



**Report on Guidance for Determining Valuation and Assessment of
Renewable Energy Facilities that Qualify for Exemption**

**A Report Prepared Pursuant
To Public Law 2019, Chapter 440**

**Department of Administrative and Financial Services
Maine Revenue Services**

December 1, 2019

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I. Introduction

LD 1430 – An Act to Create Tax Equity among Renewable Energy Investments, enacted as P.L. 2019, Ch. 440, made certain solar and wind energy equipment exempt from property taxation. In addition, the law directed Maine Revenue Services (“MRS”) to work with a stakeholder group to prepare a report by December 1, 2019, that includes guidance for determining the valuation and assessment of certain renewable energy facilities that qualify for the newly enacted property tax exemption.

II. Discussion

MRS convened a stakeholder group, led by Justin Poirier and Nichole Philbrick of the Property Tax Division of MRS. The stakeholder group included local assessors, representatives from the solar industry, and a representative from the Governor’s Energy Office. After two meetings, a draft report was prepared by MRS and circulated to the members of the group for their comments. The following two paragraphs provide a summary of the stakeholder group discussion related to P.L. 2019, Ch. 440:

When determining the value of property, an assessor must consider the three approaches to value: 1) the market approach – comparing the sales price of similar properties to the subject property; 2) the cost approach – determining the replacement cost of property, minus depreciation; and 3) the income approach – determining the value for a property based on an estimate of the future income that will be generated by the property.

Generally, when valuing residential property, an assessor uses the cost approach and verifies the resulting value using the market approach. The income approach is not utilized, because a residential property is not used to generate income. Generally, when valuing a renewable energy facility linked to or located on a residential property, the most reliable method of determining value is the use of the market approach, comparing sales of properties with and without such renewable energy facilities. The lack of market data to support a reliable valuation trend greatly hinders determining the value of a renewable energy facility tied directly to a residence.

For commercial properties, an assessor must consider all three approaches when attempting to value any renewable energy facilities, although the income approach is considered a more reliable approach in this situation. When utilizing the income approach, the discounted-cash-flow valuation model is considered more reliable for renewable energy facilities that are installed for commercial purposes or on commercial properties because the ability to generate energy is expected to degrade somewhat over time. For solar installations, an online valuation tool, endorsed by the Appraisal Institute for the income approach method, called PV Value[®] is available at www.energy.gov/eere/solarpoweringamerica/pv-value.

Although there is a lack of data to support clear market-wide contributory value of renewable facilities on residential properties, for the purposes of providing guidance as to municipal reimbursements and subject to further revision, MRS will consider the following classes of renewable energy facilities and corresponding values as reasonable values for renewable energy

facilities exempted from taxation, subject to adjustment based on any additional available information.

- Class I – Minimal. \$4,000 (e.g., simple systems appearing as a basic installation and/or having a minimal influence on the anticipated savings in cost of living due to the renewable energy facility)
- Class II – Moderate. \$9,000 (e.g., systems appearing as adequate, whether larger installations for less insulated homes or smaller installations for highly insulated homes).
- Class III – Extensive. \$15,000 (e.g., extensive systems, appearing as covering all or most of the heating and/or electrical needs and possibly considered a primary driver in having material influence in the contributory value of the fair market value of the property).
- Class IV - Custom (e.g., a stand-alone or other system exceeding the typical capacity and efficiency of an extensive on-site system having sufficient capacity to be considered a primary driver in having a material contributory value to the overall fair market value of a property). This valuation should be individually derived by the local assessor and should consider a discounted-cash-flow-analysis, if determined by the assessor to be applicable.

III. Conclusion

At the time this report was required to be submitted, there was not enough data to clearly support a particular method as the primary method to value residential renewable energy facilities. MRS will continue to work with municipal assessors to gather data on renewable energy facilities in effort to develop value trends and to provide more exact guidance.

The recommendations of this report are reasonably simple to accommodate a manageable number of exemption categories for each jurisdiction to maintain, rather than an exhaustive and unmanageable number of exemptions corresponding to custom and distinct valuations of each individual renewable energy system that may be installed.

IV. Participant List

Lewis Cousins, Assessor, City of Presque Isle
William Healey, Assessor, City of Lewiston
Kerry Leichtman, Assessor, Towns of Camden and Rockport
Brent Martin, Assessor, City of Belfast
Fortunat Mueller, Revision Energy
Nichole Philbrick, Municipal Services Manager, Maine Revenue Services
Justin Poirier, Director of Property Tax Division, Maine Revenue Services
Jim Thomas, Assessor, Cities of South Portland and Westbrook
William Van Tuinen, William Van Tuinen Tax Assessment Service

Melissa Winne, Governor's Energy Office
Vaughan Woodruff, Insource Renewables

V. Participant Comments

Statement from the Governor's Energy Office:

The Governor's Energy Office (GEO) appreciates the opportunity to participate in the stakeholder group required by LD 1430: An Act to Create Tax Equity among Renewable Energy Investments, enacted as P.L. 2019, Ch. 440, which made certain solar and wind energy equipment exempt from property taxation. The GEO supports policies and initiatives that advance energy solutions that are clean, economical, and secure for the benefit of all Maine people; including legislation that has given Maine one of the most ambitious renewable energy requirements in the country. The tax treatment of solar and wind equipment is an important issue that many jurisdictions in the United States are working through.

In general, the GEO believes that: municipalities should benefit from renewable energy installations in both clean energy and increased tax revenue, in particular for those large, non-residential projects; solar developers and the residents and businesses that are the project off-takers or investors should have certainty around their tax obligations; and that the State of Maine should be mindful to balance energy goals with general fund obligations when considering this issue.

If there are unintended consequences that arise as a result of the legislation or changes required to ensure the appropriate balance is struck for all parties involved, the GEO is committed to working with stakeholders to address them. We are committed to advancing a clean energy future that provides the most benefits to Maine people.