



Laborers' International Union of North America

Midwest Regional Office

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SB 1720 (Rep. Vella): High Impact Business – Wind Farm “Repowering” **LIUNA Midwest Region Position: SUPPORT**

What the Bill Does:

Amends the Enterprise Zone Act’s High Impact Business program for wind farm construction to:

- 1) Clarify that the program applies to all “repowering” projects (i.e. when older wind turbines are replaced with newer ones), regardless of whether the wind farm increases in size or capacity; and
- 2) Extend the program’s tax incentives to the construction of any permanent structure on the wind farm.

Background:

Illinois expanded DCEO’s High Impact Business (HIB) program in 2009 establishing a tax incentive for “new” wind farms and for the “expansion” of existing wind farms. The program exempts the purchase of wind turbine components and transmission-related equipment, etc. from the use (i.e. sales) tax, thus saving wind developers millions of dollars. The Illinois Prevailing Wage Act was amended at the same time requiring payment of prevailing wages to construction workers on wind farms that utilize the HIB tax exemption.

Wind turbines have an expected lifespan of about 20 years, so wind developers are beginning to replace the state’s oldest turbines (called “repowering”). Today’s turbines, however, can generate more electricity than those that will be replaced, so a wind farm that needed 100 turbines to generate 150 megawatts of electricity may only need 50 turbines to produce the same amount of power today. In this example, wind developers would likely replace 50 turbines and remove the other 50 entirely.

Why the Legislation is Needed:

Program Eligibility

In order for a repowering project to qualify for HIB tax incentives the wind developer must “expand” the wind farm. That means that the wind farm must increase the amount of electricity that it produces – and, therefore, find a buyer for that additional power, something that is not always easy to do.

SB 1720 gives the industry additional flexibility in making repowering decisions by authorizing HIB tax incentives to projects that produce the same or slightly less power than the original wind farm.

Prevailing Wage

Further, when wind farms are repowered with the assistance of the HIB program, the Prevailing Wage Act will clearly apply to the demolition of the old towers *when they are replaced* as their removal is required for the erection of the new turbines. However, the demolition of those turbines that are not replaced would not, necessarily, require payment of prevailing wages. SB 1720 clarifies that the Prevailing Wage Act will apply to the demolition of turbines that are not replaced in a repowered wind farm as it is the entire wind farm (i.e. the “facility”) that is given HIB status, not portions of it.

SB 1720 also extends HIB tax incentives to the construction of permanent structures on the wind farm, such as a maintenance building, as they are integral to the entirety of the project.