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What Are the Impacts of Property Tax Exemptions for Large-Scale Solar and Wind?

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ABSTRACT

As US states look to attract more large-scale renewable energy projects, they are increasingly utilizing tax incentive structures as policy tools. This paper assesses the Payment in Lieu of Taxes (PILOT) program for qualified energy projects in the US state of Ohio, which exempts solar and wind facilities from traditional property taxes, and instead mandates a fixed annual payment to local governments. Our multi-methods study included stakeholder interviews, a media review, and economic modeling. In our interviews, a key finding was that PILOT payments are excluded from Ohio's state school funding formula, allowing school districts to receive full state aid while gaining additional revenue from solar projects, which is viewed as a financial win for schools and counties alike. In our media review, we found that local officials praised the size and predictability of PILOT payments, and that funds are typically used for schools, emergency services, and community infrastructure. In our economic modeling, we find that if all of the large-scale solar and wind projects in the Ohio queue are built, roughly $4.15 billion in new fiscal revenues would be generated - $3.6 billion from solar and $550 million from wind. Overall, the PILOT tax incentive program is widely viewed as an attractor of renewable energy project investment, and may be replicable model for other states to balance renewable energy development with local fiscal stability.

Keywords: Economic development; energy policy; property taxes; renewable energy finance; United States