

**RENEWABLE RESOURCE SYSTEM
PROPERTY VALUATION EXEMPTION**

**Prepared by Department of Revenue and Regulation
445 E. Capitol
Pierre, SD 57501-3185
(605) 773-3311**

www.sd.gov/drr2

A revised renewable resource property exemption went into effect July 1, 2010.

This new legislation removes the burden of the application process that was present in the previous process. And also makes the exemption a permanent exemption (except for geothermal).

Wind, solar, biomass, hydrogen, hydroelectric, geothermal systems that are used to produce electricity or energy are considered as renewable resource systems.

The renewable resource system must be less than five (5) megawatts of nameplate capacity.

The exemption is a continuous exemption. However, the exemption for geothermal is limited to the first four continuous years for residential geothermal renewable energy facilities and the first three continuous years for commercial geothermal renewable energy facilities.

Renewable resource systems are not eligible for any reduction for discretionary formulas.

The exemption is seventy percent (70%) of the assessed value of the renewable resource system, or fifty thousand dollars (\$50,000), whichever is greater.

The Director of Equalization must still assess the entire property before the exemption is applied. This is the value which may be appealed thru the equalization process. The valuation of the renewable system is to be determined thru acceptable appraisal processes and in the same manner as other property. The exemption is applied to the assessed value of the renewable resource system only.

Examples of Exemption:

<p><u>Assessed Value</u></p> <table> <tr> <td>House</td> <td>150,000</td> </tr> <tr> <td>Land</td> <td>30,000</td> </tr> <tr> <td>Renewable System</td> <td>85,000</td> </tr> <tr> <td> </td> <td></td> </tr> <tr> <td>Total Assessed Value</td> <td>265,000</td> </tr> <tr> <td> </td> <td></td> </tr> <tr> <td>85,000 X 70% = 59,500</td> <td></td> </tr> <tr> <td>This is greater than \$50,000 so exemption is \$59,500</td> <td></td> </tr> <tr> <td> </td> <td></td> </tr> <tr> <td><u>Value after Exemption</u></td> <td></td> </tr> <tr> <td>House</td> <td>150,000</td> </tr> <tr> <td>Land</td> <td>30,000</td> </tr> <tr> <td>Renewable System</td> <td>25,500</td> </tr> <tr> <td>(85,000 – 59,500)</td> <td></td> </tr> <tr> <td>Total After Exemption</td> <td>205,500</td> </tr> </table>	House	150,000	Land	30,000	Renewable System	85,000	 		Total Assessed Value	265,000	 		85,000 X 70% = 59,500		This is greater than \$50,000 so exemption is \$59,500		 		<u>Value after Exemption</u>		House	150,000	Land	30,000	Renewable System	25,500	(85,000 – 59,500)		Total After Exemption	205,500	<p><u>Assessed Value</u></p> <table> <tr> <td>Commercial Structure</td> <td>2,500,000</td> </tr> <tr> <td>Land</td> <td>50,000</td> </tr> <tr> <td>Renewable System</td> <td>280,000</td> </tr> <tr> <td> </td> <td></td> </tr> <tr> <td>Total Assessed Value</td> <td>2,830,000</td> </tr> <tr> <td> </td> <td></td> </tr> <tr> <td>\$280,000 X 70% = \$196,000</td> <td></td> </tr> <tr> <td>This is greater than 50,000 so exemption is \$196,000</td> <td></td> </tr> <tr> <td> </td> <td></td> </tr> <tr> <td><u>Value after Exemption</u></td> <td></td> </tr> <tr> <td>Commercial Structure</td> <td>2,500,000</td> </tr> <tr> <td>Land</td> <td>50,000</td> </tr> <tr> <td>Renewable System</td> <td>84,000</td> </tr> <tr> <td>(280,000 – 196,000)</td> <td></td> </tr> <tr> <td>Total After Exemption</td> <td>2,634,000</td> </tr> </table>	Commercial Structure	2,500,000	Land	50,000	Renewable System	280,000	 		Total Assessed Value	2,830,000	 		\$280,000 X 70% = \$196,000		This is greater than 50,000 so exemption is \$196,000		 		<u>Value after Exemption</u>		Commercial Structure	2,500,000	Land	50,000	Renewable System	84,000	(280,000 – 196,000)		Total After Exemption	2,634,000
House	150,000																																																												
Land	30,000																																																												
Renewable System	85,000																																																												
Total Assessed Value	265,000																																																												
85,000 X 70% = 59,500																																																													
This is greater than \$50,000 so exemption is \$59,500																																																													
<u>Value after Exemption</u>																																																													
House	150,000																																																												
Land	30,000																																																												
Renewable System	25,500																																																												
(85,000 – 59,500)																																																													
Total After Exemption	205,500																																																												
Commercial Structure	2,500,000																																																												
Land	50,000																																																												
Renewable System	280,000																																																												
Total Assessed Value	2,830,000																																																												
\$280,000 X 70% = \$196,000																																																													
This is greater than 50,000 so exemption is \$196,000																																																													
<u>Value after Exemption</u>																																																													
Commercial Structure	2,500,000																																																												
Land	50,000																																																												
Renewable System	84,000																																																												
(280,000 – 196,000)																																																													
Total After Exemption	2,634,000																																																												
<p>Discretionary formula would not apply to the any part of the renewable system value Renewable Systems do not qualify for Discretionary Formula</p>																																																													

<p><u>Assessed Value</u></p> <p>House 165,000 Land 25,000 Renewable System 30,000</p> <p>Total Assessed Value 220,000</p> <p>30,000 X 70% = 21,000 \$50,000 is greater - - but the system is only valued at \$30,000 - - so the exemption is \$30,000</p> <p><u>Value After Exemption</u></p> <p>House 165,000 Land 25,000 Renewable System -0- (30,000 – 30,000) Total After Exemption 190,000</p>	<p><u>Assessed Value</u></p> <p>House 275,000 Land 75,000 Renewable System 95,000</p> <p>Total Assessed Value 445,000</p> <p>95,000 X 70% = 66,500 This is greater than \$50,000 so the exemption is \$66,500</p> <p><u>Value After Exemption</u></p> <p>House 275,000 Land 75,000 Renewable System 28,500 (95,000 – 66,500) Total After Exemption 378,500</p>
--	---

RENEWABLE RESOURCE SYSTEM PROPERTY EXEMPTION STATUTES

- 10-4-42** **Renewable resource defined.** For purposes of §§ 10-4-42 to 10-4-45, inclusive, a renewable resource is a resource that generates electricity or energy from facilities using one or more of the following sources:
- (1) Wind that uses wind as the source of energy to produce electricity;
 - (2) Solar that uses the sun as the source of energy to produce electricity or energy;
 - (3) Hydroelectric that uses water as the source of energy to produce electricity;
 - (4) Hydrogen that is generated from one of the sources listed in this section;
 - (5) Biomass that uses agricultural crops and agricultural wastes and residues, wood and wood wastes and residues, animal and other degradable organic wastes, municipal solid waste, or landfill gas as the fuel to produce electricity;
or
 - (6) Geothermal that uses energy contained in heat that continuously flows outward from the earth as the source of energy to produce electricity or energy.
- 10-4-43.** **Renewable energy facility defined.** For purposes of §§ 10-4-42 to 10-4-45, inclusive, a renewable energy facility is a facility that uses a renewable resource as its energy source for the purpose of producing electricity or energy.
- 10-4-44.** **Renewable energy facilities with less than five megawatts of nameplate capacity classified--Property taxable--Exemption.** For renewable energy facilities with less than five megawatts of nameplate capacity, all real property used or constructed for the purpose of producing electricity using a renewable resource as an energy source is classified for tax purposes as renewable energy property and shall be assessed and taxed in the same manner as other real property and shall be locally assessed by the county director of equalization pursuant to § 10-3-16. For the purposes of §§ 10-4-42 to 10-4-45, inclusive, the first fifty thousand dollars of the assessed value of the renewable energy property or seventy percent of the assessed value of the renewable energy property, whichever is greater, is exempt from the real property tax. However, for geothermal renewable energy facilities that produce energy, but not electricity, this exemption is limited to the first four continuous years for residential geothermal renewable energy facilities and the first three continuous years for commercial geothermal renewable energy facilities.
- 10-4-45.** **Renewable energy property not subject to discretionary formulas.** Renewable energy property is not subject to any discretionary formulas authorized by this title.

Any questions, contact your local Director of Equalization or the Department of Revenue and Regulation (773-5120)