See It to Believe It: Principles for Effective Clean Energy Tax Policy

Siting Solutions Project

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To meet rising electricity demand and make electricity more affordable, we need to build lots of power plants, and fast. Solar, wind, and batteries are the cheapest technologies to bring online quickly, but they're becoming harder to site, permit, and build as local opposition mounts.[1] Securing local buy-in is a growing obstacle to siting clean energy across the country, and the local benefits of hosting clean energy infrastructure, including property tax revenue in its current form, may be an insufficient tool for building local support.

Most utility-scale wind and solar projects need local approval for construction and operations. Developers often use property tax revenues to make the case for approving the project, but when a state's tax structure makes that revenue unpredictable and hard to explain, it weakens the case for approval. Improving state property tax policy for clean energy will not resolve every siting debate, but it can remove one barrier and give local decision makers a more clear benefit to weigh against the perceived impacts.

Poorly designed tax structures prevent communities from realizing the full benefit of hosting clean energy projects. Policy features like inconsistent valuation, rapid depreciation schedules, exemptions and rollback provisions, and an overall lack of transparency increase costs on developers and make it difficult to communicate the benefits of renewable projects. Through smarter tax policy, we can provide substantial, predictable revenues to communities while providing more certainty for developers.

This report provides a framework for effective clean energy tax policy based on four proven principles: transparency, consistency, flexibility, and additionality. We identified elements of tax policy that deliver community benefits and improve the investment outlook for developers by interviewing developers and communities about their tax policy preferences, and conducting a comparative analysis of tax treatments informed by recent research within the field. Because property taxes and alternative payment structures are the most direct source of clean energy project revenue for local governments, the scope of this report is limited to property tax policy and alternatives to traditional property taxation.

Although clean energy projects currently provide local property tax revenue across the nation, residents are not aware of these benefits. In a June 2026 national survey by Data for Progress, a majority of voters did not view clean energy projects as a major revenue driver for their county, and only 40% of rural voters felt at least somewhat confident that they would personally benefit from hosting a renewable energy project. Improved tax structures can increase both the transparency and additionality of these tax benefits, improving community buy-in and predictability for developers.

4 Four Principles for Effective Clean Energy Property Tax Policy

From our research, four principles emerged as the most important characteristics of property tax policy design to deliver benefits for both communities and developers: transparency, consistency, flexibility, and additionality. No single state's current policy approach embodies all four principles, and how each state implements these principles depends on their unique contexts, including the recency of tax regulation updates, the types of technology being developed in the state, underlying statutory mandates governing the distribution of tax revenue, and more. Together, these principles encapsulate what effective clean energy property tax policy should provide: revenue that communities can see and feel, costs that developers can predict, and enough local discretion for communities to use the revenue for their specific priorities.

1 Transparency

Before a clean energy project is built, residents should be able to see and understand clearly what the project will provide in annual revenue, how that total is determined, what uses that revenue will go toward in their community, and when those revenues will be available. Upon the project's operation, residents should also continue to be informed of the actual revenue and how it is being used in the community.

2 Consistency

Predictable tax structures allow communities to plan and budget long-term and even bond based on anticipated future payments, while providing developers with more certainty which lowers project financing costs.

3 Flexibility

Communities have different needs and place priority in different areas, so tax policy or alternative payment structures should give them the flexibility to direct benefits accordingly.

4 Additionality

Lastly, the revenue a project generates should be substantial enough, and should flow to the right places, to provide a meaningful impact locally.

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1 Elizabeth Weise, Suhail Bhat, and Sophie Hartley, "Wind, Solar and Other Clean Energy Could Be Banned Under Trump. Here's What to Know," USA Today, February 21, 2026. https://www.usatoday.com/story/news/nation/2026/02/21/wind-solar-clean-energy-ban-trump/85952042007/

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