

Taxation of Solar Plants

This fact sheet explains the Uniform Capacity Tax (UCT) imposed on the owners of some solar plants. The diagram on the next page provides a visual description of how the tax should be applied.

Solar Plants Subject to the Uniform Capacity Tax

You are required to file form SCT-603 and pay the tax to the Vermont Department of Taxes if all of the following apply to you:

- (1) you own an operating solar plant;
- (2) the plant has a capacity of 50 kW or more; and
- (3) the plant was in operation as of December 31.

Tax Due

The UCT is imposed at a rate of \$4.00 per kW of plant capacity. Plant capacity is the total AC nameplate capacity of all inverters used to convert the plant's output to AC power. The Department uses the rated nameplate capacity stated on the plant's Certificate of Public Good (CPG) to determine plant capacity unless the taxpayer can demonstrate that another method is more accurate. Owners—as named on the CPG—must pay the tax for the prior calendar year to the Department no later than April 15 each year.

When Multiple Facilities are Connected

A group of solar-generating facilities is considered one "plant" under Public Utility Commission (PUC) Rule 5.100. One form SCT-603, Solar Energy Capacity Tax, must be filed if a group of solar-generating facilities uses common equipment and infrastructure such as roads, control facilities, and connections to the electric grid, and the facilities are not found by the PUC to be separate plants. Calculate and pay the UCT based on the total capacity of the connected facilities.

Implications for Property Tax

Solar plants subject to the UCT are exempt from the statewide education property tax. A municipality may vote to exempt or stabilize a solar plant for

municipal property tax purposes. Municipalities that impose municipal property taxes on solar plants are required to follow a property valuation methodology specified in law.

In addition to the UCT applied to the solar plant, the underlying land is subject to property tax as normal. The presence of a solar plant on exempt land does not alter the exempt status of the underlying parcel. When the underlying land is not exempt, it is valued based on the highest and best use. Market and income are the appropriate valuation methods.

Owners of solar plants with a plant capacity of less than 50 kW are not required to pay the UCT.

Further, an owner is not required to pay education or municipal property tax on a solar plant that has a capacity less than 50 kW and is either (a) operated on a net-metered system or (b) not connected to the electric grid and only provides power on the property on which it is located.

Valuation of Solar Plants

Municipal property tax is imposed on a solar plant unless one of the following applies:

- (1) The solar plant has a plant capacity less than 50 kW and is either (a) operated on a net-metered system or (b) not connected to the electric grid and only provides power on the property on which it is located; or
- (2) The municipality has voted to exempt the plant pursuant to 32 V.S.A. § 3845; or
- (3) The municipality has entered into a contract to stabilize the property's taxes pursuant to 24 V.S.A. § 2741.

All other solar plants must be valued for municipal property tax purposes. Solar plants with a plant capacity of less than 50 kW, and that do not qualify

for any of the three exemptions described above, will also be valued for education property tax purposes. Vermont law requires a solar plant to be valued using the discounted cash flow method as described in 32 V.S.A. § 3481(1)(D) and designated by the Department’s Division of Property Valuation and Review (PVR). Assessing officials should contact their district advisors for help with using the valuation model identified by PVR.

The appraisal value that an assessing official should use is 70% of the value calculated by the valuation model based on the expected 25-year project life.

The assessment will remain unchanged for either 25 years or the remaining life of the project, whichever comes first. For net-metered systems that are not exempt, an assessing official must reduce the plant capacity by 50 kW before calculating an appraisal value.

References: 32 V.S.A. §§ 3101(b)(13), 3481(1)(D), 3802 (17), 3845, 5401(10)(J), and 8701. 30 V.S.A. § 8002. 24 V.S.A. § 2741.

Solar Plants: Uniform Capacity Tax (UCT) and Property Taxes

