DEPARTMENT OF TAXATION
2020 Fiscal Impact Statement

1. Patron Jerrauld C. Jones

2. Bill Number HB 1434

House of Origin:
X **Introduced**
_____ **Substitute**
_____ **Engrossed**

3. Committee House Finance

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

Second House:
_____ **In Committee**
_____ **Substitute**
_____ **Enrolled**

5. Summary/Purpose:

This bill would change the 80 percent local property tax exemption currently available for certain solar energy projects. Under the terms of the bill, the exemption would decline on a schedule beginning with an 80 percent exemption for the first five years, 70 percent for the second five years, and 60 percent for all remaining years in service.

If enacted during the Regular Session of the 2020 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:

Administrative Costs

This bill could have an unknown impact on administrative costs to localities where solar facilities are located. It would have no impact on state administrative costs.

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:

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.

Proposal

This bill would change the local property tax exemption for certain solar energy projects that currently qualify for an 80 percent exemption for the life of the project. Under the terms of the bill, the exemption would decline on a schedule beginning with an 80 percent exemption for the first five years, 70 percent for the second five years, and 60 percent for all remaining years in service.

The change applies to solar energy projects 1) first in service on or after January 1, 2017 that are either a) greater than 20 megawatts for which an initial interconnection request form has been filed between January 1, 2015 and June 30, 2018 or b) projects equaling more than five megawatts and less than 150 megawatts for which an initial

interconnection request form has been filed on or after July 1, 2018 or 2) greater than 5 megawatts and less than 150 megawatts for which an initial interconnection request form has been filed on or after January 1, 2019.

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

Similar Legislation

Senate Bill 762 and **House Bill 1131** would allow localities to, by ordinance, assess a revenue share of up to $0.55 per megawatt hour on a solar photovoltaic project.

Senate Bill 763 would reduce the value of the exemption on a graduated basis over ten years for such projects.

Senate Bill 800 would amend the end of the eligibility period for the real property tax exemption for solar projects greater than 20 megawatts from 2024 to 2021.

cc: Secretary of Finance

Date: 1/24/2020 SK
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