

AMENDED

ARIZONA STATE SENATE  
RESEARCH STAFF



TO: MEMBERS OF THE SENATE

DATE: March 24, 2014

SUBJECT: Strike everything amendment to H.B. 2403, relating to valuation; tax; renewable energy equipment

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Purpose

Specifies procedure relating to the full cash value and depreciation of renewable energy equipment.

Background

The Department of Revenue (DOR) determines valuation of centrally assessed property. Centrally assessed property in Arizona includes mines, railroads, private car companies, electric, gas, and water utilities, pipelines, airlines and telecommunications providers that are located in more than one county.

Current statute defines *renewable energy equipment* as electric generation facilities, electric transmission, electric distribution, gas distribution or combination gas and electric transmission and distribution and transmission and distribution cooperative property that is used or useful for the generation, storage, transmission or distribution of electric power, energy or fuel derived from solar, wind or other nonpetroleum renewable sources not intended for self-consumption.

The centrally assessed value of renewable energy equipment is statutorily set at twenty percent of the depreciated cost of the equipment. Depreciation is an annual allowance for the wear and tear, deterioration or obsolescence of property. The value of a depreciated property is arrived at by subtracting the acquisition cost of that property from the appropriate depreciation for that property as prescribed by DOR. The depreciated value may not be lower than fair market rate for the property.

The fiscal impact to the state General fund associated with this legislation is unknown.

Provisions

1. Stipulates depreciated cost for renewable energy equipment must be calculated by subtracting the depreciated value from the taxable original cost.
2. Defines the following:

- a) *depreciation* means a straight line depreciation of value, as defined by DOR, over the useful life of equipment, and prohibits depreciation exceeding 90 percent of the adjusted original costs;
- b) *original cost* means the actual cost, without trending, of the acquisition or construction of property. Acquisition or construction includes additions, retirements, adjustments and transfers of property; and
- c) *taxable original cost* means the original cost of the renewable energy equipment minus the value of applicable investment and production tax credits or cash grants.

3. Makes technical and conforming changes.

4. Becomes effective on the general effective date.

Amendments Adopted by Committee

- Adopted the strike everything amendment.

Senate Action

CEM 3/19/14      DPA/SE      4-0-2-1

Prepared by Senate Research

March 24, 2014

JT/TL/tf