



# OLR RESEARCH REPORT

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## **PROPERTY TAX EXEMPTIONS FOR RENEWABLE ENERGY SYSTEM**

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You asked that we describe property tax exemptions for renewable energy systems, particularly those found in CGS § [12-81\(56\)](#) and [\(57\)](#). The Office of Legislative Research is not authorized to provide legal opinions and this report should not be considered one.

### **SUMMARY**

CGS § [12-81](#), as amended by PA [13-61](#), exempts some types of renewable energy system from the property tax and allows municipalities to exempt or abate others. The tax treatment depends on the type of system, when and where it was installed, and other factors.

CGS § [12-81\(56\)](#) and [\(62\)](#) provides for local option exemptions while CGS § [12-81\(57\)](#), as amended by PA [13-61](#), has both local option and mandatory exemptions and abatements. In some cases, the law has overlapping provisions. It appears that the mandatory exemptions in CGS § [12-81\(57\)](#), as amended by PA [13-61](#), supersede the local option provisions in CGS § [12-81\(56\)](#).

### **TYPES OF RENEWABLE ENERGY SYSTEMS**

Active solar energy systems use mechanical equipment. For example active solar water heating systems use pumps to move water that has been heated by the sun around a building. Passive systems rely solely on natural forces. For example, a Trombe wall is a type of passive system that uses interior walls to absorb the sun's energy and then radiate it in a building without using fans. Hybrid systems include both active and passive components.

CGS § [16-1](#) defines class I renewable energy sources to include systems that produce energy from solar and wind power, fuel cells, low-impact hydropower facilities, and very low emission biomass facilities. It defines class II renewable energy sources to include certain other biomass and hydropower facilities.

A renewable resources tax treatment may depend on whether it is an active or passive system and a class I or class II resource.

### **PROPERTY TAX EXEMPTIONS FOR RENEWABLE ENERGY SYSTEM**

As Tables 1 to 3 indicate, the property tax treatment of renewable energy systems depends on the type of system, when it was installed, how it is used, and, for systems used for commercial or industrial purposes, the system’s generating capacity. In addition, PA [13-61](#)’s mandatory exemption for such systems begins in 2013 and applies to the energy sources installed as early as January 1, 2010 in a distressed municipality with a population between 125,000 and 135,000 (i.e., New Haven). The local option abatement authorized by PA [13-61](#) is for up to 100% of the property tax on the system.

**Table 1: Mandatory Exemptions**

| <b>System</b>  | <b>Installation Date</b>    | <b>Use</b>  | <b>Generating Capacity</b>                 |
|--|-----------------------------|---|--|
| Passive or active solar heating system or geothermal energy resource (CGS § <a href="#">12-81(57)</a> )  | Any                         | Any   | Any  |
| Class I source or Class II hydropower facility to generate electricity (CGS § <a href="#">12-81(57)</a> )  | On or after October 1, 2007 | 1. Private residential in a one-to-four unit building or<br>2. Farm | Any  |
| Class I source, Class II hydropower facility, or solar thermal or geothermal energy source installed to generate or displace energy in a distressed municipality with a population between 125,000 and 135,000 (i.e., New Haven) (PA <a href="#">13-61</a> ) | On or after January 1, 2010 | Commercial or industrial  | Cannot exceed installation location’s load |
| Class I source, Class II hydropower facility, or solar thermal or geothermal energy source installed to generate or displace energy (PA <a href="#">13-61</a> )  | On or after January 1, 2014 | Commercial or industrial  | Cannot exceed installation location’s load |

**Table 2: Local Option Exemptions and Abatements**

| <b>System</b>   | <b>Installation Date</b>                      | <b>Use</b>                                     | <b>Generating Capacity</b>                 |
|---|---|--|--|
| Active solar cooling systems (CGS § <a href="#">12-81(56)</a> )   | Any   | Any  | Any  |
| Passive or hybrid cooling systems (CGS § <a href="#">12-81(62)</a> )  | Any   | Any  | Any  |
| Class I source, Class II hydropower facility, or solar thermal or geothermal energy source installed to generate or displace energy (PA <a href="#">13-61</a> ) | Between January 1, 2010 and December 31, 2013 | Commercial or industrial (except in New Haven) | Cannot exceed installation location’s load |

**Table 3: Taxable**

| <b>System</b>  | <b>Installation Date</b> | <b>Use</b>  | <b>Generating Capacity</b>           |
|--|--------------------------|---|--------------------------------------|
| Class I source or Class II hydropower facility to generate electricity | Before October 1, 2007   | 1. Private residential in a one-to-four unit building or<br>2. Farm | Any                                  |
| Class I source or Class II hydropower facility                         | Before January 1, 2010   | Commercial or industrial  | Any                                  |
| Class I source or Class II hydropower facility                         | Any                      | Commercial or industrial  | Exceeds installation location's load |
| Class II resources other than hydropower                               | Any                      | Any   | Any                                  |

In some cases, the law has overlapping provisions. Notably, CGS § [12-81\(56\) and \(62\)](#) has a local option exemptions for active and passive solar space and water heating systems while CGS § [12-81\(57\)](#) has a mandatory exemption for such systems. Because the mandatory exemption was adopted later than the local option exemptions, it appears that the mandatory exemption governs. Similarly, CGS § [12-81\(57\)](#) has a mandatory exemption for geothermal systems. But, PA [13-61](#) provides a local option exemption for geothermal systems installed between January 1, 2010 through December 31, 2013 to generate or displace energy for commercial or industrial purposes whose capacity does not exceed the load for the location where it installed. Since the latter provision is both more recent and narrower, it appears that it would govern.

A person claiming any of the exemptions must apply to the town's assessor or board of assessors by November 1st in the assessment year. Failure to file the application on time waives the property owner's right to the exemption for that assessment year. An application is not required for any subsequent year, but if the system is altered in a way that requires a building permit, the alteration is considered a waiver of the right to the exemption until a new application is filed and the right to the exemption is re-established.

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