TAX FAIRNESS OREGON

SB 154: Solar farm taxation needs evaluation

Testimony for Senate Energy and Environment – Jody Wiser – 2.4.2021

With a sunset date of January 2, 2022, it seems this unique tax program for solar project taxation should have been up for review as part of the Tax Credit Review process this session. However, it is not. Its evaluation is not included in the Tax Credit Review: 2021 Session. Thus, legislators and advocates have none of the expected assistance from staff in reviewing the facts of the matter.

Clearly those who plan, build and manage large solar projects prefer some certainty about the tax environment, so the sunset in January of next year needs to be addressed. However, all of our tax exemptions also need to be subject to careful review. Therefore, we purpose that SB 154 be amended to January 2024, so that it will get a proper review in the 2023 session. It would be at that point that any discussion of a change in rates should be addressed.

The Tax Expenditure Report analysis of this PILOT taxing mechanism (2.047) makes it clear that project developers are choosing which of the two subsidy programs we have for solar projects they prefer. But the analysis doesn't help with establishing information about which is best for the public in receiving property tax income while encouraging solar development, nor any information about whether there should be any changes in the rates. The cost of this tax expenditure, used now by 30 solar farms, is expected to nearly double between this biennium and the upcoming one. At over $14 million, with a rapidly expanding industry, this is a tax expenditure we should carefully analyze along with the other option developers are using, the Rural Renewable Energy Development Zone (2.019), which was established in 2003 and currently has no sunset.

Thus, our recommendation is that you amend this bill to extend this tax mechanism until January 2024 and establish a sunset for the Rural Renewable Energy Development Zone for the same date so that the two programs and the particulars of their rates and number of years of exemption can be evaluated side-by-side.