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Senator Mark Hass
Chair, Senate Committee on Finance and Revenue
900 Court St.
Salem, Oregon 97301

Subject: House Bill 3492: Solar Property Tax

Background: Most solar projects are exempt from property taxes. Larger taxable projects receive 5 years of exemption if located in a RRED Zone or if covered by the Strategic Investment Program. The economic nature of solar projects (very high capital costs/very low operating costs) make the effective property tax cost of taxable projects high. Also, central assessment requires complex tax returns that are costly to prepare.

Objectives: Start paying property taxes in year one. Pay level (but lower) property taxes over a long period of time. Greatly simplify the methodology for taxing solar projects. Make solar taxes very predictable.

Proposal: Allow taxable solar projects to elect to pay a fee in lieu of taxes. Allow solar projects to enter into 15 – 20 year agreements with the county to pay at a rate of $7,000 per megawatt AC capacity per year in lieu of property taxes. The fee is distributed as tax revenue, not as discretionary funds.

Levelized property tax expense aids in project financing because lenders prefer stable revenue and stable expenses.

Comparison: Over 95 percent of Oregon's solar projects are net metered and exempt from property tax. According to testimony filed with the Oregon Public Utility Commission, PGE's total property taxes in 2014 were $50.4 million. Revenue was reported at $1.7 billion, so property taxes as a percentage of revenue were 3 percent. Similarly, PacifiCorp reported local taxes of 3 percent of revenue in 2014 across its seven state system. In contrast, taxable solar projects in Oregon paid property taxes equal to 10 - 14% of revenue in 2014.

This bill would bring solar property taxes in line with property taxes on natural gas plants.

The Amendments: The amendments to the original bill were prepared in response to questions and suggestions from the county assessors, the Oregon Department of Revenue, and the Oregon League of Cities. The amendments:

- Make the agreements optional with the county or city.
- Align bill language with what the assessors and the Department of Revenue requested.
- Prevent projects from getting both the RRED Zone exemption and the fee in lieu agreement.

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