

# Finance, Revenue and Bonding Committee JOINT FAVORABLE REPORT

**Bill No.:** HB-7266

**Title:** AN ACT ESTABLISHING A UNIFORM SOLAR CAPACITY TAX.

**Vote Date:** 4/24/2025

**Vote Action:** Joint Favorable Substitute

**PH Date:** 4/2/2025

**File No.:** 890

***Disclaimer:** The following JOINT FAVORABLE Report is prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose.*

## **SPONSORS OF BILL:**

Finance, Revenue, & Bonding Committee

## **REASONS FOR BILL:**

The purpose of the bill is to in a way, try and align interests of state economics and clean energy. By creating a solar energy tax credit, it further promotes the usage of much cleaner energy sources, as well as try and provide a possible new source of funding that could be used for public services for the state of Connecticut.

## **PROPOSED SUB. LANGUAGE**

Sec. 1 was given an addition.

Sec. 2 changed the affect date to Oct. 1<sup>st</sup>, 2025.

## **RESPONSE FROM ADMINISTRATION/AGENCY:**

### **Jeffery Beckham, Secretary, Office of Policy, and Management:**

Secretary Beckham submits testimony first referring to a report OPM submitted in 2023 to establish a working group consisting of two representatives from each of the Connecticut Conference of Municipalities. He goes on to bring up how earlier this year, along with DEEP, they completed a report that details the potential impact of a cost per megawatt and research into surrounding states' practices. Secretary Beckham believes this tax could be an opportunity to reduce conflict, provide consistency and achieve their goals. OPM highlighted some of their concerns with some of the language within the bill as it is now. He brings up some recommendations as follows...

1. A general exemption (real and/or personal property) for on-site usage of solar, whether for residential or commercial land uses.

2. Policies that incentivize roof-top, canopy, and other solar development that does not remove buildable land in planned development areas or impede use of agricultural soils.
3. Definition clarity on what constitutes a solar "facility."
4. A clear, foreseeable, and consistent tax structure for the state that is not reliant on participation in particular solar energy programs or a specific kW production threshold.

**State of Connecticut Judicial Branch:**

The CT Judicial Branch submitted testimony stating that while they're taking no specific stance, they would like to request more clarification regarding the civil appeal in lines 54-56. As appeals are rising from challenges to municipal assessments are governed by C.G.S. sections 12-117a and 12-119 and must be filed with the Superior Court.

**NATURE AND SOURCES OF SUPPORT:**

**Betsy Gara, Executive Director, Connecticut Council of Small Towns:**

Betsy submits testimony in support of the bill, recognizing the importance of solar PV systems, however, while she is in support, she does have concerns regarding the tax treatment of each system. She states that the UCT should be set at a per megawatt rate sufficient to personal property tax revenues. She believes that it should include a provision to reflect an annual percent increase. And more clarification on the tax stabilization agreement and what the UCT is applicable to.

**Jason Bowsza, First Selectman, Town of East Windsor:**

Jason submits testimony in support of the bill believing the establishment of a Uniform Capacity Tax addresses concerns faced by municipalities around the state.

**Oliwia Krupinska, Policy and Regulatory Analyst, Alliance for Climate Transition:**

Oliwia submits testimony in support of the bill as she believes by moving Connecticut towards the UTC system, it provides more predictable tax structures for larger scale solar and energy storage projects. As many solar developers and energy storage developers share that the current taxation system lacks consistency thus she is concerned it can cause inefficiencies and further confusion.

**Matthew Reed, Town Administrator, Ellington:**

Matthew shares how Ellington is an agricultural community and possesses significant areas of space that can, in the future, be used for residential development, municipal use, commercial enterprises or Commercial Solar Photovoltaic Systems.

**NATURE AND SOURCES OF OPPOSITION:**

**Jeffrey Macel, Managing Director, Lodestar Energy:**

Jeffrey states that as a Connecticut based renewable energy developer, he is concerned for the possible retroactivity from such operations that are in a stage of development and already financed, for he believes this should not be subjected to a new tax regime.

**William Herchel, Verogy Holdings, LLC:**

While William does believe and support the creation of a uniform capacity tax for solar projects, he prefers a project that already is in a stage of development/operation that has completed its financing and believes such a project should not be subjected to a new tax. HE believes there are sections of the bill that should be amended in order for him to better support.

**Jeff Hintzke, Vice President, Policy, Greenskies Clean Energy:**

Jeff believes a fixed uniform capacity tax on large projects and clarifying the exemption states of small projects are the solution to address these challenges. But as drafted he shares how his organization has concerns that do not allow us to support the bill. Include the following amendments:

1. Prospective Application of the New Tax Structure
2. 20-Year Limit on the Uniform Capacity Tax
3. Fixed UTC rate for the 20-year term

**James Schwartz, Independence Solar:**

James supports the Uniform Capacity Tax for solar projects but recommends the following amendments..

1. The UCT should apply only to new projects that commence commercial operation after October 1, 2025.
2. The base rate escalator of 2% per year is reasonable as new projects come online, but once a project has its rate set in its first year of operation that rate should stay in effect for the duration of the UCT.
3. The UCT should apply to a project for its first 20 years of operation, which aligns with the current depreciation schedule for these types of assets.

**Mike Trahan, Connecticut Solar & Storage Association:**

Mike shares two points of opposition to sections of the bill, for the bill as it is now does not include the application of a UCT to projects retroactively as drafted and there is an application of an annual 2% escalator on the base rate for all UCT projects. While Mike shares how they do support redlines and related detailed comments. He believes the most important consideration of any tax burden is passed through to electric ratepayers.

**Nicholas Byron and Anne Kim submitted testimony in opposition to the bill**

**GENERAL COMMENTS:**

**Randy Collins, Associate Director of Policy, Connecticut Conference of Municipalities:**

This is a complicated issue that stakeholders from the solar industry and municipalities need to work together or come to a fair and equitable compromise for all parties. Replacing local property tax on solar photovoltaic equipment with a Uniform Capacity Tax should be standard throughout the state to provide economic predictability to solar developers. Municipalities are reliant on property tax to raise local revenue, and this made municipalities over-reliant on property taxes to contribute to the unaffordability of housing through the state. A Uniform Capacity tax in lieu of property tax would be a significant change in the process, and we must avoid potential unintended consequences. CCM looks forward to continuing negotiations on Uniform Capacity Tax.

**James Desantos, Director of Legislative Affairs, Connecticut Green Bank:**

The Green Bank is generally supportive of a Uniform Capacity Tax, but we have serious concerns with Section 1. It appears that any project over 2MW (AC) will be energized according to the legislation. This retroactive tax will undermine existing financial agreements. We have included in our testimony language that we feel should be incorporated into the bill.

**Reported by: Pamela Bianca & Jay Snukis**

**Date: 5/6/25**