

# Commission on Local Government

## Estimate of Local Fiscal Impact

2022 General Assembly Session

**Bill:** HB 1185

**Special Session:**

**Patron:** Bourne

**Date:** 1/31/2022

In accordance with the provisions of §30-19.03 of the Code of Virginia, the staff of the Commission on Local Government offers the following analysis of the above-referenced legislation:

### Bill Summary:

Local tax; solar facility exemption.

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### Executive Summary:

Localities have evaluated a negative fiscal impact ranging from \$0 - \$0.1 million.

Most of the responding localities reported a fiscal impact of \$0, as they already exempt solar facilities, or have few/no solar facilities in their locality.

For the localities which did report a negative fiscal impact, the cost stems from losses in real property tax revenue due to exempting solar facilities from taxation. Several localities reported this fiscal impact would increase over time, as the popularity of solar energy increased. One locality noted difficulties in separately assessing solar facilities from the parcel of real property. Those sources of negative fiscal impact are not included in these estimates.

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### Local Analysis:

**Locality:** Augusta County

**Estimated Fiscal Impact:** \$0.00

There is no way to determine an amount of loss of revenue for not taxing solar installations that offset a properties electric from the grid. Such installations are part of the value of the property and properties are assessed at fair market value in the reassessment cycle. Installations are noted on the property card during a review of a property, but there is no way to assess a value of the installation as a separate part of the parcel.

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**Locality:** Chesterfield County

**Estimated Fiscal Impact:** \$0.00

This legislation should have a minor fiscal impact on Chesterfield County, where residential solar use is already exempted from real estate and tangible personal property taxation.

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**Locality:** City of Alexandria..

**Estimated Fiscal Impact:** \$0.00

As written, the proposed tax exemption seems to apply to the solar panel equipment itself with no impact on existing real or personal property taxes. If there were a fiscal impact, it would be the loss of future tax dollars to support City services. That being said, the City of Alexandria currently offers a Solar Energy Equipment Tax Exemption for qualifying property owners.

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**Locality:** City of Danville

**Estimated Fiscal Impact:** \$0.00

Commissioner of Revenue estimates little to no impact.

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**Locality:** City of Manassas

**Estimated Fiscal Impact:** \$0.00

The City of Manassas expects no fiscal impact if this legislation is passed.

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**Locality:** City of Roanoke

**Estimated Fiscal Impact:** \$0.00

Roanoke City already has legislation that provides for the tax exemption of solar equipment attached to Real Property. We currently have six residents who have taken advantage of this.

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**Locality:** City of Virginia Beach

**Estimated Fiscal Impact:** \$0.00

No impact; no privately owned solar fields in the City.

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**Locality:** City of Winchester

**Estimated Fiscal Impact:** \$25,000.00

This amount is an estimate of current solar equipment.

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**Locality:** County of Albemarle

**Estimated Fiscal Impact:** \$0.00

Albemarle County currently does not assess solar panels on residential property. Under Albemarle County's current code, certified solar energy equipment facilities are a separate class of property and exempt from taxation.

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**Locality:** County of Bland

**Estimated Fiscal Impact:** \$0.00

Bland County currently does not have any solar facilities. Thus, the financial impact is undetermined. Should a solar facility seek to develop in Bland County, this legislation would be detrimental to any benefits of such a development in the County.

**Locality:** County of Mecklenburg

**Estimated Fiscal Impact:** \$0.00

Due to the existing provisions of 58.1-3660.C.(i) and (iv) of the Code of Virginia, which provide exemptions for solar facilities that are in greater megawatts than most rooftop solar facilities, the County does not tax rooftop solar. Therefore, adding a stand alone reference for rooftop solar in 58.1-3661 will not change present practices, nor impact revenue.

**Locality:** Montgomery County

**Estimated Fiscal Impact:** \$20,000.00

Currently our tax revenue for solar panels/equipment is approximately \$20,000 but we are beginning our reassessment process and believe that the amount would increase significantly based on new additions since the last reassessment. We also several large parcels that have recently been zoned to allow solar farms but no construction has started yet but is expected to within a couple of years. Therefore, the true impact of this bill would be the loss of future revenue on planned solar farms and on residential homes.

**Locality:** Norfolk

**Estimated Fiscal Impact:** \$0.00

Fiscal Impact is unknown

**Locality:** Rappahannock County

**Estimated Fiscal Impact:** \$1.00

This bill would have limited impact in Rappahannock County because current land use law is very strict as it relates to solar farms, but in other localities, it might have a chilling effect on a locality's likelihood to permit solar facilities.

**Locality:** Town of Blacksburg

**Estimated Fiscal Impact:** \$0.00

The Town does not have personal property tax. At this time, we do not have solar facilities that are classified as real estate.

**Locality:** Town of Christiansburg

**Estimated Fiscal Impact:** \$3,200.00

The Town estimates approximately \$1,750,000 value of solar installations within our corporate limits. I would estimate our annual real property tax rate of \$0.16 would yield approximately \$3,200 going forward based on the fact that there will be future installations, which I am estimating would reach \$2,000,000 in value in a relatively short time. There would be an additional impact on Montgomery County in terms of real property tax collection.

**Locality:** Town of Leesburg

**Estimated Fiscal Impact:** \$50,000.00

Very rough estimate since exact property values are not available to the Town since Loudoun Count bills and collects PPT for the Town.

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**Locality:** Town of Luray

**Estimated Fiscal Impact:** \$100,000.00

Exemption for small scale residential could be considered.

Large scale commercial installation remove any further commercial development of lots removing any further revenue and job development for these sites.

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**Locality:** Town of Marion.

**Estimated Fiscal Impact:** \$0.00

None currently

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**Locality:** Town of Scottsville

**Estimated Fiscal Impact:** \$5,000.00

This is a difficult and uncertain analysis, both for the initial condition and the future impacts.

The Town does not maintain assessment records, which live with the County Assessor. So I don't know the taxable value or solar equipment currently in town, whether classified as separate machinery or as an improvement to a structure. If such solar facilities were exempted from tax, I do not know how the tax base would change. It would definitely be reduced, as even the small town of Scottsville has a few rooftop solar facilities.

The long term impact is uncertain, but real. The solar sector is projected to grow. This is potentially a major asset class, improving the value of many properties. Excluding it all from taxation would be a significant green-energy incentive, but an equally significant impact on local tax bases. I do not have available data to calculate this.

To give a very rough estimate: suppose 100 homes in town had a current taxable value of \$250,000. Then they all invested in solar facilities worth \$25,000 and their taxable value were increased accordingly. The Town's tax base and tax revenue would increase 10 percent. Exempting this tax base would cut the revenue in the same way. If the Town had a local real estate tax rate of 20 cents, the annual revenue loss would be \$5,000.

The \$5,000 impact shown above is from this very rough estimate.

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**Professional and Other Organization**

**Analysis:**

**Organization:** PDC

Local personnel will be required to develop new internal systems for classification of qualified solar equipment; likely requiring a reprogram of their database in addition to lost revenue on the exempted items.

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