

SUPPORT SB09-177

“Valuation of New Solar Energy Facilities for the Purpose of Property Taxation”

Senate Committee: Local Government and Energy

The bill specifically applies to new solar energy facilities first placed in production on or after January 1, 2009 with a generation capacity exceeding 2 megawatts (2MW), in compliance with public utility valuation requirements. This bill grants solar energy facilities the same property taxation treatment as wind facilities as determined by HB06-1275.

Solar energy facilities will be valued based solely upon the **income approach**, due to:

- High capital construction costs for solar utilities
- Variability in energy production capabilities
- Lack of evidence that use of the cost approach and market approach results in uniform tax valuation for traditional and renewable energy generation facilities.

Local taxation and property tax revenue

Property taxes for qualifying solar energy facilities are lower in early years of operation, but increase as gross revenue increases.

Over a 20-year horizon, aggregate property tax revenue remains unchanged.

Short-term reductions in property tax revenue from qualifying facilities will depend on:

- Size of the facility
- Power purchase agreements
- Capital costs
- Applicability of local property tax revenue limits

Factors influencing actual valuation and approval for income valuation of the operating property and plant

Actual value of a solar energy facility will equal to projected gross revenue of the facility

- Projected gross revenue equals tax factor times the selling price per kilowatt hour at the interconnection meter.

$$\text{Actual(market)value} = (\text{gross revenue}) \times (\text{tax factor})$$

- For purposes of calculating the tax factor, solar energy facilities must provide a copy of the facility's current power purchase agreement to the administrator by April 1 of each assessment year.

Personal property must first be put into use by a qualifying solar facility before actual value is assigned to the property.