

Utility-Scale Solar

Northern Shenandoah Valley Regional Commission

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Factors Leading to Current Growth of Utility-Scale Solar in Virginia

- Cost of utility-scale solar has dropped 66% since 2010 and is projected to decline by 3.6% per year in the next 10 years;
- Approximately 48% of Fortune 500 companies have sustainability and renewable energy commitments; and
- 2018 General Assembly set goal for investor-owned utilities (IOUs) to construct (or purchase) up to 5,000 MW of solar capacity by 2028.



State-mandated Exemption for Machine & Tool Tax (M&T)

100% exemptions for:

- 20MW or less (interconnection request filed on or before 12-31-2018);
- 20MW or less that serve public or private colleges; and
- 5MW or less (interconnection request is filed on or after 1-1-2019).

80% exemptions for:

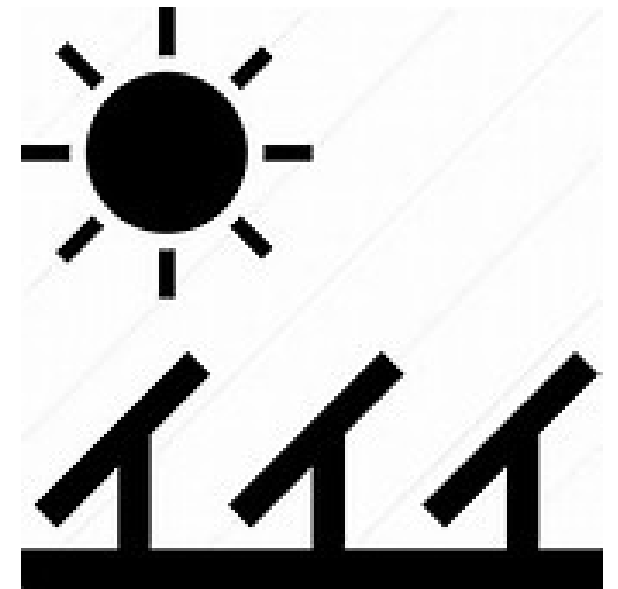
- Projects greater than 20MW (interconnection requested filed before 7-1-2018)
- Greater than 20MW and less than 150MW (interconnection request was filed after 7-1-2018);

Local Option for 150MW and above

Exemption for 20MW-150MW sunsets January 1, 2024

Impact of Applicable Local Government Taxes on Utility Scale Solar

- M&T Tax exemption does not apply to the real estate – potential offset for loss in M&T revenue;
- Nuance in application of M&T – projects greater than 25 MW are taxed at the applicable real estate rate;
- Rollback taxes on real estate due on land no longer eligible for use valuation (farmland, timber); and
- Real estate currently assessed under agricultural use designation will change to industrial/commercial use designation.



Impact of Applicable Local Government Taxes (cont.)

Depreciation schedule for value of utility-scale solar equipment

- Virginia State Corporation Commission (SCC) Public Service Taxation Division developed a depreciation schedule for the fair market value (FMV) of utility-scale solar equipment (above 25 MW);
- Years 1 through 5 the taxable FMV is 90% of original capitalized costs; and
- Percentage of taxable FMV declines steadily years 6 through 23, and reaches a floor of 10% in year 24 and beyond.

Impact of Applicable Local Government Taxes (cont.)

Ex. calculation of projected M&T revenue (year one) for NSVRC Counties
Greater than 25 MW Less than 150 MW facility

NSVRC Member County	Capitalized Cost of Equipment	SCC Depreciation Value	Local Assessment Ratio Value	Taxable Value	Tax Revenue
Clarke	\$100,000,000	\$90,000,000	\$80,568,000	\$16,113,600	\$114,407
Frederick	\$100,000,000	\$90,000,000	\$79,938,000	\$15,987,600	\$97,524
Page	\$100,000,000	\$90,000,000	\$89,100,000	\$17,820,000	\$124,740
Shenandoah	\$100,000,000	\$90,000,000	\$84,555,000	\$16,911,000	\$125,141
Warren	\$100,000,000	\$90,000,000	\$80,181,000	\$16,036,200	\$105,839

Sources: Virginia Assessment/Sales Ratio Study - Feb. 2019
Virginia Local Tax Rates 2018 – Weldon Cooper Center