Illinois Department of Revenue
101 W. Jefferson St.
Springfield, IL 62702

Commercial Energy Storage Systems Valuation

Beginning with assessment year 2026 (taxes paid in 2027), the fair cash value for a commercial energy storage system in Illinois is based on its nameplate capacity per kilowatt-hour of rated kilowatt-hour energy capacity. (35 ILCS 200/10-920 *et seq.*)

What is a commercial energy storage system?
A commercial energy storage system is defined as any device or assembly of devices that is either installed as a stand-alone system or tied to a power generation system, used for the primary purpose of storing of energy for wholesale or retail sale and not primarily for storage to later consume on the property on which the device resides, and is an energy storage system, as defined in Section 16-135 of the Public Utilities Act. A commercial energy storage system is commonly referred to as a battery energy storage system (BESS).

How is the fair cash value for property taxes determined?
Beginning January 1, 2026, in all counties except Cook County, the fair cash value of a commercial energy storage system is $65 per kilowatt-hour of rated kilowatt-hour energy capacity. This includes the system's interest in the land within the project boundaries. The chief county assessment officer (CCAO) will add an inflationary increase, called a "trending factor" to the 2026 value; the result is called the "trended real property cost basis." An amount for depreciation is then subtracted from the trended real property cost basis to determine the taxable value for the current assessment year.

Formula:
(kwh nameplate capacity X battery hour duration x $65 x trending factor) - Depreciation

If the nameplate capacity is rated in megawatt hours instead of kilowatt hours, then a conversion from megawatts to kilowatts will need to be performed. One megawatt is equal to 1,000 kilowatts.

Is personal property included in the $65 per kilowatt-hour of rated kilowatt-hour energy capacity fair cash value?
No. Illinois does not impose personal property tax; as a result, any value attributable to the portion of the commercial energy storage system device that is to be considered "personal property" was excluded from the prescribed base fair cash value. The fair cash value **does** include the land on which the commercial energy storage system device is located and the portion of the commercial energy storage system device that is considered "real property". Because Illinois assesses property for tax purposes at one-third of its fair cash value, the assessed value for each commercial energy storage system device is the $65 per kilowatt-hour of rated kilowatt-hour energy capacity multiplied by 33.33% (or .3333).

What is the trending factor and how is it determined?
The trending factor is an annual inflationary percentage increase in the fair cash value of the commercial energy storage system device. For purposes of valuing commercial energy storage system devices, the trending factor is the annual increase in the consumer price index (U.S. city average for all items), published by the Bureau of Labor Statistics for the December prior to the January 1 assessment date, divided by the consumer price index (U.S. city average for all items), published by the Bureau of Labor Statistics for December 2024. This index is commonly called the "CPI-U". These data are found on the Bureau of Labor Statistics web site at this address: http://www.bls.gov/cpi/. The Illinois Department of Revenue publishes the CPI-U on its web site annually.

Note: The trending factor for standalone facilities for assessment year 2026 is 1.02. The statutory definition of the trending factor requires the CPI-U for December of the year immediately before the assessment date be divided by the CPI-U for 2024. The trending factor is limited to the lesser of the calculated amount or 1.02 (which is 2%).

How is the trending factor applied?
For standalone commercial energy storage systems, the trending factor is the lesser of 2% or the calculated trending factor for that assessment year. For commercial energy storage systems tied to a power generation system, the trending factor is 1.00.

How is the amount allowed for physical depreciation calculated?
The actual age of the commercial energy storage system is divided by 25 then multiplied by the trended real property cost basis. The amount allowed for physical depreciation cannot reduce the commercial energy storage system to less than 30 percent of the trended real property cost basis.

The CCAO may make reasonable adjustments to the actual age of the commercial solar energy system to account for routine replacement or upgrade of system components.

Are buildings and substations included in the value?
No. These real properties are valued separately. The valuation procedure is for commercial energy storage system devices and the parcels on which they are located. The parcel is the area immediately surrounding the commercial energy storage system device over which the owner has exclusive control.

If a project is completed in 2026, is a trending factor applied?
Yes. For example, for assessment year 2026, the real property cost basis of $65 per kilowatt-hour of rated kilowatt-hour energy capacity that is not tied to a power generation system, is multiplied by the trending factor which is the CPI-U published for December 2025 divided by the CPI-U published for December 2024, which equals 1.03. However, the statute limits the trending factor for a standalone facility to the lesser of the calculated value or 1.02. In this case, 1.02 is the lesser value, so the trending factor that will be applied is 1.02. In subsequent years, the trending factor may be different; the trending factors are published annually on the Department's website. Note that for a Commercial Energy Storage System that is tied to a power generating system, the trending factor is 1.00.

Are commercial energy storage systems subject to state or local equalization factors (*i.e.,* "multipliers")?
No.

What are the specific platting requirements?
The owner of the commercial energy storage system is required to obtain a metes and bounds survey description of the land upon which the commercial energy storage system is installed, including access routes, over which the owner has exclusive control. Land held for future development shall not be included in the project area for assessment purposes.

The owner of a commercial energy storage system shall, at his or her own expense, use an Illinois-registered land surveyor to prepare the survey. The owner of the commercial energy storage system must deliver a copy of the survey to the CCAO and to the owner of the land upon which the system is constructed.

Upon receiving a copy of the survey and agreed written acknowledgement to a separate parcel identification number by the owner of the land, the CCAO shall issue a separate parcel identification number for the real property improvements, including the land containing the

commercial energy storage system, to be used only for the purposes of property assessment for taxation. The property records shall contain the legal description of the commercial energy storage system parcel and describe any leasehold interest or other interest of the owner of the commercial energy storage system in the property. A plat prepared under this Section shall not be construed as a violation of the Plat Act.

Surveys prepared in accordance with either 10-740 or 10-620 of the Property Tax Code and that also include the location of a commercial energy storage system in the survey's metes and bounds description shall satisfy the requirements.

The separate parcel number is issued so that the tax bill can be sent to the solar energy device owner when the device is situated on leased ground.

If no survey is provided, the CCAO will determine the area of the site that is occupied by the commercial energy storage system. The CCAO's determination is final and may not be challenged.

How is farmland valued once the commercial energy storage system is decommissioned?
Real property assessed as farmland in accordance with Section 10-110 in the assessment year prior to valuation as a commercial energy storage system shall return to being assessed as farmland in accordance with Section 10-110 in the year following completion of the removal of the commercial energy storage system so long as the property is returned to a farm use defined in Section 1-60 of the Property Tax Code. The land will not have the two-year primary farm use requirement to be eligible for the farmland assessment.

Is there a breakdown between land value and improvement value?
No. The $65 per kilowatt-hour of rated kilowatt-hour energy value includes both the improvements and the land that lies within the commercial energy storage system project's boundaries.

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The example below is for a 100-megawatt nameplate capacity commercial energy storage system with a four-hour battery duration.

100 megawatts must be first converted to kilowatts:
1,000 x 100 = 100,000
Then the 100,000 kilowatts must be multiplied by the battery duration of 4 hours:
100,000 x 4 = 400,000

Example 2026 fair cash value:
1 year old energy storage device
400,000 kw

2026 real property cost basis:	$	26,000,000	($65 x 400,000)
2026 trending factor:	X	1.02	
Trended real property cost basis	$	26,520,000	
Depreciation allowance:			
Actual age: 1 year/25 =	X	.04	
Depreciation		1,060,800	
2026 fair cash value (trended real property cost basis minus depreciation)	$	25,459,200	
Assessment level:	X	.3333	
2026 assessed value	$	8,485,551	