



MEMORANDUM

TO: County and City Assessors

FROM: J.J. Severson, Tax Attorney, Policy and Communications Division

RE: Solar Energy Property Tax Procedures

DATE: May 18, 2016

This memorandum discusses the responsibility of the assessor to determine when solar energy property is not locally assessed and to report the property to the Department of Revenue. It also addresses the distinction between the valuation requirements for solar energy systems in Iowa Code § 441.21(8)(b) and (d).

APPLICABLE LAW

Iowa Code § 441.17(9) requires that the assessor shall “[f]urnish to the department of revenue any information which the assessor may have relative to the ownership of any property that may be assessable within this state, but not assessable or subject to being listed for taxation by the assessor.” Iowa Code § 441.17(9).

“‘Self-generator’ means a person, other than an electric company, natural gas company, electric cooperative, or municipal utility, who generates, by means of an on-site facility wholly owned by or leased in its entirety to such person, electricity solely for its own consumption, except for inadvertent unscheduled deliveries to the electric utility furnishing electric service to that self-generator. . . .” Iowa Code § 437A.3(27).

DISCUSSION

Solar Energy Property Subject to Replacement Tax

Assessors are responsible for determining whether property within their jurisdictions is subject to local assessment. Iowa Code § 441.21. As part of the determination of whether property that generates electricity is subject to local assessment, the assessor must investigate whether the property is generating energy that is consumed by someone other than an owner, shareholder, member, beneficiary, partner, or associate of the person generating the electricity. *See* Iowa Code § 437A.3(27). If so, the electricity it is generating is subject to the replacement tax and the property generating the electricity is not locally assessed. Iowa Code § 437A.6(1); 437A.16; 437A.3(27). However, solar energy property that only makes *inadvertent* and *unscheduled* deliveries to the grid is not subject to the replacement tax. *Id.* § 437A.3(27) (emphasis added). Once the assessor has determined that solar energy property is

subject to the replacement tax, the assessor shall notify the Department of Revenue pursuant to Iowa Code § 441.17(9).

Valuation of Property Containing Solar Energy Systems

Iowa Code § 441.21(8) requires that assessors disregard value for certain property containing solar energy systems.ⁱ Iowa Code § 441.21(8)(b) mandates a five year exclusion of the value of the solar energy system property from the assessment value of the property. Iowa Code § 441.21(8)(d) applies only to buildings, and permanently excludes from the assessment value any increase in market value of the building attributed to the fact that the building contains a solar energy system. Therefore, after the five years has expired, the actual value of the solar energy system property must be included in the assessment value of the overall property. However, the market value added to a building due to the fact that the property contains a solar energy system shall not be included in the assessment value at any time.

ⁱ A “solar energy system” is defined as

(1) A system of equipment capable of collecting and converting incident solar radiation or wind energy into thermal, mechanical or electrical energy and transforming these forms of energy by a separate apparatus to storage or to a point of use which is constructed or installed after January 1, 1978. (2) A system that uses the basic design of the building to maximize solar heat gain during the cold season and to minimize solar heat gain in the hot season and that uses natural means to collect, store, and distribute solar energy which is constructed or installed after January 1, 1981. Iowa Code § 441.21(8)(c) (2016).