



PROPERTY TAX DIVISION

CENTRALLY VALUED PROPERTIES

Current Issue: Whether the renewable energy equipment owned by a solar power company and installed at a customer's site in order to sell or provide power to the customer is taxable and subject to central valuation by the Department of Revenue (the "Department").

There are two relevant property tax statutes in Title 42 with provisions related to the valuation of solar energy equipment. The first, A.R.S. § 42-11054 (C)(2), states that "Solar energy devices . . . designed for the production of solar energy **primarily for on-site consumption** are considered to have no value and to add no value to the property on which such device or system is installed." (Emphasis added). Under this statute, county assessors do not value solar panels that are primarily used for on-site consumption.

The second pertinent statute is A.R.S. § 42-14155. Subsection B of that statute provides that "The value of renewable energy equipment is twenty per cent of the depreciated cost of the equipment."

Subsection C states in pertinent part that "'renewable energy equipment' means electric generation facilities . . . located in this state, that is used or useful for the generation, storage, transmission or distribution of electric power, energy or fuel derived from solar, wind or other nonpetroleum renewable sources **not intended for self consumption** . . ."

County Assessors and the Department must read the two statutes cited above together when determining whether a solar facility should be locally assessed or centrally valued. The production of power for on-site consumption is not the determinative factor for central valuation. The analysis must consider if the on-site renewable energy equipment produces energy that is not intended for self consumption. If the owner of the equipment, a solar equipment company, for example, is not self consuming the power its equipment generates, then the more specific statute, § 42-14155 applies rather than the provision for local assessment which states that the equipment is "considered to have no value and add no value." For example, if the solar company is selling the power on-site to facility users or homeowners, it is not intended for the self consumption of the company generating the power and the equipment should be centrally valued at 20% of the depreciated cost.

Examples:

1. A homeowner buys solar panels, installs them on his home and consumes the power produced from those panels. The panels and the ancillary equipment are locally assessed and are “considered to have no value and add no value” to the home.
2. A homeowner leases solar panels from a solar company and pays the solar company for the energy produced through, for example, a power purchase agreement or a solar services agreement. The solar company must report the property to the Department to be centrally assessed.
3. A company owns and installs an array of solar panels to provide power to a waste water treatment plant. The waste water treatment plant pays for the power under a power purchase agreement. The company that owns the panels and sells the power is centrally assessed.

April 14, 2013