

RENEWABLE RESOURCE PROPERTY VALUATION EXEMPTION PROGRAM



Any questions, contact your local Director of Equalization or the Department of Revenue (773-6559)

What type of renewable resources qualify for this exemption?

Any of the following that are used to produce electricity or energy:

- Wind
- Solar
- Biomass
- Hydrogen
- Hydroelectric
- Geothermal
- Must be less than five (5) megawatts of nameplate capacity



How does the exemption work?

The exemption is seventy percent (70%) of the assessed value of the renewable energy property, or fifty thousand dollars (\$50,000), whichever is greater.

The Director of Equalization must still assess the entire structure before the exemption is applied. The valuation of the renewable energy property is to be determined through acceptable appraisal processes and in the same manner as other property.

The exemption is then applied to the assessed value of the renewable energy property only.

Renewable energy property does not qualify for discretionary formula

How long does the exemption last?

The exemption is a continuous exemption for all cases except geothermal.

Residential geothermal energy is limited to the first four continuous years. Commercial geothermal facilities receive the exemption for the first three continuous years.

How can I apply for the program?

There is no application needed. Just contact your local Director of Equalization to start the process.

Example: Calculating the Exemption

<p><u>Assessed Value</u></p> <p>House 150,000 Renewable Energy Property <u>85,000</u> Total Assessed Value 235,000</p> <p><u>Calculation of Exemption</u></p> <p>85,000 X 70% = 59,500 (This is greater than \$50,000 so the exemption received is 59,500)</p> <p><u>Value after Exemption</u></p> <p>House 150,000 Renewable Energy Property 25,500 <u>(85,000 assessed minus 59,500 exemption)</u> Total After Exemption 175,500</p>	<p><u>Assessed Value</u></p> <p>House 165,000 Renewable Energy Property <u>30,000</u> Total Assessed Value 195,000</p> <p><u>Calculation of Exemption</u></p> <p>30,000 -\$50,000 = 30,000 (The system is valued less than the \$50,000 allowance so the full value of the renewable energy property is exempted)</p> <p><u>Value after Exemption</u></p> <p>House 165,000 Renewable Energy Property -0- <u>(full exemption of renewable energy property)</u> Total After Exemption 165,000</p>
---	--

Example: Step by Step Application

The key terms used in state law (see the last page of this document) for this program are “renewable resource”, “renewable energy facility”, and “renewable energy property”. Only the “renewable energy property” is eligible for an assessment exemption pursuant to these statutes.

Let’s say a person owns a house. The person has solar panels installed on the roof of the house. What is exempt according to state law?

After the Director of Equalization assesses the house with solar panels, he/she will follow these steps for implementing the exemption program pursuant to state law:

Step 1. Apply SDCL 10-4-42.

- Do you have a "renewable resource" that "generates electricity or energy"? The renewable resource to generate electricity includes solar generated electricity.
- Key is to determine if you have a "renewable resource".
- If you have a "renewable resource" proceed to next step

Step 2. Apply SDCL 10-4-43.

- Can the house be determined to be a "renewable energy facility".
- A "renewable energy facility" is a facility that "uses a renewable resource as its energy source for the purpose of producing electricity".
- Solar panels affixed to the roof of the house makes the house the renewable energy facility.
- If you have a "renewable energy facility" proceed to next step

Step 3. Apply SDCL 10-4-44.

- If the renewable energy facility is less than 5 megawatts, you continue.
- All real property "used or constructed for the purpose of producing electricity using a renewable resource" is specially classified as "renewable energy property".
- Only "renewable energy property" is the property that receives the assessment exemption pursuant to SDCL 10-4-44.
- All property that is not "renewable energy property" is not eligible to receive the assessment exemption pursuant to SDCL 10-4-44.
- The assessment exemption is either the first \$50,000 of the assessed value of the "renewable energy property" or the 70 % of the assessed value of the "renewable energy property", whichever is greater.
- The "renewable energy property" that receives the assessment exemption is not subject to any real property taxes.
- There is a special limit in SDCL 10-4-44 for geothermal properties.
- The solar panels on the roof are the "renewable energy property" that would receive the assessment exemption, NOT the whole house.

Step 4. Apply SDCL 10-4-45.

- "Renewable energy property" is not subject to any discretionary formula.

Summary:

- **The solar generated electricity is a "renewable resource".**
- **The house is a "renewable energy facility".**
- **The solar panels on the roof in this example are the "renewable energy property", the value of which would receive the \$50,000/70% assessment exemption.**

South Dakota Codified Law

- 10-4-42 Renewable resource defined.** For purposes of §§ 10-4-42 to 10-4-45, inclusive, a renewable resource is a resource that generates electricity or energy from facilities using one or more of the following sources:
- (1) Wind that uses wind as the source of energy to produce electricity;
 - (2) Solar that uses the sun as the source of energy to produce electricity or energy;
 - (3) Hydroelectric that uses water as the source of energy to produce electricity;
 - (4) Hydrogen that is generated from one of the sources listed in this section;
 - (5) Biomass that uses agricultural crops and agricultural wastes and residues, wood and wood wastes and residues, animal and other degradable organic wastes, municipal solid waste, or landfill gas as the fuel to produce electricity;
or
 - (6) Geothermal that uses energy contained in heat that continuously flows outward from the earth as the source of energy to produce electricity or energy.
- 10-4-43. Renewable energy facility defined.** For purposes of §§ 10-4-42 to 10-4-45, inclusive, a renewable energy facility is a facility that uses a renewable resource as its energy source for the purpose of producing electricity or energy.
- 10-4-44. Renewable energy facilities with less than five megawatts of nameplate capacity classified--Property taxable--Exemption.** For renewable energy facilities with less than five megawatts of nameplate capacity, all real property used or constructed for the purpose of producing electricity using a renewable resource as an energy source is classified for tax purposes as renewable energy property and shall be assessed and taxed in the same manner as other real property and shall be locally assessed by the county director of equalization pursuant to § 10-3-16. For the purposes of §§ 10-4-42 to 10-4-45, inclusive, the first fifty thousand dollars of the assessed value of the renewable energy property or seventy percent of the assessed value of the renewable energy property, whichever is greater, is exempt from the real property tax. However, for geothermal renewable energy facilities that produce energy, but not electricity, this exemption is limited to the first four continuous years for residential geothermal renewable energy facilities and the first three continuous years for commercial geothermal renewable energy facilities.
- 10-4-45. Renewable energy property not subject to discretionary formulas.** Renewable energy property is not subject to any discretionary formulas authorized by this title.