



Illinois Department of Revenue
101 W. Jefferson St.
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Commercial Solar Energy Systems Valuation

Beginning with assessment year 2018 (taxes paid in 2019), the fair cash value for a commercial solar energy system in Illinois is based on its nameplate capacity per megawatt. (35 ILCS 200/10-720 *et seq.*)

What is a “commercial solar energy system”?

“Commercial solar energy system” is defined as any device or assembly of devices that is ground installed and uses solar energy from the sun for generating electricity for the primary purpose of wholesale or retail sale and not primarily for consumption on the property on which the device or devices reside.

Are solar energy systems installed for on-site consumption included in this valuation?

No. Solar energy systems that use solar energy for generating electricity that is primarily consumed on the property on which the solar energy system resides (including systems that are connected to the electrical grid and the meter “runs backwards” during peak generating times) are not subject to this valuation method.

In September 2021, a new law was enacted that provided further clarification concerning the assessment of solar energy systems. Solar energy systems subject to power purchase agreements (PPAs) or leases for solar energy between a third-party owner, an operator, or both, and an end user of electricity, where such systems are located on the end user of the electricity’s side of the electric meter (“behind the meter”) and which are primarily used to offset the electricity load of the end user behind whose electric meter the system connected are **not** considered to be “commercial solar energy systems.” The system is primarily used to offset the electricity load of the end user of electricity if the system is estimated to produce 110% or fewer kWh of electricity than consumed by the end user at that meter in the last 12 full months prior to the system being placed in service.

How is the fair cash value for property taxes determined?

Beginning assessment year 2018, in counties with fewer than 3,000,000 inhabitants, the fair cash value of a commercial solar energy system is \$218,000 per megawatt of nameplate capacity. This includes the owner of the commercial solar energy system’s interest in the land within the project boundaries and real property improvements. The chief county assessment officer (CCAO) will add an inflationary increase, called a “trending factor,” to the 2018 value. The result is called the “trended real property cost basis.” An amount for depreciation is then subtracted from the trended real property cost basis to determine the taxable value for the current assessment year.

Formula:

$(\$218,000 \times \text{trending factor}) - \text{Depreciation}$

Is personal property included in the \$218,000 fair cash value?

No. Illinois does not impose personal property tax; as a result, any value attributable to the portion of the commercial solar energy system that is be considered “personal property” was excluded from the prescribed base fair cash value of \$218,000. The fair cash value **does** include the land on which the commercial solar energy system is located and the portion of the solar energy system that is considered “real property”. Because Illinois assesses real property for tax purposes at one-third of its fair cash value, the non-trended, non-depreciated assessed value for each solar energy system is \$72,659 per megawatt ($\$218,000 \times .3333$). The breakdown between land and improvement is within the discretion of the assessing officer.

What is the trending factor and how is it determined?

The trending factor is an annual inflationary percentage increase in the fair cash value of the commercial solar energy system. For purposes of valuing these solar energy systems, the trending factor is the annual increase in the consumer price index (U.S. city average for all items), published by the Bureau of Labor Statistics for the December prior to the January 1 assessment date, divided by the consumer price index (U.S. city average for all items), published by the Bureau of Labor Statistics for December 2017. This index is commonly called the “CPI-U”. This data is found on the Bureau of Labor Statistics website at this address: <http://www.bls.gov/cpi/>. The Illinois Department of Revenue annually publishes the CPI-U on its website.

Note: The trending factor for assessment year 2024 is 1.24. The statutory definition of trending factor requires the CPI-U for December of the year immediately before the assessment date be divided by the CPI-U for 2017. The December 2023 CPI-U was 306.746 and the December 2017 CPI-U was 246.524. So, the 2024 trending factor is $306.746 \div 246.524 = 1.24$.

How is the amount allowed for physical depreciation calculated?

The actual age of the commercial solar energy system is divided by 25 then multiplied by the trended real property cost basis. The amount allowed for physical depreciation cannot reduce the commercial solar energy system to less than 30 percent of the trended real property cost basis.

Are buildings and substations included in the value?

Yes. The valuation procedure is for commercial solar energy systems and the parcels on which they are located. The parcel is the area immediately surrounding the commercial solar energy system over which the owner of the system has exclusive control.

If a project is completed in 2023, is a trending factor applied?

Yes. The \$218,000 per-megawatt value is for the 2018 assessment year. For example, for assessment year 2024, the 2018 real property cost basis of \$218,000 is multiplied by the trending factor which is the CPI-U published for December 2023 divided by the CPI-U published December 2017, which equals 1.24. In subsequent years, the trending factor may be different; the trending factors are published annually on the department’s website.

Are commercial solar energy systems subject to state or local equalization factors (i.e., “multipliers”)?

No.

What are the specific platting requirements?

The owner of the commercial solar energy system is required to obtain a metes and bounds survey description of the land upon which the commercial solar energy system is installed, including access routes, over which the commercial solar energy system has exclusive control. (35 ILCS 200/10-740)

The owner of a commercial solar energy system shall, at his or her own expense, use an Illinois-registered land surveyor to prepare the survey. The owner of the commercial solar energy system must deliver a copy of the survey to the chief county assessment officer (CCAO) and to the owner of the land upon which the commercial solar energy system is constructed.

Upon receiving a copy of the survey and agreed written acknowledgement to a separate parcel identification number by the owner of the land, the CCAO shall issue a separate parcel identification number for the real property improvements, including the land containing the commercial solar energy system, to be used only for the purposes of property assessment for taxation. The property records shall contain the legal description of the commercial solar energy system parcel and describe any leasehold interest or other interest of the owner of the commercial solar energy system in the property. A plat prepared under this Section shall not be construed as a violation of the Plat Act.

The separate parcel number is issued so that the tax bill can be sent to the solar energy system owner when the system is situated on leased ground.

How is farmland valued once the commercial solar energy system is decommissioned?

Real property assessed as farmland in accordance with Section 10-110 in the assessment year prior to valuation as a commercial solar energy system shall return to being assessed as farmland in accordance with Section 10-110 in the year following completion of the removal of the commercial solar energy system so long as the property is returned to a farm use defined in Section 1-60 of the Property Tax Code. The land will not have the two-year primary farm use requirement to be eligible for the farmland assessment.

Is there a breakdown between land value and improvement value?

No. The \$218,000 per megawatt hour value includes both the improvements and the land that lies within the solar project's boundaries.

Example 2024 fair cash value:		
1-year old commercial solar energy system		
2MW nameplate capacity		
2018 real property cost basis:	\$ 436,000	(\$218,000 per megawatt)
2024 Asmt Yr trending factor:	x <u>1.24</u>	
Trended real property cost basis	\$ 540,640	
Depreciation allowance:		
Actual age: 1 year/25 =	x <u>.04</u>	
Depreciation	21,626	
2024 fair cash value	\$ 519,014	
(trended real property cost basis minus depreciation)		
Assessment level:	x <u>.3333</u>	
2024 assessed value	\$ 172,987	