

Fact Sheet:

South Dakota Solar Energy Tax Revenue

Renewable energy offers economic benefits to rural areas and counties where projects are typically located. Notable benefits include direct payments to landowners that establish a new, steady source of income, as well as creating new jobs related to the development, construction, and operation of projects.

In addition to these benefits, renewable projects such as solar energy facilities generate new tax revenue for the counties and communities.

This fact sheet provides an overview of taxes paid by owners of solar energy facilities.



Photo provided by the Center for Pollinators in Energy.



The creation of these new revenue streams from solar and other renewable energy sources allows counties to continue funding essential services and institutions.

Local taxes from solar energy

In 2023, the state's total generation was 17,905,904 MWh (megawatt-hours), a measure of electricity equal to one million watt-hours—enough to power roughly 1.7 million average U.S. homes. Solar power accounted for 47,337 MWh, which makes up approximately 0.26% of South Dakota's generation.¹

Solar energy has seen significant growth in recent years with the development of multiple projects; the state previously had only 2 MW of solar online. The new projects include the 80-megawatt (MW) Fall River Solar facility, which began generating power in 2023 and the 128 MW Wild Springs Solar facility, which began operation in 2024.^{2,3} Solar energy facilities with a nameplate capacity of 5 MW or greater in South Dakota are subject to the nameplate and production taxes, which generate new revenue streams for rural communities.



Nameplate capacity tax

Nameplate capacity refers to the number of kilowatts a renewable facility can produce.⁴

- The nameplate capacity tax is equal to \$3 for every kilowatt of generating capacity of the solar energy facility.
 - For example, a 100-megawatt solar facility, equal to 100,000 kilowatts in capacity, would pay \$3 per kilowatt, or a total of \$300,000 in nameplate capacity tax annually.

- The tax is collected beginning in the first calendar year a facility generates power and prorated depending on when the operation starts. The owner of a qualifying solar facility files annually with the South Dakota Department of Revenue, and the department will deposit revenue into the renewable facility tax fund.^{5,6}

Sources

1 "South Dakota Public Utilities Commission Frequently Asked Questions about Solar Energy." South Dakota Public Utilities Commission, Oct. 10, 2024, puc.sd.gov/Publications/solarfaq.aspx#:~:text= Accessed May 2025.

2 Pfankuch, Bart. "Solar Surge: South Dakota Sees New Interest in Solar Power." Dakota News Now, April 13, 2024, dakotanewsnow.com/2024/04/13/solar-surge-south-dakota-sees-new-interest-solar-power/. Accessed May 2025.

3 Ibid.

4 "South Dakota Codified Law 10-35-16." South Dakota Legislative Research Council, sdlegislature.gov/Statutes/10-35-16. Accessed May 2025.

5 "South Dakota Codified Law 10-35-18." South Dakota Legislative Research Council, sdlegislature.gov/Statutes/10-35-18. Accessed April 2025.

6 "South Dakota Codified Law 10-35-20." South Dakota Legislative Research Council, sdlegislature.gov/Statutes/10-35-20. Accessed May 2025.

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Production tax

The production tax is determined by the actual amount of electricity a solar facility generates annually.

- The production tax for qualifying solar facilities is \$.00090 per kilowatt hour.

For example, 1,000 kilowatt hours (kwh) of production would equal 90 cents. A fixed array, 100-megawatt solar facility near Rapid City could generate 145,325,808 kwh/year, according to the National Renewable Energy Laboratory's PV Watts calculator.⁷

$145,325,808 \text{ kwh} \times \$0.00090 =$
 $\$130,793.23 \text{ annual production tax}$

- The solar facility's owner is required to file a report on the total production in kilowatt hours for the previous year with the secretary of the Department of Revenue by Feb. 1, and the revenue, once collected, is deposited into the renewable facility tax fund.^{8,9,10}

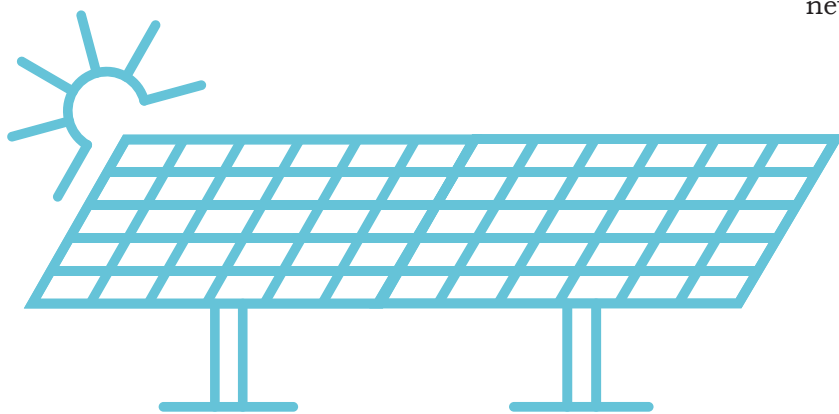
Renewable facility tax fund

- The secretary of the South Dakota Department of Revenue distributes all nameplate capacity taxes and 20% of production taxes deposited to the treasurer of the county where projects are located. Remaining revenue in the fund is deposited into the state's general fund.
- If a project is located in more than one county, each will receive the same percentage of the tax as the percentage of the solar facilities located in the county.¹¹

After receiving the tax revenue, county officials will allocate:

- 50% to school districts,
- 35% to the county, and
- 15% to organized townships where the project is located.¹²

- Solar energy system revenue distributed from this fund is considered local effort under South Dakota's state aid to education formula. Unlike wind projects, where a portion of the revenue is exempted from the formula for the first 10 years, solar revenue is counted as local effort from the outset. Because solar revenue is not exempted from the state's formula it is largely a net neutral revenue source for schools.¹³



Sources, continued

7 "PV Watts Calculator." National Renewable Energy Laboratory, pvwatts.nrel.gov/pvwatts.php. Accessed May 2025.

8 "South Dakota Codified Law 10-35-19." South Dakota Legislative Research Council, sdlegislature.gov/Statutes/10-35-19. Accessed May 2025.

9 "South Dakota Codified Law 10-35-19.1." South Dakota Legislative Research Council, sdlegislature.gov/Statutes/10-35-19.1. Accessed May 2025.

10 "South Dakota Codified Law 10-35-20." South Dakota Legislative Research Council, sdlegislature.gov/Statutes/10-35-20. Accessed May 2025.

11 "Renewable Energy Facility (Wind & Solar)." South Dakota Department of Revenue, October 2022, dor.sd.gov/media/riuhxv2u/renewable-energy-facility.pdf. Accessed May 2025.

12 "South Dakota Codified Law 10-35-21." South Dakota Legislative Research Council, sdlegislature.gov/Statutes/10-35-21. Accessed May 2025.

13 "South Dakota Codified Law 13-13-10.1 (6)." South Dakota Legislative Research Council, sdlegislature.gov/Statutes/13-13-10.1. Accessed May 2025.

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