

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3665-01
Bill No.: HB 2454
Subject: Taxation and Revenue - General; Energy; Department of Revenue; Taxation and Revenue - Property; Property, Real and Personal
Type: Original
Date: March 10, 2020

Bill Summary: This proposal modifies provisions relating to taxation of certain energy-producing property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Blind Pension Fund (0651)	\$0	Unknown to (Unknown)	Unknown to (Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	Unknown to (Unknown)	Unknown to (Unknown)

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 6 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2021	FY 2022	FY 2023
Local Government	\$0	Unknown to (Unknown)	Unknown to (Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission (STC)** state the STC has reviewed HB 2454 and determined an unknown fiscal impact on school districts and other local taxing jurisdictions (cities, counties and fire districts) who rely on property tax as a source of revenue which wind energy projects owned by a public utility has tax situs. In 2019, House Bill 220 was enacted which established that all wind generation real and personal property used to generate electricity owned by a public utility would will be assessed locally by county assessors and the addition of the wind energy assessment assets created a positive fiscal impact for local taxing jurisdictions. HB 2454 establishes that wind energy projects (all real and personal property excluding land) will be assessed using a depreciation methodology provided in Section 137.123. The fiscal impact for those taxing jurisdictions in which a wind energy facility has tax situs will be determined by the size, number and scope of the wind energy project.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this proposal may impact TSR. This proposal may impact the calculation under Article X, Section 18(e).

Sections 137.123 and 153.030 would require all real and tangible personal property, except land, associated with a wind energy project be depreciated at the rates established within the section. B&P notes that currently such property uses the depreciation schedule in Section 137.122. Therefore, B&P estimates that these sections may impact TSR and the Blind Pension Trust Fund if the use of the new depreciation schedule changes the assessed values of relevant property. In addition, these sections may impact the calculation under Article X, Section 18(e).

This proposal would also repeal Section 393.1073 which established the "Task Force on Wind Energy". B&P notes that this section expired on December 31, 2019. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **Department of Revenue (DOR)** state the assessment of property tax is handled by the State Tax Commission. The Department assumes no direct fiscal impact from this proposal and defers to the State Tax Commission for a statewide fiscal impact.

Officials from the **Department of Social Services, Department of Commerce and Insurance,** and the **Office of the State Auditor** each assume the proposal will have no fiscal impact on their respective organizations.

Officials from **Adair County** state this proposal will be detrimental to tax funding for schools. Windmills need to be assessed by their potential energy output.

ASSUMPTION (continued)

Oversight assumes this proposal changes the depreciation schedule for tangible personal property and makes real property, excluding land, subject to a depreciation schedule. In addition, Oversight assumes this proposal requires assessors to use the cost approach to valuing property that uses wind energy directly to generate electricity.

Oversight assumes this proposal could result in an unknown impact (positive or negative) to the Blind Pension Fund and local political subdivisions depending on the specifics of the wind energy project.

Additionally, **Oversight** notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, Oversight assumes this proposal could impact property tax levies.

Oversight received a limited number of responses from local political subdivisions related to the fiscal impact of this proposal. Oversight has presented this fiscal note on the best current information available. Upon the receipt of additional responses, Oversight will review to determine if an updated fiscal note should be prepared and seek the necessary approval to publish a new fiscal note.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT - State Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
BLIND PENSION FUND			
<u>Revenue</u> - Gain or Loss - changes to the assessment of wind energy projects	<u>\$0</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2021 (10 Mo.)	FY 2022	FY 2023
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - Gain or Loss - changes to the assessment of wind energy projects	<u>\$0</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	Unknown to <u>(Unknown)</u>	Unknown to <u>(Unknown)</u>

FISCAL IMPACT - Small Business

Oversight assumes there could be a fiscal impact to small businesses as a result of this proposal.

FISCAL DESCRIPTION

This bill modifies several provisions related to property that uses wind energy to generate electricity.

Beginning January 1, 2021, this bill develops a depreciation table, as described in the bill, for the purpose of assessing all real, excluding land, or tangible personal property associated with a project that uses wind energy to generate electricity (Section 137.123, RSMo).

Additionally, this bill requires that any public utility company which has ownership of any real or personal property associated with a project that directly uses wind energy to generate electricity will be taxed using a standardized methodology of:

- (1) Any wind energy property of such company will be assessed on the county assessor's local tax rolls; and
- (2) All other real property, excluding land, or personal property related to the wind energy project will be assessed using the methodology provided under the depreciation table in this bill (Section 153.030).

Additionally, this bill repeals an expired provision of law that established the "Task Force on Wind Energy" (Section 393.1073).

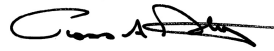
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Tax Commission
Office of Administration - Budget and Planning
Department of Revenue
Department of Social Services
Department of Commerce and Insurance
Office of the State Auditor
Adair County



Julie Morff
Director
March 10, 2020



Ross Strobe
Assistant Director
March 10, 2020