
OLR Bill Analysis

HB 5442

AN ACT CONCERNING THE PROPERTY TAX EXEMPTION FOR AND TAX AGREEMENTS RELATED TO CERTAIN CLASS I RENEWABLE ENERGY SOURCES.

SUMMARY

This bill makes changes to the municipal uniform solar capacity tax and a solar-related property tax exemption created by PA 25-173, §§ 57 & 58. Principally, the bill limits the exemption to solar facilities that are permitted to operate beginning on July 1, 2026, aligning it with the uniform capacity tax.

By law, the uniform capacity tax (\$10,000 per megawatt (MW) of nameplate capacity) applies statewide to certain solar photovoltaic systems with a nameplate capacity that is over one MW and that are permitted to operate on or after July 1, 2026. Generally, the tax applies for 20 years, but municipalities may enter into agreements with system owners to stabilize or freeze the tax. The bill specifies that the terms of these agreements apply instead of the tax even if they entered the agreement before July 1, 2026.

Under current law, the property tax exemption generally applies to solar photovoltaic systems that are Class I renewable energy sources. The bill limits the exemption to equipment and devices whose owners receive, on or after July 1, 2026, permission to operate from an electric distribution company or municipal electric utility.

The bill also delays this exemption by one year, starting it with the 2026 assessment year rather than the 2025 assessment year. It makes a corresponding change authorizing municipalities to amend their 2025 grand lists and issue certificates of correction to reflect the bill's changes.

Under existing law, unchanged by the bill, certain Class I renewable energy sources, like solar facilities, are eligible for a separate property

tax exemption if they (1) were installed on or after January 1, 2014; (2) are for commercial or industrial purposes; and (3) have a nameplate capacity that does not exceed the location's load or, if the facility is participating in virtual net metering, the aggregated load of its beneficial accounts. Under existing law, neither exemption applies to any real property where the equipment or devices are located or installed.

The bill also makes technical and conforming changes.

EFFECTIVE DATE: Upon passage, except the provision on tax agreements is effective July 1, 2026.

BACKGROUND

Systems Subject to the Municipal Uniform Solar Capacity Tax

By law, the municipal uniform solar capacity tax applies to owners of "solar photovoltaic systems," which are equipment and devices:

1. that primarily collect solar energy and generate electricity by photovoltaic effect;
2. that have a nameplate capacity over one MW that exceeds the load for the location where the equipment and devices are located (nameplate capacity generally refers to a facility's maximum output under specific conditions designated by the manufacturer); and
3. for which the owner receives permission to operate from an electric distribution company or a municipal electric utility on or after July 1, 2026.

The tax does not apply to systems that are located on the following:

1. state-owned land;
2. "brownfields" (abandoned or underutilized property where redevelopment, reuse, or expansion has not occurred due to the presence or potential presence of pollution in the buildings, soil, or groundwater that requires investigation or remediation before

or along with the property's redevelopment, reuse, or expansion);

3. landfills;
4. residential, commercial, or industrial rooftops; or
5. "solar canopies" (outdoor, shade-providing structures, such as carports, that host solar photovoltaic panels above a parking or driving area, pedestrian walkway, courtyard, canal, or other used surface and are installed in a way that maintains the function of the underneath area).

Additionally, the tax also does not apply to systems that are part of a microgrid serving a critical facility. By law, a "microgrid" is a group of interconnected electricity users and generators that (1) is within clearly defined boundaries and acts as a single controllable entity with respect to the larger grid and (2) can operate as part of the grid or independent of it. A "critical facility" includes:

1. hospitals,
2. police and fire stations,
3. water and sewage treatment plants,
4. public shelters,
5. correctional facilities,
6. certain television and radio production and transmission facilities,
7. commercial areas,
8. municipal centers identified by the municipality's chief elected official, and
9. any other facility or area identified by the Department of Energy and Environmental Protection.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable

Yea 54 Nay 0 (03/30/2026)