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April 16, 2013

The Honorable Michael Rodrigues, Senate Chair
Joint Committee on Revenue
State House Room 213B
Boston, MA 02133

The Honorable Jay Kaufman, House Chair
Joint Committee on Revenue
State House Room 34
Boston, MA 02133

RE: S.1329, An Act relative to the equitable taxation of solar systems and H.2740, An Act to modernize the renewable energy property tax exemption

Dear Chairman Rodrigues and Chairman Kaufman,

I am writing to respectfully request that S.1329, An Act relative to the equitable taxation of solar systems, and H.2740, An Act to modernize the renewable energy property tax exemption, be reported out of the Joint Committee on Revenue favorably.

Massachusetts current property tax exemption law's application to renewable energy projects is unclear. A 2011 interpretation of the exemption by the Department of Revenue has exacerbated this uncertainty, threatening the viability of current and future renewable energy projects. S.1329 and H.2740 seek to update the property tax exemption in order to clarify to which projects the exemption applies, and ensure fairness and equitability with regards to renewable energy property taxation.

House bill 2740 seeks to update renewable energy property tax exemption law, in order to clarify to which projects the exemption applies and promote tax equity. This bill would clarify the exemption by defining the tax classification based on system size, while providing tax classification that works within the current regulatory framework. Further, H.2740 would require appraisal by local assessors using local tax rates, in order to ensure that decisions are made at the municipal level. H.2740 would ensure equitable tax classification of renewable energy property, setting taxation for renewable energy systems at realistic levels that do not disadvantage renewable energy to other sources such as oil, coal and natural gas. This change to the exemption would reflect developments in over 35 states in the US that have renewable energy property tax exemptions.

In this same vein, Senate bill 1329 would update and clarify the state's renewable energy portfolio standards. It seeks to amend the property tax exemption for solar or wind powered systems by exempting those systems that are capable of producing no more than 125% of the annual energy needs of the property on which it is located. S.1329 would allow a 20-year exemption for all other solar and wind powered systems, so long as the owner has made a PILOT equal to 6% of the system's gross electricity sales, including receipt of net metering credits, to the municipality where the system is located. This change would not apply to utility owned renewables systems that have a signed PILOT agreement with a municipality before this law goes into effect.

As the Joint Committee on Revenue reviews S.1329, I respectfully request that it consider a specific tax exemption for "Community Shared Solar" systems. Exemption from local taxation for solar or wind powered systems installed on-site to meet energy needs of taxable property is clear under Clause 45 of Section 5 of Chapter 59 of the Massachusetts General Laws, and has been valuable in promoting residential and small business adaptation. It is unclear, however, whether this exemption applies to off-site systems that serve the energy needs of residential and small business properties that are unable to install solar panels on their own property, whether due to shade, orientation or structural limitations.

In 2011, at the end of the first pilot program of Solarize Massachusetts, the idea of community shared systems emerged, to allow property owners whose property was not suitable for on-site installation to participate by installing their system in a community shared facility. Such a project has been developed by volunteers in the Town of Harvard in my district, and other projects are in various stages of development across the Commonwealth. However, Harvard Solar Gardens is concerned that application of the solar tax would be prohibitive to their projects, as well as to other community-based solar projects across the state.

Specific application of the renewable energy property tax exemption to shares in "Community Shared Solar" systems would give such systems comparable treatment to systems installed on properties serving the energy needs of that property. Conversely, the prospect of value-based assessment for local taxation threatens to make otherwise viable project proposals uneconomic to implement. I request that the Committee consider including language in S.1329 that applies the exemption for individual ownership on-site systems to off-site "Community Shared Solar" systems in which all of the net metered production goes to the properties of the owners.

Massachusetts' cities and towns benefit from the electricity savings, jobs and economic diversity generated by renewable energy growth. H.2740 and S.1329 are consistent with the Commonwealth's energy, environmental and economic development goals, in accordance with the Green Communities Act, Global Warming Solutions Act, and An Act Relative to Competitively Priced Electricity.

I respectfully ask that the Committee give S.1329, An Act relative to the equitable taxation of solar systems, and H.2740, An Act to modernize the renewable energy property tax exemption, a favorable report, and consider inclusion of an exemption for "Community Shared Solar" projects in S.1329.

Please do not hesitate to contact me with any questions.

Sincerely,



Jamie Eldridge

State Senator

Middlesex & Worcester District