

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** George L. Barker

2. **Bill Number** SB 763

3. **Committee** Senate Finance and Appropriations

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Real Property Tax Exemption for Certified
Pollution Control Equipment and Facilities

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

This bill would provide that the certified pollution control property tax exemption for solar projects generating greater than five megawatts shall not be available to projects that begin construction after January 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.

Currently, the exemption for solar photovoltaic projects greater than 20 megawatts shall not apply to projects upon which construction begins after January 1, 2024.

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:**

This bill would have an unknown negative impact on local revenues to the extent that it would extend the sunset date before which construction of solar projects must begin in order to qualify for the real property tax exemption. This bill would also have an unknown positive impact on local revenues to the extent that it would reduce the exemption's revenue impact by broadening the number of projects to which the sunset date would apply and by reducing the amount of the exemption over time. The impact on local administrative costs is unknown. The impact on local administrative costs is unknown.

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

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

All localities

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 provide that the tax exemption for solar projects generating greater than five megawatts would not be available to projects that begin construction after January 1, 2030. The bill would also provide that, for solar projects greater than five megawatts, the value of the exemption would 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.

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

Similar Legislation

House Bill 1131 and **Senate Bill 762** would allow localities to, by ordinance, assess a revenue share of up to \$0.55 per megawatt hour 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. If the locality establishes a revenue share, the certified pollution control exemption would be increased to 100 percent for certain solar projects.

Senate Bill 800 would shorten the eligibility period for the real property tax exemption for solar projects greater than 20 megawatts by three years, changing the date by which construction must begin from January 1, 2024 to January 1, 2021.

cc : Secretary of Finance

Date: 1/15/2020 VB
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