

# DEPARTMENT OF TAXATION

## 2022 Fiscal Impact Statement

1. **Patron** James A. "Jay" Leftwich

3. **Committee** Senate Finance and Appropriations

4. **Title** Local Taxation for Solar Photovoltaic  
Projects Less Than Five Megawatts

2. **Bill Number** HB 1087

**House of Origin:**

           **Introduced**

           **Substitute**

           **Engrossed**

**Second House:**

  X   **In Committee**

           **Substitute**

           **Enrolled**

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

This bill would expand the current local property tax exemption for pollution control equipment and facilities applicable to solar photovoltaic projects with a generating capacity of five megawatts or less that have filed an initial interconnection request form with an electric utility or a regional transmission organization on or after January 1, 2019 to all solar photovoltaic projects with a generating capacity of five megawatts or less. Additionally, if a locality assesses a revenue share on solar photovoltaic projects five megawatts or less, the exemption for such projects would be 100 percent of the assessed value. The bill also provides that nothing in its provisions may be construed to authorize local taxation of the generating or storage equipment of such projects that serve the electricity needs of the property upon which the equipment is located. The provisions of this bill would not apply to any solar photovoltaic projects five megawatts or less that were approved by a locality prior to July 1, 2022.

Under current law, solar photovoltaic systems with a generating capacity of five megawatts or less may qualify for the exemption for pollution control equipment and facilities if an initial interconnection request form has been filed with an electric utility or a regional transmission organization on or after January 1, 2019. Additionally, such projects are currently exempted from being assessed the local revenue share of up to \$1,400 per megawatt on any solar photovoltaic project.

If enacted during the regular session of the 2022 General Assembly this bill would become effective July 1, 2022.

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. It would have no impact on state administrative costs.

### Revenue Impact

This bill would have an unknown impact to local revenues. It 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.

### Public Service Corporations

In the Commonwealth, public service corporations include electric power and distribution companies, gas and product pipeline transmission companies, public service water companies, telephone and telegraph companies, and railroads. Currently, the State Corporation Commission and the Department of Taxation are tasked with assessing the properties owned by public service corporations. Under current law, all local taxes on the real estate and tangible personal property of public service corporations must be at the real estate rate applicable in the respective locality.

### Certified Pollution Control Equipment and Facilities

Certified pollution control equipment and facilities are exempt from state and local taxation. For solar photovoltaic systems, this exemption applies only to projects equaling five megawatts or less that are owned by a business and have filed an initial interconnection request form with an electric utility or a regional transmission organization on or after January 1, 2019.

## Local Revenue Sharing

Any locality may by ordinance assess a revenue share of up to \$1,400 per megawatt on any solar photovoltaic project. With certain exceptions, the maximum amount of the revenue share that may be imposed shall be increased on July 1, 2026, and every five years thereafter by 10 percent. Currently, no revenue share is permitted to be established for projects of five megawatts or less.

## Proposal

This bill would expand the current local property tax exemption for pollution control equipment and facilities applicable to solar photovoltaic projects with a generating capacity of five megawatts or less to all such projects regardless of whether that have filed an initial interconnection request form with an electric utility or a regional transmission organization on or after January 1, 2019.

This bill would provide that the pollution control exemption available for the generating equipment of solar photovoltaic projects five megawatts or less will be as follows: 80 percent of the assessed value in the first five years in service after commencement of commercial operation, 70 percent of the assessed value in the second five years in service, and 60 percent of the assessed value for all remaining years in service.

In addition, if a locality assesses a revenue share on solar photovoltaic projects five megawatts or less, the exemption for such projects would be 100 percent of the assessed value.

The bill also provides that nothing in its provisions may be construed to authorize local taxation of the generating or storage equipment of such projects that serve the electricity needs of the property upon which the equipment is located. The provisions of this bill would not apply to any solar photovoltaic projects five megawatts or less that were approved by a locality prior to July 1, 2022.

If enacted during the regular session of the 2022 General Assembly this bill would become effective July 1, 2022.

## Similar Legislation

**Senate Bill 502** is identical to this bill except that it excludes the provision that if a locality assesses a revenue share on solar photovoltaic projects five megawatts or less, the exemption for such projects would be 100 percent of the assessed value.

cc : Secretary of Finance

Date: 2/15/2022 SK  
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