



Special Notice

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www.boe.ca.gov

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1-800-400-7115

TTY
711



Solar Power Facilities May Qualify as Farm Equipment

Partial Sales and Use Tax Exemption May be Available for Qualifying Systems

Sales and leases of farm equipment and machinery, including solar power facilities, that meet certain criteria are partially exempt from California's sales and use tax. The farm equipment and machinery partial exemption applies to the state general fund portion of the sales and use tax rate, currently 5.25 percent.

What's New?

The California State Board of Equalization (BOE) has recently clarified that, under certain circumstances, solar power facilities may qualify for the farm equipment and machinery partial exemption. This partial exemption would apply even if the electricity generated first goes to the electrical grid before being used in qualified agricultural activities.

Qualifying for the Exemption

Eligible persons who purchase qualifying farm equipment and machinery that is used at least 50 percent in the production and harvesting of agricultural products may claim the partial exemption.

If you otherwise qualify for the farm equipment and machinery partial exemption, your solar power facilities that are tied to the local power grid but are not directly attached to qualifying farm equipment may qualify, if they are designed to generate power for such equipment and machinery.

To determine whether a solar power facility is used at least 50 percent in the production and harvesting of agricultural products, you should divide the total annual amount of power consumed by qualifying farm equipment and machinery by the total annual amount of power generated by the solar power facility.

For example, a solar facility producing 1000 kilowatts of electricity annually to power qualified agricultural equipment that consumes 600 kilowatts of electricity annually would qualify for the partial exemption ($600/1000 = .60$, or 60 percent).

Required Documentation

To support a claim that a solar power facility is eligible for the partial tax exemption, it is important you document the annual amount of electricity consumed by qualifying farm equipment and machinery for the first 12 months after the solar power facility is operating.

Ideally, documentation should include data obtained from the meters on qualifying farm equipment.

If meter information is not available, an analysis of the electricity demands for qualifying property versus nonqualifying property should be performed.

For recordkeeping purposes, you must retain any supporting documentation for at least four years after the purchase date of the solar power facility.

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Partial Exemption Certificate

A seller of solar power facilities is not liable for the state portion of sales or use tax if they take a partial exemption certificate from a qualified purchaser stating that the property will be used in a qualifying manner, as previously described. The certificate should be retained by the seller for at least four years.

A sample partial exemption certificate can be found on the BOE website at www.boe.ca.gov/sutax/pdf/partfarmcert.pdf.

Construction Contractors

Under Sales and Use Tax [Regulation 1521](#), *Construction Contractors*, construction contractors who furnish and install solar power facilities under a construction contract to improve realty are generally regarded as retailers of fixtures and consumers of materials.

If the contractor is regarded as a retailer, the partial exemption may apply to the sale of the solar power facility.

If the contractor is regarded as a consumer of materials, the partial exemption does not apply to the contractor's purchases of materials used in the construction of the solar power facility.

For More Information

A more in-depth explanation of the partial exemption is provided in Sales and Use Tax [Regulation 1533.1](#), *Farm Equipment and Machinery*, on the BOE website at www.boe.ca.gov.

If you have questions, please call our Taxpayer Information Section at 1-800-400-7115 (TTY:711). Customer service representatives are available to assist you weekdays from 8:00 a.m. to 5:00 p.m. (Pacific Time), except state holidays.