Department of Planning and Budget
2026 General Assembly Session
State Fiscal Impact Statement

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Bill Number: HB1133 **Patron:** Reid
Bill Title: Department of Energy; Virginia Solar Energy and Battery Energy Storage Systems Program and tax credit; solar energy and battery energy storage projects.

Bill Summary: Establishes the Virginia Solar Energy and Battery Energy Storage Systems Program, to be administered by the Department of Energy for the purpose 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 established by the bill; and (iii) determining which items and services are considered eligible project costs for a given qualified project, as defined in the bill. The bill establishes requirements for what can be considered a qualified solar energy and battery energy storage project based on whether the use of such project is for a residential, commercial and industrial, or utility-scale project. The bill establishes a tax credit for the installation of such residential, commercial and industrial, or utility-scale solar energy and energy storage projects for taxable years beginning on and after January 1, 2027, but before January 1, 2032. Finally, the bill requires the Department to monitor allocation of the tax credit and publish quarterly transparency reports summarizing such information and to establish and maintain a public dashboard displaying certain information on the solar energy and short duration battery energy storage installations by January 1, 2027. The bill has a delayed effective date of January 1, 2027.

Budget Amendment Necessary: Yes **Items Impacted:** 109 (Energy), 261 and 263 (Tax), Page 1 Revenue Estimates

Explanation: An amendment is needed to support implementation by the Department of Taxation (Tax) and to adjust general fund resources to account for the tax credit. Additional resources may also be needed for the Department of Energy (Energy), although estimates are not yet available from the agency.

Fiscal Summary: It is anticipated that this bill will result in a reduction in general fund revenue and an increase in general fund expenditures. This bill would provide up to $50 million in fully refundable tax credits. Tax anticipates incurring general fund expenses associated with updating software systems. It is anticipated that Energy will incur indeterminate general fund expenditures to administer the program; however, estimates are not yet available from Energy.

General Fund Expenditure Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
Tax	$ 122,854	$ 298,874	$ 118,580	-	-	-
Energy						
TOTAL						

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General Fund Revenue Impact:

Agency	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
-	-	($10,000,000)	($20,000,000)	($30,000,000)	($40,000,000)	($50,000,000)
TOTAL						

Fiscal Analysis: This bill would create the Virginia Solar Energy and Battery Energy Storage Systems Program and provide up to $50 million in tax credits for eligible solar energy and battery storage projects, as defined in the bill. The bill contains a delayed effective date of January 1, 2027. However, Tax will begin incurring expenditures in FY 2026. Tax will begin making programmatic changes to the agency's Integrated Revenue Management System (IRMS) in FY 2026 as taxpayers are eligible to begin claiming the credit on January 1, 2027, for projects that began in 2026. Both program guidance and technical systems will need to already be in place before the bill's effective date.

The bill requires the Department of Energy to administer the program, evaluate and approve projects, publish quarterly reports, and maintain a public dashboard containing specific data about the program. Cost estimates from Energy are not yet available. Due to the delated effective date, it is anticipated that ongoing administration costs would be prorated to 50 percent in FY 2027.

Qualifying projects are eligible for up to 35 percent reimbursement of costs through the tax credit, with limits varying by project type. Residential projects may receive up to $6,000 per project. Commercial and industrial projects may receive up to $2.5 million per project. Utility-scale projects may receive up to $5 million per project. Of the total $50 million allocated per budget cycle, $12.5 million is reserved for residential projects with the remaining $37.5 million for commercial, industrial, and utility scale projects. The bill specifies that if the total amount appropriated for this tax credit changes, the 1:3 ratio should be maintained. The tax credit is considered earned in the year the project is placed into service and is paid out over a period of five years in equal installments of 20 percent of the total amount. Therefore, even if the program is fully subscribed, expenses would be limited to 20 percent of the total allocation in the first year, 40 percent in the second year, 60 percent in the third year, 80 percent in the fourth year, and 100 percent in the fifth year.

It is assumed that the term "budget cycle" refers to a fiscal year. If it instead means a biennial budget period, the annual revenue impact would be reduced.

Tax anticipates that implementation of the bill will result in expenses of approximately $122,854 in FY 2026, $298,874 in FY 2027, and $118,580 in FY 2028 to update programming for IRMS. According to the agency, additional expenses may be incurred to administer the program if proposed technical amendments are not adopted.

This impact estimate is preliminary and may be updated if new information becomes available.

Other: This bill is substantially similar to SB 834.