

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** George L. Barker

2. **Bill Number** SB 762

House of Origin:

 Introduced

 Substitute

 Engrossed

3. **Committee** Passed House and Senate

4. **Title** Solar Energy Projects; Revenue Share
Assessment

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would allow localities to, by ordinance, assess a revenue share of up to \$1,400 per megawatt of generation capacity on a solar photovoltaic project. The bill would prohibit localities from assessing revenue shares upon certain customer-generators, small agricultural generators, solar projects that are 5 megawatts or less, or projects that are 20 megawatts or less for which an interconnection request form has been filed on or before December 31, 2018. Localities do not currently have the authority to assess revenue shares upon solar photovoltaic projects.

The bill would also mandate that if a locality adopts a revenue share ordinance, the certified pollution control exemption for that solar project will be 100 percent. For solar projects greater than 5 megawatts that are not eligible for the 100 percent exemption, an 80 percent exemption would be available so long as application is made before July 1, 2030. No revenue share would be permitted to be established for projects for which an application was filed prior to July 1, 2020 unless the owner and locality agree to waive a portion of the pollution control exemption that applies to the project and return the exemption to the locality or the owner and locality agree to enter into a new payment agreement. Currently, solar projects generating between 5 and 150 megawatts are eligible for an 80 percent exemption as certified pollution control equipment and facilities only if an interconnection request is made on or after January 1, 2019.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

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

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

8. Fiscal implications:

Localities that adopt revenue shares may experience a revenue impact from this bill but the extent and type of would depend on the revenue generated by the revenue share as compared to the revenue lost due to the 100 percent exemption from taxation for the project as a whole.

This bill would have no impact on state revenues or administrative costs.

9. Specific agency or political subdivisions affected:

Localities that choose to exercise the authority granted by this bill to assess revenue shares.

10. Technical amendment necessary: No.

11. Other comments:

Local Property Tax Exemptions for Solar Equipment

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 abating or preventing air or water pollution or 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.

Exemptions for Commercial Solar Equipment

Legislation during the 2014 General Assembly Session provided a mandatory local property tax exemption for solar photovoltaic systems equaling 20 megawatts or less owned or operated by a business.

Legislation during the 2016 General Assembly Session made several changes to the exemption effective January 1, 2017:

- The full exemption was limited to 1) projects equaling 20 megawatts or less for which an initial interconnection request form is filed on or before December 31, 2018; 2) projects equaling 20 megawatts or less that serve a public institute of higher education or a private college in the Commonwealth; and 3) projects equaling 5 megawatts or less for which an initial interconnection request form is filed on or after January 1, 2019.
- The exemption was expanded to provide an exemption for 80 percent of the assessed value for 1) projects greater than 20 megawatts first in service on or after January 1, 2017, for which an initial interconnection request form was filed after January 1, 2015; and 2) projects greater than 5 megawatts for which an initial interconnection request form is filed on or after January 1, 2019.

- A sunset date was provided for the exemption for projects greater than 20 megawatts so that it does not apply to projects on which construction begins after January 1, 2024.

Legislation during the 2018 General Assembly Session amended the exemption effective July 1, 2019 to include exemption for:

- 80 percent of the assessed value of projects for which an initial interconnection request form has been filed after January 1, 2015 for projects between 20 and 150 megawatts that are first in service on or after January 1, 2017; and
- 80 percent of the assessed value of all other projects equaling more than 5 megawatts and less than 150 megawatts for which an initial interconnection request form has been filed on or after January 1, 2019.

Proposal

This bill would allow localities to, by ordinance, assess a revenue share of up to \$1,400 per megawatt of generation capacity on a solar photovoltaic project and require the owner of the project to provide the locality with data reflecting the annual megawatt hours generated by the project by March 30 of each calendar year. The bill would prohibit localities from assessing revenue shares upon certain customer-generators, small agricultural generators, solar projects that are 5 megawatts or less, or projects that are 20 megawatts or less for which an interconnection request form has been filed on or before December 31, 2018.

The bill would also mandate that if a locality adopts a revenue share ordinance, the certified pollution control exemption for that solar project will be 100 percent. For solar projects greater than 5 megawatts that are not eligible for the 100 percent exemption, an 80 percent exemption would be available so long as application is made before July 1, 2030. No revenue share would be permitted to be established for projects for which an application was filed prior to July 1, 2020 unless the owner and locality agree to waive a portion of the pollution control exemption that applies to the project and return the exemption to the locality or the owner and locality agree to enter into a new payment agreement.

If enacted during the 2020 Regular Session of the General Assembly, this bill would become effective July 1, 2020.

Similar Legislation

House Bill 1131 is identical to this bill.

Senate Bill 763 would provide that the certified pollution control property tax exemption for solar projects generating greater than five megawatts shall be available only to projects for which an application has been filed with the locality before July 1, 2030. The bill would also provide that, for solar projects greater than five megawatts, the value of the exemption shall be reduced by multiplying it by 80 percent for the first five years, 70

percent for the next five years, and 60 percent from ten years until the project ceases to operate.

cc : Secretary of Finance

Date: 3/6/2020 VB
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