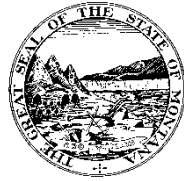




**Mike Kadas**  
Director

# Montana Department of Revenue



**Steve Bullock**  
Governor

## MEMORANDUM

TO: ETIC Members

FROM: Cynthia C. Monteau Moore, Administrator, Property Assessment Division  
Montana Department of Revenue

DATE: April 21, 2016

RE: Request for information concerning other state's treatment of solar panels  
when appraising residential property

### Overview

The department researched the below states and found in most of these states, solar systems do not add value to residential property. Instances when a state adds value to residential solar systems, the cost approach to value<sup>1</sup> using the Marshall & Swift<sup>2</sup> cost manual is used. There are some states that offer an income tax deduction. Other than Kansas, none of the other states that we researched keep a record of residential solar systems. In terms of commercial property, South Dakota and California allow for an exemption for commercial solar farms.

The department through either direct contact or through information on the state's website found the following:

### Arizona

Arizona allows for a property tax exemption for residential solar systems. Arizona also allows an income tax credit of 25% of the installation costs up to \$1,000.

### California

California does not allow for a property tax exemption for solar systems for residential property. California values residential property based on the purchase price. Solar panels may be included in the purchase price but they carry no separate value.

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<sup>1</sup> Cost Approach to value is the replacement cost of a structure or a unit in place less accrued depreciation (i.e., physical, functional, and/or economic obsolescence).

<sup>2</sup> Marshall & Swift is a nationally renowned authoritative appraisal guide for developing replacement costs and depreciated values.

## **Hawaii**

Hawaii does not value solar systems separate from the total value of the residential property, therefore, they do not allow for a property tax exemption for solar systems for residential property.

## **Idaho**

Idaho does not allow for a property value exemption for solar systems for residential property nor do the counties keep a record of solar systems.

## **Kansas**

Kansas does not allow for a property value exemption for residential property. If residential property is valued using the sales comparison approach to value there is no additional value of a solar system but if a county adds value they use the Marshall & Swift cost manual. The majority of counties in the state keep a record of solar systems even though they are not adding value.

## **North Dakota**

North Dakota does not allow an exemption for residential solar systems. If a solar system is present on residential property, the system is considered personal property and valued using the cost approach to value. The law allows an exemption for geothermal energy systems, however, this exemption is rarely used. The market shows there is no difference in value for solar or geothermal energy systems. North Dakota allows for an income tax exemption.

## **South Dakota**

South Dakota allows an exemption for a 5 megawatts or less solar system for residential property. The law allows 70% of the installation costs to be deducted from the total property value. South Dakota reappraises annually, therefore, there is no requirement to apply the local counties automatically apply the exemption if the homeowner provides a receipt. We could not verify how long the exemption applies.

## **Wyoming**

Wyoming does not allow for an exemption for solar systems for residential property. If a county were to add value to the solar systems they would use the Marshall & Swift cost manual.