

STAFF MEASURE SUMMARY

Senate Committee On Finance and Revenue

Fiscal: Fiscal impact issued

Revenue: Revenue impact issued

Action Date: 06/03/15

Action: Do Pass With Amendments. (Printed B-Eng.)

Meeting Dates: 06/03

Vote:

Yeas: 5 - Baertschiger Jr, Boquist, Edwards, Hass, Riley

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WHAT THE MEASURE DOES:

Allows 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. Requires in lieu fee penalty for disqualified solar property to be distributed to all taxing districts based upon share of each affected district's operating taxes. 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.

ISSUES DISCUSSED:

- Concerns of House Revenue Committee members voting no in House Revenue Committee and changes in A4 amendment addressing some House Revenue Committee member's concerns
- Importance of the details in tax supported renewable projects or any development projects, specifically for projects located in rural areas
- Process followed if in lieu fee is not paid
- Hypothetical example of taxability of utility scale solar project owned by a nonprofit corporation
- Taxability of nonprofits in general, both property and income taxation
- Examples of property taxability of nonprofit owned properties.

EFFECT OF COMMITTEE AMENDMENT:

Allows county, and the owner or person in possession or control of a solar project located within county and outside of city district boundaries, to enter into an agreement exempting from property taxes the property constituting the solar project. Limits agreement to no more than 20 consecutive years. If any portion of solar project is located within city district boundaries, city is required to be party to agreement between county and owner or person in possession or control of a solar project. Requires in lieu fee penalty for disqualified solar property to be distributed to all taxing districts based upon share of each affected district's operating taxes.

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 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.