

Fiscal Estimate Narratives

DOR 2/4/2014

LRB Number	13-4142/1	Introduction Number	AB-0709	Estimate Type	Original
Description Property tax exemption for biogas or synthetic gas energy systems and property subject to a tax incremental financing agreement					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, energy systems, including biogas or synthetic gas energy systems, solar energy systems, and wind energy systems are exempt from personal property tax. "Biogas or synthetic gas energy system" means equipment which directly converts biomass into biogas or synthetic gas; equipment which generates electricity, heat, or compressed natural gas exclusively from biogas or synthetic gas; and equipment which is used exclusively for the direct transfer or storage of biomass, biogas, or synthetic gas, and any structure used exclusively to shelter or operate such equipment, or the portion of any structure used in part to shelter or operate such equipment that is allocable to such use.

This bill provides that the personal property tax exemption for biogas or synthetic gas energy systems does not apply to property subject to a tax incremental financing agreement that was in effect on January 1, 2014.

The Department of Revenue (DOR) is aware of one Wisconsin facility housing biogas systems in operation that is located in a tax incremental district. The facility in the portion of the Village of Turtle Lake in Polk County was built and started its operation in 2013, and the total construction cost was publicly reported to be approximately \$30 million. The assessed value of the real estate was \$5.2 million in 2013. If the \$30.0 million building cost is assumed to reflect the value of the entire site, including real estate and personal property, the personal property value is estimated to be approximately \$24.8 million (\$30.0 million - \$5.2 million). Based on a net property tax rate of \$28.72 per \$1,000 equalized value, the bill would shift approximately \$710,000 (\$24.8 million x 0.02872) in property taxes from other taxable property in Polk County to the biogas digester facility. The portion of the facility that would be subject to tax under the bill may be less than \$24.8 million.

The State of Wisconsin imposes a forestation property tax at a rate of about \$0.1697 per \$1,000 equalized value. The bill could increase this tax by approximately \$4,200 (\$24.8 million x 0.0001697) annually.

Long-Range Fiscal Implications