Town of Foster

Est. 1781

ASSESSING/FINANCE/PLANNING DEPARTMENTS

SOLAR INSTALLATIONS TAX CALCULATION SUMMARY

A Solar Installations addition amendment to the Zoning Ordinance was adopted by the Town Council in July of this year, and part of the ordinance specified tangible tax exemption for installations whereby the sole purpose are to provide the energy for the property on which they are located (upon application to and verification by the Assessor).

For those installations that, in part or in whole, intended to enter into agreement with a utility to sell power, there remained the need to determine a formula to calculate the tangible tax amount. Foster contacted the state's Office of Energy Resources (OER), Richmond, North Kingstown, Glocester, East Providence, Woonsocket, Burrillville, Hopkinton, and Exeter, as entities that either have a major hand in energy regulations, already have on-line solar facilities in their bounds, or have participated in a solar program/are likely to receive applications for commercial solar projects as a result of current participation in such a program, in an effort to gauge whether a standardized method already exists. These were the results:

- State:
  - There is likely to be legislation in the upcoming session to update the 1980 renewable energy/property tax law but the OER has not discussed specific details of a tax formula process or dollar amounts.
- Richmond:
  - Ordinance passed memorializing the option of an application to the Council for personal property tax exemption or stabilization, to be heard at a duly advertised public hearing and contingent upon required findings; such agreement shall be no more than fifteen (15) years.
  - 500 kilowatts (kW) project with a PILOT of $3,750 per year so far, no town services affected, required vocational school involvement.
- Glocester:
  - Ordinance passed memorializing the option of an application to the Council for personal property tax exemption.

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- Testing the feasibility of $5,000/megawatts (MW), or $5/kW, tax treaty for only the energy not being used for the property on which the facility is located; no signed treaties yet.

- East Providence:
  - Intend to calculate tax amount based on the cost of the solar panels (most expensive item in an installation) at the current tangible tax rate, at the long-life asset depreciation schedule (20 years).
  - One major commercial solar installation (3 MW capacity) thus far, with an executed lease/PILOT agreement of fifteen (15) years and an optional two additional five (5) year terms. Former landfill, owned by the City, no alternative beneficial use to the property. Rent of $40,000/lease year and another $36,000/lease year for the PILOT.
- Burrillville:
  - Intend to tax based on the original purchase price, including all costs such as freight and installation, as tangible property at the long-life asset depreciation schedule.
- Hopkinton:
  - Ordinance under consideration memorializing the option of an application to the Council for personal property tax abatement, to be heard at a duly advertised public hearing and contingent upon required findings and Assessor recommendation. Lien to be recorded against the property during the abatement term to guarantee payment.
- Exeter:
  - No tax policy yet but two commercial solar projects are set to seek final approval.

There is some value to entering into a long-term tax agreement, such as financial predictability, and so the consensus of the Treasurer/Finance Director, Tax Assessor, and Planner is to tax a commercial solar installation based on an adjusted assessed value of the solar panels, at the existing tangible tax rate, at a long-life asset depreciation schedule and divide the resulting amount by 20 to reach a stabilized amount per year. For example:

- A 1.25 MW capacity solar installation, with 3,975 panels at an estimated $275 each, would pay $8,453.41/year for 20 years.

- A 2.6 MW capacity solar installation, with 8,100 panels at an estimated $300 each, would pay $18,791.80/year for 20 years.