



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

FACT SHEET FOR H.B. 2153

renewable energy storage equipment; valuation

Purpose

Exempts renewable energy storage equipment from transaction privilege taxes (TPT), use tax and municipal tax. Prescribes a valuation formula for renewable energy storage equipment.

Background

Renewable energy equipment is electric generation facilities, electric transmission, electric transmission, electric distribution, gas distribution or combination gas and electric transmission and distribution, and transmission and distribution cooperative property that is used or useful for the generation, storage, transmission or distribution of electric power, energy or fuel derived from solar, wind or other nonpetroleum renewable sources not intended for self-consumption. The full cash value (FCV) of renewable energy equipment is 20 percent of the depreciated cost of the equipment, which is the taxable original cost less depreciation ([A.R.S. § 42-14155](#)).

Exemptions from the retail classification of TPT and affiliated excise tax and use tax include: 1) the gross proceeds of sales or gross income derived from sales of machinery, equipment or transmission lines used directly in producing or transmitting electrical power, excluding distribution; and 2) transformers and control equipment used at transmission substation sites to produce or transmit electrical power (A.R.S. §§ [42-5061](#) and [42-5159](#)).

The governing body of a city or town or a county board of supervisors (county BOS) may designate a renewable energy incentive district if the proposed district meets the outlined requirements to accommodate the construction and operation of renewable energy equipment and the proposed district is in a location that would not be incompatible with other uses of property in the area. If a renewable energy incentive district is established, a renewable energy incentive plan must be adopted to encourage the construction and operation of renewable energy equipment in the district (A.R.S. §§ [9-499.14](#) and [11-254.07](#)).

The Joint Legislative Budget Committee (JLBC) fiscal note estimates that the state General Fund may experience a negative fiscal impact of millions of dollars in revenue collections in future years as a result of the TPT exemption in H.B. 2153. JLBC states that the impact across five years could potentially be \$40 million ([JLBC fiscal note](#)).

Provisions

1. Exempts the gross proceeds of sales or gross income derived from sales of machinery and equipment used directly for energy storage for later electrical use from the TPT imposed on the retail classification.
2. Exempts machinery and equipment used directly for energy storage for later electrical use from use tax.

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3. Prohibits a city, town or special taxing district from levying a TPT, sales, use or other similar tax on the gross proceeds of sales or gross income derived from sales of machinery and equipment used directly for energy storage for later electrical use.
4. Sets the FCV of renewable energy storage equipment at 20 percent of the depreciated cost of the equipment.
5. Requires the Arizona Department of Revenue (ADOR) to determine the FCV of taxable renewable energy storage equipment, in addition to that of renewable energy equipment, through December 31, 2040.
6. Requires ADOR to annually determine the valuation of all property, owned or leased, used in the operation of an energy storage, transmission or distribution system, rather than property used in the operation of an electric transmission or distribution system.
7. Includes the consideration of renewable energy storage equipment by a city or town or a county BOS when designating a renewable energy incentive district.
8. Requires, if a city or town or a county BOS establishes a renewable energy incentive district, the city or town or county BOS to adopt a renewable energy incentive plan to encourage the construction and operation of renewable energy storage equipment, in addition to that of renewable energy equipment, in the district.
9. Specifies that all energy storage equipment, both collocated with renewable energy and stand-alone energy storage equipment, qualifies for valuation.
10. Renames *renewable energy equipment* as *renewable energy and storage equipment* and includes energy storage in *renewable energy and storage equipment*.
11. Defines *electric utility scale* as a person, or a person's equipment or wholesale electricity supplier, who is engaged in furnishing, or producing and furnishing, natural or artificial gas and water to consumers or who is providing ancillary services, electric distribution services, electric generation services, electric transmission services and other services related to providing electricity to retail electric customers.
12. Defines *energy storage* as commercially available technology for electric utility scale that uses mechanical, chemical or thermal processes to store energy and that is capable of absorbing energy, storing energy for a period of time and dispatching the energy.
13. Defines *machinery and equipment used directly* as all machinery and equipment used for electric energy storage from the point of receipt of the energy in order to facilitate storage of the electric energy to the point where the electric energy is released.
14. Applies the definition of *taxable original cost* to renewable energy storage equipment.
15. Contains a technical conditional enactment.

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16. Makes technical and conforming changes.

17. Becomes effective on the general effective date.

House Action

WM	2/10/21	DPA	8-1-1-0
3 rd Read	2/22/21		51-7-0-2

Prepared by Senate Research

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MG/gs