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## **OLR Bill Analysis**

### **sHB 7266**

#### ***AN ACT ESTABLISHING A UNIFORM SOLAR CAPACITY TAX.***

#### **SUMMARY**

This bill creates a property tax exemption, beginning with the assessment year starting October 1, 2025, for Class I renewable energy sources that consist of equipment and devices that primarily collect solar energy and generate energy by photovoltaic effect. The bill limits this exemption by applying it only to equipment and devices with the primary purpose of generating electricity and not to any real property where the equipment or devices are located or installed. Relatedly, the bill applies this same limitation, beginning with the assessment year starting October 1, 2025, to an existing property tax exemption for Class I renewable energy sources (other than nuclear power generating facilities) (1) installed on or after January 1, 2014; (2) for commercial or industrial purposes; and (3) with a nameplate capacity that does not exceed the location's load or, if the facility is participating in virtual net metering, the aggregated load of its beneficial accounts. (Current law does not explicitly exclude the real property where these sources' equipment and devices are located or installed under the existing exemption.)

Additionally, the bill establishes a uniform solar capacity tax of \$11,000 per megawatt (MW) of nameplate capacity on solar photovoltaic systems that are over 2 MW in size and approved on or after July 1, 2026, with a 2% increase on the \$11,000 base each year after. Generally, the tax applies for 20 years at the rate when the system is approved but municipalities may enter agreements to stabilize or freeze it. Among other things, the bill designates revenue from the tax as municipal revenue and sets an appeal process.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: July 1, 2025, for the capacity tax provision; October 1, 2025, for the property tax exemption provision.

## **UNIFORM SOLAR CAPACITY TAX**

### ***Applicability***

The bill creates a separate annual tax for certain solar facilities beginning July 1, 2026. Under the bill, the uniform solar capacity tax applies to owners of “solar photovoltaic systems,” which are equipment and devices that:

1. have the primary purpose of collecting solar energy and generating electricity by photovoltaic effect;
2. have a nameplate capacity over 2 MW that also exceeds the load for the location where the equipment and devices are located; and
3. are approved on or after July 1, 2026, by the Connecticut Siting Council or, if the system is not subject to the council’s approval, the municipal zoning authority of each municipality in which the equipment and devices are located.

### ***Tax Amount and Payment***

Under the bill, system owners must pay the tax to the finance department, or, if none, the tax collector for the municipality in which the system (or any part of it) is located. For systems with multiple owners, the bill makes owners jointly and severally liable for the tax.

The bill establishes a “uniform solar capacity tax year,” from July 1 to June 30, as an accounting period to calculate the tax. The tax must be paid annually for a period of 20 uniform solar capacity tax years. For any system approved during the initial uniform solar capacity tax year (i.e. July 1, 2026, to June 30, 2027), the tax for the 20-year period is \$11,000 per MW of nameplate capacity, including any fractional portion. The bill requires the \$11,000 base rate to increase by 2% in each subsequent uniform solar capacity tax year and for the new rates to apply to systems approved in corresponding years to pay those rates for their 20-year periods (e.g., the rate for systems approved beginning July 1, 2027, to

June 30, 2028, will be \$11,220).

Under the bill, to calculate the nameplate capacity of a system, all equipment and devices that have the primary purpose of collecting solar energy and generating electricity by photovoltaic effect are considered part of the same system if they are (1) located on the same parcel, (2) located on land that was part of the same parcel before the current landowner subdivided it into multiple parcels, or (3) located on adjoining parcels. Under the bill, this calculation method does not limit tax liability or the bill's definitions related to the tax.

The bill makes revenues from the tax general revenue for the municipality where it is paid. For systems located in more than one municipality, the bill requires the tax to be allocated in proportion to the nameplate capacity of the system located in each municipality.

Additionally, the bill requires the Office of Policy and Management (OPM) to develop a form to be submitted with the tax, and each municipality, through its finance department, or, if none, tax collector, must provide the form upon request by July 31, 2025. (Presumably, OPM must develop and give the municipalities the form before that date.) The bill allows each municipal finance department or tax collector to require a single annual payment or semiannual or quarterly payments. It also makes the tax (1) due on the date or dates determined by the municipal finance department or tax collector and (2) due and collectible as other property taxes and subject to the same liens and collection processes.

Under the bill, delinquent payments accrue interest at 1.5% per month or partial month, from the due date until paid.

### ***Appeal Process***

The bill allows anyone aggrieved by a municipality's action related to the tax to appeal to the Superior Court for the judicial district in which the municipality is located. Under the bill, anyone who appeals the tax is not liable for interest if he or she (1) pays a portion of the tax while the appeal is pending, (2) indicates that the payment is "under protest," and

(3) pays at least 75% of the amount assessed by the municipality during the time limits the municipality prescribes for the payment.

***Municipal Agreements to Stabilize or Freeze the Tax***

The bill authorizes a municipality, through its board of selectmen or other legislative body, to enter into an agreement to freeze or stabilize the tax imposed for any system in the municipality. If the system is located in more than one municipality, the agreement only applies to the portion of the tax allocated to the municipality that enters into the agreement.

**COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 52      Nay 0      (04/24/2025)