



## STATE BOARD OF EQUALIZATION

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No. 80/182

December 9, 1980

TO COUNTY ASSESSORS:

NEW CONSTRUCTION/SOLAR EXEMPTION

The passage of Senate Constitutional Amendment Number 28 (Proposition 7) and the enactment of Senate Bill 1306 excludes active solar energy systems from the definition of new construction for lien dates 1981 through 1985 inclusive, and the amount excluded will not be added back after the 1985 lien date. Any exemption provided by Senate Bill 1306 would not apply to solar systems completed prior to March 1, 1980 or after March 1, 1985. The exemption applies only to new construction; when there is a change of ownership, the property transferred is reappraised at its current market value as of the date of transfer.

Senate Bill 1306 adds Section 73 to the Revenue and Taxation Code and refers to Section 17052.5 for the definition of a "solar energy system." A "solar energy system" means the use of solar devices for the individual function of:

- (1) Domestic, recreational, therapeutic, or service water heating
- (2) Space conditioning
- (3) Production of electricity
- (4) Process heat
- (5) Solar mechanical energy
- (6) Wind energy for the production of electricity or mechanical work

For purposes of the solar exclusion from the definition of new construction, the system must be active. An active system means a system which utilizes solar devices thermally isolated from the living space, as well as the mechanical components of a passive system, to provide for collection, storage, and distribution of solar energy for heating or cooling. The value of these solar systems are excluded from the definition of new construction for property tax purposes. In the specific case when a solar swimming pool heater is installed, the exclusion applies only to the increment of value which exceeds the value of a comparable conventional fossil fuel heating system. The cost approach is an acceptable method for determining this value although we feel a market comparison is the most desirable.

TO COUNTY ASSESSORS

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December 9, 1980

The Assessors' Standards Committee, meeting in Oakland on December 1, referred the solar system issue to the Real Property Subcommittee. Lee Gilmore of our staff will be working with the subcommittee in an effort to identify active solar installations.

Sincerely,



Verne Walton, Chief  
Assessment Standards Division

VW:sk