

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7399

BILL NUMBER: HB 1348

NOTE PREPARED: Feb 11, 2021

BILL AMENDED: Feb 11, 2021

SUBJECT: Assessment of Utility Grade Solar Projects.

FIRST AUTHOR: Rep. Soliday

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that, for assessment dates beginning after December 31, 2021, the land portion of the fixed property of a utility grade solar energy installation facility shall be assessed at an amount that does not exceed the solar land base rate for the region in which the property is located. It provides that the land portion of the fixed property is considered nonresidential real property for purposes of calculating a person's credit under the tax caps. The bill provides a limited exception for certain utility grade solar energy installation facilities that were assessed on the January 1, 2021, assessment date.

The bill requires the Department of Local Government Finance (DLGF) to annually determine and release a solar land base rate for each region based on the median true tax value (TTV) per acre of all land in the region classified under the utility property class codes of the DLGF for the immediately preceding assessment date.

Effective Date: Upon passage; January 1, 2022.

Explanation of State Expenditures: The DLGF will have increased workload in determining the solar land base rate for each of the three regions. The DLGF should be able to implement the bill's requirements with no additional appropriations, assuming near customary agency staffing and resource levels.

The distributable property portion of utility grade solar projects is already assessed by DLGF in the same manner as other utilities. This bill codifies current practice regarding distributable property.

Additional Information - Utility property is usually comprised of two types of property for tax purposes – fixed and distributable. The fixed property includes structures that are not a direct part of the utility

generation, transmission, or storage, and all land. Everything else is distributable property. Fixed property is assessed by the local assessor. Distributable property is assessed by the DLGF on an enterprise level with the AV allocated back to taxing districts.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Beginning with taxes payable in CY 2023, this bill may reduce the assessments of some utility grade solar projects, depending on where the assessment under current law falls in relation to the median utility TTV per acre in the region (assessment cap). Reduced assessments will increase tax rates and potentially increase tax cap losses. The actual impact on local revenues will vary by location.

According to the DLGF, the median TTV per acre of utility land for taxes payable in 2020 was \$11,825 in the north region, \$13,069 in the central region, and \$5,122 in the southern region.

Currently, most counties with solar installations assess the land using the base rate for commercial land. The county may have multiple base rates, based on location. In most counties, there is no difference between the AV of land classified as commercial and land classified as industrial.

Additionally, in some cases, the assessor has already created a special base rate for solar installation land and in some cases, the assessor and the utility have negotiated an assessment. Under the bill, assessments that have been set for the 2021 assessment date through the next reassessment of that property will not change even if the assessment is less than the base rate.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: Local assessors; Local civil taxing units and school corporations.

Information Sources: County assessors; Department of Local Government Finance.

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