

ARIZONA DEPARTMENT OF REVENUE

Property Tax Division – Centrally Valued Property Unit

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TAX YEAR 2014

RENEWABLE ENERGY EQUIPMENT COMPANIES

PROPERTY TAX FORM FILING INSTRUCTIONS

FILING DUE DATE: APRIL 1, 2013

Reporting Year End December 31, 2012

FILING INFORMATION

This report is to provide information necessary for consideration in determining the full cash value of your renewable energy equipment property in Arizona for property tax purposes. (A.R.S. §§ 42-11051 through 42-11053, 42-14151 through 42-14153, 42-14156 through 42-14158, and 42-14001 through 42-14005). Additional information on the referenced statutes can be obtained on the internet at www.azleg.state.az.us/arizonarevisedstatutes.asp.

Taxpayer may elect to provide the required information in paper or electronic format. To obtain the electronic format, email your request to the address in the heading above. If the electronic format is selected, a paper copy of all pages of the completed Property Tax Form must also be returned to the Department. Do not email your completed forms due to the confidential nature of the information that is reported. The paper copy of the verification page must be signed, dated, and notarized for the report to be accepted by the Department. **DO NOT DETACH ANY PAGES.**

This report, supporting schedules and requested documents must be filed by April 1, 2013, or the extended due date if an extension is granted. Extension requests must be in writing and will be granted only for good cause. Extension requests should be only for reports, information, or documentation that is not available on April 1, 2013. The deadline for extension requests is March 20, 2013.

Refusal or failure to file a completed report on or before April 1, 2013, or on the extended due date if an extension is granted, will result in a valuation of one hundred five percent of the prior year's full cash value or a value based upon other information available to the Department. In addition, a penalty will be assessed in the amount of the lesser of one-half of one percent of the value estimated by the Department or one hundred dollars per day for each day the company fails to file the report calculated from the original due date, April 1, 2013. (A.R.S. §42-14152)

If a completed report is not filed by May 20, 2013, the company forfeits its right to appeal the valuation and classification of the property pursuant to A.R.S. § 42-14005. This report, even if submitted on or before the due date, will be considered incomplete, and therefore, delinquent and subject to a penalty pursuant A.R.S. § 42-14152, unless all information requested, including supplemental reports and company documents, are provided to the Department of Revenue. If additional information is requested by the Department, that information must be provided within the time period specified by the Department from the date of the request.

ARIZONA PROPERTY TAX FORM REPORTING INSTRUCTIONS
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FILING INSTRUCTIONS

1. Refer all questions concerning this report to the Department of Revenue, Property Tax Division, Centrally Valued Property Unit, at (602) 716-6179.
2. Copies of the following reports as applicable to your company, as of December 31, 2012, must be filed with this report unless submitted with A.R.S. section(s) 42-14154 or 42-14156 property report (Generation, Transmission and/or Distribution Property):
 - a. Audited financial statements.
 - b. Schedules summarizing and itemizing non-capitalized leased or rented operating property. For reporting instructions, see page 4.
 - c. Worksheets/schedules allocating System cost to Arizona for year ending December 31, 2012. If accounting year-end is other than December 31, 2012, provide documentation/schedules adjusting your fiscal year end figures to December 31, 2012.
3. File separate forms for each renewable energy equipment plant(s) owned, or partially owned as an undivided interest by the taxpayer. If the taxpayer is reporting multiple plants, copy the following forms, as needed so that information of each individual plant is reported on its own form: DOR Form 82054(REE), Tabs 2, 3, 4, 5, 6, 7, and 8. Combine all forms into a single filing.
4. All forms must be typewritten, or legibly printed in ink, or completed electronically using Microsoft Excel 2007 or earlier software. If more space is required to complete any form, additional pages may be printed and attached as needed.
5. All amounts are to be rounded to the nearest dollar.
6. If filing electronically, input data in the blue highlighted cells only; yellow highlighted cells are formula computed. Reset print area as needed to include all reported data. Unless otherwise set, print area for each tab is preset to print one page of information. When all forms are completed and you are ready to print, **“Ctrl + Shift +P”** will print all the tabs and the additional pages that may have been included in the print range.

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STATEMENT OF ORIGINAL COST (PS 1220-01)

LOCATION & ORIGINAL COST OF ALL REAL AND PERSONAL OPERATING PROPERTY

**By Tax Area Code, Including Renewable Energy Equipment CWIP,
Non-Capitalized Leased Property, and Materials and Supplies**

Companies who do not own transmission and distribution property in Arizona, and who have previously reported generation improvement/personal property cost, will receive a computerized report titled “Statement of Original Cost (PS 1220-01)”, enclosed with their generation plant property tax form. This “Statement of Original Cost” is used for the purpose of allocating your full cash value to the taxing jurisdictions in which the generation plant property is located. This report should include all generation facility real property improvements and personal property costs that were reported in the previous year, by county and tax area codes. If your company’s real improvements and personal property is being valued for the first time, please refer to Tab 9- Statement of Original Cost in lieu of this report.

Utility companies with both generation and transmission and distribution property will receive a consolidated original cost report enclosed with the transmission and distribution property tax reporting form (DOR Form 82054).

Please update the report with original costs of real property improvements and personal property as of December 31 of the reporting year, including all construction work in progress, materials and supplies, non-capitalized leased property acquired during the year and railcars if any by county and tax area code. Do not include cost of fee land, land rights, or licensed vehicles work in progress on this report. Please review report and make note of any tax area code change directly on the report to update your records accordingly. If property is located within tax area codes not listed on the report, modify the report as needed. If tax area codes are not known, they can be obtained from the county assessor’s office in the county where the property is located. In Maricopa County use only the Department’s four-digit tax area code, not the county’s six-digit code.

OPERATING LAND BY TAXPAYER (PS 1220-12)

Those companies with land being valued for the first time as centrally assessed property, please complete and return Tab 7-Operating Land Additions in lieu of this report.

Companies who do not own transmission and distribution property in Arizona, and who have previously reported renewable energy equipment land parcels to the Department, will receive a copy of a computerized report titled “Operating Land by Taxpayer (PS 1220-12)” with their renewable energy equipment property tax form. This report contains all renewable energy equipment operating land parcels owned by the taxpayer that were valued by the Department in the previous year.

Utility companies with both generation (renewable and/or non-renewable), and transmission and distribution property, will receive a copy of their operating land report with the transmission and distribution property tax form. The report reflects operating land parcel information of both generation, and transmission and distribution utility property previously reported to the Department.

Please review this report to ensure the information listed is complete and correct. If a land parcel has sold or changed use during the previous calendar year, make the corrections by lining through the parcel with red ink and indicate the reason for the deletion. New parcels being added should be reported only on Tab 7- Operating Land Additions, and not in this report.

Submit the updated copy of each report and retain a copy for your files.

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VALUATION METHODOLOGY

Through December 31, 2040, the department shall determine the valuation of taxable renewable energy equipment in the manner prescribed by A.R.S. § 42-14155, as follows:

1. 20% of the sum of the straight-line *depreciated costs, based on life expectancy, per vintage year, of renewable energy equipment as of December 31, 2012. The valuation prescribed for renewable energy equipment shall not reduce the cost below ten percent of the original cost of the property.
2. 20% of the value of construction work in progress as of December 31, 2012.
3. 20% of the value of materials and supplies as of December 31, 2012.

The full cash value of each renewable energy equipment facility will be the summation of the following:

- A. The summation of paragraphs 1, 2 and 3 above added to the original cost to the current owner of the land used by the facility.

**Depreciation Lives:
Solar - 30 Years
Wind - 25 Years
Biomass - 25 Years*

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REPORTING INSTRUCTIONS FOR PROPERTY TAX FORMS

On all reporting forms write the taxpayer name, designated DOR property taxpayer number, and renewable energy plant name. Report data for each renewable energy plant and/or energy source on a separate form.

TAB 1 - PROPRIETARY INFORMATION (Tab 1)

Report proprietary information as outlined on the form.

TAB 2 – RENEWABLE ENERGY EQUIPMENT DATA BY PLANT (Tab 2)

Enter the name and address of each renewable energy plant. For each renewable energy block within each plant, report the date in operation, renewable energy source, turbine type, solar panel type, number of units, manufacturer, name plate MW capacity, net summer MW demand capacity, operation type, total gross generation kWh, and hours connected to load as outlined on the form.

TAB 3 – RENEWABLE ENERGY EQUIPMENT LAND DESCRIPTION BY PLANT (Tab 3)

Report the plant name, county name, assessor parcel number, acre/size, the owner's original cost and whether owned or leased, for each parcel of land used in the operation of the generation plant. Land parcels not currently used directly in the operation of the generation plant should be reported to the local County Assessor for valuation as locally assessed property.

TAB 4 – REAL PROPERTY IMPROVEMENTS BY PLANT (Tab 4)

Report the plant name, number of buildings, use of each building, and a brief description including such information as building construction, size, etc. For site improvements, report the type of improvements along with a brief description to include such information as quantity, size, construction materials, etc.

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TAB 5 – RENEWABLE ENERGY EQUIPMENT COST BY PLANT (Tab 5)

On a separate reporting form for each plant and/or energy source, report the plant name, total megawatts, renewable energy source, net licensed transportation equipment, materials and supplies, land original cost construction work in progress as of December 31, 2012, in the designated boxes. **Do not** report the cost of non-capitalized leased property on this form. Report leased property in Tab 6 – Non-Capitalized Leased Operating Property. Those costs will be combined with the cost of owned property in the valuation work papers in the respective acquisition year. Exclude the cost of Arizona licensed vehicles.

- Columns 1: Report the cost of renewable energy equipment (should include both real property improvements and personal property) on record as of December 31 by acquisition year
- Columns 2: Report the cost of additions for renewable energy equipment, if any, recorded in the reporting year.
- Columns 3: Report the cost of retirements, adjustments and transfers, if any, recorded in the reporting year, in the same year that the property retired was acquired.
- Columns 4: Total costs reported in prior columns by year.

TAB 6 –NON-CAPITALIZED LEASED OPERATING PROPERTY BY PLANT (Tab 6)

On a separate reporting form for each plant and/or energy source, report non-capitalized leased real and personal operating property located in Arizona as of December 31 of the reporting year. If there is no non-capitalized leased operating property to report, enter “None” on the first line in column one.

- Column 1 Name and address of the Lessor.
- Column 2 Name of the county in which the leased property is located.
- Column 3 Enter the letter “L” for land, “B” for buildings, or the letters “PP” for personal property.
- Column 4 A brief description of the leased property.
- Column 5 Original cost of the leased property to the lessor.
- Column 6 The start date of the lease.
- Column 7 The ending date of the lease.
- Column 8 Amount of lease payments made during the preceding calendar year.

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TAB 7 – OPERATING LAND ADDITIONS BY PLANT (Tab 7)

For those renewable energy equipment plants previously valued by the Department, report land parcel additions that are not reflected on the enclosed “Operating Land Report”, PS 1220-12. On Tab 7, report only parcels purchased or which have changed use to renewable energy equipment operating property between January 1 and December 31 of the reporting year. Enter the county in which each parcel is located, four-digit tax area code, assessor’s parcel number, acreage, original cost, legal description and current use. Renewable energy equipment plants valued for the first time this year will not receive a PS 1220-12 computerized report. Instead, report all land parcel information associated with the operating renewable energy equipment generation facility, regardless of the date of acquisition, on Tab 7. Use a separate reporting form for each plant.

TAB 8 – NON-OPERATING PROPERTY (Tab 8)

Report all real and personal non-operating property, owned or leased, as of December 31 of the reporting year. Enter the county name, four-digit tax area code number, assessor’s parcel number(s), a brief property description, and size in acres. Include non-operating property carried under “Plant Held for Future Use” account.

TAB 9 – STATEMENT OF ORIGINAL COST FIRST TIME FILERS (Tab 9)

This form is to be completed for renewable energy equipment generation plants filing real improvements and/or personal property costs for the first time. Generation plants valued for the first time this year will not receive a PS 1220-01 computerized report. Instead, report all original cost information associated with the operating renewable energy equipment generation facility, regardless of the date of acquisition, on this form. This form is used to allocate full cash value to the tax area code(s) in which the individual renewable energy equipment generation plant property is located. Report the original cost of all owned and leased property (original cost to lessor), construction work in progress, and materials and supplies, as of December 31 of the reporting year. Do not report the cost of land, land rights, licensed transportation equipment in this schedule.

Renewable energy equipment properties previously valued by the Department, will use the enclosed “Statement of Original Cost” PS 1220-01 computerized report, or the consolidated original cost report enclosed with the transmission and distribution property reporting forms for taxpayers with Arizona transmission and distribution property.

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TAB 10 – ORIGINAL COST RECONCILIATION (Tab 10)
(For use only by Independent Power Producers without
Arizona electric transmission and distribution property)

Reconcile the cost of the renewable energy equipment original cost, as reported on DOR Form 82054(REE), Tabs 5 and 6, to the total amount reported on the enclosed DOR “Statement of Original Cost” PS 1220-01 computerized report, or Tab 9 if this is the first year filing. The reconciliation includes real property improvements, personal property original cost, non-capitalized leased property (original cost to the lessor), and materials and supplies. Do not include the cost of land, land rights, licensed transportation equipment, or personal property under construction.

For taxpayers with both generation and transmission and distribution property in Arizona, original cost of generation assets is combined with the transmission and distribution property original cost and will be reconciled in the DOR Form 82054, “Electric Transmission and Distribution Companies.”

TAB 11 – VERIFICATION BY PLANT (Tab 11)

The paper copy of this page must be signed, dated, and notarized for each renewable energy equipment generation plant for the report to be accepted by the Department. The verification should be signed by an officer of the ownership company, or by a designated agent who has prepared and submitted the reporting form(s). If the form is signed by an agent, an agent authorization letter executed annually and in a form acceptable to the Department must accompany the reporting form(s).

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DEFINITIONS

1. **CONSTRUCTION WORK IN PROGRESS** means the total of the balances of work orders for an electric, gas distribution, combination electric and gas distribution or generation and transmission cooperative plant in process of construction on December 31 of the preceding calendar year, exclusive of land rights and licensed vehicles.
2. **DEPRECIATION** means straight-line depreciation over the useful life, as adopted by the Department, of the item of property
3. **ELECTRIC GENERATION** is the process of taking a source of energy, including coal, natural gas, oil, nuclear fuel or renewable sources and converting the energy into electricity to be delivered to customers through a transmission and distribution system.
4. **FEE LAND** means land owned and 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.
5. **LAND** means land owned or leased and used or useful for the generation of electric power.
6. **LAND RIGHTS** means interests, rights, and privileges held in land which is owned by others.
7. **MATERIALS AND SUPPLIES** means the cost, including sales, use and excise taxes and transportation costs to point of delivery in this state, less purchases and trade discounts, of all unapplied materials and supplies on hand in the state of Arizona as of December 31 of the preceding calendar year.
8. **NON-CAPITALIZED LEASED OPERATING PROPERTY** means a lease agreement that transfers use of property to the lessee during the term of the lease and is property that is not capitalized on the lessee's balance sheet.
9. **ORIGINAL COST OF RENEWABLE ENERGY EQUIPMENT** means the actual cost of acquiring or constructing property including additions, retirements, adjustments and transfers.
10. **RENEWABLE ENERGY EQUIPMENT** means electric generation facilities (both real and personal property), electric transmission, electric distribution, gas distribution or combination gas and electric transmission and distribution, and transmission and distribution cooperative property that is located in this state, that is used or useful for the generation, storage, transmission or distribution of electric power, energy or fuel derived from solar, wind or other non-petroleum renewable sources not intended for self consumption, including materials and supplies and construction work in progress but excluding licensed vehicles and property valued under A.R.S. sections 42-14154 and 42-14156
11. **PERSONAL PROPERTY** means tangible property, except for land and real property improvements as described herein. It also includes foundations or supports for machinery or apparatus for which provided.
12. **REAL PROPERTY IMPROVEMENTS** means buildings, including, but not limited to administration buildings, maintenance warehouses and guard shacks, as well as other improvements such as water retention ponds, sidewalks, drives, curbs, parking lots, tunnels, duct banks, canals, reservoirs, sewage treatment ponds, fencing and landscaping.