DEPARTMENT OF TAXATION
2026 Fiscal Impact Statement

1. **Patron** David A. Reid

2. **Bill Number** HB 1132

   House of Origin:

   X Introduced

   ____ Substitute

   ____ Engrossed

   Second House:

   ____ In Committee

   ____ Substitute

   ____ Enrolled

3. **Committee** House Finance

4. **Title** Taxation; Data Centers; Local Residential Renewable Energy Incentive Programs;

5. **Summary/Purpose:**

This bill would require the local governing body of any locality that collects real property taxes from at least 20 data center buildings to create a local residential renewable energy incentive program ("incentive program"). All or a specified percentage of the increase in data center real estate or machinery and tools taxes, or both, attributable to the difference between (i) the current assessed value of the property and (ii) the base assessed value of such property would be paid into a local residential renewable energy incentive fund ("incentive fund"). "Base assessed value" would mean the assessed value of real estate or machinery and tools on July 1, 2026, or July 1 of the year preceding the effective date of the ordinance, whichever is later. Real estate or machinery and tools taxes attributable to the lower of the current assessed value or base assessed value of the property of such data center would be allocated by the treasurer or director of finance as they would be in the absence of such ordinance.

A locality that adopts an incentive program would be required to use the funds in the incentive fund to reduce utility bills for residential customers, to invest in renewable energy resources and facilities, to minimize future electricity costs for residential customers, and to provide pro rata reimbursements for each resident's tangible personal property tax on qualifying vehicles. The locality would be required to prioritize grants for single-family and townhome residential rooftop solar equipment for households with incomes at or below 80 percent of the area median income for such locality, households that spend at least six percent of such household's gross income on energy, and households within such locality that currently receive public assistance benefits. Next, the locality would need to prioritize investments in equipment and installation of residential rooftop solar.

Under current law, real and personal property taxes are deposited in the locality's general fund.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

6. **Budget amendment necessary:** No.

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

8. **Fiscal implications:**

   Administrative Costs

   This bill may have an unknown impact on local administrative costs. This bill would have no impact on state administrative costs.

   Revenue Impact

   This bill would not impact state revenues. Although this bill would not impact the amount of local revenues, the increase in real estate taxes or machinery and tools taxes, or both, attributable to the difference between (i) the current assessed value of the property and (ii) the base assessed value of the property would need to be allocated by the locality and paid into the locality's local residential renewable energy incentive fund to reduce utility bills for residential customers, to invest in renewable energy resources and facilities, to minimize future electricity costs for residential customers, and to provide pro rata reimbursements for each resident's tangible personal property tax on qualifying vehicles.

9. **Specific agency or political subdivisions affected:**

   All localities that collect real property taxes from at least 20 data center buildings.

10. **Technical amendment necessary:** No.

11. **Other comments:**

   Proposal

   This bill would require the local governing body of any locality that collects real property taxes from at least 20 data center buildings to create a local residential renewable energy incentive program ("incentive program"). All or a specified percentage of the increase in data center real estate or machinery and tools taxes, or both, attributable to the difference between (i) the current assessed value of the property and (ii) the base assessed value of such property would be paid into a local residential renewable energy incentive fund ("incentive fund"). "Base assessed value" would mean the assessed value of real estate or machinery and tools owned by a data center on July 1, 2026, or July 1 of the year preceding the effective date of the ordinance establishing the program, whichever is later. Amounts paid into the fund would not include (i) any additional revenues resulting from an increase in the tax rate on real estate or machinery and tools after the adoption of an ordinance creating the program, and (ii) any additional revenues solely attributable to an increase in the assessed value of real estate or machinery and tools that were owned by the data center prior to the adoption of such ordinance unless such property is improved or enhanced. Real estate or machinery and tools taxes attributable to the lower of the current assessed value or base assessed value of the property of such data center would be allocated by the treasurer or director of finance as they would be in the absence of such ordinance.

A locality that adopts an incentive program would be required to use the funds in the incentive fund for any one or more of the following purposes, in the following priority order:

1. To reduce utility bills for residential customers;
2. To invest in renewable energy resources and facilities in the following priority order:

   a. Residential solar;
   b. Residential battery storage; and
   c. Replacement of gas or oil burning furnaces, greater than or equal to 10 years old, with high-efficiency heat pumps, as determined by the consumer of such furnaces;

3. To minimize future electricity costs for residential customers by directing:

   a. Fifteen percent of new data center revenue to be spent toward residential solar and battery storage investment; and
   b. Fifteen percent of new data center revenue to be spent toward providing pro rata reimbursements for each resident of such locality in proportion to such resident's most recent assessment for tangible personal property tax for any qualifying vehicle.

The locality would be required to prioritize grants for single-family and townhome residential rooftop solar equipment for households with incomes at or below 80 percent of the area median income for such locality, households that spend at least six percent of such household's gross income on energy, and households within such locality that currently receive public assistance benefits. Next, the locality would need to prioritize investments in equipment and installation of residential rooftop solar.

If the locality repeals its program, any revenues remaining in the incentive fund would need to be paid into the general fund of the locality. Upon dissolving the incentive fund, real estate or machinery and tools taxes, or both, would be assessed and collected in the same manner as in the year preceding the adoption of the local ordinance.

If enacted during the regular session of the 2026 General Assembly, this bill would become effective July 1, 2026.

Similar Legislation

House Bill 641 would impose a land conservation tax upon data center operators and dedicate the revenue for land preservation.

House Bill 784 would require the Department to publish an annual report summarizing the usage of the data center sales tax exemption including the names of data center operators, and (i) the amount of the exemption claimed, (ii) whether the required job creation and capital investments goals have been met, and (iii) the employment levels and average annual wages paid to its employees.

House Bill 897 would impose requirements on operators to qualify for the data center sales tax exemption, including (i) not using co-located generating facilities that emit carbon dioxide, other than backup generators; (ii) contracting for a certain percentage of energy from clean energy resources, (iii) utilizing only non-carbon dioxide-emitting backup power sources; and (iv) demonstrating sufficient investment in environmental management and energy efficiency measures to provide system-wide benefits.

House Bill 961 would limit the data center exemption to purchases or leases of equipment or enabling software that (i) take place prior to the data center's start of operations, or (ii) as part of a refresh cycle of an existing data center improve the energy efficiency of such equipment or software.

House Bill 1101 would require that the local composite index school funding formula be revised to include as a factor in the calculation of required local effort any local revenue generated by data centers.

Senate Bill 93 would provide that if any tenant of a data center is a bank, then the sales tax data center exemption would not apply to the data center operator and its tenants. The bill would also make computer equipment and peripherals of banks used in a data center subject to personal property taxes.

cc : Secretary of Finance

Date: 01/22/2026 JEM
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