Legislative Testimony of Sunrun, Inc.
To the Committee on PLANNING AND DEVELOPMENT
February 3, 2021

In SUPPORT of House Bill 6106: AN ACT CONCERNING THE PROPERTY TAX EXEMPTION FOR CERTAIN RENEWABLE ENERGY SOURCES AND NONRESIDENTIAL HYDROPOWER FACILITIES

Sunrun appreciates the opportunity to provide testimony supporting H.B. 6106. Sunrun Inc. is the nation’s leading home solar, battery storage, and energy services company. Founded in 2007, Sunrun pioneered home solar service plans to make local clean energy more accessible to everyone for little to no upfront cost. Sunrun’s innovative home battery solution, Brightbox, brings families affordable, resilient, and reliable energy. The company can also manage and share stored solar energy from the batteries to provide benefits to households, utilities, and the electric grid while reducing our reliance on polluting energy sources. Sunrun’s offices in North Haven and Hartford support 150 Connecticut-based employees.

H.B. 6106 adds clarifying language to the existing exemptions in C.G.S. §§ 12-81(57)(A) and (D) that should resolve any perceived ambiguity regarding the legislature’s intent to exempt residential solar systems from being subject to property tax. The bill is prospective in nature and is meant only to clarify the state’s existing policy rather than adjudicating past tax payments, which is best resolved in other venues. H.B. 6106 ensures that the statute will provide the comprehensive exemption the legislature intended, and Sunrun respectfully urges its swift passage.

The property tax exemption for renewable energy systems is a key component of the state’s solar policy framework. This popular policy has been similarly adopted in more than 30 states and is meant to remove a financial barrier to the deployment of clean, renewable energy projects. Connecticut enacted C.G.S. § 12-81(57)(A) in 2007, which provides a broad property tax exemption for renewable energy systems, including solar energy systems that generate electricity for residential use.

In 2013, Connecticut expanded the scope of the property tax exemption by enacting C.G.S. § 12-81(57)(D) to cover commercial solar energy systems. As the attached letter from Senate Majority Leader Bob Duff explains, the legislature’s intent was to provide a property tax exemption for all behind-the-meter solar energy systems, whether owned by the homeowner or via a third-party-ownership lease or power purchase agreement. He writes, “Both the state’s leasing and power purchase agreement programs are predicated on the understanding that the solar PV systems are exempt from local property taxation in Connecticut pursuant to C.G.S. § 12-81(57)(A).” Senator Duff, who chaired the Energy and Technology Committee at the time of the property tax exemption’s passage, goes on to explain that “the legislature did not intend to deny an exemption based on participation in net metering or ownership requirements that are not expressed in the statute.”

This clear tax exemption was relied upon by businesses to start up, or expand their operations, in Connecticut since its initial passage in 2007. The solar industry supports 2,234 jobs in Connecticut and has contributed hundreds of millions of dollars in economic activity. Unfortunately, a small minority of municipalities have challenged solar energy systems’ eligibility for the property tax exemption. Several

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of these municipalities have issued personal property tax assessments against Sunrun and other solar installers, which is currently the subject of litigation. All parties would benefit from the clarity provided in H.B. 6106 to avoid further litigation on this matter.

There are primarily two rationales that have been provided to justify the taxation of residential solar systems, both of which are addressed in H.B. 6106. The first is that participation in the net metering program, where electricity generated by the solar systems is exported back onto the electric grid in exchange for a credit on the customer’s utility bill, disqualifies systems from receiving the property tax exemption. The net metering program is the only program available for residential customers to install solar through, thus this rationale would drastically limit the eligibility of the property tax exemption to only off-grid solar installations, which clearly conflicts with the purpose of the exemption.

The second is that third-party owned systems do not qualify for the exemption. This rationale reads a restriction into the statute where one does not actually exist. In the current statute, eligibility hinges on the phrase “generation of electricity for private residential use,” which is focused on who is actually using the electricity generated by the system. Regardless of system ownership, the electricity is always used by a residential customer. 100% of the benefit of the net metering program accrues to the residential customer either through reduced utility-supplied electricity or as a utility bill credit for exported electricity. This has led to situations where two mechanically identical systems utilizing the exact same programs are treated differently. The vast majority of municipalities apply the exemption to third-party owned systems. Roughly 75% of the residential solar systems in Connecticut utilize third-party ownership models.

Not only is the uncertainty of post hoc tax assessments problematic for the industry’s ability to successfully operate in the Connecticut market, it would also twist the exemption into only benefitting primarily higher income households. Third-party ownership models are the primary method for low-to-moderate (“LMI”) households to install solar because it does not require any upfront payment, has lower financing requirements, and provides immediate utility bill savings. In fact, Connecticut has been a national leader on solar access for LMI households, with nearly 50% of all residential solar being installed in census tracts below the median income. If third-party ownership systems are allowed to be taxed, thus increasing the system cost, it will primarily hurt LMI families whose access to solar would be restricted - if not eliminated. The property tax exemption would effectively be a tax break for higher income households who already have thousands of dollars that they are able to use to purchase and own a solar system. Providing equal access across income levels is an issue the industry is striving to address across the country, and this would make that nearly impossible to do so in Connecticut.

Thank you for the opportunity to provide testimony and we strongly urge you to pass H.B. 6106.

Sincerely,

Kyle Wallace
Sr. Manager, Public Policy

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January 29, 2019

Mr. Neal Divver  
Senior Director, Tax Accounting  
Suarun  
595 Market Street  
29th Floor  
San Francisco, CA  94105

Dear Mr. Divver:

As requested, you have asked that I confirm the legislative intent of Connecticut General Statute (C.G.S.) § 12-81(57)(A). Having been the Chair of the Energy and Technology Committee at the time of recent amendments, I am able to clarify the intent of this legislation as per your request.

Upon review and recollection, we contemplated the distinction that exists for residential property owners. Solar companies and developers lease solar PV systems to residential property owners and provide energy to these property owners with systems that are installed on their own residential property. In discussion of this provision it was clear to us that both the State’s leasing and power purchase agreement programs are predicated on the understanding that the solar PV systems are exempt from local property taxation in Connecticut pursuant to C.G.S. § 12-81(57)(A). This provision provides that all Class I renewable energy sources installed for the generation of electricity for private residential use at a single or multifamily dwelling on or after October 1, 2007 are exempt from local property taxation. As per C.G.S. § 16-1(a)(20), solar power was expressly included in the definition of Class I renewable resources.

During the legislative process, our intent was to clearly preserve the mandatory local tax exemption for private residential use that is set forth in C.G.S. § 12-81(57)(A). While this provision does exclude certain grid-side systems from the scope of this exemption, the legislature did not intend to deny an exemption based on participation in net metering or ownership requirements that are not expressed in the statute. Moreover, in updating C.G.S. § 12-81(57)(D), we intended to clearly communicate that participation in net metering is entirely consistent with the property tax exemption applicable to behind-the-meter solar PV.

Should you have further questions please do not hesitate to contact my office.

Sincerely,

Bob Duff  
Senate Majority Leader