Docket No. 8400
Exh. TDI-TS-5

State of Vermont
Department of Taxes
133 State Street
Montpelier, VT 05633-1401

Agency of Administration

MEMORANDUM

To: The Towns of Alburgh, Benson, West Haven, Castleton, Ira, West Rutland, Rutland, Clarendon, Shrewsbury, Wallingford, Mount Holly, Ludlow, and Cavendish

From: Douglas R. Farnham, DRF Director of Property Valuation & Review

Date: 6/10/2015

Re: Guidance on Property Tax Calculation for Municipalities Impacted by the New England Clean Power Link Project

Purpose:

This memorandum explains how electric transmission lines are valued and taxed in Vermont.

Discussion:

Vermont taxes electric transmission lines as real property. 32 V.S.A. § 3602a. Real property is valued and placed on the grand list by municipal assessing officials based upon fair market value. Electronic transmission lines are valued and taxed the same for both municipal and education property taxes.

Ownership and property rights associated with the underlying land do not affect the taxability of a transmission line. Tax is due whether a transmission line is on private land or within a highway right-of-way.

The Vermont Department of Taxes presently recommends Replacement Cost New Less Depreciation (RCNLD) as the method of valuation for transmission lines. Vermont and its municipalities currently tax transmission lines owned by the Vermont Electric Power Company (VELCO) and others. Assessing officials consistently follow RCNLD for the existing transmission lines.

Although RCNLD is presently the method that is used, this is not a binding determination that this method or the factors used in computing a value using this method will not be adjusted in the future based on new developments in the law or the availability of different information.

Attached to this memorandum is a chart explaining how RCNLD would be currently calculated for the New England Clean Power Link (NECPL) project.

VERMONT

06-10-15 NC

Calculation of Replacement Cost New Less Depreciation of the Land Segment of the NECPL Project

Calculation of Replacement Cost New:

For years prior to project completion*	Tax as "construction work in progress" (CWIP). For the grand list set as of April 1 of any given year, the land segment of the NECPL would be taxed for CWIP as reported to Property Valuation & Review (PVR) on HUD Form 4465.
For year 1 of the operations period	Use the actual cost of construction, including all direct costs of labor and materials.
For years 2–40 of the operations period	Use Handy Whitman Index to index the historical cost to present value.

Annually, TDI-NE will provide PVR a certification of costs to be used in CWIP and during the subsequent operations period. The Director of PVR will prescribe a form for this annual certification.

Calculation of Depreciation:

Use an Iowa Depreciation Curve for a 40-year asset of this type. PVR will provide assessing officials with the curve. Maximum depreciation for the NECPL project is 70% during the 40-year life. Accordingly, the floor for depreciation is 30% of replacement cost new.

End of Operation:

At the time the project ceases commercial operation, any equipment that is disconnected from the electric grid shall no longer be taxable under 32 V.S.A. § 3602a. The assets that have value may be taxed under other applicable provisions.

*The methodology explained here will not necessarily apply to submerged electric transmission lines.