

State Tax Commission February 12, 2014 Tip
Topic: Solar Panels for Farm Operations



Dear STaCy,

I am so confused about how to treat solar panels used in a farm operation. I have a farmer that has panels that are part of two different sheds storing both equipment and feed for the cattle, and crop farming operation. The panels provide electricity to all of the farm buildings. Shouldn't these be exempt from personal property tax as agricultural equipment? Every other piece of equipment this operation owns is exempt. Why would these be any different?

Thanks,
Sunny Day

Dear Ms. Day:

We understand this is a very confusing issue. As you know on June 11, 2013, the State Tax Commission issued a memorandum for assessors and equalization directors that determined (in concert with a Michigan Tax Tribunal ruling) solar panels are to be considered personal property.

The agricultural personal property exemption is covered in MCL 211.9j which describes personal property that is exempt, including: Property actually used in agricultural operations and farm implements held for sale or resale by retail servicing dealers for use in agricultural production. As used in this subdivision, "agricultural operations" means farming in all its branches, including cultivation of the soil, growing and harvesting of an agricultural, horticultural, or floricultural commodity, dairying, raising of livestock, bees, fur-bearing animals, or poultry, turf and tree farming, raising and harvesting of fish, collecting, evaporating, and preparing maple syrup if the owner of the property has \$25,000.00 or less in annual gross wholesale sales, and any practices performed by a farmer or on a farm as an incident to, or in conjunction with, farming operations, but excluding retail sales and food processing operations.

Individuals in the agricultural community should talk to their assessor if their use of the solar panels is for farming operations and covered by the exemption listed above. If the assessor disagrees with the taxpayer in regard to the use of the solar panel, the taxpayer should still file the Personal Property Tax Statement and indicate (in writing) that they believe the personal property is exempt. Then, if the assessor denies the exemption, the taxpayer may appeal at the local board of review.

Sincerely,
STaCy