
UNFINISHED BUSINESS

Bill No: SB 710
Author: Blakespear (D), et al.
Amended: 9/5/25
Vote: 21

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 5/14/25
AYES: McNerney, Valladares, Ashby, Grayson, Umberg

SENATE APPROPRIATIONS COMMITTEE: 6-0, 5/23/25
AYES: Caballero, Seyarto, Cabaldon, Grayson, Richardson, Wahab
NO VOTE RECORDED: Dahle

SENATE FLOOR: 39-0, 6/4/25
AYES: Allen, Alvarado-Gil, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Gonzalez, Grayson, Grove, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Niello, Ochoa Bogh, Padilla, Pérez, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
NO VOTE RECORDED: Reyes

ASSEMBLY FLOOR: 62-0, 9/9/25 – Roll call vote not available.

SUBJECT: Property taxation: active solar energy systems

SOURCE: Environment California

DIGEST: This bill restates provisions of current law ensuring that any newly constructed active solar energy system that qualifies under the current exclusion before January 1, 2027, continues to do so after the exclusion ceases to remain in effect, until there is a subsequent change in ownership.

Assembly Amendments (1) delete the measure's more limited new construction exclusion system that would have become effective on January 1, 2027, (2) insert provisions that resolve conflicts with AB 1516 (Committee on Revenue & Taxation), which was enacted earlier this year, and (3) make technical changes.

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 caps a property's annual inflationary increase in taxable value to 2%. Provides that assessors reappraise property whenever it is purchased, newly constructed, or when ownership changes (California Constitution, Article XIII A, 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Implements in statute the active solar energy system new construction exclusion until the 2025-26 fiscal year, which is repealed on January 1, 2027 (SB 1340, Hertzberg, Chapter 425, Statutes of 2022).
- 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) Applies the active solar energy system exclusion to its first buyer when an owner-builder who does not intend to occupy the property constructs the system, so long as the first buyer purchases the building before it becomes subject to supplemental reassessment to the builder, and files a claim with the assessor containing specified information.
- 9) Provides that first buyers have three years from the date of purchase to file a claim for the active solar energy exclusion that applies retroactively to the date construction is completed; claims filed after that date can be granted, but would only apply prospectively, commencing on the lien date of the year in which the claim is filed (AB 1516, Assembly Committee on Revenue & Taxation, Chapter 72, Statutes of 2026). These provisions become operative on January 1, 2027.

This bill:

- 1) Restates current provisions of law ensuring that any newly constructed active solar energy system that qualifies under the current exclusion before January 1, 2027, continues to do so after the exclusion becomes ineffective, until there is a subsequent change in ownership.
- 2) Contains provisions to resolve conflicts with AB 1516 (Committee on Revenue & Taxation).
- 3) Makes technical changes.

Background.

Active Solar Energy System New Construction Exclusion. Under current law, installing a qualifying solar energy system does not result in either an increase or a decrease in the assessment of the existing property, unlike other physical additions to real property, which are assessed at current market value and whose value is added to the existing base year value of the real property. Only active solar energy systems, fire sprinkler systems, seismic retrofits, disabled access improvements, and rainwater capture systems have similar treatment under the Constitution and statute. While the exclusion applies to “new construction,” it is not an exclusion from “change of ownership.” As a result, the exclusion terminates when the property is sold to a new owner.

In 2022, the Senate approved SB 1340 (Hertzberg), which both extended the active solar energy system's new construction exclusion, and established a new category for "nonqualified active solar energy systems," defined as one that qualifies under current law with a rated nameplate capacity of 20 megawatts of alternating current or higher. The measure then applied a partial exclusion, as well as boutique assessment methods, for these larger nonqualified systems. After these provisions were removed in the Assembly, the Legislature then enacted an extension to the long-standing exclusion, which is set to be repealed on January 1, 2027.

When the Senate approved this bill earlier this year, it provided that systems remain excluded if qualified for the current exclusion before January 1, 2027. It then enacted a more limited exclusion that applied to systems attached to residences, or located on the same or a contiguous assessor's parcel and serve those residences. This bill provided the same treatment for commercial buildings up to one megawatt of alternating current, and sometimes more, so long as the system exclusively serves the commercial building, or is enrolled in a Net Energy Metering (NEM) program, or both. This bill presumed systems with capacities above one megawatt were taxable, which a property owner can overcome if they can demonstrate that the system exclusively serves the commercial building, or is enrolled in a NEM program, or both. This bill's new exclusion would have applied commencing on January 1, 2027.

The author further modified this bill's new exclusion before it was approved by the Assembly Revenue & Taxation Committee. However, the Assembly Appropriations Committee deleted the new exclusion in the 9/2/25 amendments.

AB 1516. On July 28, 2025, Governor Newsom signed AB 1516 (Committee on Revenue & Taxation), which amended the same section as SB 710 to provide that property owners have three years from the date of purchase to file a claim for the active solar energy exclusion that applies retroactively to the date construction is completed. AB 1516 provided that this change became operative on January 1, 2027; however, this change will not become operative under current law because current law contains a January 1, 2027, repeal date. This bill instead provides that the exclusion shall only remain in effect until January 1, 2027, on which date AB 1516's change becomes operative, thereby setting a three year limit for first buyers to file a claim for the active solar energy exclusion that applies retroactively to the date construction is completed.

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

According to the Assembly Appropriations Committee, the 7/16/25 version of SB 710:

- Annual property tax revenue loss of at least \$11 million. The State Board of Equalization (BOE) notes that the revenue estimate was developed based on ASES volume and costs related to the new construction of single-family and multi-family homes. Since the estimate does not account for qualifying roof retrofits or ASES installations on commercial structures, the revenue estimate is understated. Although this bill specifies that the state is prohibited from reimbursing any local agency for lost property tax revenues and property tax is a local government revenue source, reductions in property tax revenues increase Proposition 98 General Fund (GF) spending by up to roughly 50% (the exact amount depends on the specific amount of the annual Proposition 98 guarantee).
- Costs of approximately \$9,200 in FY 2025-26, \$3,400 in FY 2026-27, and \$2,300 in FY 2027-28 to BOE to issue guidance to county assessors and update informational materials (GF).
- Costs of an unknown amount to county assessors to modify assessment practices. If the Commission on State Mandates determines the provisions of this bill create a new program or impose a higher level of service for which the state must reimburse local costs, counties could claim reimbursement from the state (GF).

SUPPORT: (Verified 9/8/25)

Environment California (source)

OPPOSITION: (Verified 9/8/25)

None received

ARGUMENTS IN SUPPORT: According to the author, “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. This bill maintains the grandfather clause for this exclusion for owners of solar systems installed before January 1, 2027, which otherwise would have

been repealed from code. These early adopters paved the way to California's status as the state with the highest solar capacity in the nation."

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9/9/25 14:46:12

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