

# DEPARTMENT OF TAXATION

## 2011 Fiscal Impact Statement

1. **Patron** Timothy D. Hugo

3. **Committee** Senate Finance

4. **Title** Solar Energy Equipment; Exemption from  
Local Taxation

2. **Bill Number** HB 1239

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

### 5. **Summary/Purpose:**

This bill would provide an exemption from local taxation for solar energy equipment, facilities and devices owned or operated by a business that collect, generate, transfer, or store thermal or electric energy, whether or not such property has been certified to the Department of Taxation by a state certifying authority. The exemption for solar photovoltaic systems only would apply to projects equaling 20 megawatts or less, as measured in alternating current (AC) generation capacity.

Under current law, the governing body of any locality is authorized to exempt or partially exempt certified solar energy equipment facilities and devices from local taxation. Local building departments are responsible for certifying that such solar energy equipment was designed and used primarily for the purpose of providing for the collection and use of incident solar energy for water heating, space heating or cooling or other application which would otherwise require a conventional source of energy such as petroleum products, natural gas, or electricity.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

### 8. **Fiscal implications:**

To the extent that localities have not exercised their authority to exempt solar energy equipment facilities or devices and such facilities or devices are currently subject to local taxation, this bill would result in a decrease in local revenues, the magnitude of which is unknown. The Department of Mines, Minerals, and Energy does not anticipate the lost revenue associated with this bill to be significant. Currently, according to the Weldon Cooper Center for Public Service's Tax Rates 2013 the Cities of Alexandria, Charlottesville, Hampton, Harrisonburg, Lexington, Lynchburg, Roanoke, and Winchester; the Counties of Albemarle, Bedford, Chesterfield, Fairfax, Hanover, Isle of Wight, King & Queen, Loudoun, Prince William, Pulaski, Spotsylvania, and Wise, and the Town of

Pulaski provide an exemption for solar energy equipment. The remaining 31 cities, 83 counties, and 132 towns that responded to the Weldon Cooper Center's survey do not provide such an exemption.

**9. Specific agency or political subdivisions affected:**

All localities

**10. Technical amendment necessary: No.**

**11. Other comments:**

Property Tax Exemptions

Article X, § 6 of the *Constitution of Virginia* lists all property that may be exempted from taxation by general law. Article X, § 6 (d) provides that the General Assembly may define as a separate subject of taxation any property used primarily for the purpose of transferring or storing solar energy and by general law may allow the governing body of any locality to exempt such property from taxation, or by general law may directly exempt such property from taxation. Additionally, Article X, § 6 provides that exemptions of property from taxation shall be strictly construed.

Under current law, any locality may grant a local option exemption from local taxation for certified solar energy equipment facilities and devices. Certified solar energy equipment, facilities or devices are any property, including real or personal property, equipment, facilities, or devices, certified by the local certifying authority to be designed and used primarily for the purpose of providing for the collection and use of incident solar energy for water heating, space heating or cooling or other application which would otherwise require a conventional source of energy such as petroleum products, natural gas, or electricity. The local certifying authority is the local building department.

Proposal

This bill would provide an exemption from local taxation for solar energy equipment, facilities and devices owned or operated by a business that collect, generate, transfer, or store thermal or electric energy, whether or not such property has been certified to the Department of Taxation by a state certifying authority. The exemption for solar photovoltaic systems only would apply to projects equaling 20 megawatts or less, as measured in alternating current (AC) generation capacity.

The effective date of this bill is not specified.

Similar Legislation

**Senate Bill 418** is similar to this bill, except that the exemption would apply to all solar photovoltaic systems.

cc : Secretary of Finance

Date: 02/10/2014 AM  
DLAS File Name: HB1239FE161