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Turbine tax showdown with energy giants planned for this summer

Brenda Battel, Tribune Staff Writer And Mary Drier For the Tribune

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UPPER THUMB – With millions of dollars in local revenue at stake, the long-time controversy over the way wind turbines are taxed will be heading to court this summer.

Carl Osentoski, who coordinates the **Michigan Renewable Energy Collaborative** (MREC), said the dispute connected to the **NextEra** Energy Resources LLC project in Tuscola County's Gilford Township will be heard mid-to-late summer.

After several years of waiting, the issue of changing the taxable rate of wind turbines in the Tuscola Bay Wind Farm will be heard.

Contention over wind development started in 2011 when the **Michigan Tax Commission (STC)** arbitrarily changed the taxing methodology and depreciation on wind turbines. The change lowered taxable values on turbines along with a faster depreciation rate.

Because the change meant millions of dollars in lost revenue, the counties and some townships that were impacted joined together to form MREC. It includes the counties of Gratiot, Huron, Mason, Sanilac and Tuscola, as well as some townships in those counties.

Ron Wruble, Huron County commissioner and finance chair, said that there are numerous decisions at various levels of the appeals process.

The collaborative hired attorney Clark Hill to represent them in challenging STC's decision.

Millions of dollars in revenue for counties and local governments is contingent on the outcome of the legal action.

Under the state tax commission's 2011 ruling, wind turbines went from a 100 percent assessment in the first year, with a scheduled depreciation to 30 percent value in 15 years where it would level out, to an 80 percent initial assessment, with a depreciation to 30 percent value in six years.

Although the state changed the tax schedule, local assessors and boards of review could still use the old depreciation schedule if they felt it was an accurate cash value of turbines, which they did. That prompted energy companies to challenge the decision to use the original rate rather than the new one.

As MREC entities wait for their day in court, they have escrowed the difference between the STC rate and the Appraisal Economic (AE) rate assessors used.

And the amount of revenue at stake is increasing.

The first wind farm in Tuscola County started in 2012, and more wind development is on the horizon as NextEra and Consumers Energy are each in the process of developing wind farms.

Although future projects in Huron County are currently under a moratorium on wind development, voters will go to the polls in May to determine whether projects by **DTE Energy** and NextEra will go forward in Dwight, Sigel, Bloomfield, Lincoln and Sherman Townships.

NextEra has pledged to use the AE tax schedule for its upcoming Sherman and Sigel township project.

Energy company officials contend the value of a multi-million dollar wind turbine should be 30 percent less than the original cost from the start because a federal grant that helped pay for it – and therefore their cost is lower.

MREC's position is that the full value of the turbine is taxable no matter how it is funded.

"Both parties will most likely appeal the Tax Tribunal ruling and it could take up to two years for the court of appeals to hear the case," said **Mike Hoagland**, Tuscola County controller, noting the issue could go to the Michigan Supreme Court.

MREC is hoping the STC will adopt the AE table because it is the most advantageous economically to governmental entities.

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