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Alternative Energy Systems

TO: Assessing Officers and County Equalization Directors

FROM: Michigan State Tax Commission

SUBJECT: Alternative Energy Systems

This Bulletin combines previous memos issued by the State Tax Commission on December 17, 2019 regarding “alternative energy systems.” This Bulletin is being issued to address statutory changes to the Mathieu Gast Act related to “alternative energy systems” on residential real property resulting from Public Acts 116 and 117 of 2019 and changes to the exemption for Alternative Energy Personal Property (MCL 211.9i) resulting from Public Act 118 of 2019.

A. Alternative Energy Systems Located on Residential Real Property

Public Acts 116 and 117 of 2019 made changes to the General Property Tax Act, specifically MCL 211.34d and MCL 211.27, to exclude solar panels and other “alternative energy systems” located on residential real property from assessment of true cash value until the property is sold.

The Acts amend the provisions in MCL 211.27(2) (commonly known as the Mathieu Gast Act) related to items an assessor shall not consider as an increase in true cash value as a result of expenditures for normal repairs, replacement, and maintenance in determining the true cash value of property for assessment purposes until the property is sold. The Acts add the following to the list of repairs considered normal maintenance if they are not part of a structural addition or completion:

- (p) Installing, replacing, or repairing an alternative energy system, without regard to ownership of the system, with a generating capacity of not more than 150 kilowatts, the annual energy output of which does not exceed the annual energy consumption measured by the utility-provided electrical meter on the system to which it is connected. As used in this subdivision, “alternative energy system” means that term as defined in section 2 of the Michigan next energy authority act, 2002 PA 593, MCL 207.822.

While the stated intent of the Public Acts is to exclude residential solar panels from being assessed, it should be noted that “alternative energy system” as defined in MCL 207.822 means the small-scale generation or release of energy from 1 or any combination of the following types of energy systems: fuel cell energy system, photovoltaic energy system, solar-thermal energy

system, wind energy system, CHP energy system, microturbine energy system, miniturbine energy system, Stirling cycle energy system, battery cell energy system, clean fuel energy system, electricity storage system, biomass energy system, and thermoelectric energy system. This means that any of these alternative energy systems that meet the requirements of MCL 211.27(2)(p) above are not considered by the assessor as an increase in true cash value when located on residential real property until the property is sold.

Assessors are reminded that they are required to give non-consideration treatment to known qualifying changes to residential real property, regardless of whether the taxpayer has filed Form 865.

As a result of Public Acts 116 and 117 of 2019, the value for any “alternative energy system” located on residential real property may be considered by the assessor as an increase in true cash value *after* the property is sold.

Example 1: An “alternative energy system” was installed in 2019 and the property has not been sold. The assessor would give Mathieu Gast non-consideration to the “alternative energy system” and would not increase the true cash value when preparing the 2020 assessment roll. This is true regardless of whether the taxpayer filed Form 865.

Example 2: An “alternative energy system” was installed in 2018 and the property was sold in 2020. Following the sale, the assessor would examine the value of the alternative energy system improvement to determine if an increase in true cash value for the 2021 assessment roll is warranted.

More detailed information regarding Mathieu Gast non-consideration and examples on how to calculate is contained in Bulletin 7 of 2020, available on the State Tax Commission’s website at www.michigan.gov/statetaxcommission.

B. Exemption for “Alternative Energy System” under MCL 211.9i

Public Act 118 of 2019 was effective November 15, 2019. This Act makes changes to the exemption provided for commercial and industrial personal property that is Alternative Energy Personal Property. PA 118 of 2019 provides that Alternative Energy Personal Property that is “an alternative energy system” under MCL 211.9i(3)(a)(i) is exempt from the collection of taxes. The exemption applies without regard to ownership of the alternative energy personal property if all requirements are met.

The “Alternative Energy System” referenced in MCL 211.9i(3)(a)(i) means that term as it is defined in the Michigan Next Energy Authority Act, PA 593 of 2002 (MCL 207.821 to MCL 207.827). MCL 207.822(c) defines “Alternative Energy System” as the small-scale generation or release of energy from 1 or any combination of the following types of energy systems:

- (i) A fuel cell energy system
- (ii) A photovoltaic energy system
- (iii) A solar-thermal energy system

- (iv) A wind energy system
- (v) A CHP energy system
- (vi) A microturbine energy system
- (vii) A miniturbine energy system
- (viii) A Stirling cycle energy system
- (ix) A battery cell energy system
- (x) A clean fuel energy system
- (xi) An electricity storage system
- (xii) A biomass energy system
- (xiii) A thermoelectric energy system

MCL 211.9i(2)(b)(i) provides an exemption from the collection of taxes if the “Alternative Energy System” has a generating capacity of not more than 150 kilowatts and is used solely to offset all or a portion of the commercial or industrial energy usage of the person upon whose real property the alternative energy personal property is located.

MCL 211.9i(b)(ii) provides an additional requirement for an “Alternative Energy System” installed **AFTER** November 15, 2019. For systems installed after this date, the “Alternative Energy System” must meet the requirements of (b)(i) above **AND** must have a true cash value that, when combined with the true cash value of all personal property exempt under MCL 211.9o as eligible personal property of the person claiming the exemption under this section or a related entity, equals less than \$80,000.00.