



DEPARTMENT OF ADMINISTRATION

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BUDGET DIVISION
ENERGY-RELATED TAX INCENTIVE FISCAL NOTE
as required by NRS 701A.375-1(a)

July 22, 2010

Prepared by: Janet Rogers for Andrew Clinger, Budget Division Chief

Based on the information submitted by the applicant and provided to the Department of Administration by the Nevada State Office of Energy, the Budget Division estimates that the energy-related tax incentives provided to Ormat Nevada, Inc. for development of their 15 MW Jersey Valley geothermal facility to be built in Pershing County, Nevada will result in the State foregoing the following revenues:

STATE SALES AND USE TAX ABATED —

Ormat Nevada, Inc. indicates they purchased items subject to Nevada's 2.0% state sales and use tax totaling \$26,685,000 in April 2010. Their application indicates they intend to spend an additional \$1,000,000 in calendar years 2011 and 2012; for purposes of this fiscal note, these amounts are assumed to be split equally between the first and second half of the year. Given this information, the General Fund will be impacted by an abatement totaling \$572,191 including the applicable collection allowance, distributed between fiscal years 2010, 2011, 2012 and 2013 as shown below.

Fiscal Year	Expenditure Subject to Abatement	Amount Abated
FY 2010	\$26,685,000	\$532,366
FY 2011	\$500,000	\$9,975
FY 2012	\$1,000,000	\$19,900
FY 2013	\$500,000	\$9,950
Total	\$28,685,000	\$572,191

STATE PROPERTY TAX ABATED —

According to analysis obtained from the Division of Assessment Standards of the Nevada Department of Taxation, over the 20 year period during which the Ormat geothermal property is eligible for property tax abatement, the total taxable value of the property will range from \$89,712,450 in the first year to \$64,708,248 in the final year. In each of these years, the State would normally have collected a 17 cents per 100 dollar levy for its debt fund. The provisions of Assembly Bill 522 enacted in NRS 701 specify that 55% of the property tax due on the Ormat facility is to be abated. The non-abated portion is split between the State and local governments, with 45% of the non-abated amount paid to the State and the remaining 55% paid to the local government. For applicable property taxes collected prior to June 30, 2011, the State's portion is applied to the General Fund; thereafter, the State's portion is applied to the State of Nevada Renewable Energy Fund.

- Over the 20 years of the abatement, the State's debt fund loses a total of \$918,628, with annual amounts ranging from \$53,379 in the first year to \$38,501 in the last year.
- In the first year of the abatement, the State's General Fund could receive as much as \$196,906 (45% of the amount of the first year non-abated property tax), depending on when the property is acquired; thereafter, the State's General Fund is unaffected by the abatement.