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## OLR Bill Analysis

### sHB 6106

#### ***AN ACT CONCERNING THE PROPERTY TAX EXEMPTION FOR CERTAIN RENEWABLE ENERGY SOURCES AND NONRESIDENTIAL HYDROPOWER FACILITIES.***

#### **SUMMARY**

This bill expands the availability of the property tax exemption 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 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 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). It also 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 exemption, existing law requires taxpayers to file an application with the assessor or board of assessors. The bill requires the 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 provide the application form. The bill instead requires the Office of Policy and Management (OPM) secretary to prepare the form and make it publicly available on the OPM

website.

EFFECTIVE DATE: October 1, 2021, 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) and (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 these 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 for use on a farm. The bill prohibits these facilities from being 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. The bill limits the exemption 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

Yea 26 Nay 0 (03/02/2021)