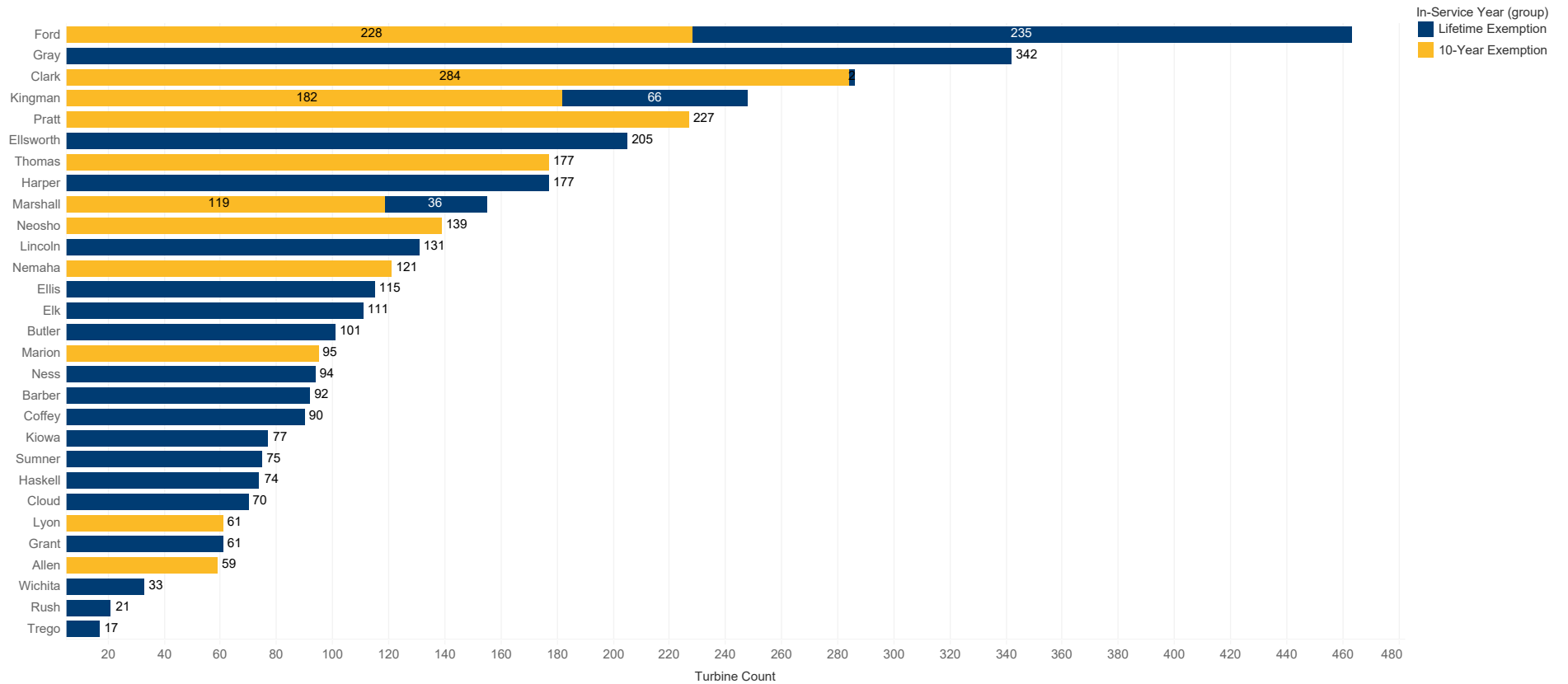


Sum of Estimated Tax for each County (Sheet1). Color shows details about In-Service Year (group). The marks are labeled by sum of Estimated Tax. The data is filtered on Category Parameter Filter, which keeps Tax.



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Number of Wind Turbines by County and Exemption Status



Sum of Turbine Count for each County (Sheet1). Color shows details about In-Service Year (group). The marks are labeled by sum of Turbine Count. The data is filtered on Category Parameter Filter, which keeps Count.

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