
OLR Bill Analysis

HB 5442 (as amended by House "A")*

AN ACT CONCERNING THE PROPERTY TAX EXEMPTION FOR AND TAX AGREEMENTS RELATED TO CERTAIN CLASS I RENEWABLE ENERGY SOURCES.

SUMMARY

This bill makes changes to the municipal uniform solar capacity tax created by PA 25-173, § 57, and the property tax exemption provisions in PA 25-173, § 58. Principally, the bill:

1. expands the scope of solar photovoltaic systems subject to the uniform solar capacity tax to include those that are permitted to operate on or after July 1, 2025, but before July 1, 2026, which is a year earlier than current law, and makes these systems responsible for one less year of the tax than those permitted on or after July 1, 2026;
2. limits the solar-related property tax exemption created by PA 25-173 to facilities that are permitted to operate on or after July 1, 2025; and
3. rolls back a property tax exemption for certain Class I renewable energy sources to how it existed before PA 25-173.

The bill also makes technical and conforming changes.

*House Amendment "A" replaces the underlying bill, which addressed the tax and exemption created by PA 25-173.

EFFECTIVE DATE: Upon passage, except the municipal uniform solar capacity tax provisions are effective July 1, 2026.

§ 3 — MUNICIPAL UNIFORM SOLAR CAPACITY TAX

By law, the municipal uniform solar capacity tax applies to owners of "solar photovoltaic systems," which are equipment and devices:

1. that primarily collect solar energy and generate electricity by photovoltaic effect,
2. that have a nameplate capacity over one megawatt (MW) that exceeds the load for the location where the equipment and devices are located (nameplate capacity generally refers to a facility's maximum output under specific conditions designated by the manufacturer), and
3. for which the owner receives permission to operate from an electric distribution company or a municipal electric utility by a certain date.

Under current law, the tax applies to these systems that are permitted on or after July 1, 2026. The bill expands this to permitted systems on or after July 1, 2025.

For each municipality in which a solar photovoltaic system (or any part of it) is located, current law requires the system's owners to notify the municipality's finance department, or, if none, the municipality's tax collector of the effective date of their permission to operate the system. They must do so within seven days after receiving permission. The bill limits these requirements to systems permitted on or after July 1, 2026. For systems permitted on or after July 1, 2025, but before July 1, 2026, the bill requires their owners to notify the same entities but by July 10, 2026.

Existing law establishes a "uniform solar capacity tax year," from July 1 to June 30, as an accounting period to calculate the tax. For any system that receives permission to operate in uniform solar capacity tax years starting on or after July 1, 2026, the tax must be paid annually for a period of 20 uniform solar capacity tax years at a rate of \$10,000 per MW of nameplate capacity, including any fractional portion. The bill applies this rate to systems that receive their permission on or after July 1, 2025, but before July 1, 2026, but only requires they pay the tax for 19 uniform solar capacity tax years.

Existing law allows municipalities to enter into agreements with

system owners to stabilize or freeze the tax. The bill specifies that the terms of these agreements apply instead of the tax, even if they entered the agreement before July 1, 2025.

By law, the tax does not apply to systems located on the following:

1. state-owned land;
2. “brownfields” (abandoned or underutilized property where redevelopment, reuse, or expansion has not occurred due to the presence or potential presence of pollution in the buildings, soil, or groundwater that requires investigation or remediation before or along with the property’s redevelopment, reuse, or expansion);
3. landfills;
4. residential, commercial, or industrial rooftops; or
5. “solar canopies” (outdoor, shade-providing structures, such as carports, that host solar photovoltaic panels above a parking or driving area, pedestrian walkway, courtyard, canal, or other used surface and are installed in a way that maintains the function of the underneath area).

Additionally, the tax also does not apply to systems that are part of a microgrid serving a critical facility. By law, a “microgrid” is a group of interconnected electricity users and generators that (1) is within clearly defined boundaries and acts as a single controllable entity with respect to the larger grid and (2) can operate as part of the grid or independent of it. A “critical facility” includes:

1. hospitals,
2. police and fire stations,
3. water and sewage treatment plants,
4. public shelters,

5. correctional facilities,
6. certain television and radio production and transmission facilities,
7. commercial areas,
8. municipal centers identified by the municipality's chief elected official, and
9. any other facility or area identified by the Department of Energy and Environmental Protection.

§§ 1 & 2 — PROPERTY TAX EXEMPTIONS FOR CLASS I RENEWABLE ENERGY SOURCES

PA 25-173, § 58, created, starting with the 2025 assessment year, a property tax exemption 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 to equipment and devices whose owners receive, on or after July 1, 2025, permission to operate from an electric distribution company or municipal electric utility. Existing law, unchanged by the bill, also 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.

PA 25-173, § 58, applied the same limitation regarding real property starting with the same assessment year 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. The bill eliminates the limitation for this exemption and reverts it to prior law, which did not explicitly exclude the real property.

The bill makes a corresponding change requiring municipalities to

amend their 2025 grand lists and issue certificates of correction to reflect the bill's changes to the exemption created by PA 25-173.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 54 Nay 0 (03/30/2026)