



MEASURE: HB 2563
 EXHIBIT: K
 HOUSE REVENUE COMMITTEE
 DATE: 5/10/11 PAGES: 1
 SUBMITTED BY: RICHARD STEINBRUGGE

May 5, 2011

Dear Legislator:

Re: Request for support of HB 2563, as amended

HB 2563, as amended, clarifies the language within the solar property tax statute (ORS 307.175). Established in 1976, this statute allows solar equipment to be exempt from property taxes.

In the 2007 Regular Legislative Session, an amendment, which added paragraph (4) to ORS 307.175, was approved with the apparent intent of allowing third-party owned systems to benefit from the tax exemption. Third-party owned solar installations are important to public sector organizations including school districts and many others. It allows investors to take advantage of state and federal tax credits available to solar projects, which public sector agencies cannot. Without the benefit of these tax exemptions, it is our understanding that investors will not fund solar installations.

Recently, the Oregon Department of Revenue (DOR) developed a new interpretation of the solar property tax exemption statute, which appears counter to the Legislature's intent in passing the 2007 amendment. This interpretation makes third-party owned solar installations liable for property taxes, thus increasing solar project costs to the point where they will become uneconomical for the investor. We also understand the DOR ruling would be retroactive affecting already installed systems. HB 2563 clarifies the property tax exemption language and reaffirms the property tax exemption status for all solar systems, including those owned by third-party investors.

Each of our three school districts strongly supports the tax exemption for third-party owned solar systems. Portland Public Schools (PPS) has already installed third-party financed solar systems on nine school buildings. Beaverton and Gladstone School Districts have partnered together and are ready to sign agreements with an investor to install six 100 kW systems on our schools. The capital cost of these solar systems would be fully funded by an investor; the schools will benefit from free solar electrical power for 15 years and gain the opportunity to utilize technical output from the photovoltaic systems in academic class work. If the property tax exemption is not clarified through HB 2563, Beaverton and Gladstone have been told that our investor will not be able to finance the six solar systems, and there is the potential for unknown financial impact on the existing system at PPS.

Please support HB 2563, as amended.

Sincerely,

Richard Steinbrugge, P.E.
 Executive Administrator for Facilities
 Beaverton School District

Darwin Dittmar
 Business Manager
 Gladstone School District

Tony Magliano, Director
 Facilities and Asset Management
 Portland Public Schools