

Taxation of Solar Plants

This fact sheet explains the Uniform Capacity Tax (UCT) imposed on the owners of some solar plants and stationary grid-connected energy storage facilities. The diagram on the last 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, Uniform 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.

ENERGY STORAGE FACILITIES SUBJECT TO THE UCT

Owners of a stationary grid-connected energy storage facility are required to file Form SCT-603 and pay the tax to the Department of Taxes if the facility has a plant energy rating of 600 kWh or larger and it is not connected to a renewable energy plant.

An energy storage facility is defined as "a stationary device or system that captures energy produced at one time, stores that energy for a period of time, and delivers or may deliver that energy as electricity to the grid for use at a future time." Energy storage facilities are typically used to store energy from the grid in batteries for future use by the grid. Energy storage facilities that are connected to a solar energy generating plant, and are included on the plant's CPG, pay the tax as part of the plant. Form SCT-603 should be filed to the plant as a whole; there is no need to file a separate return for an energy storage facility that is part of the plant.

TAX DUE FOR ENERGY STORAGE FACILITIES

The Uniform Capacity Tax is imposed at the rate of \$0.50 per kWh of plant energy rating. The Department uses the plant energy rating stated on the facility's CPG to determine the rating unless the taxpayer can demonstrate that another method is more accurate.

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 (explained below).

In addition to the UCT applied to a solar plant or energy storage facility, the underlying land is subject to property tax, but with some differences unique to this type of property. The presence of a solar plant or energy storage facility on exempt land does not alter the exempt status of the underlying parcel. For example, the underlying land is exempt from property taxation when a plant subject to UCT is located on a parcel that qualifies for the property tax exemption for public, pious, and charitable uses.

When the underlying land is not exempt, it is valued based on the land value without regard for the plant or facility. The standard “highest and best use” approach to appraisal should not be used for land underlying facilities subject to UCT. The municipality should instead value the land using their existing land schedule without consideration of the highest and best use as a solar facility.

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.

Owners of an energy storage facility with a plant rating of less than 600 kWh are not required to pay the UCT, education tax, or municipal tax for the facility. The underlying land is nevertheless subject to property taxation.

VALUATION OF SOLAR PLANTS AND ENERGY STORAGE FACILITIES

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.

Energy storage facilities that are subject to the UCT are subject to municipal taxes through a different valuation process specified in law. The appraisal value to real and personal property must be calculated at \$0.25 per kWh of plant energy rating.

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.

A flowchart for application of UCT and property tax relating to solar plants appears on the next page.

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

Note: this flow chart applies only to solar plants. For more information related to energy storage facilities, please see [Solar Plants Subject to the Uniform Capacity Tax](#).

