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DEPARTMENT OF TREASURY
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DATE: December 14, 2021

TO: Assessors and Equalization Directors

FROM: Michigan State Tax Commission

SUBJECT: Guidance Regarding Valuation and Assessment of Photovoltaic (Solar) Electric Generation Systems

Following the Solar Ad Hoc Committee's Final Report, the State Tax Commission has evaluated its recommended procedures for valuing utility-scale photovoltaic (solar) electric generation systems where the electricity is produced primarily for sale, or which operate primarily as a commercial activity. The information in this memorandum contains revised guidance as to the treatment and valuation of real and personal property associated with utility-scale photovoltaic (solar) electric generation systems which produce electricity with a 2-megawatt name plate capacity or greater (hereinafter "Solar Energy System").

Starting with the 2022 tax year, utility-scale photovoltaic systems (2-megawatt nameplate capacity or larger) are to be reported, classified, and assessed as industrial personal property. Form 5762, Solar Energy System Report should be completed and attached to the Form 632 (L-4175), Personal Property Statement, and filed with the Assessor of each local assessing jurisdiction where the Solar Energy System(s) greater than 2-megawatt nameplate capacity are located. The photovoltaic panels, supporting structure for the panels, wiring, service and access drives, security fencing, communication equipment, surveillance, lighting, fencing, 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, and underlying foundations of all aforementioned items, are treated as part of the Solar Energy System. Any and all structures that do not support the operation, service, or security of the Solar Energy System are to be valued as part of the real property, using the appropriate sections of the Assessor's Manual or other authorized valuation manual or procedure.

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 which is located on the site but is not an integral part of the Solar Energy System itself should be reported and valued using the appropriate section of Treasury Form 632 (L-4175).

Assessors and Equalization Directors are reminded that the limitation on the increase in taxable value under MCL 211.27a(b)(4) applies to personal property. For more information regarding personal property value limitations, see State Tax Commission memorandum dated December 16, 2015.

For equalization purposes, the classification of real property used in association with the Solar Energy System will be determined in accordance with the provisions of MCL 211.34c. The presence of a Solar Energy System alone with no other competing uses would indicate an industrial real property classification. Assessors are reminded that MCL 211.34c(5) provides that if the usage of a parcel includes more than one classification, the assessor shall determine the classification that most significantly influences the total valuation of the parcel for equalization purposes. If only a portion of a larger parcel is devoted to use as a freestanding, Solar Energy 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 Solar Energy Systems mounted on structures, the assessor must carefully analyze the uses of the property to determine the correct classification.

The State Tax Commission's guidance related to small-scale photovoltaic electric energy systems (less than 2-megawatt name place capacity) 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 has not changed. Such systems are valued and assessed as real property and the value placed on the photovoltaic electric energy 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 Mathieu 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.

If the solar energy 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.

If the owner of the structure(s) or improvements is different than the owner of the real property on which the system is located, 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.