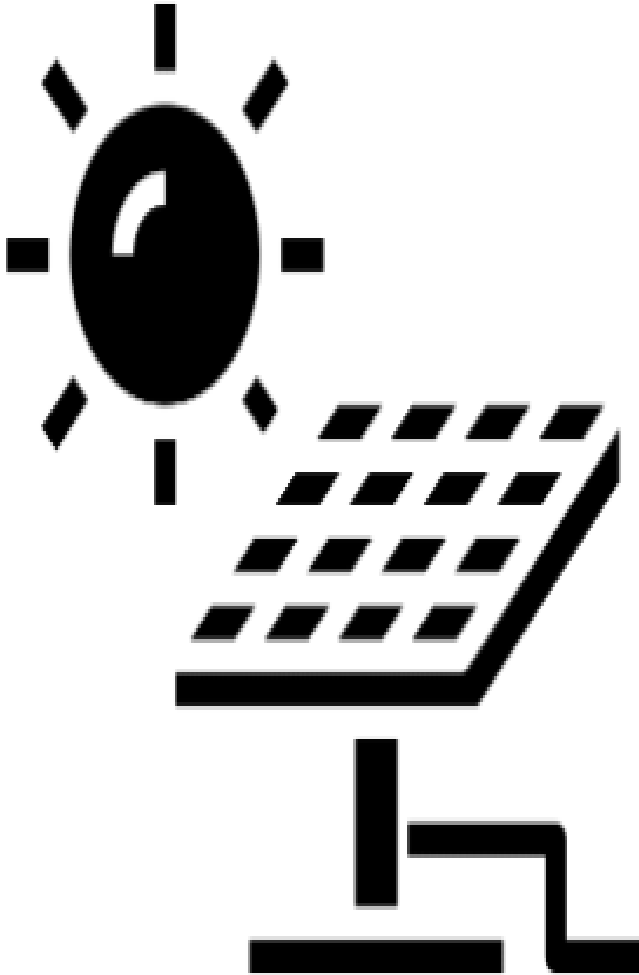


# Solar Tax Equity Problem and Solution

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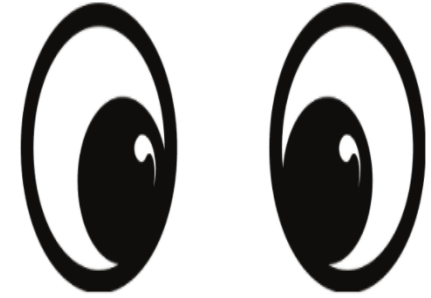
Property Tax  
Minnesota Legislature  
93<sup>rd</sup> Legislature

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February 8, 2023

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

# Eyes on Equity:



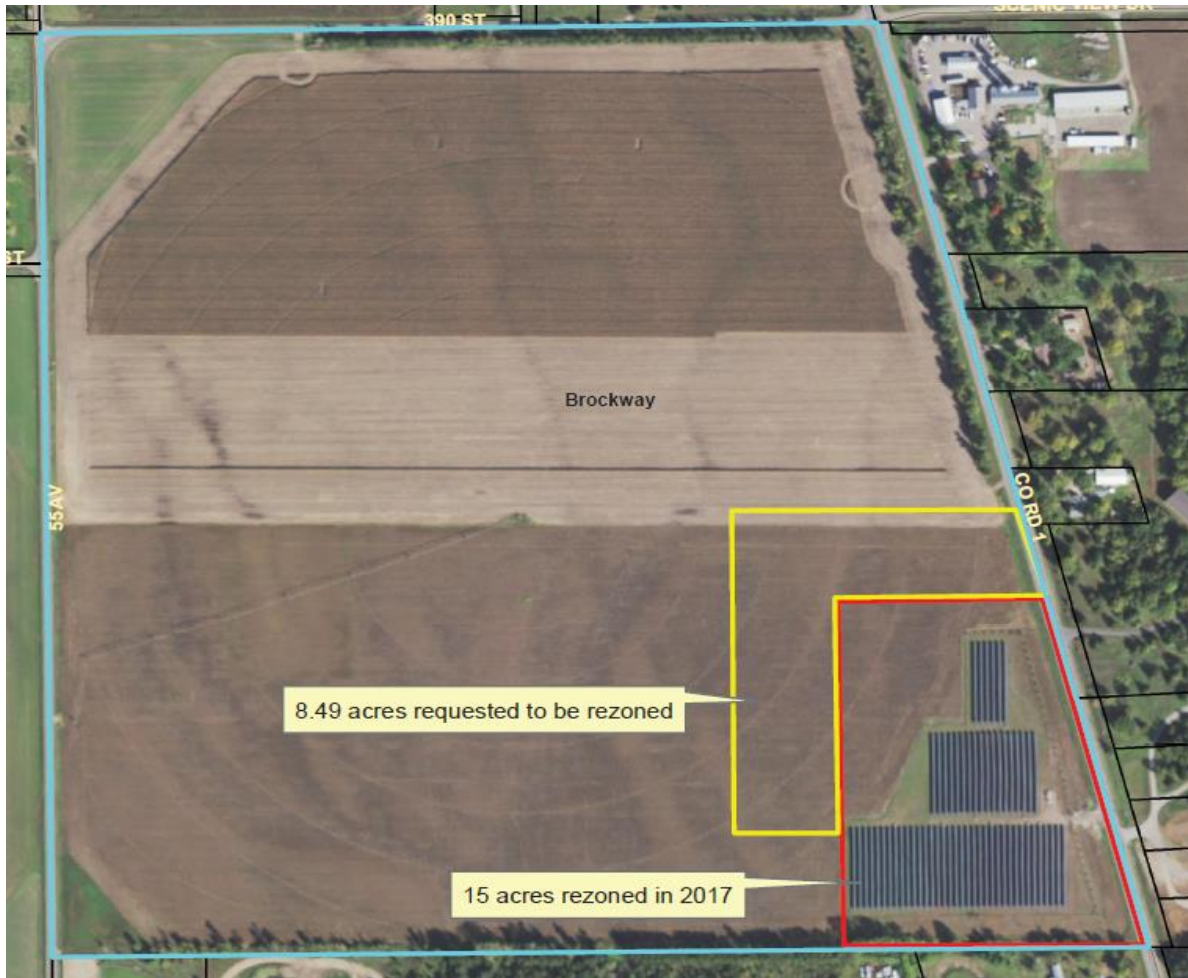
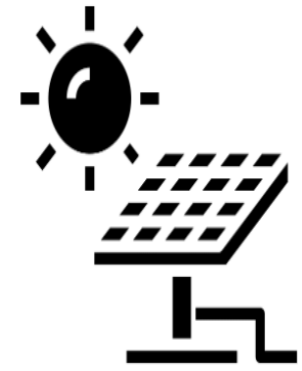
- 
- ✓ This bill restores tax equity on a local level.
  - ✓ The current law (MS 272.02, Subdivision 24) no longer provides for the fair and equitable assessment of land supporting multiple solar generating systems.
  - ✓ The proposed change is important to counties due to:
    - an upsurge in the practice of clustering smaller systems ( $\leq 1$  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



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- 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  $\leq 1$  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:



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- 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  $\leq 1$  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!

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## Comments and Questions

