



# Virginia Solar Energy Equipment and Facilities Property Tax Exemption Tool

## Summary of Need

To keep up with Virginia’s ambitious clean energy goals as mandated by 2020’s Virginia Clean Economy Act and related policy actions, rapid adoption of distributed solar energy technology must continue. Tax incentives, such as that permitted by Code of Virginia § [58.1-3661](#), can help accelerate solar development; the code enables localities to adopt by ordinance a full or partial property tax exemption that applies to “any property, including real or personal property, equipment, facilities, or devices, excluding any portion of such property that is exempt under § [58.1-3660](#), certified by the local certifying authority to be designed and used primarily for the purpose of collecting, generating, transferring, or storing thermal or electric energy.” This means it provides localities an option to incentivize small, residential and commercial rooftop scale and distributed generation installations.

Many Virginia localities have adopted an ordinance per §58.1-3661, but until now there existed no central resource to catalogue them. Policies vary among localities: some have adopted by ordinance full or partial exemptions, while others have policies that only apply to residential installations. A public, online interactive tool will help users navigate through the various tax exemption methodologies, as well as compare how localities have implemented solar equipment tax exemption policies as an incentive.

## Methodology

The Weldon Cooper Center for Public Service administers an annual Virginia Tax Rates Survey to every locality across Virginia. The latest year for which there is published data is 2019. That survey asked localities if they have a property tax exemption for certified solar energy equipment facilities or devices per §58.1-3661:

### V. MISCELLANEOUS PROPERTY TAX EXEMPTIONS (REAL AND PERSONAL)

Does your locality have property tax exemptions for the following property classes, as permitted by the *Code of Virginia* in Sections 58.1-3660 through 58.1-3666?

#### Real and Tangible Personal Property Class

1. Certified recycling equipment and facilities (Section 58.1-3661)
2. Certified solar energy equipment facilities or devices (Section 58.1-3661)

Note that the survey asks *if* a locality has an exemption for solar energy equipment per §58.1-3661, yes or no; however, it does not ask *what* the exemption entails or whether it has been adopted by ordinance. Therefore, for the purposes of developing this Local Tax Exemption Tool, we gathered ordinance information from every locality that answered “yes” to question V.2, using the 2019 survey results as a guide (attached “Table 6.2”). This process included sourcing each locality’s code of ordinances and locating the sections pertaining to solar exemptions. Additionally, we searched locality websites for solar or tax exemption web pages, as well as for supporting materials like exemption application forms, agenda minutes, or resolutions. When ordinances or details could not be found through these methods, we called local offices to clarify their policy. All links to ordinances and materials were recorded via spreadsheet to be inputted into the tool.

## Description of the Tool

The online tool is organized by locality, with columns that provide the type of exemption adopted (full, partial, none), a summary of the policy, and hyperlinks to the ordinance, websites, and other relevant materials. Users can search for localities by name, use the “Select Localities” function to select multiple localities for side-by-side comparison, and sort the entire list by locality name (alphabetical) or by exemption type by clicking the top of these columns. Coming soon, the last column will include links to documents and (where available) locality annual reports that give insight to program participation and total value of exemptions granted.

## Trends

More than half of the nineteen localities with an adopted exemption policy offer a full exemption for five years. Four localities offer a partial exemption, and two localities offer an exemption only for residential installations.

Note: We discovered that several localities answered “yes” to the Cooper Center 2019 Virginia Tax Rates Survey V.2, even though they do not have an adopted ordinance. Through interviews with their Commissioner of Revenue or Assessor, we learned that in answering “yes” they were referring to the exemption mandated by Code of Virginia §58.1-3660, which mandates a certain property tax exemption. In those cases, our tool classifies the type of exemption as “none.” It is possible that these localities in Virginia are not counting solar equipment in residential property assessments, but **at this time this tool only captures those localities that have adopted by ordinance an exemption per §58.1-3661.**

## Next Steps and Outlook

Some ordinances require a list summarizing the exemptions and their value be furnished annually to the local Treasurer; Phase II of this project will be to gather the information available and incorporate it into the tool. Assessing the financial impact will be helpful for localities that have not yet adopted policies to examine the value of adopting such an exemption.

A future phase of this project could include an inventory of the solar equipment assessment policies for all localities that answered “no” to V.2 of the Tax Rates Survey.

Over time, the tool will need to be maintained and kept up to date; for this we will refer to the Cooper Center Annual Tax Rates Survey as a new version is rolled out each year, as well as accept updates and alerts from localities themselves.

Moving forward, this inventory of information can be used to evaluate effectiveness of the various configurations of local tax incentives, as enabled by §58.1-3661, as well as to begin exploring how the policy may be leveraged to encourage greater adoption of solar and facilitate greater equity and access to solar by those including low to moderate income residents. The power to clearly compare policies and see where they are adopted provides a reference point and starting place for those looking to explore policy options in their own locality, in Virginia and beyond. Our tool can lay the groundwork for future policy analysis related to local solar tax exemptions and incentives, constituting a crucial component of the evolving clean energy transition.

[https://coopercenter.github.io/ETI\\_Solar\\_Exemptions/](https://coopercenter.github.io/ETI_Solar_Exemptions/)

Questions or comments, please contact Elizabeth Marshall, Senior Project Coordinator for Virginia Solar Initiative: [emm2t@virginia.edu](mailto:emm2t@virginia.edu)