

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** R. Creigh Deeds

3. **Committee** Senate Finance

4. **Title** Real and Personal Property Taxes; Solar
Energy Equipment

2. **Bill Number** SB 1286

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. **Summary/Purpose:**

The Department understands that the patron plans to introduce a substitute bill. This impact statement addresses the substitute bill.

This bill would provide an exemption from state and local property taxation for all certified solar energy equipment, facilities and devices. The assessing officer would determine the value of qualifying solar energy equipment, facilities, or devices by applying the local tax rate to the value of such equipment and subtracting the amount either i) from the total real property tax rate due on the real property to which such equipment is attached, or ii) if such equipment is taxable as machinery and tools, from the total machinery and tools tax due on such equipment, at the election of the taxpayer. The exemption would be effective beginning in the next succeeding tax year and permitted for a term of not less than 5 years. The bill would also clarify that the Department of Environmental Quality is the agency certifying recycling equipment, facilities, or devices.

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.

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:**

As tangible personal property is not subject to real or personal property taxation by the state, this bill would have no impact on state revenues. 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 2011 the Cities of Alexandria, Charlottesville, Hampton, Harrisonburg, Lynchburg, Roanoke, and Winchester; the Counties of Albemarle, Chesterfield, Hanover, Henrico, Isle of Wight, King & Queen, Loudoun, Prince William, Pulaski, Spotsylvania, and Wise provide an exemption for solar energy equipment. The remaining 32 cities, 84 counties, and 149 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 departments.

Proposal

This bill would provide an exemption from state and local property taxation for all certified solar energy equipment, facilities and devices. The assessing officer would determine the value of qualifying solar energy equipment, facilities, or devices by applying the local tax rate to the value of such equipment and subtracting the amount either i) from the total real property tax rate due on the real property to which such equipment is attached, or ii) if such equipment is taxable as machinery and tools, from the total machinery and tools tax due on such equipment, at the election of the taxpayer. The exemption would be effective beginning in the next succeeding tax year and permitted for a term of not less than 5 years. The bill would also clarify that the Department of Environmental Quality is the agency certifying recycling equipment, facilities, or devices.

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cc : Secretary of Finance

Date: 1/21/2013 AM

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