Date of Hearing: June 29, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION
Mike Gipson, Chair

SB 1329 (McNerney) – As Amended June 22, 2026

2/3 vote. Tax levy. Fiscal committee.

SENATE VOTE: 27-11

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

SUMMARY: Requires assessors to adjust for certain aspects when valuing an active solar energy system (ASES). Specifically, **this bill**:

1) Requires an assessor to value an ASES, or portion thereof, consistently with existing law, and stipulates that the methods of valuation include, but are not limited to, the comparable sales method, the income method, or the cost method.

2) Provides that, for the purposes of applying existing law to determine the "full cash value," "fair market value," or "taxable value" of any ASES or portion thereof, as defined, all of the following apply:

   a) "Full cash value," "fair market value," or "taxable value" must only include the tangible property comprising the ASES or portion thereof, excluding value attributable to any intangible assets, as provided in existing law; and,

   b) When determining "full cash value," "fair market value," or "taxable value" of the tangible property comprising the ASES or portion thereof, both of the following must apply:

      i) The useful life and economic life of the ASES must not exceed the lesser of:

         1) 25 years;

         2) The ASES's remaining site lease term, including any extension options, measured from the time the system is placed in service; or,

         3) The applicable useful life set forth in Table P of the California Assessors' Association's 2026 Position Paper 26-001 on Business Assessment Factors, as updated periodically, subject to a minimum percentage factor of 15% in the case of the cost method.

      ii) Obsolescence includes, without limitation, external obsolescence, which is defined to include, but not limit to, both the amounts of any U.S. duties and tariffs and the amounts of any federal tax credits and similar incentives that have been generated by the applicable solar energy system or portion thereof.

c) The replacement cost new must be the original cost or taxable original cost of the ASES, reduced by government subsidies in the form of tax credits or other similar subsidies, and subsequently multiplied by a depreciation percent good factor and by an inflation cost index factor. The following must apply when determining "replacement cost new":

   i) The original cost or taxable cost must be limited to the actual cost of the ASES build; and,

   ii) The tax credits and similar subsidies be deducted from the original cost or taxable original cost must include value attributable to certain intangible assets specified in this bill that are applicable to the ASES.

d) For the purposes of determining "full cash value," "fair market value," or "taxable value," "tangible property" must not include intangible assets and rights, or any income or value arising from or attributable to those assets and rights, relating to an ASES or portion thereof, including, but not limited to, both of the following:

   i) Federal and state tax credits, cash grants, direct payments, or similar federal subsidies received or to be received; and,

   ii) Renewable energy credits (RECs), as defined in existing law.

   This treatment for determining "full cash value," "fair market value," or "taxable value" must not be construed to mean that a business operating an ASES 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. Additionally, the treatment of intangible assets, rights, and attributes, as provided in the determination of "full cash value," "fair market value," or "taxable value", must be consistent with existing law, and, in that regard, the assets, rights, and attributes stipulated in this bill must not be considered intangible attributes that are taxable under existing law.

3) Prohibits reimbursement of any local agency for any property tax revenue lost pursuant to this bill, notwithstanding existing law.

4) Requires reimbursement to local agencies and school districts for costs if the Commission on State Mandates determines that this bill contains mandated costs.

5) Takes immediate effect as a tax levy.

EXISTING LAW:

1) Provides that all property is taxable unless otherwise provided by the California Constitution or federal law, and requires that taxable property be assessed at the same percentage of "fair market value" and taxed in proportion to the property's full value. (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. The

Legislature is authorized to exclude from the definition of new construction certain improvements, including the construction or addition of any ASES. In implementing this authorization, the Legislature provides that the exclusion for newly constructed ASESs is repealed on January 1, 2027. (California Constitution, Article XIII A, Sections 1 and 2 and Revenue and Taxation Code (R&TC) Section 73.)

3) Defines "full cash value" or "fair market value" as the amount of cash or its equivalent that property would bring if exposed for sale in the open market, as specified, and is the purchase price paid in the transaction, unless a preponderance of evidence establishes that the property would not have transferred for that purchase price. The purchase price is rebuttably presumed to be the full cash value or fair market value. The value of intangible assets and rights relating to the going concern value of a business must not be reflected in the value of the taxable property. The exclusive nature of a concession, franchise, or similar agreement, is an intangible asset that must not enhance the value of the taxable property. Intangible assets or rights necessary to put the taxable property to beneficial or productive use may be assessed and valued, along with intangible attributes of real property, including zoning, location, and other attributes that relate directly to the real property involved. (R&TC Section 110.)

4) Provides that notes, debentures, shares of capital stock, solvent credits, bonds, deeds of trust, mortgages, and any interest in taxable property are exempt from taxation, as is money kept on hand to be used in the ordinary and regular course of a trade, profession, or business. Intangible assets and rights are exempt from taxation and must not enhance or be reflected in the value of the property, unless the presence of intangible assets or rights is necessary to put the taxable property to beneficial or productive use. (R&TC Section 212.)

5) Requires an assessor to exclude from income the benefit from federal and state low-income housing tax credits, as defined, when valuing property under the income method of appraisal. (R&TC Section 402.95.)

6) Defines a "REC" as a certificate of proof associated with the generation of electricity from an eligible renewable energy resources, issued through the accounting system established by the California Energy Commission according to existing law, that one unit of electricity was generated and delivered by an eligible renewable energy resource. (Public Utilities Code Section 399.12.)

FISCAL EFFECT: The State Board of Equalizations (BOE) notes that an estimated revenue loss is indeterminable. Committee staff notes that this bill results in revenue losses that are almost certainly in excess of this Committee's Suspense File threshold.

COMMENTS:

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

> 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.

2) A coalition of solar industry, environmental, and electrical worker union advocates, writing in support of this bill, state, in part:

> The current statutory authorization for the solar property tax exclusion is set to expire at the end of 2026 – with this expiration new solar projects will start paying property taxes in 2027. To ensure consistency across all 58 counties and to provide certainty to clean energy developers, SB 1329 proposes a set of standard inputs – regardless of the valuation methodology employed – for the assessment of solar property. This clarity is vital to ensuring California's clean energy and climate goals can be achieved affordably while bringing new tax dollars to the state and to local governments.

3) The California Assessors' Association, and a coalition of counties, writing in opposition to this bill, state, in part:

> 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.
>
> […]
>
> Finally, the bill is unnecessary. Existing law and [BOE] guidance provide a clear and workable framework for valuing renewable energy facilities, including the treatment of obsolescence and intangible assets. Replacing this framework with a statutory formula would reduce valuation accuracy and create broader pressure to apply similar approaches to other property types.

4) Committee Staff Comments:

   a) *Creation of the California property tax and the BOE*: After the establishment of California's first state constitution, California's newly established Legislature enacted the Property Tax Law of 1850, which imposed a 0.5% tax on the value of real and personal property as assessed by local county assessors. The property tax would serve as the state's primary source of revenue until 1910 and has always been a critical source of revenue for local jurisdictions. Given this importance, ensuring that taxation across counties remained consistent was of paramount concern. Thus, the Legislature created the BOE in 1870. This statutory creation was subsequently found unconstitutional by the

State Supreme Court as the constitution then required that property values be set by local assessors. In 1879, when the state revisited its constitution, the BOE was formally established in the constitution, which made the BOE responsible for ensuring equalized assessment across counties.

b) *History of the ASES exclusion*: In 1980, voters approved Proposition 7 (Prop. 7), which constitutionally authorized the Legislature to exclude from the definition of new construction the installation or addition of any ASES, as defined by the Legislature. In the Ballot Pamphlet issued for the November 4, 1980 election, voter materials described the arguments for and against Prop. 7. Proponents of the proposition noted that "[w]e need to take short-term steps to reduce the cost and create a demand for solar energy equipment. Eventually the demand on its own will cut the cost, and tax incentives will no longer be needed."

   Since its authorization over 40 years ago, the ASES exclusion has been implemented and clarified by the Legislature. These provisions have provided that certain uses of an ASES are eligible, and that certain components of an ASES are excluded up to a specified percentage of their full cash value. Additionally, the Legislature authorized the transfer of the ASES exclusion from a developer to an initial purchaser, dubbed the builder's exclusion, thereby circumventing the normal reassessment requirement that a property be reassessed when it changes ownership.

c) *One Big Beautiful Bill Act (OBBBA)*: The OBBBA rescinded numerous "clean energy tax credits." Among these rescinded credits were the Clean Electricity Production Tax Credit and the Clean Electricity Investment Tax Credit.

d) *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 California 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.

e) *Inflationary* pressures: Recent federal policies are likely responsible for price hikes around the nation. An April report published by the Board of Governors of the Federal Reserve found strong evidence that tariff changes through November 2025 raised core goods personal consumption expenditure prices by a cumulative 3.1% through February 2026. The study notes "the entirety of excess inflation in the core goods category relative to pre-pandemic inflations rates" can be explained by tariff changes in 2025[1].

f) *Methods of valuation*: Pursuant to the State Constitution, property must be taxed in proportion to its full value. Thus, assessors are constitutionally required to determine the full value of a property for taxation purposes. There are three primary methods that an assessor may use to value property: the comparable sales method, the cost method, and the income method.

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[1] Robert Minton, Madeleine Ray, and Mariano Somale, "Detecting Tariff Effects on Consumer Prices in Real Time – Part II," Board of the Governors of the Federal Reserve System, published April 8, 2026, https://www.federalreserve.gov/econres/notes/feds-notes/detecting-tariff-effects-on-consumer-prices-in-real-time-part-II-20260408.html, accessed May 2026.

The comparable sales method derives a property's value by comparing the fair market value for exchanged properties that are similar to the property the assessor is currently valuing. A common example is the assessment of residential property. Often times, assessors have readily available data regarding the fair market value of residential properties as these are exchanged frequently.

The cost method sums the component costs associated with bringing the property to its current, taxable state. For properties that have aged, this cost must be adjusted for price changes in the component costs and depreciation of the property as the current cost to recreate or replace a similar property would not be the same for when an aged property was first constructed. Thus, a percent goods factor is applied to account for price changes in the component costs. While this can decrease the value of property under the cost method in deflationary environments, this rarely occurs in practice. In turn, the percent goods factor is generally a factor greater than 100%, which accounts for the fact that prices generally inflate over time. After the application of the percent goods factor, an equipment index factor is applied. The equipment index factor downwardly adjusts the value of the property, accounting for the depreciation of that property. This depreciation can result from physical deterioration, functional obsolescence, or external obsolescence. Functional obsolescence can occur due to changes in marketplace taste or technological advancement. External obsolescence can include environmental factors or reductions in value due to an economic base of employment shifting away from an area. Regardless, depreciation of any form reduces the value of the property so depreciated.

Finally, the income method uses the income stream produced by a property to derive a present value estimate for the property, which acts as an indicator for the property's fair market value. The income approach relies on the principle of capitalization, which converts an expected future income stream into a present value estimate. In some cases, this calculation may be relatively simple, such as the capitalized value of a lease. In other instances, this calculation can be very complicated.

g) *This bill*: The proponents state that this bill is intended to provide clarity in assessment of properties that will soon no longer be exempt. As such, there are limited, if any, sales of ASESs that could indicate the value of ASESs on the open market. Thus, the proponents claim that this bill provides clarity and consistency in assessment practices.

As currently drafted, this bill would impose a series of requirements on assessors when valuing ASESs. Specifically, this bill would require that only the tangible property of the ASES be included in value. This bill then requires that property have a useful life, or be depreciated, based on the lesser of certain periods and that obsolescence include "external obsolescence." In turn, "external obsolescence" includes, but is not limited to, U.S. duties and tariffs and the amounts of any federal tax credits and similar incentives generated by the ASES.

This bill would then require that, under the cost method, that “replacement cost new” be the original or taxable original cost of the ASES, reduced by government subsidies in the form of tax credits or other similar subsidies, and restates an inverted calculation of the cost method's calculation. This bill then provides that when using the replacement cost new method under the cost method, the original or taxable original cost be limited to the actual cost of the ASES build and that tax credits and similar subsidies be deducted from that cost. This bill then states that "tangible property" does not include any intangible assets and rights, or any income or value arising from them, and requires that intangible assets and rights include, but are not strictly limited to, federal and state tax credits, cash grants, direct payments, or similar federal subsidies received or to be received, and RECs.

h) *Repetitive clarity or an inadvertent double benefit*: As currently drafted, this bill would require that an ASES only be valued based on the tangible property comprising the ASES. This bill then requires that value be reduced by certain intangibles, despite those intangibles being explicitly excluded from valuation in the first instance. Therefore, this bill would reduce a property's assessed value multiple times for the same component of value. In other words, this bill would create a double benefit, which is generally counter to sound tax policy. The author and Committee may wish to consider whether it is appropriate to provide a double tax benefit, as this bill proposes.

i) *A duty to value*: This bill would require that the value of a property be adjusted for U.S. duties and tariffs. This bill does not specify which duties and tariffs must be considered, thereby including any conceivable duty or tariff. Additionally, this provision would create a discrepancy between the assessed and fair market value of a property. Creating this discrepancy would likely not violate the constitutional requirement that all property be taxed in proportion to its full value as the State Constitution authorizes the Legislature to exclude ASES and provides the Legislature wide authority to implement this authorization. This discrepancy would, however, counter sound tax policy as it would diverge the property's assessed taxable value with the price for which the property would exchange on the open market, which is the foundational definition of fair market value. Moreover, subsidizing the costs of distortive federal policy through the property tax system may be a questionable precedent.

j) *The role of the BOE*: Proponents note that this bill is intended to provide consistent assessment practices across counties. The proponents claim that as ASESs become taxable, the lack of prior taxable properties to guide assessment practices could lead to disparate valuations for similarly situated properties. This claim, however, fundamentally ignores the primary constitutionally prescribed function of the BOE, namely, to equalize assessment practices across California's 58 counties. As a quasi-judicial body, the BOE fulfills this responsibility by hearing issues brought before it and adjudicating discrepancies in assessment practices. The Committee may wish to consider whether circumventing this process would clarify assessment practices for ASESs or would complicate an assessor's requirement to assess properties at fair market value.

k) *Existing assessment restrictions*: As noted in the existing law portion of this analysis, LIHTCs are required to be excluded from the value of a property. This requirement acknowledges that LIHTCs incentivize the development of affordable housing, a public good. Given the requirement that this state procure electricity from certain renewable sources by certain dates, the provision of renewably generated electricity could arguably be considered a public good. The author and Committee may wish to simply providing that the benefit of state and federal tax credits, cash grants, direct subsidies, and other government subsidies, along with RECs, are not included as income under the income approach, and that value of those tax credits and government subsidies not be considered in the cost of a property under the cost approach.

l) *Related legislation*:

   i) AB 2389 (Irwin) would have extended the ASES new construction exclusion by five years for small, customer-sited ASESs and ASESs sited on the property of a public entity customer. AB 2389 was held on the Assembly Committee on Appropriations' Suspense File.

   ii) AB 1516 (Committee on Revenue and Taxation), Chapter 72, Statutes of 2025, required that a claim filed by the initial purchaser of an ASES benefitting from the builder's exclusion is timely if filed within three years, among other provisions.

m) *Prior legislation*:

   i) SB 1340 (Hertzberg), Chapter 425, Statutes of 2022, extended the ASES new construction exclusion by two years, among other provisions.

   ii) SB 871 (Committee on Budget and Fiscal Review), Chapter 41, Statutes of 2014, extended the ASES new construction exclusion by eight years.

REGISTERED SUPPORT / OPPOSITION:

Support

2100 IFF Strategies (prior version)
350 Humboldt: Grass Roots Climate Action (prior version)
Advanced Energy United (prior version)
Arevon
California Energy Storage Alliance
California Solar and Storage Association
California State Association of Electrical Workers (prior version)
Cleanearth4kids.org (prior version)
Climate Action California (prior version)
Coalition of California Utility Employees (prior version)
Edison International and Affiliates, including Southern California Edison
EDP Renewables North America, LLC
Environment California (prior version)
Forefront Power LLC
Hes Renewables
Independent Energy Producers Alliance
Large-Scale Solar Association
Natural Resources Defense Council (prior version)
Nexamp
Qcells
RWE
Solar Energy Industry Association
Solar Gain West
Solar Technologies
State Building and Construction Trades Council of California (prior version)

Sunrun

Opposition

Assessor Tom J. Bordonaro, Jr., San Luis Obispo County (prior version)
California Assessors' Association
County of Fresno
County of Inyo
County of Kern
County of Kings
County of Madera
County of Merced
County of San Bernardino
County of San Joaquin
County of Stanislaus
County of Tulare
Imperial Irrigation District (prior version)
San Joaquin Valley Regional Association of California Counties

Analysis Prepared by: Harrison Bowlby / REV. & TAX. / (916) 319-2098