
THIRD READING

Bill No: SB 1329
Author: McNerney (D)
Amended: 3/23/26
Vote: 27

SENATE REVENUE AND TAXATION COMMITTEE: 4-0, 5/6/26
AYES: McNerney, Ashby, Becker, Grayson
NO VOTE RECORDED: Alvarado-Gil

SENATE APPROPRIATIONS COMMITTEE: 5-2, 5/14/26
AYES: Cervantes, Cabaldon, Grayson, Richardson, Wahab
NOES: Seyarto, Dahle

SUBJECT: Real property tax: valuation: active solar energy system

SOURCE: Large Scale Solar Association
Solar Energy Industries Association

DIGEST: This bill enacts a specific valuation methodology for active solar energy systems.

ANALYSIS:

Existing law:

- 1) Provides that all property is taxable unless explicitly exempted by the Constitution or federal law (California Constitution, Article XIII, Section One).
- 2) Limits the maximum amount of any ad valorem tax on real property at 1% of full cash value, plus any locally-authorized bonded indebtedness, and provides that assessors may only reappraise property whenever it is purchased, newly constructed, or when ownership changes (California Constitution, Article XIII, as added by Proposition 13, 1978).

- 3) Allows the Legislature to exclude from the definition of “new construction,” the construction or addition of any active solar energy system (California Constitution, Article XIII A, Section Two, as added by Proposition 7, 1980).
- 4) Implements the active solar energy system new construction exclusion until the 2025-26 fiscal year (SB 1340, Hertzberg, Chapter 45, Statutes of 2020) and provides that it becomes inoperative on January 1, 2027 (SB 710, Blakespear, Chapter 328, Statutes of 2025).
- 5) Defines an active solar energy system as one 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.
- 6) States that an active solar energy system excluded from new construction may be used for:
 - a) Domestic, recreational, therapeutic, or service water heating.
 - b) Space conditioning.
 - c) Production of electricity.
 - d) Process heat.
 - e) Solar mechanical energy.
- 7) Excludes from the definition of active solar energy system:
 - a) Solar swimming pool heaters.
 - b) Hot tub heaters.
 - c) Passive energy systems.
 - d) Wind energy systems.
- 8) Defines fair market value for property tax assessment purposes to mean the amount of cash or its equivalent that property would bring if exposed for sale in the open market under conditions in which neither buyer nor seller could take advantage of the exigencies of the other, and both the buyer and seller have knowledge of all the uses and purposes to which the property adapted and for which it is capable of being used, and of the enforceable restrictions upon those uses and purposes.

- 9) Establishes presumptions of value that make the process of determining fair market value more simple and reliable, mainly by presuming that the market value of a property is its purchase price in an open market transaction, but allows an assessor to overcome this presumption upon a preponderance of the evidence.
- 10) Provides that intangible assets and rights are not themselves subject to property tax, but allows assessors and appraisers to assume the presence of intangible assets or rights necessary to put the property to beneficial or productive use when determining fair market value.
- 11) Directs assessors to determine the fair market value of taxable property by removing from the value of the unit the fair market value of intangible assets and rights.
- 12) Generally requires property to be assessed as a single unit, while allowing property tax appraisal units to be separated in specific cases, including when determining declines in value caused by a calamity.

This bill:

- 1) Sets forth a methodology for the assessment of active solar energy systems.
- 2) States that assessors should value active solar energy systems under current law, including using the cost, comparative sales, and income methods, but sets as the preferred method replacement cost new, less depreciation and all other forms of obsolescence.
- 3) Directs the assessor when valuing an active solar energy system to include only its tangible property, and exclude value from intangible assets and rights, in accordance with existing law.
- 4) Provides that obsolescence includes external obsolescence, defined to include the amount of any United States duties and tariffs.
- 5) Directs the assessor to reduce replacement cost new by the amount of any government subsidies in the form of tax credits or other similar subsidies, including those the bill defines as intangible assets and rights, before multiplying by an inflation cost index and depreciation percentage good factor.
- 6) Limits original cost or taxable original cost to actual costs of the system build, excluding developer step ups and other similar costs.

- 7) Requires assessors to derive index factors from specific publications, except that assessors must also reduce factors by amounts attributable to import customs and duties.
- 8) Excludes from tangible property intangible assets and rights, including, but not limited to:
 - a) Federal and state tax credits, cash grants, direct payments, or similar federal subsidies received or to be received.
 - b) Contracts for energy, resource adequacy, ancillary services, or related market products.
 - c) Renewable energy credits, as defined.
 - d) Environmental commodities, including, but not limited to, carbon credits and emission credits.
- 9) States that its provisions regarding intangibles shall not be construed to mean that a business operating an active solar energy system does not also have intangible assets and rights commonly found in general businesses, including, but not limited to, concessions, franchises, workforce in place, customer lists, trademarks, and copyrights.
- 10) Provides that an active solar energy system or portion thereof is a separate appraisal unit from any other property that is not excluded.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: Yes

According to the Senate Appropriations Committee:

- The bill's proposed changes to appraisal methodologies for specified solar energy systems would likely reduce assessed values relative to current law, thereby decreasing local property tax revenues. The magnitude of the revenue loss is unknown but could be significant.
- Reductions in local property tax revenues, in turn, can increase General Fund Proposition 98 spending by up to roughly 50 percent (the exact amount depends on the specific amount of the annual Proposition 98 guarantee, which in turn depends upon a variety of economic, demographic and budgetary factors). BOE's administrative costs have yet to be identified.

- By changing the duties of local tax officials, this bill creates a state-mandated local program. To the extent the Commission on State Mandates determines that the provisions of this bill create a new program or impose a higher level of service on local agencies, local agencies could claim reimbursement of those costs. The magnitude is unknown (General Fund).

SUPPORT: (Verified 5/14/26)

Large-Scale Solar Association (Co-Source)
Solar Energy Industry Association (Co-Source)
American Clean Power - California
Arevon
California Energy Storage Alliance
California Solar & Storage Association
EDF Power Solutions
EDP Renewables North America, LLC
Environment California
Forefront Power, LLC
HES Renewables
Independent Energy Producers Association
Nexamp
Qcells North America
RWE Renewables America, LLC
Solar Gain West
Solar Technologies

OPPOSITION: (Verified 5/14/26)

California Assessors' Association
California State Association of Counties
County of Fresno
County of Imperial
County of Kern
County of Kings
Rural County Representatives of California
Urban Counties of California

ARGUMENTS IN SUPPORT: According to the author, “Since 1980, solar energy systems on homes, businesses, and in big projects that feed into the electrical grid have been excluded from property taxes in California. That exclusion sunsets at the end of 2026 and solar will become fully taxable. Solar power remains crucial to helping California decarbonize our energy grid, so we must keep development in the state and cost to ratepayers low. SB 1329 would

help ensure that solar power continues to grow in California by creating a standard for property taxes for all 58 counties for solar so that the industry is not priced out of California. To ensure that solar is provided to Californians at a fair and reasonable price, those who build solar need to know the way to calculate property tax regardless of where they build in the state. SB 1329 will allow California to continue to meet its clean energy and climate goals, keep project costs down, and bring new tax dollars to the state and local government.”

ARGUMENTS IN OPPOSITION: According to the California Assessors Association, “While intended to provide clarity, SB 1329 replaces established market-based appraisal standards with a rigid, formula-driven approach that does not reflect how these properties are bought and sold. Utility-scale solar facilities are income-producing assets that are typically valued based on expected income. By establishing the cost approach as the preferred method, the bill conflicts with existing law and standard appraisal practice and would constrain assessors’ ability to determine fair market value. The bill also requires assessors to reduce value by tax credits, subsidies, and similar incentives. This shifts valuation away from fair market value toward a net-of-subsidy approach that is not recognized in appraisal practice. These incentives are not negotiated between buyers and sellers and do not determine what a purchaser would pay for an operating facility. Mandating their subtraction would create inconsistent and non-uniform assessments across comparable properties. In addition, SB 1329 directs assessors to treat tariffs and duties as obsolescence by law. This removes the requirement that obsolescence be supported by market evidence and would result in artificially reduced values. The bill further excludes key economic components from consideration, including contracts and related revenue streams, and would also exclude ‘developer step-ups and other similar costs’ that are part of actual market transactions. Removing these elements risks understating the value of operating facilities and increasing disputes.”

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