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HOUSE BILL NO. 1132
AMENDMENT IN THE NATURE OF A SUBSTITUTE
 (Proposed by the House Committee on Finance
 on _____)

(Patron Prior to Substitute—Delegate Reid)

A *BILL* to amend the Code of Virginia by adding in Chapter 32 of Title 58.1 an article numbered 4.3, consisting of sections numbered 58.1-3246 through 58.1-3249, relating to data center tax revenue; local residential renewable energy incentive program; tangible personal property tax reimbursement; penalty.

Be it enacted by the General Assembly of Virginia:

1. That the Code of Virginia is amended by adding in Chapter 32 of Title 58.1 an article numbered 4.3, consisting of sections numbered 58.1-3246 through 58.1-3249, as follows:

Article 4.3.

Local Residential Renewable Energy Incentive Program.

§ 58.1-3246. Definitions.

A. For purposes of this article, unless the context requires a different meaning:

"Base assessed value" means the assessed value of real estate or machinery and tools owned by a data center as shown upon the records of the local assessing officer on July 1, 2026.

"Budget surplus" means the amount of revenue generated from taxation of the real or personal property owned by a data center that exceeds the amount of such revenue that was forecasted or budgeted by a locality for a given tax year.

"Current assessed value" means the annual assessed value of real estate or machinery and tools owned by a data center as show upon the records of the local assessing officer.

"Data center" means the same as such term is defined in subdivision A 43 of § 58.1-3506.

"Data center building" means any improvement upon the real property owned by a data center for which an individual local assessment for real property taxes is made.

"Incentive fund" means the local residential renewable energy incentive fund for the applicable locality.

"Incentive program" means the local residential renewable energy incentive program for the applicable locality.

"New data center revenue" means all revenue generated in excess of the base assed value of real estate or machinery and tools owned by a data center.

"Qualified installer" means any person who (i) holds a valid license as an electrical contractor by the Board for Contractors and as otherwise required in accordance with the provisions of Chapter 11 (§ 54.1-1100 et seq.) of Title 54.1, (ii) installs solar energy and energy storage systems in the Commonwealth, and (iii) is authorized by the Board for Contractors to perform alternative energy system contracting.

"Qualifying vehicle" means the same as that term is defined in § 58.1-3523.

"Tangible personal property tax" means the same as that term is defined in § 58.1-3523.

§ 58.1-3247. Adoption of local residential renewable energy incentive program.

The governing body of any county, city, or town that collects real property taxes from at least 20 data centers, shall, by ordinance, create a local residential renewable energy incentive program. Such ordinance shall provide that all or a specified percentage of the real estate taxes, machinery and tools taxes, or both, upon such data centers shall be assessed, collected, and allocated in the following manner:

1. The local assessing officer shall record in the appropriate books both the base assessed value and the current assessed value of the real estate or machinery and tools, or both, upon any data center subject to real or personal property tax by such locality.

2. Real estate taxes or machinery and tools taxes attributable to the lower of the current assessed value or base assessed value of the real estate or the machinery and tools of such data center shall be allocated by the treasurer or director of finance as they would be in the absence of such ordinance.

3. All or the specified percentage of the increase in real estate taxes or machinery and tools taxes, or both, attributable to the difference between (i) the current assessed value of such property and (ii) the base assessed value of such property shall be allocated by the locality and paid into a special fund entitled the "local residential renewable energy incentive fund" corresponding to the applicable locality, to be used as provided in § 58.1-3248.

4. Amounts paid into the incentive fund pursuant to subdivision 3 shall 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 an incentive 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.

§ 58.1-3248. Use of funds deposited into the local residential renewable energy incentive fund; penalty.

60 A. Any county, city, or town that is required to adopt an ordinance pursuant to this article shall use funds
61 in such locality's incentive fund for the following purposes, in priority order:

62 1. To reduce existing utility bills for residential customers;
63 2. To reduce reliance upon fossil fuel power generation facilities by investing in renewable energy
64 resources and facilities. For purposes of this subdivision, localities shall prioritize such investments in the
65 following order:

66 a. Residential solar; and
67 b. Residential battery storage;
68 3. To minimize future electricity costs for residential customers by directing:
69 a. Fifteen percent of new data center revenue to be spent toward residential solar and battery storage
70 investment; and
71 b. Fifteen percent of new data center revenue to be spent toward providing pro rata reimbursements for
72 each resident of such locality in proportion to such resident's most recent assessment for tangible personal
73 property tax for any qualifying vehicle.

74 B. Any locality required to create an incentive fund pursuant to this article shall:

75 1. Prioritize grants for single-family and townhome residential rooftop solar equipment for households
76 with incomes at or below 80 percent of the area median income for such locality, households that spend at
77 least six percent of such household's gross income on energy, and households within such locality that
78 currently receive public assistance benefits.

79 2. After complying with subdivision 1, prioritize investments in equipment and installation of residential
80 rooftop solar.

81 3. Ensure that no property owner is forced to participate in the incentive program.

82 4. Ensure that any funds granted in relation to a rental property are granted directly to the paying utility
83 customer, whether such customer is the landlord or the tenant.

84 5. Ensure that only qualified installers are eligible to participate in any incentive program.

85 C. No participating locality shall impose a capacity limit on the amount of residential solar or energy
86 storage resources approved for use under such program by such customers.

87 D. Nothing in this section shall be construed to amend or affect (i) a Phase I or Phase II Utility's
88 renewable energy portfolio standard obligations under § 56-585.5, (ii) the interconnection requirements and
89 approval process established by the State Corporation Commission for an electrical utility pursuant to
90 §§ 56-578 and 56-594, (iii) capacity limits and other provisions related to net metering under § 56-594 or
91 56-594.01, (iv) a pilot program for community solar development under § 56-585.1:3, (v) a multi-family
92 shared solar program under § 56-585.1:12, or (vi) a shared solar program under § 56-594.3 or 56-594.4.

93 E. Any revenues in such incentive fund that are not used in good faith for a purpose authorized by this
94 article shall be deemed surplus funds. At the end of the tax year, all surplus funds may be paid into the
95 general fund of the corresponding locality.

96 F. If any locality violates the provisions of this article, the local treasurer for such locality shall
97 immediately transfer any remaining funds in such locality's incentive fund directly to the Department of
98 Energy. The Department of Energy shall direct such remaining funds to be used for the purposes stated in
99 this article and thereafter the incentive fund for such locality shall be dissolved. Any local treasurer violating
100 the provisions of this subsection is guilty of a Class 1 misdemeanor. The Attorney General is authorized to
101 enforce the provisions of this subsection.

102 **§ 58.1-3249. Dissolving the local residential renewable energy incentive program.**

103 A. The existence of an incentive program created pursuant to this article and the corresponding incentive
104 fund shall dissolve upon the passage of an ordinance repealing the local residential renewable energy
105 incentive ordinance. When the incentive fund is dissolved, any revenues remaining in the incentive fund shall
106 be paid into the general fund of the county, city, or town.

107 B. Upon dissolving the incentive fund, real estate or machinery and tools, or both, shall be assessed and
108 taxes collected in the same manner as applicable in the year preceding the adoption of the local residential
109 renewable energy incentive ordinance.