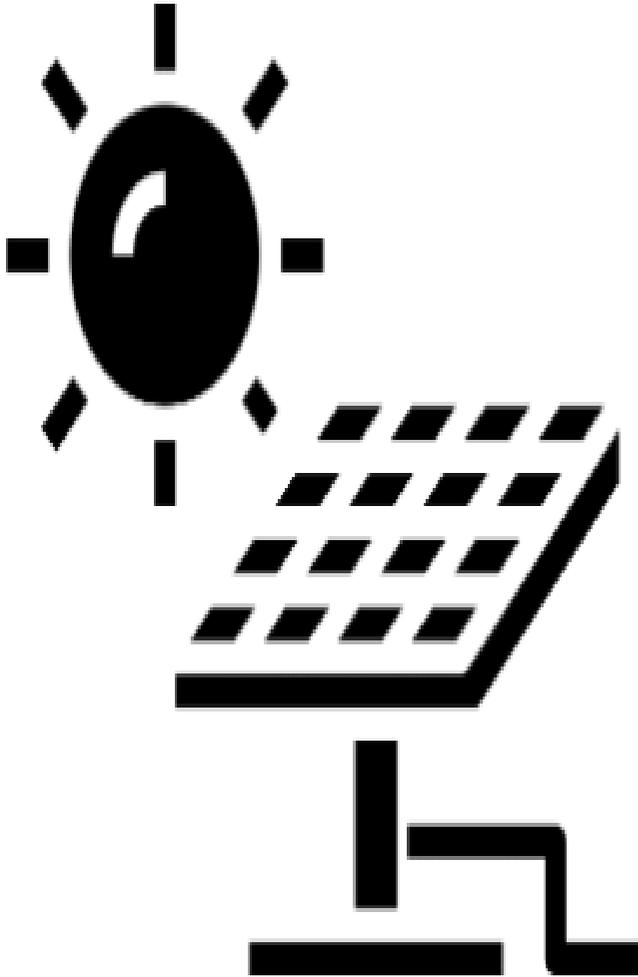


Solar Tax Equity Problem and Solution

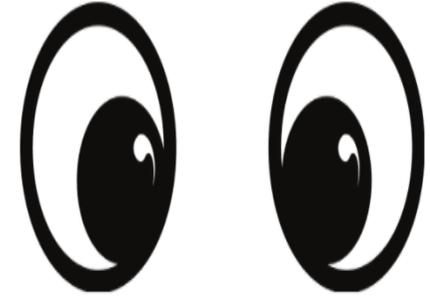


Property Tax
Minnesota Legislature
93rd Legislature

February 8, 2023

Jeff Johnson, Retired Stearns County Property Services Director
Joe Perske, Chair, Second District Stearns County Commissioner

Eyes on Equity:



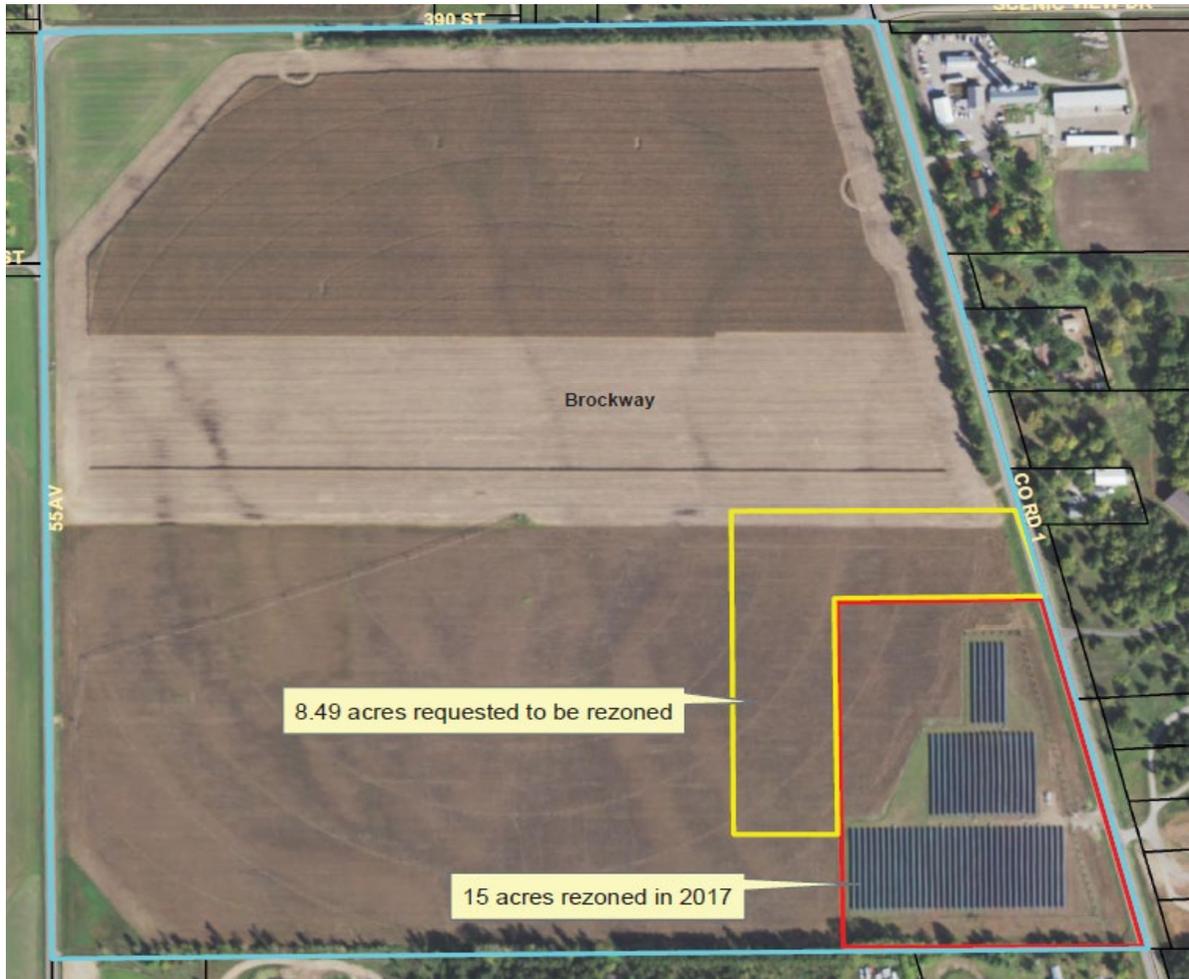
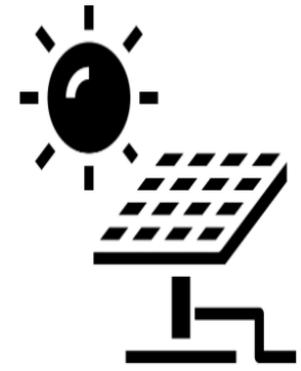
-
- ✓ This bill restores tax equity on a local level.
 - ✓ The current law (MS 272.02, Subdivision 24) no longer provides for the fair and equitable assessment of land supporting multiple solar generating systems.
 - ✓ The proposed change is important to counties due to:
 - an upsurge in the practice of clustering smaller systems (≤ 1 MW output capacity) on the same parcel, and
 - the inability of assessors to classify much of this land as 3a commercial for tax purposes.
 - ✓ This proposal will close an unintended loophole in the property tax code and foster more uniformity in the classification of these properties across the state.
 - ✓ The current law guiding assessors in the classification of land says:

Solar Tax Equity Problem



-
- Land supporting a > 1 MW system is used primarily for solar production and is classified as 3a commercial while the primary use of land supporting a ≤ 1 MW system is not for solar production and is classified like the surrounding land without regard to the system.
 - When multiple systems are located on the same property, they can only be combined for tax purposes if: (1) the ownership, sales arrangement, interconnection, revenue-sharing, and financing is the same, (2) they are built in the same 12-month period, and the systems are considered a single development.
- ✓ Most solar farms do not meet the 1 MW nameplate capacity threshold which results in no change in the land classification for tax purposes.
 - ✓ Solar farms constructed incrementally on the same property allow some developers and landowners to evade being taxed as commercial.
 - ✓ Similar similar gas, water, and electric utility properties and properties with billboards and communication tower sites are taxed as commercial based on their primary use.

Solar Farm Example:



Solution and Support:



-
- This bill is a viable solution in addressing the solar tax equity problem without creating a disincentive for solar development.
 - It does not impose a production tax on ≤ 1 MW solar energy generating systems.
 - It allows land supporting multiple solar farms that cannot be combined for the purposes of the production tax under MS 272.0295, but is in aggregate over 1 MW, to be classified by assessors as 3a commercial.

 - This bill with the highlighted amendment was introduced in the 2021-2022 Legislative Session and vetted with local government officials, solar partners, and landowners.
 - AMC and MAAO as well as many counties and state legislators are supportive.
 - MnSEIA did not oppose.
 - MnDOR did not take a position.

Thank you!

Comments and Questions

