

Qualified Energy Project Tax Abatements for Ohio Solar Projects

Through the Qualified Energy Project (QEP) program, most Ohio utility-scale solar projects are developed with real and personal property tax abatements in exchange for payments in lieu of taxes (PILOT).



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Requirements for Public Personal Property Tax Exemption

Tax Exemption for Qualified Energy Projects

Section 5727.75 of the Ohio Revised Code (R.C.) exempts the real and tangible personal property of solar projects that obtain certification as a “qualified energy project” (QEP). QEPs are certified by the director of the Ohio Department of Development (referred to herein as ODOD).

On June 30, 2023, the Ohio General Assembly, as part of the state’s biennial budget bill, HB 33, further extended the construction and operation deadlines within the QEP Program. With respect to these program deadlines, HB 33 extends the QEP Program to the later of tax year 2029 or the tax year in which the federal government determines that the annual greenhouse gas emissions from the production of electricity are equal to or less than 25% of the annual emissions in 2022, in accordance with section 45Y of the Internal Revenue Code (collectively, the “Applicable Tax Year”).

The practical implication is that the QEP Program will remain available until at least December 31, 2028.

Obtaining (and ultimately maintaining) certification as a QEP requires the following:

1. No portion of the project’s facility was used to supply electricity before December 31, 2009. R.C. 5727.75(E)(2)(c).
2. On or before the last day of the tax year preceding the “Applicable Year,” the owner¹ must apply for a certificate from the Ohio Power Siting Board or obtain any such approval from

the proper public agency or political subdivision for energy facility construction. R.C. 5727.75(B)(1)(a).

3. Construction of the energy facility must begin (or have begun on or) after January 1, 2009, but before the first day of the Applicable Tax Year.² R.C. 5727.75(B)(1)(b).
4. For projects with a nameplate capacity of 20 megawatts (MW) or greater, the county board of commissioners must have approved the QEP status of the project by resolution, or alternatively, adopted a resolution declaring the county to be an alternative energy zone (AEZ). R.C. 5727.75(E)(2)(b).
5. A certified construction progress report must be filed with the ODOD by March 1 of each year during construction, indicating the percentage of the project completed and the project’s nameplate capacity as of the preceding December 31st. R.C. 5727.75(F)(2).
6. A certified construction completion report is filed within 90 days after the project is placed into service. O.A.C. 122:23-1-03.
7. Additionally, reports must be filed by March 1st each year once the project is placed into service that indicate nameplate capacity as of the preceding December 31st (referred to as Nameplate Capacity Reports).
8. Each tax year the property is exempt, the facility owner must make annual service payments in lieu of taxes (PILOTs) to the county or counties in which the project operates as a QEP. For solar projects, the minimum PILOT is \$7,000 per MW of nameplate capacity. However, counties may impose an additional service payment, with the total PILOT not to exceed \$9,000 per MW.

¹ Where the statute refers to “owners” of projects, the definition also refers to “a lessee pursuant to a sale and leaseback transaction.”

² Construction is deemed to begin on the earlier of the date of application for a certificate or other approval, or the date the construction contract is

entered into.

Allocation rules also apply where a project is treated as a QEP within multiple counties. R.C. 5727.75(E)(1)(b), (F)(9), (G).

9. The owner must report to ODOD the total number of full-time equivalent employees³ in the construction or installation of the energy project, and it must distinguish how many are domiciled within and without Ohio. R.C. 5727.75(F)(6). For the purposes of calculating the hours performed at the project, only hours at the project and devoted to site preparation or protection, construction and installation, and the unloading and distribution of materials at the project site may be included. The calculation may not include hours worked by superintendents, owners, manufacturers' representatives, persons employed in a bona fide executive, management, supervisory, or administrative capacity, or persons whose sole employment on the project is transporting materials or persons to the project site.
10. Prior to the changes via HB 33, at least 80% of full-time employees must be Ohio-domiciled.⁴ HB 33 revised these workforce requirements:
 - a. For existing projects that already applied for certification as a QEP as of the effective date of HB 33, the applicant may self-certify that the project will voluntarily be subject to the wage requirements described in section

45(b)(7)(A) of the Internal Revenue Code and apprenticeship requirements described in section 45(b)(8)(A)(i) of the Internal Revenue Code. By doing this, a solar project can reduce its required ratio of Ohio-domiciled workers from 80% to 70%.

- b. For projects applying for certification as QEP after the effective date of HB 33 (October 1, 2023), solar projects must maintain a ratio of Ohio-domiciled workers of at least 70%, and at least 50% for all other types of QEP facilities.⁵

The regulations also require certain recordkeeping and documentation to be maintained. This is an area of increased concern given current labor markets. Project owners may consider auditing EPC contractors during construction and/or including liquidated manage provisions in EPC agreements tied to workforce composition.

11. Provide (or facilitate) training and equip fire and emergency responders to enable them to respond to emergencies at the project site.
12. Large projects with a nameplate capacity of 20 MW or greater are subject to certain additional requirements. These include:

³ "Full-time equivalent employee" means the total number of hours for which compensation was paid to individuals including contract employees, employed at a qualified energy project for services performed at the project during the calendar year divided by 2,080. Owners must file a report of the total number of full-time equivalent employees and of Ohio-domiciled full-time equivalent employees employed in the construction and installation of the facility.

⁴ The number of full-time equivalent employees employed in the construction or installation of the energy project equals the number actually employed or the number projected to be employed by ODOD, whichever is greater. To estimate the number of employees to be employed in the construction or installation of an energy project, director shall use a generally accepted job-estimating model in use for renewable energy projects, including, but not limited to, the job and economic development impact model. The director may adjust an estimate produced by a model to account

for variables not accounted for by the model. Development will use a generally accepted job estimating model in use for renewable impact model, and may adjust an estimate produced by a model to account for variables. A report on such employee numbers must be filled with ODOD. See R.C. 5727.75(F)(3) and (6).

⁵ This "right of first refusal" does not apply if the owner or lessee: (a) is a rural electric company or municipal power agency; (b) is a person that, before completion of the project, contracted for the sale of power or credits with a rural electric company or municipal power agency; or (c) contracts for the sale of power or credits from the project before the effective date of the legislation. See also, Ohio Adm. Code 122:23-103(D)(4) (stating "[t]his requirement will not apply to any application for certification *filed after* the expiration of all requests for proposal issued by electric distribution utilities and electric service companies on or before December 31, 2010 to purchase power or renewable energy credits") (Emphasis added).

- a. The owner must repair or rebuild⁶ all roads, bridges, and culverts affected by construction to their preconstruction condition, as reasonably required. R.C. 5727.75(F)(4). The owner must also post a bond to ensure funding for repairs as required by the Ohio Power Siting Board pursuant to R.C. 4906.10.
- b. Projects must establish a relationship with any of the following to educate and train individuals for careers in solar energy industry: (i) members of the Ohio university system; (ii) a person offering apprenticeship programs registered with the U.S. Department of Labor or the apprenticeship council created by R.C. 4139.02; (iii) career-technical centers; and (iv) training centers operated by labor organizations or by a for-profit or non-profit. The relationship can include endowments, cooperative agreements, internships, apprenticeships, and similar programs R.C. 5727.75(F)(7).

If a project continues to meet applicable exemption criteria, the exemption shall last for the life of the project if the property is placed in service before January 1, 2026, unless ODOD revokes the exemption for failure to comply with the statute. R.C. 5727.75(B)(2).

Points of Emphasis

Real Property Tax Exemption

Real property of a QEP that is included within the scope of the “energy facility” is exempt from taxation in any tax year in which tangible personal property of the same QEP is exempt (see also below). R.C. 5725.75(A)(1), (A)(2), (D); R.C. 5727.01(P). An energy facility includes, but is not limited to, “so much of the

land on which such tangible personal property is situated as is required for operation of the facility and is not devoted to some other use, not to exceed, in the case of wind turbines, one-half acre for each wind turbine, and regardless of whether the land is owned by the owner or lessee of the tangible personal property or by another person.”

County Approval and Additional Service Payments

As noted above, a project with a nameplate capacity of 20 MW or greater must obtain approval from the county (or counties) where the project located. Therefore, ODOD will forward a project’s QEP exemption application to the board of county commissioners in the county(ies) in which the property is located, and to each taxing unit of the affected counties, for review. The county commissioners will prepare a resolution approving or rejecting the application.⁷ Through this resolution, counties may impose the additional service payments referenced above (which exceed the minimum \$7,000 per MW PILOT). Obtaining county approval thus is often a negotiated process.

Process for Filing Exemption at ODOD

The application to receive the personal property tax exemption may be found online on ODOD’s website. Applicants with questions regarding the application and exemption process should contact the Business Services Division at gep@development.ohio.gov.

If Exemption is Revoked or Not Obtained

Public Utility Tangible Personal Property Tax

Effective August 14, 2025, Ohio House Bill 15 dramatically reduced the applicable tangible personal

⁶ In the event that the county engineer deems any road, bridge, or culvert to be inadequate to support the construction or

decommissioning of the energy facility, the road, bridge, or culvert shall be rebuilt or reinforced to the specifications established by the county engineer prior to the construction or decommissioning of the facility.

property tax on new generation and energy conversion equipment from 25% to 7% starting in tax year 2027. Existing QEP PILOT agreements will continue. However, for projects without an existing QEP PILOT, the new tax rates may change the strategy and approach to a PILOT. The legislation also brings parity to battery energy storage systems by treating it like generation related to the tangible personal property tax.

However, recent reductions in assessment rates on TPP may shift the landscape for private energy developers, especially those planning projects for 2027 and beyond. Lower TPP tax rates could make traditional tax incentive programs—like the QEP Program—less appealing.

In some cases, developers may now find it more cost-effective to forgo these programs and simply pay TPP taxes at the reduced rates. As energy developers plan future projects in Ohio, they must carefully weigh the benefits of tax incentives against their costs, obligations, and opportunities to build local community support by bringing PILOT or tax revenue to the local community.

Valuation, Assessment, & Apportionment of Non-Exempt Projects

Non-Exempt Projects: Valuation

Under R.C. 5727.11(D)(2), the true value of production or energy conversion equipment is the equipment's purchase price as capitalized on the company's books and records less composite annual allowances, as prescribed by the Ohio Tax Commissioner.

Non-Exempt Projects: Assessment

R.C. 5727.111(H) sets forth the assessment percentages of a public utility's taxable property. For energy companies, taxable production equipment is assessed at 24% of its true value, and all other equipment is assessed at 85% of true value. Thus, nonexempt projects are taxed such that electricity-generating equipment, such as the solar panels

themselves, would be assessed at 24% of true value. "Energy conversion equipment," transmission equipment, distribution equipment, and all other tangible personal property would be assessed at 85% of true value.

Other Taxes

Taxes Measured by Gross Receipts

Public utilities are generally subject to an annual gross receipts tax under R.C. 5727.30(B). While energy companies are exempt from the public utility gross receipts tax, they are subject to the commercial activity tax (the CAT).

Real Estate Tax

If the project is not certified as a QEP or if it loses such certification, it lacks exemption status, and its real property is taxable from the time the exemption lapses onward. See R.C. 5709.01(A).

When agricultural land is enrolled in Ohio's current agricultural use value (CAUV) program, converting it to non-agricultural use may result in recoupment charges equal to the tax savings realized on the property as a result of CAUV status for the prior three years. Ohio law provides an exception under which no

recoupment charge will be levied. "[F]or the conversion of a portion of a tract, lot, or parcel of land devoted exclusively to agricultural use if the conversion is incident to the construction or installation of an energy facility, as defined in section 5727.01 of the Revised Code, and if the remaining portion of the tract, lot, or parcel continues to be devoted exclusively to agricultural use." R.C. 5713.34(A)(3). Installation of an energy facility on land devoted to agricultural use will not cause the remaining portion of the tract to be regarded as a conversion of land devoted exclusively to agricultural use for CAUV purposes if the remaining portion of the tract continues to be devoted to agricultural use. R.C. 5713.3(B)(4). Solar projects should seek the advice of counsel as to the scope and implications of the recoupment exception.

Sales Tax

R.C. 5739.02(B)(40) provides a broad tax exemption that most solar projects are able to claim. It exempts sales of tangible personal property and services to a provider of electricity used or consumed directly and primarily in generating, transmitting, or distributing electricity for use by others, including property that is or is to be incorporated into and will become a part of the consumer's production, transmission, or distribution system and that retains its classification as tangible personal property after incorporation.

Kilowatt Hour Tax

Ohio imposes an excise tax on entities that qualify as "electric distribution companies." The tax is levied on "all electricity distributed by such company ... through a meter of an end user in this state." R.C. 5727.81. Under some circumstances, a solar project may be subject to tax, depending on the nature of its activities and the identity of the purchasers of the electricity. Taxpayers should consult specialized counsel with respect to the application of the tax.

Municipal Income Tax

Many cities and villages impose a net profits tax on business activities conducted in their jurisdiction. Energy companies are subject to these taxes to the extent that any income is apportioned to a city or village pursuant to a net income tax. R.C. 718.01(C)(9) and 718.02. The Ohio Department of Taxation is authorized to administer business net profit taxes on behalf of municipalities. Taxpayers are given the option to file with a centralized filing system to reduce the burden of filing with multiple separate municipalities. R.C. 718.80. Municipal tax rates vary depending on jurisdiction and can be imposed on employer income tax withholdings and local sales taxes.

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