

Date of Hearing: June 30, 2025

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

SB 710 (Blakespear) – As Amended June 23, 2025

Majority vote. Tax levy. Fiscal committee.

SENATE VOTE: 39-0

SUBJECT: Property taxation: active solar energy systems: extension

SUMMARY: Authorizes a new active solar energy system (ASES) property tax exclusion. Specifically, **this bill:**

- 1) Authorizes an exclusion from the definition of "new construction" the construction or addition of a "qualified solar energy system (QSES)," for tax lien dates occurring on or after January 1, 2027.
- 2) Defines a "QSES" as a system that uses solar devices, which are thermally isolated from living space or any other area where the energy is used, to provide for the collection, storage, or distribution of solar energy. Additionally, a QSES must either:
 - a) Be physically attached to a "residential dwelling" or dwellings, or to a structure on the same assessor's parcel as the dwelling or dwellings, or if not physically attached but located on the same assessor's parcel, must be located on a contiguous assessor's parcel, or be part of the same appraisal unit as the dwelling or dwellings, and distributes solar energy to those dwellings and, if applicable, structures; or,
 - b) Be located on the same assessor's parcel as a nonresidential "customer," be located on a contiguous assessor's parcel to the nonresidential customer, or be part of the same appraisal unit as the nonresidential customer, distribute solar energy to that customer pursuant to an agreement with an electrical corporation, as defined in existing law, that complies with the [California] Public Utilities Commission (CPUC) Electric Rule 21, or have a total capacity of one MW of alternating current, or lower. A system associated with a nonresidential customer that does not meet the above requirements is rebuttably presumed not to be a QSES. This presumption may be overcome by providing evidence of a net energy metering (NEM) tariff or contract that provides solar energy to the nonresidential customer pursuant to existing law, or evidence that the system exclusively provides solar energy to the nonresidential customer. A QSES associated with a nonresidential customer that has a rated nameplate capacity of five MW of alternating current or higher is excluded from the definition of a "qualified active solar energy system." A "customer" is defined as the recipient of the energy generated by the system, except for a parcel with multiple customers, in which case a customer shall be considered "nonresidential" if the customer consists of nonresidential uses only, or a mix of residential and nonresidential uses, with less than two-thirds of the square footage of the development designated for residential uses.

- 3) Excludes from the definition of a "qualified active solar energy system" a solar swimming pool heater or hot tub heater.
- 4) Provides that a "qualified active solar energy system" may be used for any of the following:
 - a) Domestic, recreational, therapeutic, or service water heating;
 - b) Space conditioning;
 - c) Production of electricity;
 - d) Process heat; or,
 - e) Solar mechanical energy.
- 5) Defines, for the purposes of this bill, "occupy or use" by reference to existing law.
- 6) Provides that a qualified active solar energy system that uses solar energy in the production of electricity includes the storage devices, power conditioning equipment, transfer equipment, and "parts" related to the functioning of those items. In general, the use of solar energy in the production of electricity involves the transformation of sunlight into electricity through the use of devices such as solar cells or other solar collecting equipment. However, a qualified active solar energy system used in the production of electricity includes only equipment used up to, but not including, the stage of conveyance or use of the electricity. "Parts" includes spare parts that are owned by the owner of, or the maintenance contractor for, a qualified active solar energy system that uses solar energy in the production of electricity and which spare parts were specifically purchased, designed, or fabricated by or for that owner or maintenance contractor for installation in a qualified active solar energy system that uses solar energy in the production of electricity, thereby including those parts in the tax appraisal exclusion created by this bill.
- 7) Provides that a qualified active solar energy system that uses solar energy in the production of electricity also includes pipes and ducts that are used exclusively to carry energy derived from solar energy. Pipes and ducts that are used to carry both energy derived from solar energy and from energy derived from other sources are qualified active solar energy system property only to the extent of 75% of their full cash value.
- 8) Provides a "builder's exclusion" and "initial purchaser exclusion" to a QSES in the same manner as existing law provides those exclusions to an ASES. The State Board of Equalization (BOE), in consultation with the California Assessors' Association, must prescribe the manner, documentation, and form for claiming the "builder's exclusion" or "initial purchaser exclusion."
- 9) Establishes a three-year deadline to claim the "builder's exclusion" and "initial purchaser exclusion." These exclusions are authorized if a claim is filed after the 3-year deadline established by this bill, but the exclusion only applies to the lien date of the assessment year in which the claim is filed.
- 10) Provides that, notwithstanding any other law, the QSES exclusion proposed in this bill remains in effect only until there is a subsequent change in ownership.

- 11) Provides that this bill's provisions apply to property tax lien dates occurring on or after January 1, 2026.
- 12) Provides that Revenue and Taxation Code (R&TC) Section 41 does not apply to this bill.
- 13) Prohibits the state from reimbursing any local agency for lost property tax revenues resulting from this bill's provisions.
- 14) Requires the state to reimburse local agencies and school districts if the Commission on State Mandates determines that this bill contains costs mandated by the state.
- 15) Takes immediate effect as a tax levy.

EXISTING LAW:

- 1) Provides that all property is taxable unless otherwise provided by the California Constitution or the laws of the United States. (California Constitution, Article XIII, Section 1.)
- 2) Limits the maximum amount of *ad valorem* property taxation to 1% of the full cash value of the property. Generally, the Constitution restricts the full cash value of a property to the assessed value upon a change of ownership in, or new construction on, the property. This is referred to as the base year value, which may be adjusted upwards for inflation at no more than 2% annually. (California Constitution, Article XIII, Sections 1 and 2.)
- 3) Authorizes the Legislature to exclude from the definition of new construction the construction or addition of an active solar energy system. (California Constitution, Article XIII, Section 2.) In implementing this authorization, the Legislature defines an "active solar energy system" as a system that upon completion of the construction of a system as part of a new property or the addition of a system to an existing property, uses solar devices, which are thermally isolated from living space or any other area where the energy is used, to provide for the collection, storage, or distribution of solar energy. Solar swimming pool and hot tub heaters are explicitly excluded from the definition, and statute specifies that an active solar energy system may be used for domestic, recreational, therapeutic or service water heating, space conditioning, production of electricity, process heat, and solar mechanical energy. The Legislature further finds and declares that certain parts associated with the active solar energy system are within the exclusion, as specified. An ASES is eligible for a builder's exclusion, where a developer who intends to sell the property containing an ASES may claim the exclusion, and an initial purchaser exclusion, which transfers the excluded value to the first purchaser, ensuring that initial purchaser is not taxed on the value attributable to the ASES. These exclusions are subject to certain requirements and restrictions. The ASES exclusion remains in effect only until a subsequent change in ownership, and applies until, and including, property tax lien dates for the 2025-2026 fiscal year. The exclusion remains in effect only until January 1, 2027, except that an ASES excluded prior to this repeal date remains excluded, until a subsequent change in ownership. R&TC Section 41 does not apply to this exclusion. (R&TC Section 73.)
- 4) Requires every electric utility, as defined, to develop a standard contract or tariff providing for NEM, among other provisions. An electric utility must make this contract or tariff available to eligible customer-generators, as defined. (Public Utilities Code Sections 2827 and 2827.1.)

- 5) Requires that certain percentages of all retail sales of electricity to California end-use customers be supplied by eligible renewable energy and zero-carbon resources by specified dates. (Public Utilities Code Section 454.43.)

FISCAL EFFECT: The BOE, in its analysis of this bill, states that this bill would reduce property tax revenues by an estimated \$11 million annually.

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

In order to meet our clean energy goals by 2045, California needs three times the amount of clean generation and eight times the amount of storage than we currently have, according to a joint report led by the California Energy Commission. Solar is a well-established alternative energy source that is crucial to achieving those goals.

For 25 years, homeowners, small businesses, schools, farms, churches and many others have benefited from a tax exclusion that prevented the cost of solar panels and storage from being added to the building value for the assessment of property taxes. Combined with other state incentives, this "behind-the-meter" exclusion has made solar installation more accessible to those who otherwise would not have been able to afford the upfront costs, with solar panels added to two million roofs in California.

However, state incentives for solar have diminished in recent years. A metering regulation change allowed utilities to charge solar-owning customers more for access to the electric grid, while refunding less for energy returned to the grid. Although solar is still a net benefit, both economically and environmentally, this change negatively affected adoption rates at a time when the state is struggling to meet its climate goals.

Now, more than ever, it is important to maintain this crucial exclusion that makes the solar transition more affordable for individuals, businesses, schools and others and helps the state meet its clean energy goals.

- 2) A coalition of renewable electrical generation businesses and environmental advocacy groups, writing in support of this bill, state, in part:

Rooftop solar and storage is great for the state as a whole. Recent analysis shows that rooftop solar provided \$1.5 billion worth of benefits for non-solar customers just in 2024. Especially when paired with batteries, solar projects also build more resilient communities by helping to keep the lights on during disasters like wildfires when utilities shut off the power. A new property tax would raise costs for property owners looking to help the environment and save on their electricity bills.

A new property tax would be particularly devastating for low-income communities. Some solar systems are fully subsidized by state programs for the lowest-income customers who cannot afford any amount of investment. Those programs would be undermined if the customers faced supplemental property tax assessments.

SB 710 would not continue the property tax exclusion for utility-scale solar farms, which are major construction projects that fundamentally alter a location. Rooftop solar is an

appliance. Adding a room to a house triggers a supplemental property tax assessment, but putting solar on an existing roof does not need to get the same treatment.

- 3) The California Large Energy Consumers Association (CLECA), writing in opposition to this bill, states, in part:

California's electric grid urgently needs an influx of clean energy to meet rising demand. Yet long delays in transmission upgrades and the interconnection queue threaten progress. One of the most effective solutions – installing clean energy resources directly at customer sites – enables faster deployment by expediting these infrastructure bottlenecks.

SB 710, as recently amended, will disincentivize investment in new, or the expansion of, solar projects by industrial customers, at a time when the state is mandating electrification. California has set goals to generate 60% of its electricity from renewable resources by 2030 and 100 percent by 2045. Many CLECA members are recognized as Energy Intensive and Trade Exposed by the California Air Resources Board, recognizing the high-energy requirements for these companies to make their products, high trade exposure, and their sensitivity to emissions leakage. SB 710 will be cutting off some of the state's largest industrial energy users from utilizing solar energy.

- 4) Committee staff comments:

- a) *ASES exclusion*: Existing law authorizes a new construction exclusion for an ASES. In other words, the value attributable to an ASES is not included in the assessed value of a property. Certain portions of the system that are not directly part of the ASES itself, but that are used for specified purposes are also excluded, as restricted. These provisions addressing portions not directly a part of the ASES itself have been in existence since 1998.

Additionally, the Legislature has authorized a builder's exclusion and initial purchaser exclusion for the ASES. Thus, a developer would normally be reassessed upon completing the construction of their development and pay tax on that assessed value. Existing law excludes the value derived from an ASES in that reassessment, subject to certain requirements. Moreover, when a developer sells a property to the initial purchaser of the property, the value of the ASES is also excluded from the reassessment resulting from the property changing ownership. Any subsequent changes in ownership are subject to reassessment at full value, absent any other exclusion or base year value transfer applying to that change in ownership.

- b) *Housing affordability crisis*: California is in the midst of a housing affordability crisis. According to the Legislative Analyst's Office, prices for a California bottom-tier home, defined as those with values in the 5th to 35th percentile range, are now 32% higher than a mid-tier home, defined as home values in the 35th to 65th percentile range, elsewhere in the nation¹.

¹ Bentz, *California Housing Affordability Tracker (1st Quarter 2025)*, Legislative Analyst's Office (April 21, 2025), <https://lao.ca.gov/LAOEconTax/Article/Detail/793>, accessed June 2025.

- c) *Aggressive climate change goals*: In 2018, the Legislature passed SB 100 (De León), Chapter 312, Statutes of 2018, which required that retail electricity sales in the state be supplied by certain percentages of renewable and zero-carbon sources. Specifically, existing law requires the state to supply 60% of sales from renewable and zero-carbon sources by 2030, 90% by 2035, 95% by 2040, and 100% by 2045.
- d) *Rooftop solar mandate*: In the 2019 triennial edition of the California Building Standards Code, a new requirement mandated that all new construction occurring after January 1, 2020 include photovoltaic rooftop solar arrays. Thus, any newly constructed home, as defined, built during or after 2020 must include a photovoltaic solar energy system in its construction.
- e) *NEM*: Existing law directs every electric utility, as defined, to develop a standard contract or tariff providing for NEM, and requires an electric utility to make the standard contract or tariff available to eligible customer-generators, as defined. In other words, an owner that generates electricity on their property is eligible for compensation on the excess generation exported to the grid.
- f) *CPUC Electric Rule 21*: According to the CPUC, Electric Rule 21 is "a tariff that describes the interconnection, operating, and metering requirements for generation facilities to be connected to an investor-owned utility's public distribution system and transmission system over which the CPUC has jurisdiction."² In other words, Electric Rule 21 provides the means by which a facility generating electricity may safely and reliably provide electricity to the grid by interconnecting with the transmission and distribution systems of certain existing utility companies.
- g) *Letter to assessors (LTA) 2024/031*: In response to the passage of SB 1340 (Hertzberg), Chapter 425, Statutes of 2022, the BOE issued LTA 2024/031 providing guidance to assessors regarding the implementation of the exclusion's extension. In that letter, BOE staff note that the language in SB 1340 reflected long-standing drafting in the exclusion that is confusing. The exclusion has references to a "remain in effect only until" a specified date, and that the exclusion "apply to lien dates" for a corresponding fiscal year. Generally, the lien date corresponding to a given fiscal year is the January 1 of the same calendar year in which the fiscal year commences. Relevant to this bill, the property tax lien date for the 2025-26 fiscal year would be January 1, 2025. The existing exclusion, however, remains effective only until January 1, 2027. Given legislative inaction to remedy this discrepancy, the BOE has long interpreted, since the early 1990's, that the exclusion is available until the date listed on which the exclusion no longer becomes effective. The letter further states that construction added after January 1, 2026 and before December 31, 2026 is generally not excluded unless the construction is completed before January 1, 2027.
- h) *This bill*: As currently drafted, this bill would create a novel new construction exclusion for QSES, and apply this exclusion to property tax lien dates occurring on or after January 1, 2026. This new exclusion makes three deviations from existing law.

² CPUC, *Electric Rule 21: Generating Facility Interconnection*. <https://www.cpuc.ca.gov/Rule21/>, accessed June 2025.

The first deviation limits the types of properties to which an eligible system may be attached and the generation capacity of the system. This bill provides that a QSES associated with a residential dwelling is eligible for this bill's exclusion. A QSES associated with a nonresidential customer, however, is subject to certain maximum MW generation limits and specified contracts. A system associated with a nonresidential customer is eligible if it generates one MW of electricity or less. A system that generates greater than one MW of electricity is presumed to not qualify, but may qualify if the claimant for the exclusion provides evidence that the system provides solar energy to a nonresidential customer pursuant to a NEM tariff or contract or evidence that the system provides solar energy exclusively for that nonresidential customer. A system generating five MW or more of electricity that is associated with a nonresidential customer is not eligible for this bill's exclusion.

The second deviation imposes a three-year deadline to claim the builder's exclusion or the initial purchaser exclusion. A claim for these exclusions would still be eligible after the three-year period, but would apply to lien dates for the assessment year in which the claim was made.

The third deviation deletes provisions that made legislative findings and declarations establishing a tax appraisal exclusion for certain parts related to the operation of a solar energy system, and other equipment that may be used in conjunction with a solar energy system.

- i) *Restriction of the exclusion to certain uses:* Committee staff notes that, on the one hand, the restriction of this bill's exclusion to certain residential uses would provide a tax benefit for compliance with a state mandate. Subsidizing compliance with requirements in law is generally counter to sound tax policy. On the other hand, California's aggressive policy goals to address climate change, coupled with an affordability crisis in housing supply, may warrant preferential tax treatment for the types of solar energy systems this bill addresses.
- h) *Three-year deadline to claim certain exclusions:* The deadline to claim the builder's exclusion and the initial purchaser exclusion are also contained in a bill authored by this Committee, AB 1516. To prevent a conflict in statute, the author and Committee may wish to consider amending this bill to reconcile the two bills.
- i) *Deletion of existing findings and declarations:* This bill's deletion of provisions making legislative findings and declarations regarding the treatment of certain parts appears to have been erroneously included in this bill's exclusion. This bill should be amended to reflect those provisions as they are currently stipulated in existing law.
- j) *Undefined terms:* This bill provides a definition for a "qualified solar energy system," but uses this term interchangeably with a "qualified active solar energy system." This bill should be amended such that the newly authorized exclusion refers to a "qualified active solar energy system" throughout.
- k) *Violation of this Committee's policy:* Currently, this bill would authorize this new exclusion beginning with lien dates occurring on or after January 1, 2026, but does not provide an appropriate five-year sunset. To be eligible for a vote in this Committee, this bill should be amended to apply a five-year sunset.

- l) *LTA consideration*: Given the longstanding BOE interpretation of the conflicting statutory requirements, the author and Committee may wish to make clear that the existing exclusion would sunset in its entirety on January 1, 2027 and commence the new exclusion on that date. Thus, construction would simply need to be completed before January 1, 2027. Regardless, in the application of a sunset date to this bill, this bill should be amended to remove the conflicting statutory language.
- m) *Related legislation*: AB 1516 (Committee on Revenue and Taxation) would, among other provisions, establish a three-year deadline to claim the builder's exclusion and the initial purchaser exclusion under the ASES exclusion, beginning for lien dates occurring on or after January 1, 2027. AB 1516 is currently pending a hearing by the Senate Committee on Appropriations.
- n) *Previous legislation*: SB 1340 (Hertzberg), Chapter 425, Statutes of 2022, extended the existing ASES by two years such that it sunsets on January 1, 2027.

REGISTERED SUPPORT / OPPOSITION:

Support

350 Humboldt
 Bowman Change, Inc.
 California Apartment Association
 California Farm Bureau Federation
 California Interfaith Power and Light
 California Solar and Storage Association
 Center for Sustainable Energy
 Citizens' Climate Lobby, Santa Cruz Chapter
 Clean Coalition
 Cleaneearth4kids.org
 Climate Action California
 Climate Alliance, The
 Climate Center, The
 Environment California
 Environmental Working Group
 Glendale Environmental Coalition
 Indivisible Marin
 PearlX Infrastructure, LLC
 Recolte Energy
 San Diego Community Power
 San Diego Regional Chamber of Commerce
 Santa Cruz Indivisible
 Santa Cruz Alliance
 Stand.earth

Opposition

California Large Energy Consumers Association
 California State Association of Electrical Workers
 Coalition of California Utility Employees

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