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HOUSE BILL NO. 1132

Offered January 14, 2026

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.

Patron—Reid

Referred to Committee on Finance

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, or July 1 of the year preceding the effective date of the ordinance establishing a local residential renewable energy incentive program, whichever is later.

"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 shown upon the records of the local assessing officer.

"Data center" means a facility whose primary services are the storage, management, and processing of digital data and is used to house (i) computer and network systems, including associated components such as servers, network equipment and appliances, and telecommunications and data storage systems; (ii) systems for monitoring and managing infrastructure performance; (iii) equipment used for the transformation, transmission, distribution, or management of at least one megawatt of capacity of electrical plant equipment and associated air handlers; (iv) internet-related equipment and services; (v) data communications connections; (vi) environmental controls; (vii) fire protection systems; and (viii) security systems and services.

"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 assessed 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 center buildings, 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 center buildings 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.

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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.

A. Any county, city, or town that adopts an ordinance pursuant to this article shall use funds in such locality's incentive fund for any one or more of the following purposes, in priority order:

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

4. 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.

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

1. 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.

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

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

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

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

C. Participating customers shall be exempt from any interconnection fees or application review fees charged by the utility or electric cooperative. The utility shall have 30 days from the date of notification for residential customers and 60 days from the date of notification for nonresidential customers to determine whether the interconnection requirements have been met.

D. Notwithstanding the provisions of § 56-594, participating customer applicants shall be granted priority in review and approval for permission to operate within such locality and no participating locality shall impose a capacity limit on the amount of residential solar or energy storage resources approved for use under such program by such customers.

E. Nothing in this section shall be construed to (i) amend or affect a Phase 1 or Phase II Utility's renewable energy portfolio standard obligations under § 56-585.5; (ii) count toward the capacity limit for the net energy metering program under § 56-594 or 56-594.01; or (iii) count toward any maximum capacity limit for a community solar pilot program under § 56-585.1:3, a multi-family shared solar program under § 56-585.1:12, or a shared solar program under § 56-594.3 or 56-594.4.

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

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

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

A. The existence of an incentive program created pursuant to this article and the corresponding incentive

121 *fund shall dissolve upon the passage of an ordinance repealing the local residential renewable energy*
122 *incentive ordinance. When the incentive fund is dissolved, any revenues remaining in the incentive fund shall*
123 *be paid into the general fund of the county, city, or town.*
124 *B. Upon dissolving the incentive fund, real estate or machinery and tools, or both, shall be assessed and*
125 *taxes collected in the same manner as applicable in the year preceding the adoption of the local residential*
126 *renewable energy incentive ordinance.*

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