OLR Bill Analysis  
SHB 7206  

AN ACT EXPANDING THE PROPERTY TAX EXEMPTION FOR CERTAIN RENEWABLE ENERGY SOURCES AND HYDROPOWER FACILITIES.

SUMMARY

This bill generally expands the property tax exemption available under current law for certain renewable energy facilities.

For renewable energy facilities installed for commercial and industrial uses, the bill (1) extends the tax exemption to facilities installed for all nonresidential purposes, rather than just commercial and industrial, and (2) increases the size or number of facilities eligible to be installed at each location.

For renewable energy facilities on farms or for private residential use, the bill prohibits the disqualification of a renewable energy facility from the exemption because it (1) uses or participates in net metering, a tariff policy, or another state program or (2) is owned by someone other than the property owner (e.g., leased solar panels). The bill limits the size or number of installed facilities that are eligible for this exemption to those whose estimated annual production does not exceed the estimated annual load where the facility is located.

To claim either of these exemptions, existing law requires taxpayers to file a written application with the assessor or board of assessors. The bill requires the written application form to include a statement of the facility’s estimated annual load (presumably, the load of the property where the facility is located) and production as of its installation date. The bill also allows someone owning multiple facilities in the same municipality to file a single application identifying each one. Under current law, the assessors must provide the application form. The bill instead requires the Office of Policy and Management secretary to prepare the form and make it available to the public on its website.
EFFECTIVE DATE: October 1, 2019, and applicable to assessment years on or after that date.

FACILITIES FOR NONRESIDENTIAL PURPOSES

Current law generally exempts from property tax the following facilities installed on or after January 1, 2014, for commercial or industrial purposes: (1) Class I renewable energy sources (e.g., wind and solar) or (2) solar thermal or geothermal renewable energy sources. The bill broadens the exemption by applying it to facilities installed for nonresidential purposes, rather than just commercial or industrial purposes.

Current law provides this exemption only for facilities with a nameplate capacity less than or equal to their location’s load. Nameplate capacity is generally the maximum potential output of the energy source under ideal conditions. The bill instead makes such renewable energy sources eligible for the exemption if their estimated annual production does not exceed the estimated annual load for the location where they are installed. Because annual production estimates would presumably account for performance under actual conditions rather than ideal conditions, the bill effectively expands the number or size of facilities eligible for the tax exemption (i.e., more or larger facilities could be installed without exceeding the location’s estimated annual load because estimated annual production would be lower than nameplate capacity).

FACILITIES ON RESIDENTIAL PROPERTY AND FARMS

Current law exempts from property tax Class I renewable energy sources (e.g., wind and solar) installed on or after October 1, 2007, for private residential use or on a farm. Under the bill, such facilities must not be disqualified from the exemption because they (1) participate in net metering, tariff policies, or other state programs or (2) are owned by a party other than the owner of the property where the facility is installed (e.g., leased solar panels). In practice, the application of current law to leased facilities varies across municipalities.

Current law does not cap or limit the size or number of installed
facilities eligible for this tax exemption. Under the bill, the exemption is limited to those facilities whose estimated annual production does not exceed the estimated annual load where the facility is located.

COMMITTEE ACTION
Planning and Development Committee

Joint Favorable Substitute
Yea 18 Nay 3 (03/29/2019)