

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2404H.02I
 Bill No.: HB 1246
 Subject: Utilities; Taxation and Revenue - General; Taxation and Revenue - Property;
 Energy; State Tax Commission; County Officials
 Type: Original
 Date: April 18, 2023

Bill Summary: This proposal modifies provisions relating to the assessment of solar energy property.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Blind Pension Fund (0621)*	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Unknown)	(Unknown)

***Oversight** notes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000, approximately a 3.0% change in the assessed value of all commercial property. Therefore, Oversight assumes it is possible this proposal could impact the Blind Pension by an amount that could exceed \$250,000.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
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 2024	FY 2025	FY 2026
Local Government	\$0	(Unknown)	(Unknown)

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Budget and Planning** note this proposal would change how solar energy property is assessed and taxed. This proposal could impact the Blind Pension Trust Fund if this proposal results in a change in the property tax liability on solar energy property. Therefore, this proposal may have an unknown impact to TSR and the Blind Pension Trust Fund.

Officials from the **State Tax Commission** assume the proposed HB has an unknown fiscal impact. Assessment changes will negatively impact the revenue for school districts, counties, cities and other taxing jurisdictions who are supported by property taxes. Current statute would have the solar systems assessed as personal property based on original cost and depreciated. For centrally assessed utility companies, the procedure handled by the State Tax Commission and the assessment is made per mile of electrical lines. The bill proposes a tax without assessment based on the per megawatt generation for systems that are 1 Megawatt or larger. All systems with less generation are considered de minimis and handled by the local assessor. The \$1750 per megawatt cap on the tax liability would be less than the current methods of assessing the solar systems.

Officials from the **Office of the State Auditor, Department of Economic Development, Department of Revenue, and the Department of Social Services** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Officials from the **City of Kansas City** assume this legislation could have a negative fiscal impact on Kansas City in an indeterminate amount.

Officials from **Randolph County** state there is no method to determine the potential fiscal impact but by example:

$\$1,000,000 \text{ cost} \times 12.5\% = \$125,000 \text{ value} \times 32\% = \$40,000 \text{ assessed}$ vs $\$1,000,000 \times 98\%$ (current % good for new structures) $= \$980,000 \text{ value} \times 32\% = \$313,600 \text{ assessed}$

Using a nominal total tax levy of $\$5.00 \times (\$40,000/100) = \$2,000$ in taxes: $\$5.00 \times (\$313,600/100) = \$15,680$ in taxes.

Officials from the **Adair County SB 40 Board** assume the impact is unknown. The most important thing to understand is that any loss in property tax revenues will result in a reduction of essential services to people with intellectual and developmental disabilities in Adair County. Types of services that could be significantly reduced include sheltered employment, supported employment, transition services and other collaborative programs with the public schools,

educational courses such as citizenship, relationships, healthcare self-advocacy, etc. Also, the agency's contribution of 20% share to leverage another 20% from state and 60% from federal Medicaid waiver dollars ('Partnership for Hope funds') used for residential services supports would be reduced.

Officials from the **City of Springfield, Missouri State University, University of Central Missouri, St. Charles Community College – 2**, and the **Hancock Street Light District** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight notes some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum or are at a fixed rate. For these taxing entities, any decrease in the assessed values would not be offset by a higher tax rate (relative to current law), rather it would result in an actual loss of revenue.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities' statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities' statutory or voter approved maximum rate. (These numbers do not include entities, which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

Oversight notes this proposal would change the assessment method for all real and tangible personal property associated with a project that uses solar energy directly to generate electricity. Oversight assumes this provision could reduce the assessed value of solar energy properties relative to current law. Oversight doesn't have enough information to estimate a fiscal impact to the Blind Pension Fund or to local political subdivisions from these changes. Therefore, Oversight will show an unknown loss in property tax revenue beginning in FY 2025.

Oversight notes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000. This would be approximately a 3.0% change in the assessed value of all commercial property. Therefore, Oversight assumes it is possible this proposal could impact the Blind Pension by an amount that could exceed \$250,000.

Oversight only reflects the responses received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. A listing of political subdivisions included in the Missouri Legislative Information System (MOLIS) database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
BLIND PENSION FUND			
<u>Revenue Loss</u> –\$137.077 - change in assessment method for real or personal property associated with a solar energy project	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> –\$137.077 - change in assessment method for real or personal property associated with a solar energy project	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>

FISCAL IMPACT – Small Business

Oversight assumes that small business solar energy companies could be directly affected by property tax assessment changes in this proposal.

FISCAL DESCRIPTION

Beginning January 1, 2024, for purposes of assessing all real and tangible personal property associated with a project that uses solar energy directly to generate electricity, the assessor shall determine the true value in money of such property, provided that all solar energy property with a placard output value of one megawatt or less, and all solar energy property that was built, operating, and generating power prior to August 28, 2023, shall be considered to be de minimis in value. The assessor shall request any documentation necessary to determine the true value in money of such property.

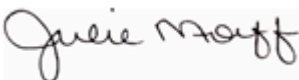
The tax liability actually owed for solar energy property with a placard output value of greater than one megawatt shall not exceed \$1,750 per megawatt. For projects for which the land associated with such project is reclassified due to the project, the property tax liability incurred from such land shall be included in such limit. (Section 137.077)

This act also requires all solar energy property of public utility companies to be assessed upon the county assessor's local tax rolls pursuant to this act. (Section 153.030)

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

Office of Administration - Budget and Planning
State Tax Commission
Department of Social Services
Department of Revenue
Office of the State Auditor
City of Kansas City
Randolph County
City of Springfield
Missouri State University
University Of Central Missouri
St. Charles Community College – 2
Hancock Street Light District



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April 18, 2023



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April 18, 2023