

Rail Tie Wind Project: Tax Revenues

The Rail Tie Wind Project will benefit Albany County and the State of Wyoming through the payment of new long-term tax revenues. This document explains how these benefits are calculated.

Sales & Use Tax from Rail Tie Wind Project

	Sales & Use Tax (Construction, One-Time)	Sales & Use Tax (Operations, Average Annual)	Total Sales & Use tax over 35-year project life
Albany County	\$14.6 million	\$0.3 million	\$25.1 million
State of Wyoming	\$12.4 million	\$0.2 million	\$19.4 million
Total	\$27 million	\$0.5 million	\$44.5 million

Sales tax is levied on goods and services purchased within the state, and use tax is imposed on goods purchased outside Wyoming for use in Wyoming. The Rail Tie Wind Project will pay a sales and use tax for both in-state Project expenditures (such as concrete, rebar, aggregate and other construction materials sourced locally). Rail Tie will also pay a use tax on goods purchased out-of-state (such as wind turbines and other specialized equipment).

The State of Wyoming levies a sales and use tax of 4%, and Albany County levies an additional sales and use tax of 2%. The sales and use tax collected by the State is shared between the state (69%) and the County (31%).

Tax Revenue during Construction

During construction, the Rail Tie Wind Project will pay \$27 million in sales and use taxes, of which \$14.6 million would be distributed to Albany County and \$12.4 million would be distributed to the State. The calculations are outlined below:

Rail Tie Wind Project equipment and materials cost = \$450 million

One-Time Construction Sales & Use Tax Payment to Albany County =

$$(\$450 \text{ million} * 4\% \text{ State tax} * 31\% \text{ distributed to County}) + (\$450 \text{ million} * 2\% \text{ County tax}) = \$14.6 \text{ million}$$

One Time Construction Sales & Use Tax Payment to State =

$$\$450 \text{ million} * 4\% \text{ State tax} * 69\% \text{ distributed to State} = \$12.4 \text{ million}$$

Tax Revenue during Operations

During operations, the Rail Tie Wind Project will pay ongoing sales and use taxes for any equipment or materials purchased for the Project. Each year of operations, the Project will pay on average \$0.5 million in sales and use taxes, of which \$0.2 million would be distributed to the State and \$0.3 million would be distributed to Albany County annually.

Rail Tie Wind Project annual equipment and materials cost = \$8.7 million

Annual Sales & Use Tax Payment to Albany County =

$$(\$8.7 \text{ million} * 4\% \text{ State tax} * 31\% \text{ distributed to County}) + (\$8.7 \text{ million} * 2\% \text{ County tax}) = \$0.3 \text{ million}$$

Annual Sales & Use Tax Payment to State =

$$\$8.7 \text{ million} * 4\% \text{ State tax} * 69\% \text{ distributed to State} = \$0.2 \text{ million}$$

Excise Tax Revenue from Rail Tie Wind Project

	Excise Tax on Wind Generation
Albany County	\$1.2 million
State of Wyoming	\$0.8 million
Annual Total	\$2.0 million
Total over 35-year project life	\$64 million

The Excise Tax on Wind Generation, also known as the “Wind Tax,” is a Wyoming-specific tax of \$1.00 per megawatt hour (MWh) on electricity generated by wind beginning three years after the wind turbine first generated electricity. 40% of the revenue generated is deposited in the State general fund, with the remaining 60% distributed to the county within which the project is located.

The \$2,000,000 annual Wind Tax paid by the Rail Tie Wind Project corresponds to estimated annual energy production of 2,000,000 MWh. The estimated energy production is based on more than 5 years of wind data collected in the project area. The Rail Tie Wind Project is located in one of the best wind resources in the western United States, which will enable the Project to have a net capacity factor of 45%. The net capacity factor is the ratio of actual expected energy generation over the maximum energy that could be generated if the project was constantly operating at full power.

Annual Excise Tax on Wind Generation =

$$504 \text{ megawatt project size} * 8760 \text{ hours in a year} * 45\% \text{ net capacity factor} * \$1.00/\text{MWh tax}$$

$$= \text{approximately } \$2 \text{ million per year}$$

Property Tax (Ad Valorem) from Rail Tie Wind Project

	Property Tax
Year 1	\$4.4 million
Average annual over project life	\$1.94 million
Total over 35-year project life	\$68 million

The Rail Tie Wind Project will pay property taxes (aka ad valorem taxes) to Albany County. Given the Project’s location, Albany County will apply a mill rate of 0.068, which means it calculates \$68.00 of tax for every \$1,000 of assessed value.¹

The State’s Property Tax Division will be responsible for calculating the assessed value of the Project. The State treats property taxes on wind development the same as other utility property, which means it applies a 11.5% Level of Assessment to the fair market value. Calculation of the fair market value is a complex process that requires the State to consider multiple factors. Therefore, the calculations below provide a simplified, *rough* estimate of the potential property tax payments.

Year 1 Property Tax Payment to Albany County =

$$\$563.7 \text{ million installed Project cost} * 11.5\% \text{ Level of Assessment} * 0.068 \text{ mill rate} = \$4.4 \text{ million}$$

The fair market value of the Project will decrease over the operational life. Again, the calculation of the fair market value is a complex process; however, a rough estimate can be calculated by depreciating the installed Project cost over a 20-year period with a 20% floor. This results in an annual decrease of approximately \$22.5 million to the Project cost for the first 20 years of the Project life, and an average property tax payment of approximately \$1.94 million over the 35-year Project life.

¹ ConnectGen initially estimated property tax payments using an average Albany County mill rate of 0.07088, which had resulted in estimates that were slightly higher than ConnectGen’s current estimates. The County Assessor has since confirmed that 0.068 is the appropriate mill rate for the Project.