

**PROPERTY TAX  
Solar energy generating  
systems real property  
classification modified**

February 7, 2023

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>		<b>X</b>

Department of Revenue  
Analysis of H.F. 1099 (Anderson, P. H.) / S.F. 1152 (Weber) as introduced

**Fund Impact**

	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>
	<b>(000's)</b>			
Property Tax Refund Interaction	\$0	negligible	negligible	negligible

Effective beginning with property taxes payable in 2024.

**EXPLANATION OF THE BILL**

Solar energy generating systems with a capacity greater than one megawatt alternating current are subject to the solar energy production tax. For the purposes of determining the production tax, system capacities are combined if the systems:

- 1) were constructed within the same 12-month period, and
- 2) exhibit characteristics of being a single development.

Under current law, if a solar energy generating system is used primarily for solar energy production subject to the solar energy production tax, then the real property underlying the system is classified as class 3a. However, if a solar energy generating system has a capacity of one megawatt or less, then the underlying real property is classified without regard to the system.

Under the proposal, if real property contains two or more solar energy generating systems that cannot be combined for the purposes of the production tax, then the real property upon which the systems are located must be classified as class 3a.

**REVENUE ANALYSIS DETAIL**

- It is assumed that “property” refers to land containing two or more solar energy generating systems constructed as part of a single project or belonging to a single owner, but deemed as not meeting the requirements for the solar energy production tax.
- Under this assumption, it is estimated that approximately 150 solar energy generating systems are located on land that would be subject to reclassification under the proposal.
- Reclassifying the underlying land to class 3a would shift property taxes onto the impacted parcels and away from other property, including homesteads, decreasing homeowner property tax refunds by less than \$5,000 in FY 2025.
- Tax year impact is allocated to the following fiscal year.

## PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Decrease	It is not clear how to determine “property” containing two or more solar energy generating systems.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

*The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.*

Source: Minnesota Department of Revenue  
Property Tax Division – Research Unit  
<https://www.revenue.state.mn.us/revenue-analyses>

hf1099(sf1152) Solar Energy Generating Systems\_pt\_1/jtb