

Commission on Local Government

Estimate of Local Fiscal Impact

2018 General Assembly Session

Bill: HB256

Patron: Guzman

Date: 1/19/2018

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

Bill Summary:

Provides an individual income tax credit and a mandatory property tax exemption for substantial-capacity solar equipment. The bill defines "substantial-capacity solar equipment" and requires a taxpayer to obtain certification from his local building department that such equipment is eligible for exemption. Current law provides an exemption for a broader category of solar energy equipment, facilities, or devices; however, such exemption is permissive for localities and may be partial or full.

The bill provides that a person may claim an income tax credit for his costs associated with substantial-capacity solar equipment if he includes his certification with his tax return. The amount of the credit is the least of \$10,000, 10 percent of the equipment's installed cost, or the person's tax liability. The bill provides that the Department of Taxation shall issue no more than \$500,000 in credits per taxable year, and it does not allow taxpayers to carry unused credit forward. The credit sunsets after taxable year 2022.

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### Executive Summary:

Localities have evaluated a negative fiscal impact ranging from \$0.00 - \$100,000.00, however it should be noted that most localities that responded indicated that this bill would have little to no fiscal impact. For localities that responded indicating a fiscal impact, two of them were able to quantify the impact, and others used an estimate because they were unable to provide specifics. The additional cost would be administrative in nature. Some localities noted that the provisions of the bill would be an unfunded mandate.

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### Local Analysis:

**Locality:** Augusta County

**Estimated Fiscal Impact:** \$1,680.00

By the definition in the bill, virtually all solar installations would meet the definition of substantial-capacity solar equipment, even the ones who will not generate enough power to pay for their system. Once the building inspection department communicates the decision to the Commissioner of Revenue office regarding the exemption, the solar equipment will be exempt from local property taxes as long as it is in use, not sun-setting after tax year 2022 like the state tax credit.

The estimated fiscal impact is related to the administrative cost of extra review and notification by building inspections office. The amount and size of future projects that would qualify for the exemption is unknown.

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Locality: Botetourt County

Estimated Fiscal Impact: \$0.00

Botetourt County

At this time, to my knowledge, there are no known users of "substantial-capacity" solar equipment in the County that are being taxed.

Locality: City of Alexandria

Estimated Fiscal Impact: \$0.00

While we want to promote renewable energy, this is expanding a current program that is rarely used and requires the building inspection departments to perform a task that is not building code enforcement related.

Locality: City of Covington

Estimated Fiscal Impact: \$0.00

I have discussed with the Commissioner of Revenue and we can see no impacts to the city. However, please note any change to MandT which has language in this as well can have a tremendous negative impact on us if changed in certain ways.

Locality: City of Harrisonburg

Estimated Fiscal Impact: \$0.00

Not able to determine fiscal impact of this legislation.

Locality: City of Martinsville

Estimated Fiscal Impact: \$100,000.00

This is a hard number to come up with, without knowing how many property owners are interested in solar. In our economically depressed locality, I find it hard to believe that more than 5 - 10% could even afford the initial expense, regardless of a tax exemption. However, once again the Commonwealth would be forcing another unfunded mandate down the throats of the local governments. This is not acceptable, especially for those localities, like ours, that can only rely on a diminished tax base to start with. Also, with a first-come, first-served approach to a limit of \$500,000 in credits, that would certainly cut someone out, after they've made the investment. How is that fair? I can only see that the more affluent localities' residents will benefit from this legislation, once again slapping poorer localities in the face with an unfunded mandate.

Locality: City of Roanoke

Estimated Fiscal Impact: \$4,480.00

Currently 9 parcels on real estate tax get total solar energy credit = \$3,045.22

If the \$249,608.00 value of equipment on those 9 parcels filed for the proposed income tax credit (10% of value = \$24,960.80 x 5.75%-va income tax rate - \$1,435.25

Possible total impact = \$4,480.47

Locality: City of Virginia Beach **Estimated Fiscal Impact:** \$0.00

Fiscal impact is unknown; however, the City of Virginia Beach opposes any "mandatory property tax exemption". Property tax is one of the largest revenue sources supporting General Fund operations. Any unfunded mandate that negatively impacts this revenue string is opposed.

Locality: City of Winchester **Estimated Fiscal Impact:** \$1,000.00

No real fiscal impact as the City does not have an abundance of solar in the City to the best of our staff members knowledge. The local cost would be more in the increased inspection and certification workload. That was my reason for the small \$1000.00 number.

Locality: Fairfax County **Estimated Fiscal Impact:** \$0.00

There has not been much significant impact from this type of equipment in the sale of these properties, so from a fiscal standpoint, the impact is insignificant.

Locality: Prince George County **Estimated Fiscal Impact:** \$0.00

Prince George County is currently not taxing any entities with substantial-capacity solar equipment according to our Commissioner of Revenue. The estimated fiscal impact of this proposed legislation for Prince George County is \$0.

Locality: Rockingham County **Estimated Fiscal Impact:** \$0.00

At this point the impact to Rockingham County would be minimal. However, if this bill is passed and more businesses try to take advantage of the credits, this could have a very large fiscal impact on the County.

Locality: Spotsylvania County **Estimated Fiscal Impact:** \$0.01

No financial impact.

Locality: Town of Christiansburg **Estimated Fiscal Impact:** \$531.69

We estimate 16 installations with the Town of Christiansburg at an average installation cost of \$20,769 with a Town real property tax rate of \$0.16 per \$100 in assessed value would be \$531.69 per year that the Town would lose to the mandatory credit.

Locality: Wise County

Estimated Fiscal Impact: \$4,999.00

This would would marginally affect Wise County but I would think the amount would be less than \$5K

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**Professional Organization Analysis:**

**Organization:** Accomack-Northampton Planning District  
Commission

Accomack County has seventeen residential solar systems. Sixteen of the residential systems have an assessed value and these total \$510,440. Details on capacity are limited but there were 6 solar systems that would meet the substantial-capacity solar equipment definition, if they were installed today of a total of 9 with information on the capacity. None of these systems would meet the credit of \$10,000 but all six would be limited by the 10% of the installed cost or the person’s tax liability. The 10% credit would amount to a combined total of \$11,800.

There are two systems in Accomack that would meet the \$10,000 credit, if they were built today, but were excluded due to the system being over 20 kW. One of these systems was 20.16 kW and could have been designed slightly smaller to obtain a tax credit.

The annual property tax reduction for Accomack County would be a total local impact of \$719.80 for the six systems. The year 2012 was the highest number of installations with five installations and the building department would be required to certify these systems and it is estimated that the building department would need \$500 in annual department costs from the general funds of the county.

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Organization: Commissioners of Revenue Association of VA

No position

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