



ECONOMIC IMPACTS\$

Grid-Scale Solar Development Can Affect the LOCAL ECONOMY and TOWNSHIP BUDGETS

Editor's note: This is the fourth article in a series aimed at informing municipal officials and employees about grid-scale solar projects. PSATS has partnered with the Pennsylvania Department of Environmental Protection (DEP) to provide these educational opportunities. DEP is also funding several educational sessions on grid-scale solar projects for municipalities that PSATS is coordinating for fall 2023. Stay tuned for more information.

Townships should understand how grid-scale solar development may affect the local economy and the tax base, which can, in turn, affect township budgets. Many unpredictable factors are influencing the potential solar build-out, but townships should be prepared in any case.

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Every energy source can have both positive and negative economic impacts during construction and operations, and grid-scale solar development (GSSD) is no exception. Townships need to be aware of the impact GSSD can have on the local economy and the tax base, both of which affect municipal budgets. In this article, we look at the economic impact large-scale solar energy facilities can have on communities.

GSSD economics are a mixed bag

Many people wonder if GSSD will really take off in Pennsylvania and what's behind its development. Corporate and governmental sustainability pledges are important drivers of the

solar energy economy, but unpredictable economic and political forces, such as climate policies, the price of solar panels, and the demand for electric vehicles, could influence the actual construction and build-out of new GSS facilities.

Property owners who lease land for solar development can reap a windfall. Total GSS lease income could exceed \$80 million per year spread among landowners in about 54 Pennsylvania counties. In some cases, the lease price per acre is likely to be greater than what farmers could earn growing common crops.

Some farmers are using this new income stream to fund their retirement, rather than selling their land. However, a GSSD lease affects heirs and subsequent owners of the land for the lease period and may affect the future property value. Where all of this will go remains to be seen; trends in GSSD land ownership and leasing agreements are still developing.

Outside factors affect the cost and benefits of GSSD

The construction of GSS facilities will have a local economic impact, but it will likely be short-lived during installation.

Outside factors, such as state standards requiring that a certain percentage of an electric grid operator's total energy production come from solar, influence the costs and benefits of GSSD. Governments can also encourage or discourage different kinds of energy infrastructure through policies and regulations. Policymakers typically want to find the sweet spot where taxes on a new venture aren't prohibitive to new investment, but aren't so low that there's nothing in it for the community. The federal solar investment tax credit has been an important factor in the growth of solar energy, including in Pennsylvania.

Tax assessment of GSSD in Pennsylvania is currently in flux. The Assessment Law Committee of the Assessors'

Here's where to find more information

To learn more about grid-scale solar and related ordinance review and development, email Tom Murphy, PSATS' solar program educator, at tmurphy054@gmail.com, or the PSATS office at (717) 763-0930. Additional resources on grid-scale solar development can be found in the *Municipal Officials' Guide to Grid-Scale Solar Development (GSSD) in Pennsylvania* at www.marcellus.psu.edu/solar.

Association of Pennsylvania developed recommendations for valuing GSSD. However, assessment methods are based on case law, and could change as issues are litigated or legislation is passed. Ideally, the Pennsylvania legislature would codify recommendations into law.

Another thing to consider is that the addition of GSSD may change the tax



Leasing farmland for a solar energy facility can complicate planning for when the land is passed on to relatives or sold. What's more, grid-scale solar development may nullify agricultural exemptions from inheritance tax. Farmers should consult with estate and/or tax planning attorneys before entering into solar leases.



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status of a parcel. This could occur if the property is reassessed with the new improvements, namely the solar infrastructure. If the property had been in Clean and Green (C&G) prior to the GSSD, the property would fall out of the C&G status, potentially triggering back taxes and a penalty. Afterward, the residual acreage could possibly be re-enrolled if it meets all of the program's stipulations.

Landowners considering a GSS lease should consult an attorney or tax accountant about the potential tax implications. Normally, an increased tax burden due to solar development would fall on the energy company operating the solar facility, not the landowner from whom it leased the site.

GSSD can affect estate planning

Pennsylvania's farmers are increasing in average age, and many farms

lack a plan for when the current operator retires, is unable to farm, or passes away. Because a solar lease could complicate this situation, property owners should request a thorough review by an attorney to understand the short- and long-term ramifications of any solar lease. Consultation with a qualified estate planning attorney and/or tax planner to discuss overall estate planning issues is also a good idea.

Estate planning is often driven by the desire to minimize taxes, especially Pennsylvania inheritance tax. Certain agricultural and family business exemptions would shield most farm business assets from inheritance tax, but GSSD may nullify those exemptions.

Nothing lasts forever

Most solar panels will function for 20 to 25 years — or 40 to 50 years if the underlying solar lease is extended. But what then? When the lease expires, the panels and equipment may be removed and the land could go back to its prior use, or it might be redeveloped for other uses.

This process of "decommissioning" should be addressed in GSS leases and zoning ordinances to spell out who is responsible for removing the solar array and in what condition the land should be left. Bills have been proposed in the Pennsylvania legislature that would require bonding to restore the land upon removal of GSS panels. ♦

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