

# DEPARTMENT OF TAXATION

## 2026 Fiscal Impact Statement

1. **Patron** Garrett McGuire

3. **Committee** House Finance

4. **Title** Tax credit; solar energy equipment.

2. **Bill Number** HB 1422

**House of Origin:**

X **Introduced**

       **Substitute**

       **Engrossed**

**Second House:**

       **In Committee**

       **Substitute**

       **Enrolled**

### 5. Summary/Purpose:

This bill would establish an individual income tax credit equal to fifteen percent of the amount paid for the purchase of solar energy equipment and associated allowable expenses incurred by the taxpayer in the Commonwealth during the taxable year. No taxpayer would be permitted to earn credits in excess of \$1,000 for a taxable year. The aggregate amount of credits for all taxpayers would be limited to \$5 million per taxable year.

This bill would be effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

**Budget amendment necessary:** Yes.

Page 1 Revenue Estimates

Items: 261 and 263 Department of Taxation

6. **Fiscal Impact Estimates are:** Preliminary. (See Line 8.)

#### 7a. Expenditure Impact:

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Positions</b></i>	<i><b>Fund</b></i>
2026-27	\$284,937	1	GF
2027-28	\$149,100	1	GF
2028-29	\$90,300	1	GF
2029-30	\$89,700	1	GF
2030-31	\$88,800	1	GF

#### 7b. Revenue Impact:

<i><b>Fiscal Year</b></i>	<i><b>Dollars</b></i>	<i><b>Fund</b></i>
2026-27	(\$5 million)	GF
2027-28	(\$5 million)	GF
2028-29	(\$5 million)	GF
2029-30	(\$5 million)	GF
2030-31	(\$5 million)	GF

## 8. Fiscal implications:

### Administrative Costs

The Department of Taxation (“the Department”) would incur estimated expenditures as shown above. Such costs would primarily consist of updating the Department’s systems to implement the credit and one new full-time employee to administer it.

Because of the implementation and release schedule for the Integrated Revenue Management System (“IRMS”) replacement project, this legislation will not be impacted by such project if enacted during the 2026 Regular Session of the General Assembly. For more information on the new system implementation releases, see the [2025 Status Report on the Replacement of the Integrated Revenue Management System](#) (IRMS).

### Revenue Impact

This bill would have an estimated negative General Fund revenue impact as shown on Line 7b. Based on the current data available regarding the number of installations per year and the average costs of solar energy equipment and associated allowable expenses, the Department was able to produce a speculative estimate of over \$70 million in credits that could be requested per year. As a result, the Department anticipates that this credit would be oversubscribed, meaning the amount of credits requested would exceed the \$5 million credit cap on an annual basis.

## 9. Specific agency or political subdivisions affected:

Department of Taxation

## 10. Technical amendment necessary: No.

## 11. Other comments:

### Federal Business Energy Investment Tax Credit

For federal income tax purposes, taxpayers may claim the investment tax credit (“ITC”) for certain renewable energy-related investments. The amount of the credit is determined as a percentage of the taxpayer’s basis in eligible property. The tax credit rate and other credit parameters depend on the type of property or technology for which the credit is being claimed. The ITC for investments in solar technology is currently set at 30 percent.

### Proposal

This bill would establish an individual income tax credit equal to fifteen percent of the amount paid for the purchase of solar energy equipment and associated allowable expenses incurred by the taxpayer in the Commonwealth during the taxable year. No taxpayer would be permitted to earn credits in excess of \$1,000 for a taxable year. The aggregate amount of credits for all taxpayers would be limited to \$5 million per taxable year, and no credit would be allowed for any purchase or allowable expenses that are not intended for a taxpayer’s personal use.

“Allowable expenses” would mean costs incurred by a taxpayer for permitting fees, inspection fees, and installation costs associated with the purchase of solar energy equipment.

“Solar energy equipment” would mean equipment whose primary purpose is to provide for the collection, conversion, storage, or control of solar energy for the purpose of heat production, electricity production, or simultaneous heat and electricity production.

In order to claim the credit, a taxpayer would be required to submit all receipts for the purchase and associated allowable expenses of solar energy equipment to the Department, and the Department would be required to develop guidelines for claiming the credit.

This bill would become effective for taxable years beginning on and after January 1, 2026, but before January 1, 2031.

cc : Secretary of Finance

Date: 02/01/2026 JPJ  
HB1422F161