

# DEPARTMENT OF TAXATION

## 2020 Fiscal Impact Statement

1. **Patron** Lynwood W. Lewis, Jr.
3. **Committee** Senate Finance and Appropriations
4. **Title** Real Property Tax Exemption for Certified  
Pollution Control Equipment and Facilities

2. **Bill Number** SB 800  
**House of Origin:**  
  X   **Introduced**  
      **Substitute**  
      **Engrossed**
- Second House:**  
      **In Committee**  
      **Substitute**  
      **Enrolled**

**5. Summary/Purpose:**

This bill 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.

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 a positive impact on local revenues as it would sunset the time period in which construction could begin and still qualify for the real property tax exemption. 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:**

Localities with planned solar photovoltaic projects generating greater than 20 megawatts and localities soliciting such projects.

**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 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.

Currently, the exemption for solar photovoltaic projects greater than 20 megawatts does 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.

## 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 763** would provide that the tax exemption for solar projects greater than five megawatts shall not be available to projects that begin construction after January 1, 2030. The bill would also reduce the value of the exemption on a graduated basis over ten years for such projects.

cc : Secretary of Finance

Date: 1/14/2020 VB  
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