

DEPARTMENT OF TAXATION

2021 Fiscal Impact Statement

1. **Patron** Stephen E. Heretick
3. **Committee** House Committee on Labor and Commerce
4. **Title** Revenue share for solar energy projects

2. **Bill Number** HB 2269
House of Origin:
 X **Introduced**
 Substitute
 Engrossed
- Second House:**
 In Committee
 Substitute
 Enrolled

5. Summary/Purpose:

This bill would provide that the maximum amount of the revenue share that may be imposed by a locality on certain solar photovoltaic energy projects shall be adjusted every five years by the percentage by which the Consumer Price Index for all Urban Consumers (CPI-U) exceeds the CPI-U on December 31, 2020. The bill would give the locality the discretion to substitute the Marshall and Swift Building Cost Index instead of the CPI-U.

Currently, localities may impose revenue shares at a rate of up to \$1,400 on certain solar energy projects. There is currently no indexing or adjustment of the maximum revenue share rate.

If enacted during the Regular Session of the 2021 General Assembly, this bill would become effective July 1, 2021.

6. **Budget amendment necessary:** No.
7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)
8. **Fiscal implications:**

Administrative Costs

This bill would have an unknown impact on local administrative costs. This bill would have no impact on state administrative costs.

Revenue Impact

This bill would have an unknown but positive impact to the revenues of localities that impose revenue shares. This bill would have no impact on state revenues.

9. Specific agency or political subdivisions affected:

Localities that impose revenue shares

10. Technical amendment necessary: No.

11. Other comments:

Commercial Solar Equipment and Local Revenue Shares

Localities may, by ordinance, assess a revenue share of up to \$1,400 per megawatt of generation capacity on a solar photovoltaic projects and require the owner of the project to provide the locality with data reflecting the annual megawatt hours generated by the project by March 30 of each calendar year. Localities are prohibited from assessing revenue shares upon certain customer-generators, small agricultural generators, solar projects that are 5 megawatts or less, or projects that are 20 megawatts or less for which an interconnection request form has been filed on or before December 31, 2018.

If a locality adopts a revenue share ordinance, the certified pollution control exemption for that solar project is 100 percent. For solar projects greater than 5 megawatts that are not eligible for the 100 percent exemption, an 80 percent exemption is available so long as application is made before July 1, 2030. No revenue share is permitted to be established for projects for which an application was filed prior to July 1, 2020 unless the owner and locality agree to waive a portion of the pollution control exemption that applies to the project and return the exemption to the locality or the owner and locality agree to enter into a new payment agreement.

Proposal

This bill would provide that the maximum amount of the revenue share that may be imposed by a locality on certain solar photovoltaic energy products shall be adjusted every five years by the percentage by which the Consumer Price Index for all Urban Consumers (CPI-U) exceeds the CPI-U on December 31, 2020. The bill would give the locality the discretion to substitute the Marshall and Swift Building Cost Index instead of the CPI-U.

Currently, localities may impose revenue shares at a rate of up to \$1,400 on certain solar energy projects. There is currently no indexing or adjustment of the maximum revenue share rate.

If enacted during the Regular Session of the 2021 General Assembly, this bill would become effective July 1, 2021.

Similar Legislation

House Bill 2006 would provide that energy storage systems and the components purchased for use in such systems are exempt from the retail sales and use tax. The bill would authorize localities to adopt revenue share ordinances on such projects of up to \$1,400 per megawatt. The bill would also provide that energy storage systems are a separate class of property and shall constitute classification for local taxation separate from other such classifications of real or personal property and projects greater than 5 but less than 150 megawatts are exempt from state and local taxation.

Senate Bill 1201 would amend the definition of electric supplier to include certain battery storage facilities with a storage capacity greater than 25 megawatts and would subject such facilities to central assessment by the State Corporation Commission.

cc : Secretary of Finance

Date: 1/15/2021 VB
HB2269F161