

PRELIMINARY STAFF MEASURE SUMMARY**House Committee On Revenue****Fiscal:** Fiscal impact issued**Revenue:** Revenue impact issued**Action Date:****Action:****Meeting Dates:** 04/21**Prepared By:** Kyle Easton, Economist**WHAT THE MEASURE DOES:**

Requires county, upon request of owner of solar project, to enter into agreement, for period not to exceed 20 years, pursuant to which property constituting solar project is exempt from property taxation and owner pays fee in-lieu of taxes. Establishes fee equal to \$7,000 per megawatt of nameplate capacity of solar project. Requires county assessor to calculate and levy fee based upon information required to be provided by solar project owner. Requires fee revenue to be distributed proportionally to taxing districts within which solar project is located based upon percentage schedule prepared under ORS 311.390. Establishes fee deadline. Prohibits solar project from qualifying for exemption under Rural Renewable Energy Development Zone for any property tax year in which fee agreement relates. Applies to property tax years beginning on or after July 1, 2016.

ISSUES DISCUSSED:

- Measure moved directly out Energy and Environment Committee to Revenue without recommendation
- Overhead cost of filing central assessment return and Department efforts to accommodate central assessment return requirements
- Effect of income tax credits on financing solar projects
- Cost of construction per energy output produced and proponents expectation of declining cost in future years
- Potential development of large scale solar investment in Oregon
- Distribution of solar power generated to areas of power demand
- Infrastructure required to transmit solar generated power, existing and needed for future development
- Location of existing and future solar power generation in Oregon
- Distribution of revenue from in lieu fee
- Scope of bill to provide certainty and/or reduction in property tax for solar
- Origination of \$7,000 in lieu fee
- Comparison of tax being paid prior to solar development and after
- Value of property in rural areas as compared to urban areas of the state
- Requirement of county to enter into agreement
- Power distribution contracts for solar
- Possibility of adjusting in lieu rate for new properties in future years
- Possibility of adding sunset for new properties
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EFFECT OF COMMITTEE AMENDMENT:

-1 Replaces content of bill

Requires county, upon request of owner of solar project, to enter into agreement, for period not to exceed 20 years, pursuant to which property constituting solar project is exempt from property taxation and owner pays fee in-lieu of taxes. Establishes fee equal to \$7,000 per megawatt of nameplate capacity of solar project. Requires fee revenue to be distributed proportionally to taxing districts within which solar project is located based upon each affected district's permanent ad valorem property tax limit. Requires county assessor to calculate and levy fee based upon information required to be provided by solar project owner. Establishes fee deadline and late payment criteria. Requires solar project failing to pay fee for more than one year during term of an agreement to be disqualified from exemption and pay penalty equal to one year of the fee. Penalty credited to general fund of county in which property is located. Prohibits solar project that has received an exemption for any property tax year under the Rural Renewable Energy Development Zone from receiving exemption and paying in lieu fee. Applies to property tax years beginning on or after July 1, 2016.

-2 Replaces content of bill

Requires county, or county and city if property is within city boundaries, upon request of owner of solar project, to enter into agreement, for period not to exceed 20 years, pursuant to which property constituting solar project is exempt from property taxation and owner pays fee in-lieu of taxes. Establishes fee equal to \$7,000 per megawatt of nameplate capacity of solar project. Requires fee revenue to be distributed proportionally to taxing districts within which solar project is located based upon each affected district's proportion of ad valorem property taxes excluding taxes imposed to pay bonded indebtedness. Requires county assessor to calculate and levy fee based upon information required to be provided by solar project owner. Establishes fee deadline and late payment criteria. Requires solar project failing to pay fee for more than one year during term of an agreement to be disqualified from exemption and pay penalty equal to one year of the fee. Penalty credited to general fund of county in which property is located. Prohibits solar project that has received an exemption for any property tax year under the Rural Renewable Energy Development Zone or Strategic Investment Zone from receiving exemption and paying in lieu fee. Repeals exemption and in lieu fee for property first qualifying for exemption on or after January 2, 2022. Applies to property tax years beginning on or after July 1, 2016.

BACKGROUND:

Under current law, utility scale solar production property is subject to central assessment. Generally, the valuation approach followed for utility scale solar production property is a combination of the income and cost approach. Using these valuation approaches generally results in a valuation of the solar property equal to a percentage of the property's original cost straight line depreciated over the life of the property (generally 20 years). This results in a higher property tax liability for the property initially followed by years of declining property tax liability.

The measure as amended in the -2 amendment would exempt (at request of property owner) utility scale solar property from property tax assessment for a period not to exceed 20 years. The property owner would pay a fee in lieu of property tax based upon the solar property's megawatt nameplate capacity. Absent a decline in the property's nameplate capacity, this would fix the property's in lieu of property taxes payment at the same amount for the 20 year agreement period.