

COMMITTEE STATEMENT:

ASSEMBLY:

Yes [Env. 1-28-08](#)
[Approp. 6-5-08](#)

SENATE:

No

FLOOR AMENDMENT STATEMENT:

No

LEGISLATIVE FISCAL ESTIMATE:

Yes

VETO MESSAGE:

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GOVERNOR'S PRESS RELEASE ON SIGNING:

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No

LAW/RWH 4/1/09

P.L. 2008, CHAPTER 90, *approved October 1, 2008*

Senate Committee Substitute for
Senate, Nos. 241, 394, 1098 (SCS) and 710

1 **AN ACT** exempting certain renewable energy systems from real
2 property taxation and supplementing chapter 4 of Title 54 of the
3 Revised Statutes.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7

8 1. As used in this act:

9 “Board of appeals” means the construction board of appeals
10 established under section 9 of P.L.1975, c.217 (C.52:27D-127), having
11 jurisdiction in the municipality in which the property is located.

12 “Commissioner” means the Commissioner of Community Affairs.

13 “Director” means the Director of the Division of Taxation in the
14 Department of the Treasury.

15 “Local enforcing agency” means the enforcing agency in any
16 municipality provided for under the “State Uniform Construction Code
17 Act,” P.L.1975, c.217 (C.52:27D-119 et seq.) and rules and regulations
18 adopted pursuant thereto.

19 “Renewable energy” means: (1) electric energy produced from
20 solar technologies, photovoltaic technologies, wind energy, fuel cells,
21 geothermal technologies, wave or tidal action, methane gas from
22 landfills, a resource recovery facility, a hydropower facility or a
23 biomass facility, provided that the biomass is cultivated and harvested
24 in a sustainable manner, and provided further that the Commissioner
25 of Environmental Protection has determined that the resource recovery
26 facility, hydropower facility or biomass facility, as appropriate, meets
27 the highest environmental standards and minimizes any impacts to the
28 environment and local communities; and (2) energy produced from
29 solar thermal or geothermal technologies.

30 “Renewable energy system” means any equipment that is part of, or
31 added to, a residential, commercial, industrial, or mixed use building
32 as an accessory use, and that produces renewable energy onsite to
33 provide all or a portion of the electrical, heating, cooling, or general
34 energy needs of that building.

35

36 2. Property that has been certified by a local enforcing agency as
37 a renewable energy system shall be exempt from taxation under
38 chapter 4 of Title 54 of the Revised Statutes. The owner of real
39 property which is equipped with a certified renewable energy system
40 may have exempted annually from the assessed valuation of the real
41 property a sum equal to the assessed valuation of the real property with

1 the renewable energy system included, minus the assessed valuation of
2 the real property without the renewable energy system included.

3
4 3. No certification shall be made by the local enforcing agency as
5 provided in this act, except upon written application therefor, which
6 application shall be made under oath on a form prescribed by the
7 director, and provided for the use of claimants by the local enforcing
8 agency. The local enforcing agency may at any time inquire into the
9 right of a claimant to the exemption, and for that purpose the local
10 enforcing agency may require the filing of a new application or the
11 submission of such proof as the local enforcing agency shall deem
12 necessary to determine the right of the claimant to the continuance of
13 the exemption. The local enforcing agency shall have the right to
14 make an inspection of the premises which are the subject of the claim
15 for exemption under this act.

16
17 4. The local enforcing agency, when requested for a certification
18 pursuant to this act, shall certify a system as being a renewable energy
19 system whenever the local enforcing agency finds that the system
20 installed was designed primarily as a renewable energy system in
21 accordance with rules and regulations adopted by the commissioner
22 pursuant to subsection b. of section 7 of this act. The certificate shall
23 contain information identifying the renewable energy system and the
24 cost thereof and shall be in such form and detail as the director shall
25 prescribe. The certificate shall be provided to the applicant therefor,
26 with a copy retained on file by the local enforcing agency, and a copy
27 of the certificate shall be sent to the assessor of the taxing district in
28 which the property containing the renewable energy system is located
29 and has been installed. The exemption from taxation for the renewable
30 energy system shall become effective for the tax year following the
31 year in which certification has been granted and thereafter during its
32 use primarily for such purposes.

33
34 5. The local enforcing agency, after giving notice to the holder of
35 a renewable energy system certificate, may revoke a certificate
36 whenever any of the following appears or occurs:

- 37 a. the certificate was obtained by fraud or misrepresentation;
38 b. the claimant for tax exemption has failed substantially to
39 proceed with the construction, reconstruction, installation or
40 acquisition of a renewable energy system;
41 c. the structure or equipment or both to which the certificate
42 relates has ceased to be used for the primary purpose of providing
43 renewable energy to provide all or a portion of the electrical, heating,
44 cooling, or general energy needs of the structure and is being used for
45 a different primary purpose; or
46 d. the claimant for the tax exemption has so departed from the
47 equipment, design and construction previously certified by the local

1 enforcing agency that, in the opinion of the local enforcing agency, the
2 renewable energy system is not suitable and reasonably adequate for
3 the purpose of using renewable energy to provide all or a portion of
4 the electrical, heating, cooling, or general energy needs of the
5 structure.

6
7 6. a. Any person aggrieved by any action of the local enforcing
8 agency may seek review before the board of appeals.

9 b. Any person aggrieved by any action of the assessor or of the
10 county tax board may seek a review of such action in the State Tax
11 Court by filing a complaint in the Tax Court, pursuant to rules of
12 court.

13
14 7. a. The director, pursuant to the “Administrative Procedure
15 Act,” P.L.1968, c.410 (C.52:14B-1 et seq.), shall adopt any rules and
16 regulations necessary for the proper certification of any tax exemption
17 pursuant to this act, the form of any certificate to be issued, and any
18 other matter related to the exemption.

19 b. The commissioner, in consultation with the Board of Public
20 Utilities, shall adopt, pursuant to the “Administrative Procedure Act,”
21 P.L.1968, c.410 (C.52:14B-1 et seq.), standards with respect to the
22 technical sufficiency of renewable energy systems for the purposes of
23 qualification for exemption.

24
25 8. This act shall take effect immediately.

26
27
28
29

30 Exempts certain renewable energy systems from real property
31 taxation.

SENATE, No. 241

STATE OF NEW JERSEY 213th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2008 SESSION

Sponsored by:

Senator JOHN H. ADLER

District 6 (Camden)

Co-Sponsored by:

Senators B.Smith and Buono

SYNOPSIS

Exempts solar energy systems from real property taxation.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



S241 ADLER

2

1 AN ACT concerning taxation of solar energy systems,
2 supplementing chapter 4 of Title 54 of the Revised Statutes, and
3 repealing P.L.1977, c.256.
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. As used in this act:

9 "Board of appeals" means the county construction board of
10 appeals established under section 9 of P.L.1975, c.217 (C.52:27D-
11 127);

12 "Commissioner" means the Commissioner of Community
13 Affairs;

14 "Local enforcing agency" means the enforcing agency in any
15 municipality provided for under the "State Uniform Construction
16 Code Act," P.L.1975, c.217 (C.52:27D-119 et seq.) and regulations
17 adopted pursuant thereto;

18 "Solar energy" means energy which has recently originated in the
19 sun, including direct and indirect solar radiation and intermediate
20 solar energy from wind and sea thermal gradients; and

21 "Solar energy system" means any system which uses solar
22 energy to provide all or a portion of the heating, cooling, or general
23 energy needs of a building including, but not necessarily limited to,
24 such means as nocturnal heat radiation, evaporation cooling towers,
25 flat plate or focusing solar collectors, photovoltaic solar cells or
26 windmills.
27

28 2. A solar energy system which has been certified by the local
29 enforcing agency as a solar energy system shall be exempt from
30 taxation under chapter 4 of Title 54 of the Revised Statutes. The
31 owner of real property which is equipped with a certified solar
32 energy system may have exempted annually from the assessed
33 valuation of the real property a sum equal to the remainder of the
34 assessed valuation of the real property with the solar energy system
35 included, minus the assessed valuation of the real property without
36 the solar energy system included.
37

38 3. No certification shall be made by the local enforcing agency
39 as provided herein, except upon written application therefor, which
40 application shall be made under oath on a form prescribed by the
41 Director of the Division of Taxation in the Department of the
42 Treasury and provided for the use of claimants by the local
43 enforcing agency. The local enforcing agency may at any time
44 inquire into the right of a claimant to the exemption and for that
45 purpose the local enforcing agency may require the filing of a new
46 application or the submission of such proof as the local enforcing
47 agency shall deem necessary to determine the right of the claimant
48 to the continuance of the exemption. The local enforcing agency

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1 shall have the right to make an inspection of the premises which are
2 the subject of the claim for exemption under this act.

3
4 4. The local enforcing agency, when requested for a certification
5 pursuant to this act, shall certify a system as being a solar energy
6 system whenever the local enforcing agency finds the equipment,
7 facility, device, or system installed was designed primarily as a
8 solar energy system, in accordance with rules and regulations
9 adopted by the commissioner pursuant to section 7 of this act. The
10 certificate shall contain information identifying the system and the
11 cost thereof and shall be in such form and detail as the Director of
12 the Division of Taxation in the Department of the Treasury shall
13 prescribe. The certificate shall be provided to the applicant
14 therefor, with a copy retained on file by the local enforcing agency,
15 and a copy of the certificate shall be sent to the assessor of the
16 taxing district in which the solar energy system is located and has
17 been installed. The exemption from taxation for the solar energy
18 system shall become effective for the tax year following the year in
19 which certification has been granted and thereafter during its use
20 primarily for such purposes.

21
22 5. The local enforcing agency, after giving notice to the holder
23 of a solar energy certificate, may revoke a certificate whenever any
24 of the following appears:

- 25 a. the certificate was obtained by fraud or misrepresentation;
26 b. the claimant for tax exemption has failed substantially to
27 proceed with the construction, reconstruction, installation or
28 acquisition of a solar energy system;
29 c. the structure or equipment or both to which the certificate
30 relates has ceased to be used for the primary purpose of providing
31 solar energy and is being used for a different primary purpose; or
32 d. the claimant for the tax exemption has so departed from the
33 equipment, design and construction previously certified by the local
34 enforcing agency that, in the opinion of the local enforcing agency,
35 the solar energy system is not suitable and reasonably adequate for
36 the purpose of providing solar energy.

37
38 6. a. Any person aggrieved by any action of the local enforcing
39 agency may seek review before the board of appeals.

40 b. Any person aggrieved by any action of the assessor or of the
41 county tax board may seek a review before the Director of the
42 Division of Taxation in the Department of the Treasury pursuant to
43 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
44 seq.).

45
46 7. a. The Director of the Division of Taxation in the Department
47 of the Treasury, pursuant to the "Administrative Procedure Act,"
48 P.L.1968, c.410 (C.52:14B-1 et seq.), shall adopt any rules and

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1 regulations necessary for the proper certification of any tax
2 exemption pursuant to this act, the form of any certificate to be
3 issued and any other matter related to the exemption.

4 b. The Department of Community Affairs, in consultation with
5 the Board of Public Utilities, shall adopt, pursuant to the
6 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
7 seq.), standards with respect to the technical sufficiency of solar
8 energy systems for purposes of qualification for exemption.

9
10 8. P.L.1977, c.256 (C.54:4-3.113 et seq.) is repealed.

11
12 9. This act shall take effect immediately.

13

14

15

STATEMENT

16

17 This bill would establish a property tax exemption for the
18 installation of a solar energy system. The bill defines "solar energy
19 system" as any system which uses solar energy to provide all or a
20 portion of the heating, cooling, or general energy needs of a
21 building through, but not limited to, such means as nocturnal heat
22 radiation, evaporation cooling towers, flat plate or focusing solar
23 collectors, photovoltaic solar cells or windmills.

24 Under the bill, a solar energy system installed in any building,
25 whether residential, commercial or industrial, which has been
26 certified by the local enforcing agency as a solar energy system,
27 would be exempt from taxation under chapter 4 of Title 54 of the
28 Revised Statutes. The owner of real property which is equipped
29 with a certified solar energy system may have exempted annually
30 from the assessed valuation of the real property a sum equal to the
31 remainder of the assessed valuation of the real property with the
32 solar energy system included, minus the assessed valuation of the
33 real property without the solar energy system included.

34 P.L.1977, c.256 (C.54:4-3.113 to 54:4-3.120) previously
35 provided such an exemption. However, that exemption expired on
36 December 31, 1987. This bill would repeal these expired provisions
37 of law.

38 This bill would require the Department of Community Affairs, in
39 consultation with the Board of Public Utilities, to adopt standards
40 with respect to the technical sufficiency of solar energy systems for
41 purposes of qualification for the exemption.

SENATE, No. 394

STATE OF NEW JERSEY 213th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2008 SESSION

Sponsored by:

Senator CHRISTOPHER "KIP" BATEMAN
District 16 (Morris and Somerset)

Co-Sponsored by:

Senator Cardinale

SYNOPSIS

Exempts solar energy systems from real property taxation and from fees for municipal construction permits.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



(Sponsorship Updated As Of: 6/13/2008)

S394 BATEMAN

2

1 AN ACT concerning taxation of solar energy systems,
2 supplementing chapter 4 of Title 54 of the Revised Statutes,
3 amending P.L.1985, c.85, and repealing P.L.1977, c.256.
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. (New section) As used in P.L. , c. (C.) (pending before
9 the Legislature as this bill):

10 "Board of appeals" means the county construction board of
11 appeals established under section 9 of P.L.1975, c.217 (C.52:27D-
12 127).

13 "Commissioner" means the Commissioner of Community
14 Affairs.

15 "Director" means the Director of the Division of Taxation in the
16 Department of the Treasury.

17 "Local enforcing agency" means the enforcing agency in any
18 municipality provided for under the "State Uniform Construction
19 Code Act," P.L.1975, c.217 (C.52:27D-119 et seq.) and rules and
20 regulations adopted pursuant thereto.

21 "Solar energy" means energy which has recently originated in the
22 sun, including direct and indirect solar radiation and intermediate
23 solar energy from wind and sea thermal gradients.

24 "Solar energy system" means any system which uses solar
25 energy to provide all or a portion of the heating, cooling, or general
26 energy needs of a building including, but not necessarily limited to,
27 such means as nocturnal heat radiation, evaporation cooling towers,
28 flat plate or focusing solar collectors, photovoltaic solar cells or
29 windmills.
30

31 2. (New section) A solar energy system which has been certified
32 by the local enforcing agency as a solar energy system shall be
33 exempt from taxation under chapter 4 of Title 54 of the Revised
34 Statutes. The owner of real property which is equipped with a
35 certified solar energy system may have exempted annually from the
36 assessed valuation of the real property a sum equal to the remainder
37 of the assessed valuation of the real property with the solar energy
38 system included, minus the assessed valuation of the real property
39 without the solar energy system included.
40

41 3. (New section) No certification shall be made by the local
42 enforcing agency as provided herein, except upon written
43 application therefor, which application shall be made under oath on
44 a form prescribed by the director and provided for the use of
45 claimants by the local enforcing agency. The local enforcing

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 agency may at any time inquire into the right of a claimant to the
2 exemption and for that purpose the local enforcing agency may
3 require the filing of a new application or the submission of such
4 proof as the local enforcing agency shall deem necessary to
5 determine the right of the claimant to the continuance of the
6 exemption. The local enforcing agency shall have the right to make
7 an inspection of the premises which are the subject of the claim for
8 exemption under P.L. , c. (C.) (pending before the
9 Legislature as this bill).

10

11 4. (New section) The local enforcing agency, when requested for
12 a certification pursuant to P.L. , c. (C.) (pending before the
13 Legislature as this bill), shall certify a system as being a solar
14 energy system whenever the local enforcing agency finds the
15 equipment, facility, device, or system installed was designed
16 primarily as a solar energy system, in accordance with rules and
17 regulations adopted by the commissioner pursuant to section 7 of
18 P.L. , c. (C.) (pending before the Legislature as this bill).
19 The certificate shall contain information identifying the system and
20 the cost thereof and shall be in such form and detail as the director
21 shall prescribe. The certificate shall be provided to the applicant
22 therefor, with a copy retained on file by the local enforcing agency,
23 and a copy of the certificate shall be sent to the assessor of the
24 taxing district in which the solar energy system is located and has
25 been installed. The exemption from taxation for the solar energy
26 system shall become effective for the tax year following the year in
27 which certification has been granted and thereafter during its use
28 primarily for such purposes.

29

30 5. (New section) The local enforcing agency, after giving notice
31 to the holder of a solar energy certificate, may revoke a certificate
32 whenever any of the following occurs:

- 33 a. the certificate was obtained by fraud or misrepresentation;
34 b. the claimant for tax exemption has failed substantially to
35 proceed with the construction, reconstruction, installation or
36 acquisition of a solar energy system;
37 c. the structure or equipment or both to which the certificate
38 relates has ceased to be used for the primary purpose of providing
39 solar energy and is being used for a different primary purpose; or
40 d. the claimant for the tax exemption has so departed from the
41 equipment, design and construction previously certified by the local
42 enforcing agency that, in the opinion of the local enforcing agency,
43 the solar energy system is not suitable and reasonably adequate for
44 the purpose of providing solar energy.

45

46 6. (New section) a. Any person aggrieved by any action of the
47 local enforcing agency may seek review before the board of
48 appeals.

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1 b. Any person aggrieved by any action of the assessor or of the
2 county tax board may seek a review before the director pursuant to
3 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
4 seq.).

5
6 7. (New section) a. The director, pursuant to the "Administrative
7 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), shall adopt
8 any rules and regulations necessary for the proper certification of
9 any tax exemption pursuant to P.L. , c. (C.) (pending before
10 the Legislature as this bill), the form of any certificate to be issued,
11 and any other matter related to the exemption.

12 b. The Department of Community Affairs, in consultation with
13 the Board of Public Utilities, shall adopt, pursuant to the
14 "Administrative Procedure Act," standards with respect to the
15 technical sufficiency of solar energy systems for purposes of
16 qualification for exemption.

17
18 8. Section 1 of P.L.1985, c.85 (C.52:27D-130.2) is amended to
19 read as follows:

20 1. No person shall be required to pay a municipal fee or charge
21 in order to secure a construction permit for the installation or
22 alteration of a solar energy heating or cooling system in any
23 building or part thereof. As used in **[this act]** P.L.1985, c.85
24 (C.52:27D-130.2 et seq.) , "solar energy heating and cooling
25 system" means a system which is certified as eligible for an
26 exemption from property taxation by the Department of Community
27 Affairs pursuant to **[P.L.1977, c.256 (C. 54:4-3.113 et seq.)]**
28 P.L. , c. (C.) (pending before the Legislature as this bill) .
29 (cf: P.L.1985, c.85, s.1)

30
31 9. P.L.1977, c.256 (C.54:4-3.113 et seq.) is repealed.

32
33 10. This act shall take effect immediately.
34
35

36 STATEMENT
37

38 This bill would establish a property tax exemption for the
39 installation of a solar energy system. The bill defines "solar energy
40 system" as any system which uses solar energy to provide all or a
41 portion of the heating, cooling, or general energy needs of a
42 building through, but not limited to, such means as nocturnal heat
43 radiation, evaporation cooling towers, flat plate or focusing solar
44 collectors, photovoltaic solar cells or windmills.

45 Under the bill, a solar energy system installed in any building,
46 whether residential, commercial or industrial, which has been
47 certified by the local enforcing agency as a solar energy system,

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1 would be exempt from property taxation under chapter 4 of Title 54
2 of the Revised Statutes. The owner of real property which is
3 equipped with a certified solar energy system may have exempted
4 annually from the assessed valuation of the real property a sum
5 equal to the remainder of the assessed valuation of the real property
6 with the solar energy system included, minus the assessed valuation
7 of the real property without the solar energy system included.

8 This bill would require the Department of Community Affairs, in
9 consultation with the Board of Public Utilities, to adopt standards
10 with respect to the technical sufficiency of solar energy systems for
11 purposes of qualification for the property tax exemption.

12 P.L.1977, c.256 (C.54:4-3.113 to 54:4-3.120) previously
13 provided a property tax exemption for the installation of a solar
14 energy system. However, that exemption expired on December 31,
15 1987. This bill would repeal these expired provisions of law.

16 This bill would also amend P.L.1985, c.85 (C.52:27D-130.2).
17 Current law provides that no person shall be required to pay a
18 municipal fee or charge in order to secure a construction permit for
19 the installation or alteration of a solar energy heating or cooling
20 system in any building or part thereof; however, to be eligible for
21 this exemption, the system must be certified as eligible for an
22 exemption from property taxation by the Department of Community
23 Affairs pursuant to P.L.1977, c.256, which expired in 1987. This
24 bill would update P.L.1985, c.85 (C.52:27D-130.2) to provide that
25 to be exempt from the municipal construction permit fee, the system
26 must be eligible for the property tax exemption provided in the bill.

SENATE, No. 1098

STATE OF NEW JERSEY 213th LEGISLATURE

INTRODUCED FEBRUARY 14, 2008

Sponsored by:

Senator PHILIP E. HAINES

District 8 (Burlington)

Co-Sponsored by:

Senator Cardinale

SYNOPSIS

Exempts renewable energy systems from real property taxation and from fees for municipal construction permits.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/13/2008)

S1098 HAINES

2

1 AN ACT exempting renewable energy systems from real property
2 taxation and from fees for municipal construction permits,
3 supplementing chapter 4 of Title 54 of the Revised Statutes,
4 amending P.L.1985, c.85 and repealing P.L.1977, c.256.

5

6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8

9 1. (New section) As used in this act:

10 "Board of appeals" means the county construction board of
11 appeals established under section 9 of P.L.1975, c.217 (C.52:27D-
12 127).

13 "Commissioner" means the Commissioner of Community
14 Affairs.

15 "Director" means the Director of the Division of Taxation in the
16 Department of the Treasury.

17 "Local enforcing agency" means the enforcing agency in any
18 municipality provided for under the "State Uniform Construction
19 Code Act," P.L.1975, c.217 (C.52:27D-119 et seq.) and regulations
20 adopted pursuant thereto.

21 "Renewable energy " means electric energy produced from solar
22 technologies, photovoltaic technologies, wind energy, fuel cells,
23 geothermal technologies, wave or tidal action, resource recovery
24 facility, hydropower facility or a biomass facility, provided that the
25 biomass is cultivated and harvested in a sustainable manner,
26 provided further that the Commissioner of Environmental
27 Protection has determined that the resource recovery facility,
28 hydropower facility or biomass facility, as appropriate, meets the
29 highest environmental standards and minimizes any impacts to the
30 environment and local communities.

31 "Renewable energy system" means any equipment that is part of,
32 added to, or installed on a residential, commercial, industrial, or
33 mixed use building as an accessory use, and that produces
34 renewable energy onsite to provide all or a portion of the electrical,
35 heating, cooling, or general energy needs of that building.

36

37 2. (New section) A renewable energy system that has been
38 certified by a local enforcing agency pursuant to regulations
39 promulgated pursuant to the requirements of section 7 of P.L. ,
40 c. (C.) (pending before the Legislature as this bill) shall be
41 exempt from taxation under chapter 4 of Title 54 of the Revised
42 Statutes. The owner of real property which is equipped with a
43 certified renewable energy system shall have exempted annually
44 from the assessed valuation of the real property a sum equal to the
45 assessed valuation of the real property with the renewable energy

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

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1 system included, minus the assessed valuation of the real property
2 without the renewable energy system included.

3
4 3. (New section) No certification shall be made by the local
5 enforcing agency as provided herein, except upon written
6 application therefore, which application shall be made under oath
7 on a form prescribed by the director, and provided for the use of
8 claimants by the local enforcing agency. The local enforcing
9 agency may at any time inquire into the right of a claimant to the
10 exemption, and for that purpose the local enforcing agency may
11 require the filing of a new application or the submission of such
12 proof as the local enforcing agency shall deem necessary to
13 determine the right of the claimant to the continuance of the
14 exemption. The local enforcing agency shall have the right to make
15 an inspection of the premises which are the subject of the claim for
16 exemption under P.L. , c. (C.) (pending before the
17 Legislature as this bill).

18
19 4. (New section) The local enforcing agency, when requested
20 for a certification pursuant to P.L. , c. (C.) (pending before
21 the Legislature as this bill), shall certify a system as being a
22 renewable energy system whenever the local enforcing agency finds
23 that the system installed was designed primarily as a renewable
24 energy system in accordance with rules and regulations adopted by
25 the commissioner pursuant to subsection b. of section 7 of
26 P.L. , c. (C.) (pending before the Legislature as this bill).
27 The certificate shall contain information identifying the renewable
28 energy system and the cost thereof and shall be in such form and
29 detail as the director shall prescribe. The certificate shall be
30 provided to the applicant, with a copy retained on file by the local
31 enforcing agency, and a copy of the certificate shall be sent to the
32 assessor of the taxing district in which the property containing the
33 renewable energy system is located. The exemption from taxation
34 for the renewable energy system shall become effective for the tax
35 year following the year in which certification has been granted and
36 thereafter during its use primarily for such purposes.

37
38 5. (New section) The local enforcing agency, after giving notice
39 to the holder of a renewable energy system certificate, may revoke a
40 certificate whenever any of the following appears:

- 41 a. the certificate was obtained by fraud or misrepresentation;
42 b. the claimant for tax exemption has failed substantially to
43 proceed with the construction, reconstruction, installation or
44 acquisition of a renewable energy system;
45 c. the structure or equipment or both to which the certificate
46 relates has ceased to be used for the primary purpose of providing
47 renewable energy to provide all or a portion of the heating, cooling,

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1 or general energy needs of the structure and is being used for a
2 different primary purpose; or

3 d. the claimant for the tax exemption has so departed from the
4 equipment, design and construction previously certified by the local
5 enforcing agency that, in the opinion of the local enforcing agency,
6 the renewable energy system is not suitable and reasonably
7 adequate for the purpose of using renewable energy to provide all or
8 a portion of the heating, cooling, or general energy needs of the
9 structure.

10

11 6. (New section) a. Any person aggrieved by any action of the
12 local enforcing agency may seek review before the board of
13 appeals.

14 b. Any person aggrieved by any action of the assessor or of the
15 county tax board may seek a review before the director pursuant to
16 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1
17 et seq.).

18

19 7. (New section) a. The director, pursuant to the
20 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
21 seq.), shall adopt any rules and regulations necessary for the proper
22 certification of any tax exemption pursuant to P.L. , c. (C.)
23 (pending before the Legislature as this bill), the form of any
24 certificate to be issued, and any other matter related to the
25 exemption.

26 b. The Commissioner, in consultation with the President of the
27 Board of Public Utilities, shall adopt, pursuant to the
28 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
29 seq.), standards with respect to the technical sufficiency of
30 renewable energy systems for the purposes of qualification for
31 exemption.

32

33 8. Section 1 of P.L.1985, c.85 (C.52:27D-130.2) is amended to
34 read as follows:

35 1. No person shall be required to pay a municipal fee or charge
36 in order to secure a construction permit for the installation or
37 alteration of a renewable energy heating or cooling system in any
38 building or part thereof. As used in **【this act】** P.L.1985, c.85
39 (C.52:27D-130.2 et seq.), "renewable energy system" means a
40 system which is certified as eligible for an exemption from property
41 taxation by the Department of Community Affairs pursuant to
42 **【P.L.1977, c.256 (C. 54:4-3.113 et seq.)】** P.L. , c. (C.)
43 (pending before the Legislature as this bill).

44 (cf: P.L.1985, c.85, s.1)

45

46 9. P.L.1977, c.256 (C.54:4-3.113 et seq.) is repealed.

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48 10. This act shall take effect immediately.

STATEMENT

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This bill establishes a property tax exemption for a “renewable energy system” which is defined in the bill as any equipment that is part of, or added to, a residential, commercial, industrial, or mixed use building as an accessory use, and that produces renewable energy onsite to provide all or a portion of the electrical, heating, cooling, or general energy needs of that building. The bill defines “renewable energy” as electric energy produced from solar technologies, photovoltaic technologies, wind energy, fuel cells, geothermal technologies, wave or tidal action, resource recovery facility, hydropower facility or a biomass facility, provided that the biomass is cultivated and harvested in a sustainable manner. The Commissioner of Environmental Protection must determine that the resource recovery facility, hydropower facility or biomass facility, as appropriate, meets the highest environmental standards and minimizes any impacts to the environment and local communities.

Under the bill, property installed in any building, whether residential, commercial or industrial, which has been certified by the local enforcing agency as a renewable energy system, will be exempt from taxation under chapter 4 of Title 54 of the Revised Statutes. The owner of real property which is equipped with a certified renewable energy system may have exempted annually from the assessed valuation of the real property a sum equal to the assessed valuation of the real property with the renewable energy system included, minus the assessed valuation of the real property without the renewable energy system included.

This bill requires the Department of Community Affairs, in consultation with the Board of Public Utilities, to adopt standards with respect to the technical sufficiency of renewable energy systems for purposes of qualification for the exemption.

This bill would also amend P.L.1985, c.85 (C.52:27D-130.2). Current law provides that no person shall be required to pay a municipal fee or charge in order to secure a construction permit for the installation or alteration of a renewable energy heating or cooling system in any building or part thereof. Currently, to be eligible for this exemption, the system must be certified as eligible for an exemption from property taxation pursuant to P.L.1977, c.256 (C.54:4-3.113 to 54:4-3.120), which expired in 1987. This bill would update P.L.1985, c.85 (C.52:27D-130.2) to provide that to be exempt from the municipal construction permit fee, the system must be eligible for the property tax exemption provided in this bill.

This bill repeals P.L.1977, c.256, which expired on December 31, 1987, replacing it with a new exemption for a broader definition of exempted energy systems.

SENATE, No. 710

STATE OF NEW JERSEY 213th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2008 SESSION

Sponsored by:

Senator BOB SMITH

District 17 (Middlesex and Somerset)

Senator STEPHEN M. SWEENEY

District 3 (Salem, Cumberland and Gloucester)

SYNOPSIS

Provides tax exemption for portion of property value attributable to energy cost savings measures that reduce consumption of water or energy.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



1 AN ACT concerning property tax exemption for certain energy cost
2 saving measures and supplementing chapter 4 of Title 54 of the
3 Revised Statutes.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. As used in this act:

9 “Board of appeals” means the county construction board of
10 appeals established under section 9 of P.L.1975, c.217 (C.52:27D-
11 119 et seq.).

12 “Commissioner” means the Commissioner of Community
13 Affairs.

14 “Local enforcing agency” means the enforcing agency in any
15 municipality provided for under the “State Uniform Construction
16 Code Act,” P.L.1975, c.217 (C.52:27D-119 et seq.) and regulations
17 adopted pursuant thereto.

18 “Energy cost savings measure” means any alterations to an
19 existing property structure designed to reduce energy consumption,
20 building operating costs, or consumption of water.

21
22 2. An energy cost savings measure that has been certified by the
23 local enforcing agency to reduce the consumption of energy or
24 water within a structure on a property, shall be exempt from
25 taxation under chapter 4 of Title 54 of the Revised Statutes. The
26 owner of real property that has been improved by the installation of
27 an energy cost savings measure may have exempted annually from
28 the assessed valuation of the real property a sum equal to the
29 remainder of the assessed valuation of the real property with the
30 energy cost savings measure included, minus the assessed valuation
31 of the real property without the energy cost savings measure
32 included.

33
34 3. No certification shall be made by the local enforcing agency
35 as provided herein, except upon written application herefore, which
36 application shall be made under oath on a form prescribed by the
37 Director of the Division of Taxation in the Department of the
38 Treasury and provided for the use of claimants by the local
39 enforcing agency. The local enforcing agency may at any time
40 inquire into the right of a claimant to the exemption and for that
41 purpose the local enforcing agency may require the filing of a new
42 application or the submission of such proof as the local enforcing
43 agency shall deem necessary to determine the right of the claimant
44 to the continuance of the exemption. The local enforcing agency
45 shall have the right to make an inspection of the premises which are
46 the subject of the claim for exemption under this act.

1 4. The local enforcing agency, when requested for a certification
2 pursuant to this act, shall certify a property's energy cost savings
3 measure as being capable of reducing consumption of energy or
4 water on a property, whenever the local enforcing agency finds that
5 the energy cost savings measure conforms to standards established
6 through rules and regulations adopted by the commissioner pursuant
7 to section 6 of P.L. , c. (C.) (pending before the Legislature as
8 this bill). The certificate shall contain information identifying the
9 energy cost savings measure and cost thereof and shall be in such
10 form and detail as the Director of the Division of Taxation in the
11 Department of the Treasury shall prescribe. The certificate shall be
12 provided to the applicant therefor, with a copy retained on file by
13 the local enforcing agency, and a copy of the certificate shall be
14 sent to the assessor of the taxing district in which the property
15 containing the energy cost savings measure is located. The
16 exemption from taxation for the energy cost savings measure shall
17 become effective for the tax year following the year in which
18 certification has been granted and thereafter during its use on the
19 property.

20

21 5. a. Any person aggrieved by any action of the local enforcing
22 agency may seek review before the board of appeals.

23 b. Any person aggrieved by any action of the assessor or of the
24 county tax board may seek a review before the Director of the
25 Division of Taxation in the Department of the Treasury pursuant to
26 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1
27 et seq.).

28

29 6. a. The Director of the Division of Taxation in the Department
30 of the Treasury, pursuant to the "Administrative Procedure Act,"
31 P.L.1968, c.410 (C.52:14B-1 et seq.), shall adopt any rules and
32 regulations necessary for the proper certification of any tax
33 exemption pursuant to this act, the form of any certificate to be
34 issued, and any other matter related to the exemption.

35 b. The Department of Community Affairs, in consultation with
36 the Board of Public Utilities, shall adopt, pursuant to the
37 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
38 seq.), standards with respect to the technical sufficiency of energy
39 cost savings measures for purposes of qualification for exemption.

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41 7. This act shall take effect immediately.

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STATEMENT

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46 This bill would establish a property tax exemption for the
47 installation of energy cost savings measures. The bill defines

S710 B. SMITH, SWEENEY

1 “energy cost savings measure” as any alteration to an existing
2 property structure designed to reduce energy or water consumption.
3 Under the bill, an energy cost savings measure installed in any
4 building, whether residential, commercial or industrial, which has
5 been certified by the local enforcing agency would be exempt from
6 taxation under chapter 4 of Title 54 of the Revised Statutes. The
7 owner of real property which is equipped with a certified energy
8 cost savings measure may have exempted annually from the
9 assessed valuation of the real property the portion of the property’s
10 value which is attributable to the installation of a certified energy
11 cost savings measure.
12 This bill would require the Department of Community Affairs, in
13 consultation with the Board of Public Utilities, to adopt standards
14 with respect to the technical sufficiency of any energy cost savings
15 measure for purposes of qualification for the tax exemption.

SENATE ECONOMIC GROWTH COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, Nos. 241, 394 and 1098**

STATE OF NEW JERSEY

DATED: FEBRUARY 21, 2008

The Senate Economic Growth Committee reports favorably a Senate Committee Substitute for Senate Bill Nos. 241, 394 and 1098.

This substitute bill would establish a property tax exemption for a “renewable energy system” which is defined in the bill as any equipment that is part of, or added to, a residential, commercial, industrial, or mixed use building as an accessory use, and that produces renewable energy onsite to provide all or a portion of the electrical, heating, cooling, or general energy needs of that building. The substitute bill defines “renewable energy” as: (1) electric energy produced from solar technologies, photovoltaic technologies, wind energy, fuel cells, geothermal technologies, wave or tidal action, methane gas from landfills, a resource recovery facility, a hydropower facility or a biomass facility, provided that the biomass is cultivated and harvested in a sustainable manner, and provided further that the Commissioner of Environmental Protection has determined that the resource recovery facility, hydropower facility or biomass facility, as appropriate, meets the highest environmental standards and minimizes any impacts to the environment and local communities; and (2) energy produced from solar thermal or geothermal technologies.

Under the substitute bill, property installed in any building, whether residential, commercial or industrial, which has been certified by the local enforcing agency as a renewable energy system, would be exempt from property taxation. The owner of real property which is equipped with a certified renewable energy system may have exempted annually from the assessed valuation of the real property a sum equal to the assessed valuation of the real property with the renewable energy system included, minus the assessed valuation of the real property without the renewable energy system included.

This substitute bill also requires the Commissioner of the Department of Community Affairs, in consultation with the Board of Public Utilities, to adopt standards with respect to the technical sufficiency of renewable energy systems for purposes of qualification for the exemption.

The substitute bill would also amend section 1 of P.L.1985, c.85 (C.52:27D-130.2). Current law provides that no person shall be

required to pay a municipal fee or charge in order to secure a construction permit for the installation or alteration of a solar energy heating or cooling system in any building or part thereof. Currently, to be eligible for this exemption, the system must be certified as eligible for an exemption from property taxation pursuant to P.L.1977, c.256 (C.54:4-3.113 to 54:4-3.120), which expired in 1987. The substitute bill would update the law to provide that to be exempt from the municipal construction permit fee, the renewable energy system must be eligible for the property tax exemption provided in this bill.

The substitute bill repeals P.L.1977, c.256, which expired on December 31, 1987, replacing it with a new exemption for a broader definition of exempted renewable energy systems.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, Nos. 241, 394, 1098 (SCS)** **and SENATE, No. 710**

STATE OF NEW JERSEY

DATED: MAY 19, 2008

The Senate Budget and Appropriations Committee reports favorably a Senate Committee Substitute for Senate Bill Nos. 241, 394 and 1098 (SCS) and Senate Bill No. 710.

The Senate Committee Substitute for Senate Bill Nos. 241, 394, 1098 (SCS) and Senate Bill No. 710 would establish a property tax exemption for a “renewable energy system” as defined in the substitute. A “renewable energy system” is any equipment that is part of, or added to, a residential, commercial, industrial, or mixed use building as an accessory use, and that produces renewable energy onsite to provide all or a portion of the electrical, heating, cooling, or general energy needs of that building. The substitute bill defines “renewable energy” as: (1) electric energy produced from solar technologies, photovoltaic technologies, wind energy, fuel cells, geothermal technologies, wave or tidal action, methane gas from landfills, a resource recovery facility, a hydropower facility or a biomass facility, provided that the biomass is cultivated and harvested in a sustainable manner, and provided further that the Commissioner of Environmental Protection has determined that the resource recovery facility, hydropower facility or biomass facility, as appropriate, meets the highest environmental standards and minimizes any impacts to the environment and local communities; and (2) energy produced from solar thermal or geothermal technologies.

Under the substitute bill, property installed in any building, whether residential, commercial or industrial, which has been certified by the local enforcing agency as a renewable energy system, would be exempt from property taxation. The owner of real property which is equipped with a certified renewable energy system may have exempted annually from the assessed valuation of the real property a sum equal to the assessed valuation of the real property with the renewable energy system included, minus the assessed valuation of the real property without the renewable energy system included.

This substitute bill also requires the Commissioner of the Department of Community Affairs, in consultation with the Board of Public Utilities, to adopt standards with respect to the technical

sufficiency of renewable energy systems for purposes of qualification for the exemption.

FISCAL IMPACT:

The Office of Legislative Services (OLS) cannot determine the fiscal impact of this substitute as it has no information that would indicate how many properties would qualify for the exemption from taxation being proposed under the substitute, or how the assessor in each municipality in which a renewable energy system is located would treat the renewable energy system for tax purposes. The property tax exemptions authorized by the substitute would reduce local property tax assessments as well as the taxable value of the municipal property tax base; however the burden for recovering any lost property tax revenue may be shifted onto other property taxpayers in the taxing district through higher tax rates.

LEGISLATIVE FISCAL ESTIMATE
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, Nos. 241, 349 and 1098
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: MARCH 14, 2008

SUMMARY

- Synopsis:** Exempts certain renewable energy systems from real property taxation and from fees for municipal construction permits.
- Type of Impact:** Neutral impact on municipalities due to property tax exemption. Potential revenue loss to municipalities due to exemption from fees for construction permits.
- Agencies Affected:** Local government units

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Local Revenue	Indeterminate impact - See comments below		

- The Office of Legislative Services (OLS) cannot determine the fiscal impact of this substitute bill because the OLS has no information that would indicate how many properties would qualify for the exemption from taxation being proposed under this substitute bill or how the assessor in each municipality in which a renewable energy system is located would treat the renewable energy system for tax purposes.
- The property tax exemptions authorized by this substitute bill would reduce local property tax assessments as well as the taxable value of the municipal property tax base. The OLS notes that the burden for recovering any lost property tax revenue may be shifted onto other property taxpayers in the taxing district through higher tax rates.
- The OLS cannot provide an exact estimate of the amount of local revenue that municipalities will forego due to the exemption from fees for municipal construction permits that is proposed under this substitute bill. Each municipality has its own schedule of permit fees that may vary depending on the type of construction work that is being done to the property. Some permits for minor construction work cost as little as \$25 while permits for large projects can cost thousands of dollars.

- Under this substitute bill, the owner of real property which is equipped with a certified renewable energy system would have exempted annually from the assessed valuation of the real property an amount equal to the assessed valuation of the real property with the renewable energy system included, minus the assessed valuation of the real property without the renewable energy system included.

BILL DESCRIPTION

Senate Committee Substitute for Senate Bill Nos. 241, 394 and 1098 of 2008 would establish a property tax exemption for a “renewable energy system” which is defined in the bill as any equipment that is part of, or added to, a residential, commercial, industrial, or mixed used building as an accessory use, and that produces renewable energy onsite to provide all or a portion of the electrical, heating, cooling, or general energy needs of that building. The substitute bill defines “renewable energy” as: (1) electric energy produced from solar technologies, photovoltaic technologies, wind energy, fuel cells, geothermal technologies, wave or tidal action, methane gas from landfills, a resource recovery facility, a hydropower facility or a biomass facility, provided that the biomass is cultivated and harvested in a sustainable manner, and provided further that the Commissioner of Environmental Protection has determined that the resource recovery facility, hydropower facility, or biomass facility, as appropriate, meets the highest environmental standards and minimizes any impacts to the environment and local communities; and (2) energy produced from solar thermal or geothermal technologies.

Under the substitute bill, property installed in any building, whether residential, commercial, industrial, which has been certified by the local enforcing agency as a renewable energy system, would be exempt from property taxation. The owner of real property which is equipped with a certified renewable energy system may, upon application, have exempted annually from the assessed valuation of the real property an amount equal to the assessed valuation of the real property with the renewable energy system included, minus the assessed valuation of the real property without the renewable energy system included.

This substitute bill would also amend P.L.1985, c.85 (C.52:27D-130.2). Current law provides that no person shall be required to pay a municipal fee or charge in order to secure a construction permit for the installation or alteration of a renewable energy system in any building or part thereof. Currently, to be eligible for this fee exemption, the system must be certified as eligible for an exemption from property taxation pursuant to P.L.1977, c.256 (C.54:4-3.113 to 54:4-3.120), which expired in 1987. This bill would update P.L.1985, c.85 (C.52:27D-130.2) to provide that to be exempt from the municipal construction permit fee, the system must be eligible for the property tax exemption provided in this substitute bill.

Finally, this substitute bill repeals P.L.1977, c.256 which expired on December 31, 1987, replacing it with a new exemption for a broader definition of exempted energy systems.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS cannot provide a cost estimate for this substitute bill. The OLS notes, that the property tax exemptions authorized by this substitute bill would reduce local property tax assessments as well as the taxable value of the municipal property tax base. However, the impact on municipalities would be neutral since the burden for recovering any lost property tax revenue would likely be shifted onto other property taxpayers in the taxing district through higher property tax rates. Furthermore, there may be no effect on a particular assessment if the assessor uses a valuation method such as the income approach, that does not take the value of any single improvement into consideration.

P.L.1977, c.256 (C.54:4-3.113 et seq.) established an exemption from taxation for property taxpayers who installed a certified solar energy system on their property. This program expired on December 31, 1987. The 1987 Annual Report by the Division of Taxation indicated that the assessed value of exempt solar energy system property in the State for the year was \$2,493,110. In the preceding year's Annual Report the total assessed value of exempt solar energy system property was \$2,172,220. These data represent only a portion of the potential exemptions to be claimed under this substitute bill, since the provisions of this bill provide a property tax exemption for several types renewable energy systems.

According to the New Jersey Clean Energy Program, the cost to install a two-kilowatt solar electric system that offsets the needs of an energy-efficient home is at least \$20,000 and the cost to install a five-kilowatt solar electric system that could completely offset the energy needs of most conventional homes is about \$40,000. The installation costs for these systems provide only a general idea of how much exempted value they may add to a structure. The OLS notes the actual cost could vary depending on many factors, including whether the home is under construction, if modules are being integrated into the roof or mounted on an existing roof, or if the roof is being replaced.

The New Jersey Clean Energy Program indicates that 2,351 residential, commercial, public, and non-profit entities have installed solar electric systems. In 2006, 1,005 solar photovoltaic systems were installed across the State. These systems have a total generating capacity of over 18 megawatts of renewable energy. It should be noted, however, that this figure may not be indicative of the total number of buildings that have installed a renewable energy system and which would be eligible for an exemption under this bill. Finally, the OLS notes the cost for upgrading a commercial, industrial, or mixed used building with an alternative electrical energy system will vary greatly depending on the project scope.

Section: Local Government

*Analyst: Scott A. Brodsky
Assistant Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This fiscal estimate has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).

LEGISLATIVE FISCAL ESTIMATE
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, Nos. 241, 394, 1098 (SCS)
and SENATE, No. 710
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: JUNE 12, 2008

SUMMARY

Synopsis: Exempts certain renewable energy systems from real property taxation.

Type of Impact: Decrease in valuation of municipal ratable base affecting the apportionment of the county property tax levy due to tax exemption.

Agencies Affected: Local government units

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Local Revenue	Indeterminate impact - See comments below		

- The Office of Legislative Services (OLS) cannot determine the fiscal impact of this committee substitute because the OLS has no information indicating how many properties would qualify for the exemption from taxation being proposed under this substitute bill or how the assessor in each municipality in which a renewable energy system is located would treat the renewable energy system for tax purposes.
- The property tax exemptions authorized by this substitute bill would reduce the taxable value of certain parcels and therefore the taxable value of the municipal property tax base. The OLS notes that the burden for recovering any lost property tax revenue may be shifted onto other property taxpayers in the taxing district through higher tax rates.
- Under this substitute bill, the owner of real property which is equipped with a certified renewable energy system would have exempted annually from the assessed valuation of the real property an amount equal to the assessed valuation of the real property with the renewable energy system included, minus the assessed valuation of the real property without the renewable energy system included.

BILL DESCRIPTION

Senate Committee Substitute for Senate Bill Nos. 241, 394, 1098 (SCS) and Senate Bill No. 710 of 2008 would establish a property tax exemption for a “renewable energy system” as defined in the substitute. A “renewable energy system” is any equipment that is part of, or added to, a residential, commercial, industrial, or mixed use building as an accessory use, and that produces renewable energy onsite to provide all or a portion of the electrical, heating, cooling, or general energy needs of that building. The substitute bill defines “renewable energy” as: (1) electric energy produced from solar technologies, photovoltaic technologies, wind energy, fuel cells, geothermal technologies, wave or tidal action, methane gas from landfills, a resource recovery facility, a hydropower facility, or a biomass facility, provided that the biomass is cultivated and harvested in a sustainable manner, and provided further that the Commissioner of Environmental Protection has determined that the resource recovery facility, hydropower facility or biomass facility, as appropriate, meets the highest environmental standards and minimizes any impacts to the environment and local communities; and (2) energy produced from solar thermal and geothermal technologies.

Under the substitute bill, property installed in any building, whether residential, commercial, or industrial, which has been certified by the local enforcing agency as a renewable energy system, would be exempt from property taxation. The owner of real property which is equipped with a certified renewable energy system may have exempted annually from the assessed valuation of the real property a sum equal to the assessed valuation of the real property with the renewable energy system included, minus the assessed valuation of the real property without the renewable energy system included. The bill also revises the appeals provision to update it to modern standards.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS cannot provide a cost estimate for this substitute bill. The OLS notes that the property tax exemption authorized by this substitute bill would reduce the taxable value of the municipal property tax base. However, the impact on municipalities would be neutral since the burden for making up any lost property tax revenue from a property granted an exemption would likely be shifted onto other property taxpayers in the taxing district through higher property tax rates. Furthermore, there may be no effect on a particular assessment if the assessor uses a valuation method, such as the income approach, that does not take the value of any single improvement into consideration.

P.L.1977, c.256 (C.54:4-3.113 et seq.) established an exemption from taxation for property taxpayers who installed a certified solar energy system on their property. This program expired on December 31, 1987. The 1987 Annual Report of the Division of Taxation indicated that the assessed value of exempt solar energy system property in the State for the year was \$2,493,110. In the preceding year’s Annual Report the total assessed value of exempt solar energy system property was \$2,172,220. These data represent only a portion of the potential exemptions to be claimed under this substitute bill, since its provisions provide a property tax exemption for any alteration to an existing property structure designed to reduce energy or water consumption.

According to the New Jersey Clean Energy Program, the cost to install a two-kilowatt solar electric system that offsets the needs of an energy-efficient home is at least \$20,000 and the cost to install a five-kilowatt solar electric system that could completely offset the energy needs of most conventional homes is about \$40,000. The installation costs for these systems provide only a general idea of how much exempted value they may add to a structure. The OLS notes the actual cost could vary depending on many factors, including whether the home is under construction, if modules are being integrated into the roof or mounted on an existing roof, or if the roof is being replaced.

There are several programs in the Office of Clean Energy that currently offer commercial and residential property owners rebates for the installation or upgrading of a variety of equipment, from renewable energy systems to energy efficient heating and cooling devices. According to that office's 2006 Annual Report, 2,947 residential, commercial, public, and non-profit entities have installed solar electric systems. In 2006, 1,005 solar photovoltaic systems were installed across the State. It should be noted, however, that these figures may not be indicative of the total number of buildings that have installed a renewable energy system and which would be eligible for an exemption under this substitute bill. Finally, the OLS notes the cost for upgrading a commercial, industrial, or mixed use building with an alternative electrical energy system will vary greatly depending on the project scope.

Section: Local Government

*Analyst: Scott A. Brodsky
Assistant Fiscal Analyst*

*Approved: David J. Rosen
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-1 et seq.).

ASSEMBLY, No. 1612

STATE OF NEW JERSEY

213th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2008 SESSION

Sponsored by:

Assemblyman JOHN F. MCKEON

District 27 (Essex)

Assemblyman DOUGLAS H. FISHER

District 3 (Salem, Cumberland and Gloucester)

Assemblyman REED GUSCIORA

District 15 (Mercer)

Assemblywoman LINDA R. GREENSTEIN

District 14 (Mercer and Middlesex)

Co-Sponsored by:

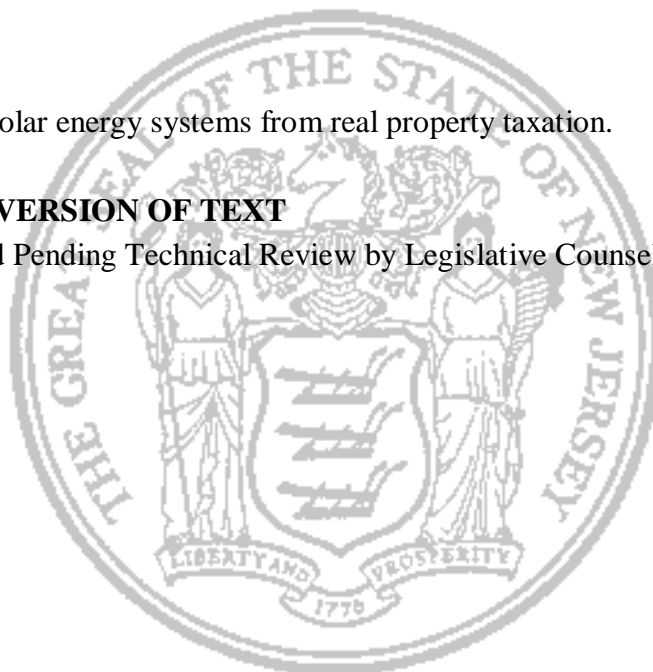
**Assemblyman Biondi, Assemblywoman Voss, Assemblyman Vas,
Assemblywoman Karrow, Assemblyman Diegnan, Assemblywomen
Handlin, Vandervalk, Assemblymen Connors and Conaway**

SYNOPSIS

Exempts solar energy systems from real property taxation.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



1 AN ACT concerning taxation of solar energy systems,
2 supplementing chapter 4 of Title 54 of the Revised Statutes, and
3 repealing P.L.1977, c.256.
4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:
7

8 1. As used in this act:

9 "Board of appeals" means the county construction board of
10 appeals established under section 9 of P.L.1975, c.217 (C.52:27D-
11 119 et seq.);

12 "Commissioner" means the Commissioner of Community
13 Affairs;

14 "Local enforcing agency" means the enforcing agency in any
15 municipality provided for under the "State Uniform Construction
16 Code Act," P.L.1975, c.217 (C.52:27D-119 et seq.) and regulations
17 adopted pursuant thereto;

18 "Solar energy" means energy which has recently originated in the
19 sun, including direct and indirect solar radiation and intermediate
20 solar energy from wind and sea thermal gradients; and

21 "Solar energy system" means any system which uses solar
22 energy to provide all or a portion of the heating, cooling, or general
23 energy needs of a building including, but not necessarily limited to,
24 such means as nocturnal heat radiation, evaporation cooling towers,
25 flat plate or focusing solar collectors, photovoltaic solar cells or
26 windmills.
27

28 2. A solar energy system which has been certified by the local
29 enforcing agency as a solar energy system shall be exempt from
30 taxation under chapter 4 of Title 54 of the Revised Statutes. The
31 owner of real property which is equipped with a certified solar
32 energy system may have exempted annually from the assessed
33 valuation of the real property a sum equal to the remainder of the
34 assessed valuation of the real property with the solar energy system
35 included, minus the assessed valuation of the real property without
36 the solar energy system included.
37

38 3. No certification shall be made by the local enforcing agency
39 as provided herein, except upon written application therefore, which
40 application shall be made under oath on a form prescribed by the
41 Director of the Division of Taxation in the Department of the
42 Treasury and provided for the use of claimants by the local
43 enforcing agency. The local enforcing agency may at any time
44 inquire into the right of a claimant to the exemption and for that
45 purpose the local enforcing agency may require the filing of a new
46 application or the submission of such proof as the local enforcing
47 agency shall deem necessary to determine the right of the claimant
48 to the continuance of the exemption. The local enforcing agency

1 shall have the right to make an inspection of the premises which are
2 the subject of the claim for exemption under this act.

3
4 4. The local enforcing agency, when requested for a certification
5 pursuant to this act, shall certify a system as being a solar energy
6 system whenever the local enforcing agency finds the equipment,
7 facility, device, or system installed was designed primarily as a
8 solar energy system, in accordance with rules and regulations
9 adopted by the commissioner pursuant to section 7 of this act. The
10 certificate shall contain information identifying the system and the
11 cost thereof and shall be in such form and detail as the Director of
12 the Division of Taxation in the Department of the Treasury shall
13 prescribe. The certificate shall be provided to the applicant
14 therefor, with a copy retained on file by the local enforcing agency,
15 and a copy of the certificate shall be sent to the assessor of the
16 taxing district in which the solar energy system is located and has
17 been installed. The exemption from taxation for the solar energy
18 system shall become effective for the tax year following the year in
19 which certification has been granted and thereafter during its use
20 primarily for such purposes.

21
22 5. The local enforcing agency, after giving notice to the holder
23 of a solar energy certificate, may revoke a certificate whenever any
24 of the following appears:

- 25 a. the certificate was obtained by fraud or misrepresentation;
26 b. the claimant for tax exemption has failed substantially to
27 proceed with the construction, reconstruction, installation or
28 acquisition of a solar energy system;
29 c. the structure or equipment or both to which the certificate
30 relates has ceased to be used for the primary purpose of providing
31 solar energy and is being used for a different primary purpose; or
32 d. the claimant for the tax exemption has so departed from the
33 equipment, design and construction previously certified by the local
34 enforcing agency that, in the opinion of the local enforcing agency,
35 the solar energy system is not suitable and reasonably adequate for
36 the purpose of providing solar energy.

37
38 6. a. Any person aggrieved by any action of the local enforcing
39 agency may seek review before the board of appeals.

40 b. Any person aggrieved by any action of the assessor or of the
41 county tax board may seek a review before the Director of the
42 Division of Taxation in the Department of the Treasury pursuant to
43 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
44 seq.).

45
46 7. a. The Director of the Division of Taxation in the Department
47 of the Treasury, pursuant to the "Administrative Procedure Act,"
48 P.L.1968, c.410 (C.52:14B-1 et seq.), shall adopt any rules and

1 regulations necessary for the proper certification of any tax
2 exemption pursuant to this act, the form of any certificate to be
3 issued and any other matter related to the exemption.

4 b. The Department of Community Affairs, in consultation with
5 the Board of Public Utilities, shall adopt, pursuant to the
6 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
7 seq.), standards with respect to the technical sufficiency of solar
8 energy systems for purposes of qualification for exemption.

9
10 8. P.L.1977, c.256 (C.54:4-3.113 et seq.) is hereby repealed.

11
12 9. This act shall take effect immediately.

13
14
15 STATEMENT

16
17 This bill would establish a property tax exemption for the
18 installation of a solar energy system. The bill defines "solar energy
19 system" as any system which uses solar energy to provide all or a
20 portion of the heating, cooling, or general energy needs of a
21 building through, but not limited to, such means as nocturnal heat
22 radiation, evaporation cooling towers, flat plate or focusing solar
23 collectors, photovoltaic solar cells or windmills.

24 Under the bill, a solar energy system installed in any building,
25 whether residential, commercial or industrial, which has been
26 certified by the local enforcing agency as a solar energy system,
27 would be exempt from taxation under chapter 4 of Title 54 of the
28 Revised Statutes. The owner of real property which is equipped
29 with a certified solar energy system may have exempted annually
30 from the assessed valuation of the real property a sum equal to the
31 remainder of the assessed valuation of the real property with the
32 solar energy system included, minus the assessed valuation of the
33 real property without the solar energy system included.

34 P.L.1977, c.256 (C.54:4-3.113 to 54:4-3.120) previously
35 provided such an exemption. However, that exemption expired on
36 December 31, 1987. This bill would repeal these expired provisions
37 of law.

38 This bill would require the Department of Community Affairs, in
39 consultation with the Board of Public Utilities, to adopt standards
40 with respect to the technical sufficiency of solar energy systems for
41 purposes of qualification for the exemption.

ASSEMBLY, No. 385

STATE OF NEW JERSEY 213th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2008 SESSION

Sponsored by:

Assemblyman PATRICK J. DIEGNAN, JR.

District 18 (Middlesex)

SYNOPSIS

Exempts certain renewable energy systems from real property taxation.

CURRENT VERSION OF TEXT

Introduced Pending Technical Review by Legislative Counsel



1 AN ACT concerning property tax exemption for certain renewable
2 energy systems and supplementing chapter 4 of Title 54 of the
3 Revised Statutes.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. As used in this act:

9 "Board of appeals" means the county construction board of
10 appeals established under section 9 of P.L.1975, c.217 (C.52:27D-
11 127).

12 "Commissioner" means the Commissioner of Community
13 Affairs.

14 "Local enforcing agency" means the enforcing agency in any
15 municipality provided for under the "State Uniform Construction
16 Code Act," P.L.1975, c.217 (C.52:27D-119 et seq.) and regulations
17 adopted pursuant thereto.

18 "Renewable energy " means electric energy produced from solar
19 technologies, photovoltaic technologies, wind energy, fuel cells,
20 geothermal technologies, wave or tidal action, methane gas from
21 landfills, resource recovery facility, hydropower facility or a
22 biomass facility, provided that the biomass is cultivated and
23 harvested in a sustainable manner, provided further that the
24 Commissioner of Environmental Protection has determined that the
25 resource recovery facility, hydropower facility or biomass facility,
26 as appropriate, meets the highest environmental standards and
27 minimizes any impacts to the environment and local communities.

28 "Renewable energy system" means any equipment that is part of,
29 or added to, a residential, commercial, industrial, or mixed use
30 building as an accessory use, and that produces renewable energy
31 onsite to provide all or a portion of the electrical, heating, cooling,
32 or general energy needs of that building.

33
34 2. Property that has been certified by a local enforcing agency as
35 a renewable energy system shall be exempt from taxation under
36 chapter 4 of Title 54 of the Revised Statutes. The owner of real
37 property which is equipped with a certified renewable energy
38 system may have exempted annually from the assessed valuation of
39 the real property a sum equal to the assessed valuation of the real
40 property with the renewable energy system included, minus the
41 assessed valuation of the real property without the renewable
42 energy system included.

43
44 3. No certification shall be made by the local enforcing agency
45 as provided herein, except upon written application therefore, which
46 application shall be made under oath on a form prescribed by the
47 Director of the Division of Taxation in the Department of the
48 Treasury, and provided for the use of claimants by the local

1 enforcing agency. The local enforcing agency may at any time
2 inquire into the right of a claimant to the exemption, and for that
3 purpose the local enforcing agency may require the filing of a new
4 application or the submission of such proof as the local enforcing
5 agency shall deem necessary to determine the right of the claimant
6 to the continuance of the exemption. The local enforcing agency
7 shall have the right to make an inspection of the premises which are
8 the subject of the claim for exemption under this act.

9
10 4. The local enforcing agency, when requested for a certification
11 pursuant to this act, shall certify a system as being a renewable
12 energy system whenever the local enforcing agency finds that the
13 system installed was designed primarily as a renewable energy
14 system in accordance with rules and regulations adopted by the
15 commissioner pursuant to subsection b. of section 7 of this act. The
16 certificate shall contain information identifying the renewable
17 energy system and the cost thereof and shall be in such form and
18 detail as the Director of the Division of Taxation in the Department
19 of the Treasury shall prescribe. The certificate shall be provided to
20 the applicant therefor, with a copy retained on file by the local
21 enforcing agency, and a copy of the certificate shall be sent to the
22 assessor of the taxing district in which the property containing the
23 renewable energy system is located and has been installed. The
24 exemption from taxation for the renewable energy system shall
25 become effective for the tax year following the year in which
26 certification has been granted and thereafter during its use primarily
27 for such purposes.

28
29 5. The local enforcing agency, after giving notice to the holder
30 of a renewable energy system certificate, may revoke a certificate
31 whenever any of the following appears:

- 32 a. the certificate was obtained by fraud or misrepresentation;
33 b. the claimant for tax exemption has failed substantially to
34 proceed with the construction, reconstruction, installation or
35 acquisition of a renewable energy system;
36 c. the structure or equipment or both to which the certificate
37 relates has ceased to be used for the primary purpose of providing
38 renewable energy to provide all or a portion of the heating, cooling,
39 or general energy needs of the structure and is being used for a
40 different primary purpose; or
41 d. the claimant for the tax exemption has so departed from the
42 equipment, design and construction previously certified by the local
43 enforcing agency that, in the opinion of the local enforcing agency,
44 the renewable energy system is not suitable and reasonably
45 adequate for the purpose of using renewable energy to provide all or
46 a portion of the heating, cooling, or general energy needs of the
47 structure.

1 Statutes. The owner of real property which is equipped with a
2 certified renewable energy system may have exempted annually
3 from the assessed valuation of the real property a sum equal to the
4 assessed valuation of the real property with the renewable energy
5 system included, minus the assessed valuation of the real property
6 without the renewable energy system included.

7 P.L.1977, c.256 (C.54:4-3.113 to 54:4-3.120) previously
8 provided an exemption for a "solar energy system" as defined in
9 that law. However, that exemption expired on December 31, 1987.
10 This bill repeals these expired provisions of law.

11 This bill requires the Department of Community Affairs, in
12 consultation with the Board of Public Utilities, to adopt standards
13 with respect to the technical sufficiency of renewable energy
14 systems for purposes of qualification for the exemption.

ASSEMBLY, No. 1781

STATE OF NEW JERSEY 213th LEGISLATURE

PRE-FILED FOR INTRODUCTION IN THE 2008 SESSION

Sponsored by:
Assemblyman SCOTT RUDDER
District 8 (Burlington)

SYNOPSIS

Exempts renewable energy systems from real property taxation and from fees for municipal construction permits.

CURRENT VERSION OF TEXT

As introduced.



A1781 RUDDER

2

1 AN ACT exempting renewable energy systems from real property
2 taxation and from fees for municipal construction permits,
3 supplementing chapter 4 of Title 54 of the Revised Statutes,
4 amending P.L.1985, c.85 and repealing P.L.1977, c.256.

5
6 **BE IT ENACTED** by the Senate and General Assembly of the State
7 of New Jersey:

8

9 1. (New section) As used in this act:

10 "Board of appeals" means the county construction board of
11 appeals established under section 9 of P.L.1975, c.217 (C.52:27D-
12 127).

13 "Commissioner" means the Commissioner of Community
14 Affairs.

15 "Director" means the Director of the Division of Taxation in the
16 Department of the Treasury.

17 "Local enforcing agency" means the enforcing agency in any
18 municipality provided for under the "State Uniform Construction
19 Code Act," P.L.1975, c.217 (C.52:27D-119 et seq.) and regulations
20 adopted pursuant thereto.

21 "Renewable energy " means electric energy produced from solar
22 technologies, photovoltaic technologies, wind energy, fuel cells,
23 geothermal technologies, wave or tidal action, resource recovery
24 facility, hydropower facility or a biomass facility, provided that the
25 biomass is cultivated and harvested in a sustainable manner,
26 provided further that the Commissioner of Environmental
27 Protection has determined that the resource recovery facility,
28 hydropower facility or biomass facility, as appropriate, meets the
29 highest environmental standards and minimizes any impacts to the
30 environment and local communities.

31 "Renewable energy system" means any equipment that is part of,
32 added to, or installed on a residential, commercial, industrial, or
33 mixed use building as an accessory use, and that produces
34 renewable energy onsite to provide all or a portion of the electrical,
35 heating, cooling, or general energy needs of that building.

36

37 2. (New section) A renewable energy system that has been
38 certified by a local enforcing agency pursuant to regulations
39 promulgated pursuant to the requirements of section 7 of P.L. ,
40 c. (C.) (pending before the Legislature as this bill) shall be
41 exempt from taxation under chapter 4 of Title 54 of the Revised
42 Statutes. The owner of real property which is equipped with a
43 certified renewable energy system shall have exempted annually
44 from the assessed valuation of the real property a sum equal to the
45 assessed valuation of the real property with the renewable energy

EXPLANATION – Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

1 system included, minus the assessed valuation of the real property
2 without the renewable energy system included.

3
4 3. (New section) No certification shall be made by the local
5 enforcing agency as provided herein, except upon written
6 application therefore, which application shall be made under oath
7 on a form prescribed by the director, and provided for the use of
8 claimants by the local enforcing agency. The local enforcing
9 agency may at any time inquire into the right of a claimant to the
10 exemption, and for that purpose the local enforcing agency may
11 require the filing of a new application or the submission of such
12 proof as the local enforcing agency shall deem necessary to
13 determine the right of the claimant to the continuance of the
14 exemption. The local enforcing agency shall have the right to make
15 an inspection of the premises which are the subject of the claim for
16 exemption under P.L. , c. (C.) (pending before the
17 Legislature as this bill).

18
19 4. (New section) The local enforcing agency, when requested
20 for a certification pursuant to P.L. , c. (C.) (pending before
21 the Legislature as this bill), shall certify a system as being a
22 renewable energy system whenever the local enforcing agency finds
23 that the system installed was designed primarily as a renewable
24 energy system in accordance with rules and regulations adopted by
25 the commissioner pursuant to subsection b. of section 7 of P.L. ,
26 c. (C.) (pending before the Legislature as this bill). The
27 certificate shall contain information identifying the renewable
28 energy system and the cost thereof and shall be in such form and
29 detail as the director shall prescribe. The certificate shall be
30 provided to the applicant, with a copy retained on file by the local
31 enforcing agency, and a copy of the certificate shall be sent to the
32 assessor of the taxing district in which the property containing the
33 renewable energy system is located. The exemption from taxation
34 for the renewable energy system shall become effective for the tax
35 year following the year in which certification has been granted and
36 thereafter during its use primarily for such purposes.

37
38 5. (New section) The local enforcing agency, after giving notice
39 to the holder of a renewable energy system certificate, may revoke a
40 certificate whenever any of the following appears:

- 41 a. the certificate was obtained by fraud or misrepresentation;
42 b. the claimant for tax exemption has failed substantially to
43 proceed with the construction, reconstruction, installation or
44 acquisition of a renewable energy system;
45 c. the structure or equipment or both to which the certificate
46 relates has ceased to be used for the primary purpose of providing
47 renewable energy to provide all or a portion of the heating, cooling,

1 or general energy needs of the structure and is being used for a
2 different primary purpose; or

3 d. the claimant for the tax exemption has so departed from the
4 equipment, design and construction previously certified by the local
5 enforcing agency that, in the opinion of the local enforcing agency,
6 the renewable energy system is not suitable and reasonably
7 adequate for the purpose of using renewable energy to provide all or
8 a portion of the heating, cooling, or general energy needs of the
9 structure.

10

11 6. (New section) a. Any person aggrieved by any action of the
12 local enforcing agency may seek review before the board of
13 appeals.

14 b. Any person aggrieved by any action of the assessor or of the
15 county tax board may seek a review before the director pursuant to
16 the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1
17 et seq.).

18

19 7. (New section) a. The director, pursuant to the
20 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
21 seq.), shall adopt any rules and regulations necessary for the proper
22 certification of any tax exemption pursuant to P.L. , c. (C.)
23 (pending before the Legislature as this bill), the form of any
24 certificate to be issued, and any other matter related to the
25 exemption.

26 b. The Commissioner, in consultation with the President of the
27 Board of Public Utilities, shall adopt, pursuant to the
28 "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et
29 seq.), standards with respect to the technical sufficiency of
30 renewable energy systems for the purposes of qualification for
31 exemption.

32

33 8. Section 1 of P.L.1985, c.85 (C.52:27D-130.2) is amended to
34 read as follows:

35 1. No person shall be required to pay a municipal fee or charge
36 in order to secure a construction permit for the installation or
37 alteration of a renewable energy heating or cooling system in any
38 building or part thereof. As used in **[this act]** P.L.1985, c.85
39 (C.52:27D-130.2 et seq.), "renewable energy system" means a
40 system which is certified as eligible for an exemption from property
41 taxation by the Department of Community Affairs pursuant to
42 **[P.L.1977, c.256 (C. 54:4-3.113 et seq.)]** P.L. , c. (C.)
43 (pending before the Legislature as this bill).

44 (cf: P.L.1985, c.85, s.1)

45

46 9. P.L.1977, c.256 (C.54:4-3.113 et seq.) is repealed.

1 10. This act shall take effect immediately.

2

3

4

STATEMENT

5

6 This bill establishes a property tax exemption for a “renewable
7 energy system” which is defined in the bill as any equipment that is
8 part of, or added to, a residential, commercial, industrial, or mixed
9 use building as an accessory use, and that produces renewable
10 energy onsite to provide all or a portion of the electrical, heating,
11 cooling, or general energy needs of that building. The bill defines
12 “renewable energy” as electric energy produced from solar
13 technologies, photovoltaic technologies, wind energy, fuel cells,
14 geothermal technologies, wave or tidal action, resource recovery
15 facility, hydropower facility or a biomass facility, provided that the
16 biomass is cultivated and harvested in a sustainable manner. The
17 Commissioner of Environmental Protection must determine that the
18 resource recovery facility, hydropower facility or biomass facility,
19 as appropriate, meets the highest environmental standards and
20 minimizes any impacts to the environment and local communities.

21 Under the bill, property installed in any building, whether
22 residential, commercial or industrial, which has been certified by
23 the local enforcing agency as a renewable energy system, will be
24 exempt from taxation under chapter 4 of Title 54 of the Revised
25 Statutes. The owner of real property which is equipped with a
26 certified renewable energy system may have exempted annually
27 from the assessed valuation of the real property a sum equal to the
28 assessed valuation of the real property with the renewable energy
29 system included, minus the assessed valuation of the real property
30 without the renewable energy system included.

31 This bill requires the Department of Community Affairs, in
32 consultation with the Board of Public Utilities, to adopt standards
33 with respect to the technical sufficiency of renewable energy
34 systems for purposes of qualification for the exemption.

35 This bill would also amend P.L.1985, c.85 (C.52:27D-130.2).
36 Current law provides that no person shall be required to pay a
37 municipal fee or charge in order to secure a construction permit for
38 the installation or alteration of a renewable energy heating or
39 cooling system in any building or part thereof. Currently, to be
40 eligible for this exemption, the system must be certified as eligible
41 for an exemption from property taxation pursuant to P.L.1977,
42 c.256 (C.54:4-3.113 to 54:4-3.120), which expired in 1987. This
43 bill would update P.L.1985, c.85 (C.52:27D-130.2) to provide that
44 to be exempt from the municipal construction permit fee, the system
45 must be eligible for the property tax exemption provided in this bill.

46 This bill repeals P.L.1977, c.256, which expired on December
47 31, 1987, replacing it with a new exemption for a broader definition
48 of exempted energy systems.

ASSEMBLY ENVIRONMENT AND SOLID WASTE
COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, Nos. 1612, 385 and 1781

STATE OF NEW JERSEY

DATED: JANUARY 28, 2008

The Assembly Environment and Solid Waste Committee reports favorably a committee substitute for Assembly Bill Nos. 1612, 385 and 1781.

This substitute bill would establish a property tax exemption for a “renewable energy system” which is defined in the bill as any equipment that is part of, or added to, a residential, commercial, industrial, or mixed use building as an accessory use, and that produces renewable energy onsite to provide all or a portion of the electrical, heating, cooling, or general energy needs of that building. The substitute bill defines “renewable energy” as electric energy produced from solar technologies, photovoltaic technologies, wind energy, fuel cells, geothermal technologies, wave or tidal action, and methane gas from landfills, a resource recovery facility, a hydropower facility or a biomass facility, provided that the biomass is cultivated and harvested in a sustainable manner, and provided further that the Commissioner of Environmental Protection has determined that the resource recovery facility, hydropower facility or biomass facility, as appropriate, meets the highest environmental standards and minimizes any impacts to the environment and local communities.

Under the substitute bill, property installed in any building, whether residential, commercial or industrial, which has been certified by the local enforcing agency as a renewable energy system, would be exempt from property taxation. The owner of real property which is equipped with a certified renewable energy system may have exempted annually from the assessed valuation of the real property a sum equal to the assessed valuation of the real property with the renewable energy system included, minus the assessed valuation of the real property without the renewable energy system included.

P.L.1977, c.256 (C.54:4-3.113 to 54:4-3.120) previously provided an exemption for a “solar energy system” as defined in that law. However, that exemption expired on December 31, 1987. This substitute bill repeals these expired provisions of law.

This substitute bill also requires the Department of Community Affairs, in consultation with the Board of Public Utilities, to adopt

standards with respect to the technical sufficiency of renewable energy systems for purposes of qualification for the exemption.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, Nos. 1612, 385, and 1781**

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 5, 2008

The Assembly Appropriations Committee reports favorably Assembly Bill Nos. 1612, 385 and 1781 (ACS), with committee amendments.

The bill, as amended, establishes a property tax exemption for “renewable energy systems.”

The bill defines a “renewable energy system” as any equipment that is part of, or added to, a residential, commercial, industrial, or mixed use building as an accessory use, and that produces renewable energy onsite to provide all or a portion of the electrical, heating, cooling, or general energy needs of that building. The bill defines “renewable energy” as: (1) electric energy produced from solar technologies, photovoltaic technologies, wind energy, fuel cells, geothermal technologies, wave or tidal action, methane gas from landfills, a resource recovery facility, a hydropower facility or a biomass facility, provided that the biomass is cultivated and harvested in a sustainable manner, and provided further that the Commissioner of Environmental Protection has determined that the resource recovery facility, hydropower facility or biomass facility, as appropriate, meets the highest environmental standards and minimizes any impacts to the environment and local communities; and (2) energy produced from solar thermal or geothermal technologies.

Under the bill, property installed in any building, whether residential, commercial or industrial, which has been certified by the local enforcing agency as a renewable energy system, will be exempt from property taxation. The owner of real property which is equipped with a certified renewable energy system will have exempted annually from the assessed valuation of the real property a sum equal to the assessed valuation of the real property with the renewable energy system included, minus the assessed valuation of the real property without the renewable energy system included.

This bill requires the Commissioner of the Department of Community Affairs, in consultation with the Board of Public Utilities, to adopt standards with respect to the technical

sufficiency of renewable energy systems for purposes of qualification for the exemption.

As amended and reported by the committee, this bill is identical to the Senate Committee Substitute for Senate Bill Nos. 241, 394 and 1098 (SCS) and Senate Bill No. 710.

FISCAL IMPACT:

The Office of Legislative Services (OLS) cannot determine the fiscal impact of this bill as it has no information that would indicate how many properties would qualify for the exemption from taxation being proposed under the bill, or how the assessor in each municipality in which a renewable energy system is located would treat the renewable energy system for tax purposes. The property tax exemptions authorized by the bill will reduce local property tax assessments as well as the taxable value of the municipal property tax base; however the burden for recovering any lost property tax revenue may be shifted onto other property taxpayers in the taxing district through higher tax rates.

COMMITTEE AMENDMENTS:

The amendments:

- clarify the definition of “renewable energy” to assure inclusion of energy produced from solar thermal or geothermal technologies;
- clarify the definition of “board of appeals” and add a definition of “director” for the Director of the Division of Taxation in the Department of the Treasury, making further technical changes using these defined terms;
- revise the appeals provision to update it to modern standards;
- omit a provision repealing an expired law on similar subject matter; and
- revise the bill title to conform its description to the current subject matter of the bill.

LEGISLATIVE FISCAL ESTIMATE
 [First Reprint]
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, Nos. 1612, 385, and 1781
STATE OF NEW JERSEY
213th LEGISLATURE

DATED: JUNE 16, 2008

SUMMARY

- Synopsis:** Exempts certain renewable energy systems from real property taxation.
- Type of Impact:** Decrease in valuation of municipal ratable base affecting the apportionment of the county property tax levy due to tax exemption.
- Agencies Affected:** Local government units.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Local Revenue	Indeterminate impact—See comments below		

- The Office of Legislative Services (OLS) cannot determine the fiscal impact of this committee substitute because the OLS has no information indicating how many properties would qualify for the exemption from taxation being proposed under this substitute bill or how the assessor in each municipality in which a renewable energy system is located would treat the renewable energy system for tax purposes.
- The property tax exemptions authorized by this substitute bill would reduce the taxable value of certain parcels and therefore the taxable value of the municipal property tax base. The OLS notes that the burden for recovering any lost property tax revenue may be shifted onto other property taxpayers in the taxing district through higher tax rates.
- Under this substitute bill, the owner of real property which is equipped with a certified renewable energy system would have exempted annually from the assessed valuation of the real property an amount equal to the assessed valuation of the real property with the renewable energy system included, minus the assessed valuation of the real property without the renewable energy system included.

BILL DESCRIPTION

The First Reprint to Assembly Committee Substitute for Assembly Bill Nos. 1612, 385, and 1781 would establish a property tax exemption for a “renewable energy system” as defined in the substitute. A “renewable energy system” is any equipment that is part of, or added to, a residential, commercial, industrial, or mixed use building as an accessory use, and that produces renewable energy onsite to provide all or a portion of the electrical, heating, cooling, or general energy needs of that building. The substitute bill defines “renewable energy” as: (1) electric energy produced from solar technologies, photovoltaic technologies, wind energy, fuel cells, geothermal technologies, wave or tidal action, methane gas from land fills, a resource recovery facility, a hydropower facility or a biomass facility, provided that the biomass is cultivated and harvested in a sustainable manner, and provided further that the Commissioner of Environmental Protection has determined that the resource recovery facility, hydropower facility or biomass facility, as appropriate, meets the highest environmental standards and minimizes any impacts to the environment and local communities; and (2) energy produced from solar thermal and geothermal technologies.

Under the substitute bill, property installed in any building, whether residential, commercial, or industrial, which has been certified by the local enforcing agency as a renewable energy system, would be exempt from property taxation. The owner of real property which is equipped with a certified renewable energy system may have exempted annually from the assessed valuation of the real property a sum equal to the assessed valuation of the real property with the renewable energy system included, minus the assessed valuation of the real property without the renewable energy system included. The bill also revises the appeals provision to update it to modern standards.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS cannot provide a cost estimate for this substitute bill. The OLS notes that the property tax exemption authorized by this substitute bill would reduce the taxable value of the municipal property tax base. However, the impact on municipalities would be neutral since the burden for making up any lost property tax revenue from a property granted an exemption would likely be shifted onto other property taxpayers in the taxing district through higher property tax rates. Furthermore, there may be no effect on a particular assessment if the assessor uses a valuation method, such as the income approach, that does not take the value of any single improvement into consideration.

P.L.1977, c.256 (C.54:4-3.113 et seq.) established an exemption from taxation for property taxpayers who installed a certified solar energy system on their property. This program expired on December 31, 1987. The 1987 Annual Report of the Division of Taxation indicated that the assessed value of exempt solar energy system property in the State for the year was \$2,493,110. In the preceding year’s Annual Report the total assessed value of exempt solar energy system property was \$2,172,220. These data represent only a portion of the potential exemptions to be claimed under this substitute bill, since its provisions provide a property tax exemption for any alteration to an existing property structure designed to reduce energy or water consumption.

According to the New Jersey Clean Energy Program, the cost to install a two-kilowatt solar electric system that offsets the needs of an energy-efficient home is at least \$20,000 and the cost to install a five-kilowatt solar electric system that could completely offset the energy needs of most conventional homes is about \$40,000. The installation costs for these systems provide only a general idea of how much exempted value they may add to a structure. The OLS notes the actual cost could vary depending on many factors, including whether the home is under construction, if modules are being integrated into the roof or mounted on an existing roof, or if the roof is being replaced.

There are several programs in the Office of Clean Energy that currently offer commercial and residential property owners rebates for the installation or upgrading of a variety of equipment, from renewable energy systems to energy efficient heating and cooling devices. According to that office's 2006 Annual Report, 2,947 residential, commercial, public, and non-profit entities have installed solar electric systems. In 2006, 1,005 solar photovoltaic systems were installed across the State. It should be noted, however, that these figures may not be indicative of the total number of buildings that have installed a renewable energy system and which would be eligible for an exemption under this substitute bill. Finally, the OLS notes the cost for upgrading a commercial, industrial, or mixed use building with an alternative electrical energy system will vary greatly depending on the project scope.

Section: Local Government

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L. 1980, c.67 (C. 52:13B-1 et seq.).