



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

DATE: December 15, 2020

TO: Assessors and Equalization Directors

FROM: Michigan State Tax Commission

SUBJECT: Interim Guidance Regarding Valuation and Assessment of Large-Scale Photovoltaic (Solar) Electric Generation Systems

The State Tax Commission is currently evaluating its recommended procedures for valuing commercial photovoltaic electric generation systems. The effort will not be completed before the time assessors finalize their 2021 assessment rolls. This Memorandum provides interim guidance.

The information in this Memorandum regarding the treatment of real property associated with photovoltaic electric generation systems applies only to systems which produce electricity on a large scale as a commercial activity, where the electricity is produced primarily for sale, or for utility purposes.

This Memorandum does not apply to small-scale photovoltaic systems which are designed primarily to provide on-site electricity, even if excess electricity is sold to the local electric utility provider or to a reseller of electric power. Such systems are valued and assessed as real property and the value placed on the photovoltaic system is determined based on the contribution which the system makes to the true cash value of the real property. If the system is not a large-scale generation facility, the classification of the real property for equalization purposes will be based on the use or uses of the real property, as provided in MCL 211.34c, without treating of the photovoltaic system as a separate use. Assessors are also reminded that residential systems may benefit from the Matheiu-Gast Act provision relating to non-consideration of alternative energy systems until the property is sold. Please refer to State Tax Commission Bulletin 6 of 2020.

Large-scale photovoltaic systems are reported, classified for equalization purposes, and assessed as industrial personal property for the 2021 assessment year and are valued using Table (Section) B of the Personal Property Statement, Treasury Form 632 (L-4175). For purposes of this Memorandum, the photovoltaic panels, the supporting structure for the panels, including foundations, the wiring and other interconnection infrastructure which is an integral part of the array, and the transducers, which convert the direct current produced by the system to alternating current suitable for transmission off-site, are treated as part of the photovoltaic system.

Any facilities located on the site which are used to transmit electricity after it has been converted to alternating current should be valued using the electric transmission valuation multipliers contained in Table I of Form 3589.

Miscellaneous personal property of the operator is which located on the site but is not an integral part of the photovoltaic system itself should be reported and valued using the appropriate Table (Section) of Treasury Form 632 (L-4175).

Structures, and land improvements such as roads, parking lots and fences, among other features, located on the real property parcel are valued as part of the real property, using the appropriate sections of the Assessor's Manual or other authorized valuation manual or procedure. If the owner of the structure(s) or improvements is different than the owner of the real property on which the system is located, then the structure(s) or improvements are assessed as structures or improvements on leased land, pursuant to MCL 211.2(c), using the procedures contained in State Tax Commission Bulletin 8 of 2002.

For equalization purposes, the classification of real property used in association with large-scale photovoltaic electric generation systems will be determined in accordance with the provisions of MCL 211.34c. The real property use indicated by the presence of a large-scale photovoltaic system is industrial real property. Assessors are reminded that MCL 211.34c(5) provides that if there are two or more uses of the property, the use that most significantly influences the total valuation of the parcel will determine the classification for equalization purposes. In the case of freestanding photovoltaic systems, this will frequently result in the parcel being classified as industrial real property. If only a portion of a large parcel is devoted to use as a freestanding photovoltaic system site, an assessor is authorized to establish a separate tax parcel for the real property so used, if deemed appropriate. In the case of photovoltaic systems mounted on structures, the assessor must carefully analyze the uses of the property to determine the correct classification.

If the photovoltaic system is located on exempt real property, the assessor must often consider establishing an assessment pursuant to Act 189 of 1953 (MCL 211.181, et seq.) With certain exceptions, this act provides that if real property exempt for any reason from ad valorem property taxation is leased, loaned, or otherwise made available to and used by a private individual, association, or corporation in connection with a business conducted for profit, the lessee or user of the real property is subject to taxation in the same amount and to the same extent as though the lessee or user owned the real property.