

**Solar Leasing and the Tangible Personal Property (TPP) Tax on Leased Property**  
**Meeting Notes**  
July 1, 2014

**Meeting Participants**

- Yann Brandt, Co-Founder and Executive Vice President of Development, Demeter Power Group
- George Cavros, Florida Energy Policy Attorney, Southern Alliance for Clean Energy
- Jeffery Halsey, Director, Broward County Pollution Prevention Division
- Dell Jones, solar developer
- Tom Kennedy, Director, Broward County Records, Taxes, and Treasury Division (by phone)
- Jason Liechty, Environmental Projects Coordinator, Broward County Environmental Planning and Community Resilience Division
- Claudio Manicone, Senior Manager, Broward County Records, Taxes, and Treasury Division
- John McKean, Supervisor, Commercial Property Department, Broward County Property Appraiser
- Gary Mehringer, Assistant Director, Broward County Records, Taxes, and Treasury Division (by phone)
- Mila Schwartzreich, General Counsel, Broward County Property Appraiser
- David Simpson, Deputy Appraiser, Commercial Leasing Division, Broward County Property Appraiser

**Current Situation**

- Solar photovoltaic (PV) systems (and other renewable energy systems) installed by owners on residential property cannot be considered in the assessed value of the property, following the approval of a constitutional amendment by voters in 2008 and implementing legislation in 2013
- However, a leased solar PV system—installed and owned by a third party and leased to the property owner, who uses the power it generates (thereby reducing his/her electricity bill and even receiving payment for any excess power supplied to the grid)—is subject to the tangible personal property (TPP) tax, paid by the lessor
- The TPP tax adds approximately 2.5 to 5 cents (or more) per kWh to the cost of leased solar PV systems, which makes the economics of such systems far more challenging (e.g. customers may not save money over grid power over time)
- Efforts to place a constitutional amendment before voters to extend the tax exemption to commercial properties and to eliminate the TPP failed to pass the Florida Legislature during the 2014 session
- Solar PV systems are currently assessed as electrical equipment, subject to a depreciation schedule which starts at 92 percent of installed value in year 1 and declines to 20 percent in year 11 and after
- For comparison, solar heating systems are assessed at a far lower value

**Challenge**

- How can we overcome or mitigate this tangible personal property tax impact, thereby helping to spark solar leasing in Broward County?

## Potential Remedies

- Establish economic incentive program for solar leasing projects which would refund the county's share of the tangible personal property tax paid on leased solar PV systems
  - County's share is only roughly 25 percent of the total property tax; schools approximately 35 percent; municipality approximately 20 percent
  - Since solar leasing isn't taking place at present, any solar leasing activity induced by this type of incentive would essentially generate "new" revenue, which a commission might be willing to use as an incentive
- Classify solar PV systems as pollution control devices
  - Pollution control devices are assessed at salvage value (10 percent of installed value, according to Property Appraiser)
  - Pollution control devices are defined somewhat narrowly by Florida Statute 193.621 (Assessment of pollution control devices) and by the Florida Administrative Code (Ch. 62-8), leaving no leeway for a creative use of the definition by a property appraiser
  - If a property appraiser is in doubt about the validity of a piece of equipment that a taxpayer claims is pollution control equipment, she may go to the DEP for a recommendation and certification
  - Would have to be done through legislation
    - Amend 193.621 F.S. to include solar PV
    - Separate legislation declaring that solar PV systems be assessed at salvage value
- Constitutional amendment and implementing legislation
  - Earliest possible date on the ballot would be November 2016
  - Earliest possible legislation implementing an approved amendment would be spring 2017, effective in 2018

## Next Steps

- Property Appraiser's Office will confirm who is responsible for certifying pollution control devices (OUTCOME: the Florida Department of Environmental Protection)
- Jason Liechty will investigate the idea of an economic incentive program for solar leasing projects. (OUTCOME: Broward County Attorney's Office is researching.)
- Participants will stay in touch as needed.