COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0599H.02C
Bill No.: HCS for HB 524
Subject: Taxation And Revenue - General; Taxation And Revenue - Property; Property, Real And Personal; Utilities; Economic Development; County Officials
Type: Original
Date: March 29, 2021

Bill Summary:

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Blind Pension Fund (0621)*	$0	$0	(Unknown) to Unknown
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**(Unknown) to Unknown**

*Oversight assumes this potential change would not reach the $250,000 impact threshold to the Blind Pension Fund.
Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on All Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on FTE	**0**	**0**	**0**

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

☐ Estimated Net Effect (savings or increased revenues) expected to exceed $250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Local Government	**$0**	**$0**	**(Unknown) to Unknown**

FISCAL ANALYSIS

ASSUMPTION

Section 153.030 Public Utilities utilizing Chapter 100 Financing

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined school, fire districts and cities, counties in which the real and personal property of any public utility that utilizes Chapter 100 that has tax situs would realize an unknown positive fiscal impact with the inclusion of the entire value of the Chapter 100 real and personal property of the generation portion held by a utility as part of their (local) tax base. The act proposes that said property will be valued locally and the value would stay with local taxing districts in which the property is located.

School districts and other local taxing jurisdictions that may have miles of line within their district, but not the Chapter 100 assessment assets, would lose that valuation in their tax base. The fiscal impact would be unknown in both circumstances as it would be dependent on the factor of depreciation, size and scope of said Chapter 100 property. The act uses a public utility company's original depreciated cost of the generation portion of the chapter 100 property at the time of transfer of ownership and a depreciation schedule provided in Section 137.122 for all other business personal property.

In current law, property of electric companies (state centrally assessed) are categorized as "local property "and "distributable property" for ad valorem purposes. The value of all distributable is apportioned to the local taxing districts according to the number of miles of line in the counties and districts. All taxing districts with miles of line in a county that a centrally assessed company serves, shares the ad valorem valuation of all distributable property. In contrast, the value of local property stays with the local taxing districts in which the property is located. Distributable property currently includes property used in the generation and distribution of electric power.

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

This proposal states that if any public utility company has ownership of any property associated with a generation project that was constructed using public financing under Chapter 100, that property shall be taxed by a county assessor under Chapter 137.

Beginning January 1, 2022, any public utility company assessed under Chapter 153 that has property associated with a generation project that was constructed using public financing under Chapter 1000 shall be assessed using the following methodology:

- All qualifying property shall be assessed at the local level, and not by the State Tax Commission.

- Land and buildings related to the qualifying generation project shall be assessed under Chapter 137.
- All other business or personal property related to the generation project shall be assessed using Section 137.122.

B&P notes that the term "generation project" is not defined and could include: solar, thermal, coal, nuclear, hydroelectric, gas, or other forms of energy generation.

B&P notes that currently, public utilities are assessed property taxes under Chapter 153. In the event that a public utility was to purchase or build qualifying generation project property, the qualifying property would instead be assessed under Chapter 137. B&P further notes that the two methods are not identical and may have a significant positive or negative impact on local revenues depending on the physical location of the public utility's property. In addition, if the assessed value of such property differs between the county assessor methodology under Chapter 137 and the STC methodology under Chapter 153, then this proposal may impact revenues to the Blind Pension Trust Fund.

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

In response to a previous version, officials from the **Department of Economic Development** assumed the proposal will have no fiscal impact on their organization.

In response to a similar proposal, SB 92 (2021), officials from the **Department of Commerce and Insurance** stated their response was related to the operations of the Public Service Commission only. It does not contemplate any impact to public utilities.

Oversight assumes any impact to utility rates as result of property tax changes would be an indirect impact.

In response to a similar proposal, SB 92 (2021), officials from the **Boone County Assessor's Office** state Boone County has not used Chapter 100 financing for any projects of this nature. Counties who have financed projects of this nature would benefit financially.

In response to a previous version, officials from the **City of Kansas City** assumed this legislation provides that real and personal property tax of any public utility company that utilizes Chapter 100 financing be assessed only upon the county assessor's local tax rolls. As the City collects taxes from utilities directly, this would result in a negative fiscal impact.

Officials from the **Lincoln County Assessor's Office** assume there is no direct impact to their office currently - if chapter 100 properties come to the county, then more workload would be placed on office staff to assess on the local level.

In response to a previous version, from the **City of Hale**, **Stone County PWSD #1** and the **Metropolitan St. Louis Sewer District** each assumed the proposal <u>could have a fiscal impact</u> on their respective organizations.

In response to a previous version, officials from the **Cass County PWSD #2**, **Clarence Water District**, **Glasgow Village**, **Hancock Street Light District**, **High Point Elementary School Water District**, **Lexington Water & Wasterwater**, **Little Blue Valley Sewer District**, **Macon County PWSD #1**, **Platte County PWSD #6**, **Schell City Water Department** and the **Wayne County PWSD #2** each assumed the proposal <u>would have no fiscal impact</u> on their respective organizations.

Officials from the **City of Claycomo**, **City of Corder**, **City of Jefferson City** and the **City of Springfield** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes this proposal would change the way generation projects utilizing Chapter 100 financing are assessed. Currently, they are centrally assessed and distributable. This proposal would require these projects to be assessed at the local level and would no longer be distributable.

Oversight notes the Blind Pension Fund (0621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ((Total Assessed Value/100)*.03). Oversight assumes this proposal could have an unknown impact (positive or negative) on tax revenues to the Blind Pension Fund if the locally assessed values differ from the centrally assessed values.

Oversight assumes to reach a revenue impact of $250,000 in the Blind Pension Fund would require a change in assessed value of approximately $830 million. Oversight assumes it is <u>unlikely</u> the difference between the centrally assessed valuation and locally assessed valuation would differ to that degree. Therefore, Oversight assumes the impact on the Blind Pension Fund would be less than $250,000.

Oversight assumes local taxing entities with tax situs would experience an unknown positive impact while local taxing entities with property that is no longer centrally assessed and distributable would experience an unknown negative impact.

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 assumes generation projects could experience an impact if the centrally assessed valuation and locally assessed valuation differ causing a change in the amount of property taxes owed. Oversight will show an unknown impact (positive or negative) for public generation projects using Chapter 100 financing.

Although the effective date of this change is January 1, 2022, the next re-assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
BLIND PENSION FUND (0621)			
Revenue (Gain or Loss) - property owned by generation projects utilizing Chapter 100 financing is locally assessed - §153.030	$0	$0	(Unknown) to Unknown
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	**$0**	**$0**	**(Unknown) to Unknown**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Cost or Savings - generation projects - from a change in the assessed valuation of property and subsequent property taxes due - §153.030	$0	$0	(Unknown) to Unknown
Revenue Gain - for taxing entities with tax situs for generation projects using Chapter 100 financing - §153.030	$0	$0	Unknown
Revenue (Loss) - for taxing entities with property owned by generation projects using Chapter 100 financing that is no longer distributable - §153.030	$0	$0	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0**	**$0**	**(Unknown) to Unknown**

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value.

FISCAL DESCRIPTION

Beginning January 1, 2022, this bill provides that the real and personal property of any generation project that utilizes financing under Chapter 100, RSMo, for construction will be assessed only upon the county assessor's local tax rolls.

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 Commerce and Insurance
Department of Revenue
Office of the State Auditor
Department of Economic Development
Department of Social Services
Boone County Assessor’s Office
Lincoln County Assessor’s Office
City of Hale
City of Kansas City
City of Springfield
City of Corder
City Claycomo
City of Jefferson City
Cass County PWSD #2
Clarence Water District
Glasgow Village
Hale Water District
Hancock Street Light District
High Point Elementary School Water District
Lexington Water & Wastewater
Little Blue Valley Sewer District
Metropolitan St. Louis Sewer District
Platte County PWSD #6

Schell City Water Department
South River Drainage District
Stone County PWSD #1
Wayne County PWSD #2

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March 29, 2021

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