

Wind Fact Sheet #2: PILOT payments

Noble Environmental Power, LLC



What is a PILOT?

PILOTs are payments-in-lieu-of-taxes that are made to tax jurisdictions such as schools, counties, cities, towns, or villages; the amount is negotiated between developers, such as Noble Environmental Power, LLC and the tax jurisdiction. The PILOT is a payment that allows Noble to pull its own weight as a presence within the community. For example, Noble will be using the community's roads or perhaps its emergency medical services; the PILOT would certainly cover the use of those community services. The PILOT also supplements the local tax revenue, and often, provides a substantial profit to the community.

Currently, "payment of additional property taxes on improvements associated with wind turbines...is exempt for a period of 15 years under the New York State Real Property Tax Law (RPTL Section 487) unless disallowed by the local taxing jurisdiction" (PowerNaturally.org). The exemption pertains to any tax jurisdiction as mentioned above; and these tax jurisdictions have the right to withdraw the exemption. To do so, the tax jurisdiction would pass "a local law or school district resolution to disallow it." In the absence of a retraction, local tax jurisdictions have the ability to enter into a PILOT agreement. If the local tax jurisdiction chooses not to enter into a PILOT agreement, the developer will be subject to bear the "full tax burden" of the project.

Is there a common PILOT structure, which most developers keep in mind when entering into a PILOT agreement with a local taxing jurisdiction?

Yes, the PILOT payment cannot exceed "what would have been owed had the equipment been assessed under the ordinary tax provisions" (PowerNaturally.org). PILOT structures also differ depending on the location. The PILOT agreement is negotiated according to a set precedent; as a result, developers generally offer to pay approximately \$5,000 per MW per year in a 15 year contract. For example, the PILOT payments from Noble's three 2006 Clinton County Windparks will total over \$21,375,000 over 15 years. Additionally, wind energy developers make benefit payments to the communities which host their windparks.

Why don't windparks pay full property tax?

Every type of power plant in New York has been built with a PILOT; wind plants are subject to the same regulations. As is the case with other types of power plants, the up-front investment in the equipment that it takes to build a windpark is tremendous. If developers had to pay taxes on the total value of the equipment, it wouldn't make economic sense to build any type of power plant. In particular, the cost of equipment for a windpark is more expensive (on an installed MW basis) than equipment for other types of electrical generation. To tax windparks on the upfront value of the equipment would be doubly unfair.



Helpful Sites/Additional Reading:

Renewable Energy Vermont - *The Economic Benefits of Wind Farm Development in Vermont* - <http://www.noblepower.com/reference/documents/02-11EconBenVTWindfarms.pdf>

NYSERDA - *Property Tax: Exemptions and PILOT (payments-in-lieu-of taxes)* - http://www.powernaturally.org/Programs/Wind/toolkit/19_propertytaxexemptions.pdf

NREL - *Wind Energy for Rural Economic Development* - <http://www.noblepower.com/reference/documents/05-01DOEwindrualbenefits.pdf>

ECONorthwest - *Economic Impacts of Wind Power in Kittitas County, Final Report* - http://www.noblepower.com/downloads/wind_energy_economics/economics_kittitas_cty.pdf

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