

Fact Sheet

Property Tax Treatment of Renewable Energy Installations

January 4, 2012 10:00 a.m.

On January 4, 2012, Ontario Regulation 282/98 under the *Assessment Act* was amended to provide greater clarity and introduce new rules governing the property tax treatment of renewable energy installations. The amendments apply to facilities that generate electricity using solar energy, wind energy or anaerobic digestion of organic matter. The amendments take effect as of January 1, 2011.

SUMMARY OF TREATMENT

Rooftop Installations

The assessment and tax classification of property will not change due to the addition of a renewable energy installation on the rooftop of a building.

Ground Installations

For ground-mounted installations, the property tax treatment will depend upon the size and location of the facility as well as who is conducting the generation, as outlined below:

Generation as Ancillary Activity, Not by a Corporate Power Producer:

The following rules apply where energy generation is conducted by a person who is not ordinarily in the business of electricity generation, transmission or distribution, and where the generation is ancillary to another activity on the same property.

- **Small-size** ground installations with a generation capacity **up to 10 kW** will not experience an increase in assessment or a change in tax classification.
- **Medium-size** ground installations with a generation capacity **over 10 kW and up to 500 kW** will be taxed based on the surrounding land use (e.g. residential, farm, multi-residential, commercial).
- **Large-size** ground installations with a generation capacity **over 500 kW** will be taxed based on the surrounding land use for the proportion of assessment up to 500 kW, and at the industrial rate for the proportion over 500 kW.

- For example, if a 560 kW wind tower is located on multi-residential property, the assessment of the wind tower and associated land would be apportioned 89 per cent to the multi-residential tax class and 11 per cent to the industrial tax class.

On-Farm Anaerobic Digestion:

Anaerobic digestion is the process by which organic materials in an enclosed vessel are broken down by micro-organisms, in the absence of oxygen. Anaerobic digestion produces biogas (consisting primarily of methane and carbon dioxide). Anaerobic digestion systems are also often referred to as "biogas systems."

Anaerobic digestion facilities of any size that are located on a farm and are operated by the farmer will be taxed at the farm rate.

Generation by Corporate Power Producer:

Consistent with historic treatment, ground-based generation facilities that are operated by entities whose primary business is the generation, transmission or distribution of electricity ("corporate power producers") will continue to be taxed at the industrial rate.

Wind Turbine Towers:

Consistent with the treatment that has been in place since 2005, wind turbine towers will continue to be assessed at the rate of \$40,000 per MW of installed capacity, except in the two situations noted above where the assessment would not be affected by the installation (rooftop installations and ground-based installations up to 10 kW).

Summary Table

The table below summarizes the treatment described above.

| | Small (up to 10 kW) | Medium (over 10 kW up to 500 kW) | Large (over 500 kW) |
|---------------------------|------------------------------------|--|-----------------------------------|
| Rooftop | No new assessment or taxes. | | |
| Ground - Ancillary | No new | Land, buildings and | Land, buildings and structures |

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|--|--|--|---|
| <p>Use:</p> <p><i>Generation is not performed by corporate power producer and is secondary to main activity on property</i></p> | <p>assessment or taxes.</p> | <p>structures used for electricity generation are taxed at the rate of the surrounding land use.</p> <p>This treatment also applies to large (over 500 kW) on-farm anaerobic digesters that are operated by farmers.</p> | <p>used for electricity generation are taxed at the rate of the surrounding land use for the proportion of assessment up to 500 kW, and taxed at the industrial rate for the proportion over 500 kW.</p> |
| <p>Ground - Professional Generation:</p> <p><i>Generation is conducted by corporate power producer</i></p> | <p>Land, buildings and structures used for electricity generation are taxed at industrial rate.</p> | | |

Energy Efficiency Installations

Ontario Regulation 282/98 was also amended to provide clear policy regarding energy efficiency and energy conservation installations that use renewable energy technologies. As a result, the assessment of properties with an active solar heating or cooling system or a ground-sourced geothermal heating or cooling system will not be increased as a result of that improvement.