


**PROPERTY TAX  
ISSUES FOR  
RENEWABLE ENERGY  
INSTALLATIONS**



**PULLMAN  
& COMLEY, LLC**  
ATTORNEYS  
*Pulling Together. Succeeding Together.*

For Appraisal Professionals

Brad N. Mondschein, Esq.  
May 23, 2017

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**TAX POLICY**



- Statutory Requirements for taxing Renewable Energy projects varies by State
- Driven by Policy Decisions made at both the State and Local level
  - State can mandate that Renewable Energy projects be taxed, not taxed or taxed in a certain manner
  - State can allow municipalities to determine whether Renewable Energy projects will be taxed
- The “Standard” is that residential installations are not taxed and commercial projects are taxed

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**Purpose of Presentation**



- State by State analysis of Property Tax Requirements
- US States only (Canadian Provinces are not included)
- Municipal actions are not included but noted when they are available
- Easy to make comparisons
- Allows assessors and project developers to understand what other jurisdictions are doing
- Distinguish between and among various renewable technologies

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**Connecticut**

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- Active solar energy heating or cooling systems.
  - Subject to authorization of the exemption by ordinance in any municipality
  - Added on or after October 1, 1976,
  - to the extent of the amount by which the assessed valuation of such real property equipped with such solar heating or cooling system exceeds the assessed valuation of such real property equipped with the conventional portion of the heating or cooling system, exclusive of any portion of such system related to solar energy, provided this exemption shall only apply to the first fifteen assessment years following construction of such building or addition of any such system to a building
  - Need to file exemption with assessor

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- Definition
  - "active solar energy heating or cooling system" means equipment which (1) provides for the collection, transfer, storage and use of incident solar energy for water heating, space heating or cooling which absent such solar energy system would require a conventional energy resource, such as petroleum products, natural gas or electricity, (2) employs mechanical means such as fans or pumps to transfer energy, and (3) meets standards established by regulation, in accordance with the provisions of chapter 54 by the Secretary of the Office of Policy and Management"

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- Class I renewable energy sources, hydropower facilities, solar water or space heating systems, geothermal energy resources and solar thermal or geothermal renewable energy sources
  - installed for the generation of electricity for private residential use or on a farm
  - Occurs on or after October 1, 2007
  - single family dwelling, a multifamily dwelling consisting of two to four units or a farm

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- Commercial or Industrial Class I Renewable Energy, Hydropower Solar Thermal or Geothermal
  - For assessment years commencing on and after October 1, 2013
    - such source or facility is located in a distressed municipality with a population between one hundred twenty-five thousand and one hundred thirty-five thousand (i.e., New Haven)
      - Installation is for commercial or industrial purposes
      - The nameplate capacity of such source or facility does not exceed the load for the location where such generation or displacement is located
      - Installation occurred after January 1, 2010

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- All other municipalities
  - Upon approval by its legislative body
  - Town may abate up to one hundred per cent of property tax
  - Such installation occurs between January 1, 2010, and December 31, 2013
  - Such installation is for commercial or industrial purposes
  - The nameplate capacity of such source or facility does not exceed the load for the location where such generation or displacement is located

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- All municipalities
  - For assessment years commencing on and after October 1, 2014
    - Such installation occurs on or after January 1, 2014
    - Is for commercial or industrial purposes
    - The nameplate capacity of such source or facility does not exceed the load for the location where such generation or displacement is located or the aggregated load of the beneficial accounts for any Class I renewable energy source participating in virtual net metering
    - Such exemption shall apply only to the amount by which the assessed valuation of the real property equipped with such source exceeds the assessed valuation of such real property equipped with the conventional portion of the source

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- All Municipalities
  - For assessment years commencing on and after October 1, 2015
    - Any municipality may, by vote of its legislative body
    - Abate up to one hundred per cent of the property taxes due for any tax year
    - For not longer than the term of the power purchase agreement, with respect to any Class I renewable energy source that is the subject of such power purchase agreement approved by the Public Utilities Regulatory Authority

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- Passive solar energy heating or cooling systems and hybrid systems
  - By ordinance in any municipality
  - On or after April 20, 1977
  - Only applies to the first fifteen assessment years following construction
- Cogeneration systems
  - By ordinance in any municipality
  - Installed on or after July 1, 2007
  - Ordinance determines number of years for exemption not to exceed the first fifteen assessment years following the installation of a system
  - Ordinance can require payment in lieu of taxes

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**Delaware**

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- No tax is levied on personal property
- PV is considered personal property

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**District of Columbia**

- Exemptions
  - Solar
  - Cogeneration

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**Maine**

- Residential personal property is not taxed
- Commercial may be taxed as personal property
  - Exempt if new personal property that is depreciable under federal law
  - Grid side is usually subject to taxation

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**Maryland**

- On-site customer side Photovoltaic is exempt from real property tax
- Grid side installations are not exempt
- Counties can implement additional exemptions and incentives on real property tax
  - Anne Arundel County (solar and geothermal, 50% of cost or \$2500)
  - Harford County (solar and geothermal, cost or \$2500)
  - Baltimore County (solar and geothermal, 50% of cost or \$5,000)
  - Montgomery County (solar, geothermal, and energy conservation, 50% of cost or \$5,000)
  - Prince George's County (solar and geothermal, 50% of cost or \$5,000)

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### Massachusetts

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- Customer-side photovoltaic and wind exemption for 20 years from the date of installation
- Must be installed on taxable property
  - PV installed on municipal property and owned by a third party is taxable

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### New Hampshire

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- Up to each municipality to implement an exemption
  - Over 80 towns have adopted some form of tax exemption
  - Varies widely from town to town
    - Credits
    - Exemptions
    - Caps
  - Method of valuation also varies
    - Installed costs
    - Market value

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### New Jersey

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- Customer side facilities are not taxed
- Business personal property is not subject to tax
  - Grid side is not taxed

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**New York**

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- New York does not tax personal property
  - Exemptions are for real property or increase in value to real property
- All energy conservation improvements are tax exempt
  - Owned by private individuals
  - Installed on 1-4 family homes
- Local governments can allow a 15 year tax exemption on the increased value on real property attributable to equipment installed
  - Can be customer side or grid side
  - Can enter into PILOT with taxpayer instead
  - Local government must “disallow” exemption

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**New York (Cont'd)**

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- New York City
  - Tax abatement for solar systems installed between 1/1/11 and 12/31/19
  - 2.5%-8.75% of the installed costs up to \$62,500
- Personal property is not subject to tax in New York
  - Commercial grid side installations are real property
  - Based on State agency decision

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**Pennsylvania**

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- Personal property is not subject to taxation
- Commercial installations have been considered industrial machinery and equipment which is exempt from taxation

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## Rhode Island



- After December 1, 2015, all residential systems
- All systems employed by a manufacturer
- Taxation is limited to no more than a conventional energy production facility
  - No different than the presence of a gas furnace, boiler or generator
  - Most likely limited to residential only properties and businesses that own their own systems
- Local municipalities can pass an ordinance exempting renewable energy systems from taxation
  - Can have PILOT (\$5/Kw is benchmark)

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## Vermont



- Local municipalities can exempt property from taxation
  - On-Site use
  - Can include the underlying land up to ½ acre
  - If not exempt, taxed as real property
- Statewide, all facilities of 10Kw or less are exempt beginning in 2013
  - 10 year exemption
- Statewide, all facilities over 10Kw are subject to a fee of \$4/kw payable to the state education tax levy
  - Still subject to local taxes

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## Contact Information



**Brad N. Mondschein, Esq.**  
 Pullman & Comley, LLC  
 90 State House Square  
 Hartford, CT 06103  
 Tel: 860 424 4319  
 Fax: 860 424 4370  
 Email: bmondschein@pullcom.com

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