

DEPARTMENT OF TAXATION

2020 Fiscal Impact Statement

1. **Patron** Jill Holtzman Vogel

2. **Bill Number** SB 1039

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Real Property Exemptions; Classification of
Solar Energy and Recycling Equipment

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would provide that the real property tax exemption for certified solar energy and recycling equipment would be retroactive to the date of installation if the taxpayer obtains certification by the local building department or the Department of Environmental Quality within one year of installation.

Under current law, the exemption is effective in the next tax year after the taxpayer obtains certification.

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 would have no impact on state administrative costs. It could result in unknown administrative costs to localities.

Revenue Impact

This bill would have no impact on state revenues. It could have an unknown negative revenue impact to localities.

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

Localities

10. **Technical amendment necessary:** No

11. Other comments:

Local Property Tax Exemptions for Pollution Control 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.

Va. Code provides that certified solar energy equipment, facilities, or devices and certified recycling equipment, facilities, or devices, are a separate class of property and constitute a classification for local taxation separate from other classifications of real or personal property. The governing body of any county, city or town may, by ordinance, exempt or partially exempt such property from local taxation.

The equipment is certified as solar energy equipment or recycling equipment by the local building department or the Department of Environmental Quality. Once certified, the exemption is effective beginning in the next succeeding tax year, and is permitted for a term of not less than five years.

Proposal

This bill would provide that the real property tax exemption for certified solar energy and recycling equipment would be retroactive to the date of installation if the taxpayer obtains certification by the local building department or the Department of Environmental Quality within one year of installation.

This bill would become effective July 1, 2020.

Similar Legislation

House Bill 1173 and **Senate Bill 685** would allow localities to request prospective certification as certified pollution control equipment for equipment, facilities, devices, or other property to be used in conjunction with the locality's water, stormwater, wastewater, or solid waste management facilities or equipment.

cc: Secretary of Finance

Date: 3/16/2020 SK
SB1039FER161