

NC Property Tax Revenue from Solar Development

Over the past decade, North Carolina has been a national leader in solar energy deployment. Most of the solar energy capacity built in North Carolina has come from utility scale facilities constructed and financed by private solar companies, which have created thousands of jobs and invested a combined \$7.5 billion, mostly in economically-challenged (Tier 1 and Tier 2) rural counties across the state.

This preliminary report was produced in collaboration with the NC Clean Energy Technology Center at NC State University, which collected publicly available property tax data on properties that NCSEA identified as having solar developed on them through 2016. This report focuses on the experience of 5 counties, and will be expanded as further information is collected. Table 1 lists the 5 counties, and shows total property taxes and personal property taxes collected on parcels where solar energy generation facilities were built, in the year prior to and after construction. A map showing the location of the solar facilities is provided on page 2.

Table 1. Annual Property Taxes Paid on Real Estate Parcels with Solar Projects

County	# Solar Projects	Total Solar Capacity	Total Property Taxes Paid on Participating Parcels <u>Before</u> Solar	Total Property Taxes Paid on Participating Parcels <u>After</u> Solar
Caswell	3	15 MW	\$1,366	\$71,077
Catawba	13	105 MW	\$19,371	\$469,902
Cumberland	6	93 MW	\$2,135	\$478,497
Johnston	15	66 MW	\$9,053	\$377,889
Rutherford	6	91 MW	\$6,228	\$256,343
Total	43	370 MW	\$38,153	\$1,653,708

**Data represents taxes collected in the year before and after a large solar project was built.*

Source: County Tax Offices, NC Utilities Commission and NCSEA Renewable Energy Database

NC Property Taxes and Abatements Primer

In North Carolina, real estate taxes are the responsibility of counties and cities. The taxes are based on a valuation of all property in a county/city. The taxes consist of two parts – 1) real property taxes, consisting of land and buildings, and 2) personal property taxes, consisting of equipment such as trucks, machinery and solar equipment. Solar systems increase both real property and personal property taxes. Solar increases the real property taxes paid on a parcel of land by classifying the land as having a “commercial” use, which increases the assessed real property taxes. Solar increases personal property tax revenue because valuable new solar equipment is installed on the property. Often, solar systems additionally pay a roll back tax that reclaims three back years of real property tax if the property formerly had a 75% tax reduction for agricultural use. In almost all cases, the private owners of the solar facilities, and not the rural landowners, pay all three of these taxes.

Discussions of eliminating North Carolina’s personal property tax abatement for solar energy have claimed that solar costs the counties instead of benefiting them. This study makes clear that this is not the case because even though the personal property tax on the new solar equipment receives an 80% reduction in valuation (N.C. G.S. § 105-275 section 45), the personal property tax collected after solar has been developed is significantly more than what was previously collected. Furthermore, the real property taxes are still assessed at a 100% valuation.

As one of the 40 active property tax exemptions in the state, the personal property tax abatement for solar energy is clearly attracting new development across the state and providing significantly more property tax revenue than counties received prior to solar installation. These new tax dollars can be used on schools and local services and are an effective economic development tool for otherwise struggling rural parts of the state.

Utility Scale Solar Systems Developed through 2016

