MREA
Maine Renewable Energy Association

Committee on Taxation
% Legislative Information Office
100 State House Station
Augusta, ME 04333

April 9, 2025

Re: Public Hearing, LD 1355, Resolve, to Require the Office of Tax Policy to Study Taxation of Renewable Energy Infrastructure

Dear Senator Grohoski, Representative Cloutier, and Members of the Committee:

Thank you for the opportunity to share testimony in support of LD 1355, *Resolve, to Require the Office of Tax Policy to Study Taxation of Renewable Energy Infrastructure*, on behalf of the Maine Renewable Energy Association (MREA). MREA is a not-for-profit association of renewable energy producers, suppliers of goods and services to those producers, and other supporters of the industry. Our member companies include wind, solar, hydropower, and biomass energy generators and developers of such projects, as well as battery storage system developers and owners and companies that provide services to those developers, such as environmental engineers, electricians, and general contractors.

LD 1355 directs the Department of Administrative and Financial Services, Bureau of Revenue Services, Office of Tax Policy to examine and evaluate Maine's current system of taxation of renewable energy infrastructure including solar, onshore wind, and battery energy storage system development and to identify potential areas of improvement for the purpose of advancing the State's clean energy goals and benefitting municipalities and counties in the State. MREA supports this legislation as a strategy to clearly convey the value that renewable energy development can and does bring to Maine municipalities and create predictability for developers looking to make substantial investments in Maine.

Grid-scale renewable energy development including solar and onshore wind development and battery energy storage systems bring substantial value to often small, rural Maine towns. As an example a 14 turbine, nearly 50-megawatt wind facility is near completion in Moscow, Maine. Located on a former United States Air Force Radar installation site that was decommissioned in the 1990s, the project will contribute over $500,000 per year to a community of about 500 people. A proposed 60-megawatt solar farm located at the same site in both Moscow and Caratunk would generate a minimum net tax revenue of $150,000 per year in Moscow and $180,000 per year in Caratunk, with potentially more revenue captured with tax increment financing (TIF). This is substantial, impactful revenue, but it can be challenging for municipalities and counties to realize.

Tax revenues from renewable energy development can have a negative impact on small rural communities. The increase in tax dollars affect state and county revenue share formulas leading to a loss of some of the new revenues. To avoid this, projects and towns (or unorganized territories) can enter into a complex set of legal agreements using TIF and Credit Enhancement Agreement (CEA) mechanisms to

establish net benefit arrangements for the community, and to provide tax stability and certainty to both the town and the developer.

While TIF and CEA are helpful, the programs cause additional cost and administration for all parties. The legal services needed to establish these agreements can cost between $40,000 and $80,000 and can take several months and public hearings to complete. These arrangements also limit municipal choice for use of funds, as spending needs to qualify for Department of Economic and Community Development (DECD) permitted uses, and have an overall cap. Consequently, towns may be less willing to welcome new renewable energy infrastructure projects because they are administratively burdensome, which derives towns from new revenue and stymies renewable energy build out and its attendant environmental and economic benefits.

Without TIF/CEA, new tax revenue from the renewable energy project starts out high, but declines rapidly as the equipment depreciates, which distorts municipal budgets or causes millage rates to change. Larger communities are often better able to negotiate TIF (due to experience) and use TIF funds (due to commercial districts and larger municipal budgets), meaning that TIF/CEA mechanisms are fundamentally unfair to rural communities. Renewable energy infrastructure is more likely to be located in rural communities, given the availability to locate the large projects.

This study may recommend alternatives to this burdensome bureaucracy and may also address difficulties with identifying just value and appropriate depreciation schedules, both of which are a natural extension of the report that originated from last session's LD 1153.[1] LD 1153 directed Maine Revenue Services to work with a stakeholder group to update Property Tax Bulletin No. 29 - Solar Energy Exemption and to establish a general method of valuation for commercial solar arrays in consultation with municipal assessors, members of the solar industry, and representatives of state government. Notably, this work was specific to solar energy development 5 megawatts or less and is distinguishable to what is contemplated by this bill, which includes more technologies, at a much larger scale. Furthermore, while MREA is appreciative of the work behind that report, more work is necessary to establish the general method of valuation directed by the Maine Legislature.

For these reasons and more, MREA encourages the Committee to vote "Ought to Pass" on LD 1355.

Sincerely,

Eliza Donoghue

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Executive Director

[1] See *Act Regarding Municipal Taxation of Certain Solar Energy Equipment*, enacted as Public Law 2024, Ch. 682.