

**AGENDA
LEBANON CITY COUNCIL
APRIL 15, 2020**

9. NEW BUSINESS:

**9.B – DISCUSSION & SET PUBLIC HEARING FOR MAY 6, 2020:
TAX EXEMPTION FOR ELECTRIC ENERGY STORAGE SYSTEMS**

BACKGROUND

City Manager Mulholland requested the Assessing Office review existing Solar Energy Systems Exemption to see if the City is in-line with the current provisions of RSA 72:61 (as amended), RSA 72:85 and House Bill 464. During the review, it was discovered that the definition of a solar energy system as defined in RSA 72:61 did not include energy storage systems as an exempted component of a solar energy system at the time the City Council adopted the Solar System Exemption in 2013. House Bill 464 changed the definition of solar energy systems for purposes of determining assessed value for real estate taxes, as well as enables municipalities to adopt an exemption as provided in RSA 72:85 in an amount equal to any increase in incremental assessed value of the entire property attributable to the qualifying electrical energy storage system.

Please see memo from Chief Assessor Rick Vincent for more detail and recommendations. Chief Assessor Vincent will be available to answer any questions.

ACTION

Should the Council decide to move forward with the consideration of this tax exemption, the following motion is offered for consideration:

MOVED, that the Lebanon City Council hereby sets a public hearing for Wednesday, May 6, 2020, beginning at 7:00pm, Remote via Microsoft Teams, for the purpose of receiving public input and taking action to adopt the provisions of NH RSA 72:85, Exemption for Electric Energy Storage Systems.

Included in this Section:

1. April 3, 2020 Memo from Rick Vincent, Chief Assessor; re: Solar Energy Systems Exemption

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To: Honorable Mayor and City Council
Cc: Shaun Mulholland, City Manager
Paula Maville, Deputy City Manager
From: Richard Vincent, Chief Assessor
Date: April 3, 2020
Re: Solar Energy Systems Exemption

INTRODUCTION:

City Manager Mulholland requested the Assessing Office to review the existing Solar Energy Systems Exemption to see if the City is in-line with the current provisions of RSA 72:61 (as amended), RSA 72:85 and House Bill 464. During our review, it was discovered that the definition of a solar energy system as defined in RSA 72:61 did not include energy storage systems as an exempted component of a solar energy system at the time the City Council adopted the Solar System Exemption in 2013. House Bill 464 changed the definition of solar energy systems for purposes of determining assessed value for real estate taxes, as well as enables municipalities to adopt an exemption as provided in RSA 72:85 in an amount equal to any increase in incremental assessed value of the entire property attributable to the qualifying electrical energy storage system.

BACKGROUND

On March 20, 2013, the City Council passed a resolution to adopt the provisions of RSA 72:62, Exemption for Solar Energy Systems, as defined in RSA 72:61. A solar energy system is defined as one which utilizes solar energy to heat or cool the interior of a building or to heat water for use in a building and which includes one or more collectors and a storage container. It also means a system which provides electricity for a building by use of photovoltaic panels.

House Bill 464 was introduced in the 2019 Legislative Session to repeal the definition of a solar energy system under RSA 72:61 and to enable municipalities to adopt a property tax exemption for electric energy storage systems per the provisions of RSA 72:85. Effective October 15, 2019, RSA 72:85 provides that electric storage systems be exempted from the assessed value for property tax purposes for persons owning real property which is equipped with an electrical energy storage system. Before electric storage systems can be included in the definition of solar energy systems, it is necessary for the City Council to first adopt RSA 72:85. This will then enable the Council to re-adopt RSA 72:61 with the expanded definition contained in paragraph II.

RSA 72:27-a grants the authority to the City Council to consider and adopt the provisions of RSA 72:85 and re-adopt RSA 72:62 in accordance with its normal procedures for passage of resolutions, ordinances, and other legislation.



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RECOMMENDATIONS/RATIONALE:

RSA 72:85 is available to be considered and adopted by the City Council to add electrical energy systems to the definition of solar energy systems as defined by RSA 72:61. It is also recommended that the City Council consider and re-adopt RSA 72:61 to exempt these systems which utilize solar energy to produce electricity for a building and includes all photovoltaics, inverters, and storage from the assessed value for property tax purposes.

To date approximately 100 properties have been identified as having solar energy systems which qualify for the exemption under defined in RSA 72:62 adopted by the City Council in 2013. Since the introduction of the Solar Energy Systems Exemption, these systems have not been separately assessed with the value attributable to the components of these systems being reflected in the overall assessed value of properties located in the City of Lebanon. There will be no increased tax burden to the City's property owners or to the City should the City Council consider and adopt the recommendations outlined above. The Assessing Department cannot be sure how many more property owners would be eligible for an exemption should the City Council adopt the new definition, but those that currently qualify would remain qualified for the foreseeable future.

The Assessing Department has not established values for the existing solar energy systems due to a lack of sales data. However, values will be established for the 2020 tax year through an acceptable cost analysis method to valuation.

CHAPTER 327
HB 464 - FINAL VERSION

20Mar2019... 0804h
05/23/2019 1967s
27Jun2019... 2624-CofC
27Jun2019... 2674-EBA

2019 SESSION

19-0563
06/05

HOUSE BILL **464**

AN ACT relative to the definitions of solar energy systems and wind-powered energy systems for assessed value of real estate exemptions and enabling municipalities to adopt a property tax exemption for electric energy storage systems.

SPONSORS: Rep. Carson, Merr. 7; Rep. Oxenham, Sull. 1; Sen. Watters, Dist 4

COMMITTEE: Science, Technology and Energy

AMENDED ANALYSIS

This bill changes the definitions of solar energy systems and wind-powered energy systems for purposes of determining assessed value for real estate exemptions. The bill also allows cities and towns to adopt a property tax exemption for electric energy storage systems.

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Explanation: Matter added to current law appears in *bold italics*.
Matter removed from current law appears [~~in brackets and struck through.~~]
Matter which is either (a) all new or (b) repealed and reenacted appears in regular type.
20Mar2019... 0804h
05/23/2019 1967s
27Jun2019... 2624-CofC
27Jun2019... 2674-EBA 19-0563
06/05

STATE OF NEW HAMPSHIRE

In the Year of Our Lord Two Thousand Nineteen

AN ACT relative to the definitions of solar energy systems and wind-powered energy systems for assessed value of real estate exemptions and enabling municipalities to adopt a property tax exemption for electric energy storage systems.

Be it Enacted by the Senate and House of Representatives in General Court convened:

327:1 Solar Energy Systems; Definition. RSA 72:61 is repealed and reenacted to read as follows:
72:61 Definition of Solar Energy Systems.

I. For purposes of an exemption under RSA 72:62 adopted before January 1, 2020, in this subdivision "solar energy system" means a system which utilizes solar energy to heat or cool the interior of a building or to heat

water for use in a building and which includes one or more collectors and a storage container. "Solar energy system" also means a system which provides electricity for a building by the use of photovoltaic panels.

II. In a municipality that adopts or re-adopts the exemption under RSA 72:62 on or after January 1, 2020, "solar energy system" means, in addition to the definition in paragraph I, a system which utilizes solar energy to produce electricity for a building and includes all photovoltaics, inverters, and storage. Systems may be off grid or connected to the grid in a net metered or group net metered arrangement pursuant to RSA 362-A:9 or in a direct retail sale arrangement pursuant to RSA 362-A:2-a.

327:2 Wind-Powered Energy Systems; Definition. RSA 72:65 is repealed and reenacted to read as follows:
72:65 Definition of Wind-Powered Energy System.

I. For purposes of an exemption under RSA 72:66 adopted before January 1, 2020, in this subdivision "wind-powered energy system" means any wind-powered devices which supplement or replace electrical power supplied to households or businesses at the immediate site.

II. In a municipality that adopts or re-adopts the exemption under RSA 72:66 on or after January 1, 2020, "wind-powered energy system" means a system that utilizes wind power to produce electricity for a building and includes all wind-powered devices, inverters, and storage. Systems may be off grid or connected to the grid in a net metered or group net metered arrangement pursuant to RSA 362-A:9 or in a direct retail sale arrangement pursuant to RSA 362-A:2-a.

327:3 Procedure for Adoption of Property Tax Exemption. Amend the introductory paragraph of RSA 72:27-a, I to read as follows:

I. Any town or city may adopt the provisions of RSA 72:28, RSA 72:28-b, RSA 72:29-a, RSA 72:35, RSA 72:37, RSA 72:37-b, RSA 72:38-b, RSA 72:39-a, RSA 72:62, RSA 72:66, RSA 72:70, RSA 72:76, [or] RSA 72:82, **or RSA 72:85** in the following manner:

327:4 New Subdivision; Electric Energy Storage Systems Exemption. Amend RSA 72 by inserting after section 83 the following new subdivision:

Electric Energy Storage Systems Exemption

72:84 Electric Energy Storage System; Definition. In this subdivision "electric energy storage system" means a facility located behind a retail meter that stores electrical energy that is otherwise produced by an electricity generator or uses electricity to concentrate and store thermal energy, by electrical, chemical, mechanical, or thermal means, for discharge or use at a later time, whether in the form of thermal energy to meet space or process heating or cooling loads or electricity, which can be used to reduce peak loads, compensate for variability in renewable energy production, or provide other grid services, and which does not participate in any wholesale energy markets administered by ISO New England as a registered asset or otherwise. An electric energy storage system shall not include conventional electric resistance or gas domestic hot water heaters.

72:85 Exemption for Electric Energy Storage Systems. A city or town may adopt an exemption under RSA 72:27-a from the assessed value for property tax purposes, for persons owning real property which is equipped with an electrical energy storage system.

72:86 Application for Exemption. Applications for exemptions under RSA 72:85 shall be governed by the provisions of RSA 72:33, RSA 72:34, and RSA 72:34-a.

327:5 Department of Revenue Administration; Equalization; Reference Added. Amend RSA 21-J:3, XIII to read as follows:

XIII. Equalize annually by May 1 the valuation of the property as assessed in the several towns, cities, and unincorporated places in the state including the value of property exempt pursuant to RSA 72:37, **RSA 72:37-b, RSA 72:39-a, RSA 72:62, RSA 72:66, [and] RSA 72:70, and RSA 72:85**, property which is subject to tax relief under RSA 79-E:4, and property which is subject to tax relief under RSA 79-E:4-a, by adding to or deducting from the aggregate valuation of the property in towns, cities, and unincorporated places such sums as will bring such valuations to the true and market value of the property, and by making such adjustments

in the value of other property from which the towns, cities, and unincorporated places receive taxes or payments in lieu of taxes, including renewable generation facility property subject to a payment in lieu of taxes agreement under RSA 72:74, as may be equitable and just, so that any public taxes that may be apportioned among them shall be equal and just. In carrying out the duty to equalize the valuation of property, the commissioner shall follow the procedures set forth in RSA 21-J:9-a.

327:6 Department of Revenue Administration; Rules; Reference Added. Amend RSA 72:36, I to read as follows:

I. The commissioner's interpretation of RSA 72:28, 72:28-b, 72:28-c, 72:29, 72:29-a, 72:30, 72:31, 72:32, 72:33, 72:34, 72:34-a, 72:35, 72:36-a, 72:37, 72:37-a, 72:37-b, 72:38-a, 72:38-b, 72:39-a, 72:39-b, 72:41, 72:62, 72:66, [and] 72:70; and 72:85; and

327:7 Department of Revenue Administration; Equalization; Reference Added. RSA 21-J:3, XIII is repealed and reenacted to read as follows:

XIII. Equalize annually by May 1 the valuation of the property as assessed in the several towns, cities, and unincorporated places in the state including the value of property exempt pursuant to RSA 72:37, RSA 72:37-b, RSA 72:39-a, RSA 72:62, RSA 72:66, RSA 72:70, and RSA 72:85, property which is subject to tax relief under RSA 79-E:4, and property which is subject to tax relief under RSA 79-E:4-a, by adding to or deducting from the aggregate valuation of the property in towns, cities, and unincorporated places such sums as will bring such valuations to the true and market value of the property, and by making such adjustments in the value of other property from which the towns, cities, and unincorporated places receive taxes or payments in lieu of taxes, including renewable generation facility property subject to a payment in lieu of taxes agreement under RSA 72:74 and combined heat and power agricultural facility property subject to a payment in lieu of taxes agreement under RSA 72:74-a, as may be equitable and just, so that any public taxes that may be apportioned among them shall be equal and just. In carrying out the duty to equalize the valuation of property, the commissioner shall follow the procedures set forth in RSA 21-J:9-a.

327:8 Contingency. If HB 635-LOCAL of the 2019 regular legislative session becomes law, section 7 of this act shall take effect 60 days after the passage of this act and section 5 of this act shall not take effect. If HB 635-LOCAL does not become law section 5 of this act shall take effect 60 days after its passage and section 7 of this act shall not take effect.

327:9 Effective Date.

I. Sections 5 and 7 of this act shall take effect as provided in section 8 of this act.

II. The remainder of this act shall take effect 60 days after its passage.

Approved: August 16, 2019

Effective Date:

I. Sections 5 and 7 shall take effect as provided in section 8.

II. Remainder shall take effect October 15, 2019.

TITLE V TAXATION

CHAPTER 72 PERSONS AND PROPERTY LIABLE TO TAXATION

Solar Energy Systems Exemption

Section 72:61

72:61 Definition of Solar Energy Systems. –

I. For purposes of an exemption under RSA 72:62 adopted before January 1, 2020, in this subdivision "solar energy system" means a system which utilizes solar energy to heat or cool the interior of a building or to heat water for use in a building and which includes one or more collectors and a storage container. "Solar energy system" also means a system which provides electricity for a building by the use of photovoltaic panels.

II. In a municipality that adopts or re-adopts the exemption under RSA 72:62 on or after January 1, 2020, "solar energy system" means, in addition to the definition in paragraph I, a system which utilizes solar energy to produce electricity for a building and includes all photovoltaics, inverters, and storage. Systems may be off grid or connected to the grid in a net metered or group net metered arrangement pursuant to RSA 362-A:9 or in a direct retail sale arrangement pursuant to RSA 362-A:2-a.

Source. 1975, 391:1. 1993, 93:1, eff. April 1, 1993. 2019, 327:1, eff. Oct. 15, 2019.

TITLE V TAXATION

CHAPTER 72 PERSONS AND PROPERTY LIABLE TO TAXATION

Solar Energy Systems Exemption

Section 72:62

72:62 Exemption for Solar Energy Systems. – Each city and town may adopt under RSA 72:27-a an exemption from the assessed value, for property tax purposes, for persons owning real property which is equipped with a solar energy system as defined in RSA 72:61.

Source. 1975, 391:1. 1991, 70:26. 1993, 93:2. 2003, 299:17, eff. April 1, 2003.

TITLE V TAXATION

CHAPTER 72 PERSONS AND PROPERTY LIABLE TO TAXATION

Electric Energy Storage Systems Exemption

Section 72:85

72:85 Exemption for Electric Energy Storage Systems. – A city or town may adopt an exemption under RSA 72:27-a from the assessed value for property tax purposes, for persons owning real property which is equipped with an electrical energy storage system.

Source. 2019, 327:4, eff. Oct. 15, 2019.