

# **Proposed Regulation under the *Assessment Act* regarding the Property Tax Treatment of Renewable Energy Installations**

## **Introduction / Purpose of Regulation**

The *Assessment Act* and Ontario Regulation 282/98 currently provide rules governing the property tax treatment of energy generation facilities. However, in some situations, these rules may not be sufficiently detailed to address issues relating to emerging types of energy installations.

Regulatory amendments are being proposed to Ontario Regulation 282/98 with the objective of:

- providing greater clarity and certainty to the property tax treatment of renewable energy installations for property owners, municipalities and the Municipal Property Assessment Corporation; and
- ensuring that property tax does not act as a disincentive to energy generation, particularly small-scale generation by persons who are not ordinarily in the business of generation.

## **Current Treatment**

Under current rules, land, buildings and structures used for electricity generation are generally assessed at their current value and taxed at the industrial rate.

An exception is made for wind energy installations, which are currently treated as follows:

- Towers supporting wind turbines are assessed at the rate of \$40,000 per MW of the installed capacity of the turbine and taxed at the industrial tax rate.
- The land beneath the tower (approximately one acre per tower) is:
  - assessed and taxed at the industrial rate for commercial wind energy operators and for private (residential/farm) generators with turbines in excess of 500 kW capacity; and
  - assessed and taxed at the residential or farm rate for towers that have a generation capacity of 500 kW or less, are located on residential or farm property, and generate electricity primarily for the property owner's own use.

Machinery and equipment used for the generation of electricity (e.g. solar panels, wind turbines and blades) are exempt from property taxation.

## Proposed New Treatment

Regulatory amendments are being proposed to build upon the existing regulatory framework and establish greater clarity by creating additional categories for assessment based on the size and location of generation.

The amendments would apply to facilities that are generating electricity from the following renewable sources of energy - solar, wind, or anaerobic digestion.

The proposed new policies are outlined below, and linkages are drawn to indicate the aspects of the current treatment that would remain in place.

### ROOFTOP INSTALLATIONS

The assessment and tax classification of property would not change due to the addition of a rooftop energy generation installation.

### GROUND INSTALLATIONS

For ground-mounted installations, the property tax treatment would depend upon the size of the facility as well as the entity who is doing the generation.

#### **Generation as Ancillary Activity, Not by a Corporate Power Producer:**

The following rules would apply where energy generation is conducted by a person who is not ordinarily in the business of electricity generation, transmission or distribution, and where the generation is secondary to the main activity on the property.

- **Small-size** ground installations with a generation capacity **up to 10 kW** would not experience an increase in assessment or a change in tax classification.
- **Medium-size** ground installations with a generation capacity **over 10 kW and up to 500 kW** would be taxed based on the surrounding land use (e.g. residential, farm, multi-residential, commercial).
- **Large-size** ground installations with a generation capacity **over 500 kW** would be taxed based on the surrounding land use for the proportion of assessment up to 500 kW, and at the industrial rate for the proportion over 500 kW.
  - For example, if a 560 kW wind tower is located on multi-residential property, the assessment of the wind tower and associated land would be apportioned 89.3% to the multi-residential tax class and 10.7% to the industrial tax class.

#### **On-Farm Anaerobic Digestion:**

Anaerobic digestion facilities of any size that are located on a farm and are operated by the farmer would be taxed at the farm rate.

## Generation by Corporate Power Producer:

Consistent with current treatment, ground-based generation facilities that are operated by entities whose primary business is the generation, transmission or distribution of electricity (“corporate power producers”) would be taxed at the **industrial rate**.

## Wind Turbine Towers:

Consistent with current treatment, wind turbine towers would continue to be assessed at the rate of \$40,000 per MW of installed capacity, except in the two situations noted above where the assessment would not be affected by the installation (rooftop installations and ground-based installations up to 10 kW).

## Proposed Property Tax Treatment – Summary Table

	Small (up to 10 kW)	Medium (over 10 kW up to 500 kW)	Large (over 500 kW)
<b>Rooftop</b>	No new assessment or taxes.		
<b>Ground – Ancillary Use:</b> <i>Generation is not performed by corporate power producer and is secondary to main activity on property</i>	Land, buildings and structures used for electricity generation are <b>taxed at the rate of the surrounding land use</b> .  This treatment also applies to large (over 500 kW) <b>on-farm anaerobic digesters</b> that are operated by farmers.		Land, buildings and structures used for electricity generation are <b>taxed at the rate of the surrounding land use</b> for the proportion of assessment <b>up to 500 kW</b> , and <b>taxed at the industrial rate</b> for the proportion <b>over 500 kW</b> .
<b>Ground – Professional Generation:</b> <i>Generation is conducted by corporate power producer</i>	Land, buildings and structures used for electricity generation are <b>taxed at industrial rate</b> .		

## Energy Efficiency

The proposed regulation would also include an amendment to implement a previously announced policy regarding energy efficiency / energy conservation installations. Under this policy, the assessment of properties would not be increased due to the installation of energy-efficiency upgrades that utilize renewable energy technologies, such as solar hot water heaters and geothermal cooling systems.

## Effective Date

The proposed regulatory amendments would come into effect for the 2011 taxation year.

## Timing / Next Steps

The policies outlined above will be posted on Ontario's Regulatory Registry web site until August 29, 2011. During this period, comments are invited from the public.

Anyone who would like to share their views on the proposed policies should send their comments by e-mail or postal mail to:

Ms. Nivedita Ravi  
Property Tax Legislation and Assessment Policy Branch  
Ministry of Finance  
777 Bay Street, 10<sup>th</sup> Floor  
Toronto, Ontario, M5G 2C8  
**E-mail:** Nivedita.Ravi@ontario.ca

Alternatively, individuals may submit comments directly from the Regulatory Registry web site by accessing this posting at:

<http://www.ontariocanada.com/registry/quickSearch.do?searchType=current>