

DEPARTMENT OF TAXATION

2022 Fiscal Impact Statement

1. **Patron** T. Monty Mason

2. **Bill Number** SB 686

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Local Property Taxes; Certified Solar Energy
Equipment, Facilities, or Devices

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would create a separate class of property for local taxation for any solar facility with a nameplate rated electrical generating capacity measured in direct current kilowatts of not more than 25 kilowatts installed on the roof of a residential, commercial, industrial, institutional, or mixed-use building or buildings to serve the electricity or thermal needs of such building or property, provided the installation follows all applicable local zoning rules. Such facilities would be exempt from local property taxation.

Under current law, certified solar energy equipment, facilities, or devices and certified recycling equipment and facilities are declared to be a separate class of property for local taxation. The governing body of any county, city or town may, by ordinance, exempt or partially exempt such property from local taxation

If enacted during the regular session of the 2022 General Assembly, this bill would become effective January 1, 2023.

6. **Budget amendment necessary:** No

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. **Fiscal implications:**

Administrative Costs

This bill could result in unknown administrative costs to localities based on the new classification.

This bill would have no impact on state administrative costs.

Revenue Impact

This bill could have an unknown negative impact on local revenue based on the new property tax exemption.

As the property that would be exempted from local property taxes by this bill would not qualify for the current sales tax exemption for certified pollution control equipment and facilities, this bill would have no impact on state revenue.

9. Specific agency or political subdivisions affected: All localities

10. Technical amendment necessary: No

11. Other comments:

Local Property Tax Exemptions for Pollution Control and Solar Energy 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.

Under current law, several categories of pollution control equipment and facilities qualify for exemption from local property taxation if they have been certified as such by the appropriate state certifying agency. Included in the eligible categories of such pollution control equipment and facilities are certain solar photovoltaic systems owned or operated by a business. The certifying agency for solar photovoltaic systems is the Virginia Department of Energy. Solar photovoltaic systems, however, may qualify for exemption from local property taxation regardless whether they have been certified by a state certifying agency.

Additionally, the *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.

Sales Tax Exemption for Pollution Control and Solar Energy Equipment

Certified pollution control equipment and facilities that have been certified to the Department of Taxation as such by a state certifying authority are exempt from the Retail Sales and Use Tax. Solar energy equipment and recycling equipment certified by the Department of Environmental Quality or the local building department do not qualify for the sales and use tax exemption.

Proposal

This bill would create a separate class of property for local taxation for any solar facility with a nameplate rated electrical generating capacity measured in direct current kilowatts of not more than 25 kilowatts installed on the roof of a residential, commercial, industrial, institutional, or mixed-use building or buildings to serve the electricity or thermal needs of such building or property, provided the installation follows all applicable local zoning rules. Such facilities would be exempt from local property taxation.

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cc : Secretary of Finance

Date: 3/8/2022 SK
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