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, such renewable projects 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.

The creation of these new revenue streams from solar and other renewable energy sources allow counties to continue funding essential services and institutions, such as schools and emergency services.

LOCAL TAXES FROM SOLAR ENERGY

Although South Dakota only had 1.73 megawatts (MW) of solar installed as of 2020, there is substantial opportunity to expand. Current projections for growth note there may be more than 311 MW installed over the next five years.1 Solar energy facilities with a nameplate capacity of 5 MW or greater in South Dakota are subject to the nameplate and production taxes, which generates new revenue streams for rural communities.

Nameplate capacity tax

Nameplate capacity refers to the number of kilowatts a renewable facility can produce.2

- 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 facility began generating in that year.

- 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.3,4

Photo provided by the Center for Pollinators in Energy.
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.\(^5\)

\[145,325,808 \text{ kwh} \times \$.00090 = \$.130,793.23 \text{ annual production tax}\]

The solar facility’s owner is required to file a report on the total production of the facility 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.\(^6,7\)

Sources