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SENATE BILL NO. 834

Offered January 27, 2026

A BILL to amend the Code of Virginia by adding in Chapter 19 of Title 45.2 an article numbered 4, consisting of sections numbered 45.2-1918 through 45.2-1922, and by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13, relating to Department of Energy; Virginia Solar Energy and Battery Energy Storage Systems Program and tax credit; solar energy and battery energy storage projects.

Patron—Jones

Unanimous consent to introduce

Referred to Committee on Finance and Appropriations

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 19 of Title 45.2 an article numbered 4, consisting of sections numbered 45.2-1918 through 45.2-1922, and by adding in Article 13 of Chapter 3 of Title 58.1 a section numbered 58.1-439.12:13 as follows:

Article 4.

Virginia Solar Energy and Battery Energy Storage Systems Program.

§ 45.2-1918. Definitions.

As used in this article, unless the context requires a different meaning:

"Qualified commercial and industrial project" means a short duration battery energy storage project added to an existing facility or a new standalone short duration battery energy storage project (i) approved by the Department pursuant to § 45.2-1921; (ii) that began construction on or after July 1, 2026; and (iii) used for commercial or industrial use as determined by the customer rate class used to determine billing related to such project.

"Qualified project" means a qualified commercial and industrial project, qualified residential project, or a qualified utility-scale project.

"Qualified residential project" means a new solar energy and short duration battery energy storage project or a new standalone short duration battery energy storage project (i) approved by the Department pursuant to § 45.2-1920; (ii) in service on or after July 1, 2026; and (iii) used for residential purposes as determined by the customer rate class used to determine billing related to such project.

"Qualified utility-scale project" means a short duration battery energy storage project added to an existing solar facility or a new standalone short duration battery energy storage project (i) approved by the Department pursuant to § 45.2-1921; (ii) that began construction on or after July 1, 2026; and (iii) used for utility-scale use as determined by the customer rate class used to determine billing related to such project.

"Short duration battery energy storage project" means the installation of battery energy storage equipment and technology that is capable of absorbing energy, storing such energy for less than 10 hours, and redelivering such energy after it has been stored.

"Solar energy project" means the installation of a system of components designed to convert solar radiation into useable thermal or electrical energy.

§ 45.2-1919. Virginia Solar Energy and Battery Energy Storage Systems Program.

The Virginia Solar Energy and Battery Energy Storage Systems Program is hereby established and shall be administered by the Department for the purposes of (i) coordinating and supporting the development of solar energy and short duration battery energy storage industries and projects by other public or private entities; (ii) evaluating and approving solar energy and short duration battery energy storage projects as qualified projects for the purposes of the tax credit in § 58.1-439.12:13; and (iii) determining which items and services are considered eligible project costs for a given qualified project. The Department may consult with research institutions, businesses, nonprofit organizations, and stakeholders as the Department deems appropriate.

§ 45.2-1920. Qualified residential project requirements.

A. The Department shall evaluate and approve solar energy and short duration battery energy storage projects as qualified residential projects for the purposes of the tax credit in § 58.1-439.12:13. The Department shall evaluate the applicant's willingness to opt into demand response or virtual power plant programs. To receive approval as a qualified residential project, the following conditions shall be met:

1. The project shall be fully operational and installed in the Commonwealth by the time specified in subdivision 2;

2. The project is in service on or after July 1, 2026, but prior to the expiration of the tax credit in

59 § 58.1-439.12:13, and construction is certified to be completed within five years of the date on which  
60 construction began; and

61 3. The energy storage portion of the project provides a minimum storage duration of up to two hours.

62 B. No solar energy and short duration battery energy storage project shall receive a tax credit pursuant to  
63 § 58.1-439.12:13 without approval by the Department pursuant to this section.

64 **§ 45.2-1921. Qualified commercial, industrial, and utility-scale project requirements.**

65 A. The Department shall evaluate and approve short duration battery energy storage projects as qualified  
66 commercial and industrial projects for the purposes of the tax credit in § 58.1-439.12:13. The Department  
67 shall evaluate the applicant's willingness to opt into demand response or virtual power plant programs. To  
68 receive approval as a qualified commercial and industrial project, the following conditions shall be met:

69 1. The project shall be fully operational and have begun construction in the Commonwealth by the time  
70 specified in subdivision 2;

71 2. The project has begun construction on or after July 1, 2026, but prior to the expiration of the tax credit  
72 in § 58.1-439.12:13, and construction is certified to be completed within five years of the date on which  
73 construction began; and

74 3. The energy storage portion of the project provides a minimum storage duration of up to four hours.

75 The Department shall also evaluate and approve such qualified commercial and industrial projects  
76 pursuant to this subsection based upon the applicant's willingness to opt in for the State Corporation  
77 Commission's virtual power plant pilot program established in § 56-585.1:16.

78 B. The Department shall evaluate and approve short duration battery energy storage projects as qualified  
79 utility-scale projects for the purposes of the tax credit in § 58.1-439.12:13. To receive approval as a qualified  
80 utility-scale project, the conditions listed in subdivisions A 1, 2, and 3 shall be met. The Department shall  
81 evaluate the applicant's ability to reduce electric utility costs for ratepayers or the applicant's willingness to  
82 opt into demand response or virtual power plant programs.

83 C. No solar energy and short duration battery energy storage project shall receive a tax credit pursuant  
84 to § 58.1-439.12:13 without approval by the Department pursuant to this section.

85 **§ 45.2-1922. Regional uptake dashboard for approved solar energy and short duration battery energy  
86 storage projects; reports.**

87 A. The Department shall monitor allocation of the tax credit in § 58.1-439.12:13 and publish quarterly  
88 transparency reports summarizing such allocation.

89 B. The Department shall maintain a public dashboard displaying regional uptake, demographic  
90 distribution such as low-to-moderate income and non-low-to-moderate income data, and sectoral progress  
91 toward allocated targets.

92 **§ 58.1-439.12:13. Tax credit for investments in solar energy equipment and short duration battery  
93 energy storage.**

94 A. For purposes of this section:

95 "Eligible project costs" means (i) for residential projects, costs incurred for the construction, installation,  
96 or purchase of qualifying solar energy equipment or qualifying energy storage resources, including labor  
97 costs incurred for installation and electrical integration, and costs incurred for permitting, inspection,  
98 engineering, and system design services necessary for such project; (ii) for commercial and industrial  
99 projects, costs incurred for such project that would otherwise be eligible for residential projects, feasibility  
100 studies and resources assessments, environmental review and mitigation measures, interconnection studies  
101 and utility interconnection application fees, project-specific legal and financial services, site preparation,  
102 purchase or lease of land solely dedicated to project operation, onsite electrical upgrades, switchgear, and  
103 transformer installation necessary for grid compliance; and (iii) for utility-scale projects, costs incurred for  
104 such project that would otherwise be eligible for commercial and industrial projects, and high-voltage  
105 interconnection and substation construction, transmission-level engineering, permitting, and inertia  
106 infrastructure, long-term site development, roadwork, and land lease or purchase strictly for operational  
107 footprint. "Eligible project costs" includes only costs directly associated with energy generation, storage, and  
108 grid integration. "Eligible project costs" does not include land acquisition unrelated to system operation, or  
109 where the project is not completed, general property improvements, renovations, or unrelated construction;  
110 transmission upgrades not directly attributable to project interconnection; costs associated with speculative  
111 land banking or site prospecting without approved interconnection plans; legal fees, lobbying, or  
112 administrative costs unrelated to project execution; backup generators, fossil fuel systems, or hybrid diesel-  
113 photovoltaic integrations; energy efficiency upgrades such as insulation or lighting; heating, ventilation, and  
114 air conditioning (HVAC) unless integrated with a solar and storage project and separately itemized; or any  
115 leased residential systems.

116 "Qualified commercial and industrial project", "qualified utility-scale project", "qualified project", and  
117 "qualified residential project" mean the same as those terms are defined in § 45.2-1918.

118 B. For taxable years beginning on and after January 1, 2027, but before January 1, 2032, a taxpayer  
119 shall be allowed a one-time installment credit, in the manner provided in subsection C, against the tax levied  
120 pursuant to § 58.1-320 or 58.1-400 in an amount equal to:

- 121 1. For a residential qualified project, 35 percent of eligible project costs, not to exceed \$6,000.
- 122 2. For a commercial and industrial qualified project, 35 percent of eligible project costs.
- 123 3. For a utility-scale qualified project, 35 percent of eligible project costs.

124 The taxpayer shall submit purchase receipts with the income tax return satisfactory to the Tax  
 125 Commissioner.

126 C. One hundred percent of the tax credit shall be earned in the year the project is placed in service and  
 127 shall be claimed over a five-year period in installments of 20 percent per year. However, no credit may be  
 128 claimed for a taxable year during or after which the taxpayer disposes of, takes out of service, or moves  
 129 outside of the Commonwealth any qualifying solar energy equipment. In such instance, any remaining,  
 130 unpaid installments of the credit allowed to such taxpayer for such given project shall expire and become  
 131 non-claimable for such project. Any year in which an installment exceeds the taxpayer's liability for such  
 132 taxable year, such excess may be carried over for credit against the income taxes of such individual in the  
 133 next five taxable years until the total amount of the credit has been taken.

134 D. The aggregate amount of credits allowed under this section shall not exceed \$50 million per applicable  
 135 budget cycle. Of this amount, \$12.5 million shall be reserved for residential qualified projects, and the  
 136 remaining \$37.5 million for qualified commercial and industrial and utility-scale qualifying projects, or an  
 137 amount appropriated by the General Assembly during the applicable budget cycle, with 25 percent allocated  
 138 for qualified residential projects and 75 percent allocated for qualified commercial and industrial projects  
 139 and qualified utility-scale projects. Credits shall be allocated subject to the availability of funds within each  
 140 category and tranche, upon submission of a complete application as determined by the Department of Energy  
 141 and the Department. If, after nine months from the start of the taxable year, the Department of Energy  
 142 determines that the amounts reserved for a given qualified project are unlikely to be fully allocated, the  
 143 Department of Energy may reallocate any unreserved or uncommitted amounts, provided that such  
 144 reallocation does not exceed the aggregate annual credit cap.

145 E. The amount of any credit attributable under this section to a partnership, limited liability company, or  
 146 electing small business corporation (S corporation) shall be allocated to the individual partners, members, or  
 147 shareholders, in proportion to their ownership or interest in such entity.

148 F. To qualify for the tax credit under this section, a project shall be installed in compliance with Article 4  
 149 (§ 45.2-1918 et seq.) of Chapter 19 of Title 45.2.

150 1. Once the taxpayer has satisfied all the requirements to the satisfaction of the Department of Energy, the  
 151 Department of Energy shall provide the taxpayer with a certificate of approval for a qualified project,  
 152 identifying whether the project qualifies as residential, commercial and industrial, or utility-scale. Such  
 153 certificate shall include the amount of eligible costs incurred and the fiscal year in which such costs were  
 154 incurred for which the taxpayer may claim a tax credit pursuant to this section. The Department of Energy  
 155 shall send a copy of such certificate to the Tax Commissioner in a reasonable time and manner as determined  
 156 by the Commissioner.

157 2. The taxpayer shall retain all proof of cost documentation, including invoices and scope of work, and  
 158 any certificate of approval for a qualified project received pursuant to subdivision 1 for at least five years  
 159 from the receipt of such certificate.

160 G. The Tax Commissioner shall develop guidelines, in consultation with the Department of Energy, for  
 161 claiming the credit provided by this section, including establishing application procedures, reservation  
 162 requirements, tranche schedules, and reallocation criteria consistent with this section. Such guidelines shall  
 163 be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

164 **2. That the provisions of this act shall become effective on January 1, 2027.**