

# DEPARTMENT OF TAXATION

## 2018 Fiscal Impact Statement

1. **Patron** L. Louise Lucas

3. **Committee** Senate Finance

4. **Title** Property Tax Exemptions for Solar Energy  
Equipment and Facilities

2. **Bill Number** SB 902

**House of Origin:**

  X   **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. **Summary/Purpose:**

This bill would make several changes to the property tax exemption for solar equipment and facilities including removing the exemptions for 1) projects equaling 20 megawatts or less for which an initial interconnection request form has been filed on or before December 31, 2018, and 2) 80 percent of the assessed value of projects for which an initial interconnection request form has been filed after January 1, 2015, and greater than 20 megawatts, for projects first in service on or after January 1, 2017. This bill would also remove the requirement that an interconnection request be filed for projects equaling 100 megawatts or less in order to qualify for an exemption on 80 percent of the project's value. The bill would also require that solar energy equipment, facilities, or devices owned by a business on contiguous sites be considered one project.

Under current law, the property tax exemption for solar energy equipment, facilities and devices applies to (i) projects equaling 20 megawatts or less, for which an initial interconnection request form has been filed with an electric utility or a regional transmission organization on or before December 31, 2018, (ii) projects equaling 20 megawatts or less, that serve certain institutions of higher education, (iii) 80 percent of the assessed value of projects for which an initial interconnection request form has been filed after January 1, 2015, and greater than 20 megawatts, for projects first in service on or after January 1, 2017, (iv) projects equaling 5 megawatts or less, for which an initial interconnection request form has been filed on or after January 1, 2019, and (v) 80 percent of the assessed value of all other projects equaling more than 5 megawatts, for which an initial interconnection request form has been filed on or after January 1, 2019.

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:**

### Administrative Costs

This bill could have an unknown impact on administrative costs to localities that encompass solar facilities.

### Revenue Impact

This bill could have an unknown positive impact on local revenues. This bill would have no impact on state revenues.

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

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.

### Proposal

This bill would make several changes to the property tax exemption for solar equipment and facilities including removing the exemptions for 1) projects equaling 20 megawatts or less for which an initial interconnection request form has been filed on or before December 31, 2018, and 2) 80 percent of the assessed value of projects for which an initial interconnection request form has been filed after January 1, 2015, and greater than 20 megawatts, for projects first in service on or after January 1, 2017. This bill would also remove the requirement that an interconnection request be filed for projects equaling 100 megawatts or less in order to qualify for an exemption on 80 percent of the project's value. The bill would also require that solar energy equipment, facilities, or devices owned by a business on contiguous sites be considered one project.

The effective date of this bill is not specified.

### Similar Legislation

**House Bill 256** would provide an individual income tax credit and a mandatory local property tax exemption for substantial-capacity solar equipment.

cc : Secretary of Finance

Date: 1/21/2018 VB  
SB902F161