

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 3632H.011  
 Bill No.: HB 1836  
 Subject: Utilities; Taxation and Revenue - General; Taxation and Revenue - Property;  
 Energy; State Tax Commission; County Officials  
 Type: Original  
 Date: February 26, 2024

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

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON OTHER STATE FUNDS</b>			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund (0621)*	\$0	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\***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 the fiscal impact to the Blind Pension Fund would not reach the \$250,000 threshold.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

- 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.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>
<b>Local Government*</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\*Oversight notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue resulting from this proposal

## FISCAL ANALYSIS

### ASSUMPTION

#### Section 137.077 - Assessment Of Solar Energy Property

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 bill has an unknown fiscal impact. Since the Missouri State Supreme Court ruling removing the property tax exemption for solar systems not for resale, solar systems will be assessed under current statute. This bill would grandfather in current solar systems with an assessment that is de minimis and a capped tax liability of \$1,000 per megawatt for the land and equipment. The amount would be less than assessing the property under current statute.

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

**Oversight** notes property tax revenues are designed to be relatively revenue neutral from year to year. The tax rate is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth.

**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.

**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 2026.

**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  $((\text{Total Assessed Value}/100) \cdot .03)$ . Because this proposal limits the assessed value portion of this equation, the Blind Pension Fund will experience a decrease in revenue relative to what it would have received under current law.

**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 unlikely this proposal could impact the Blind Pension by an amount that could exceed \$250,000.

Officials from the **Department of Social Services** and the **Office of the State Auditor** 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 for these agencies.

Officials from the **Phelps County Sheriff, Kansas City Police Dept., St. Louis County Police Dept,** and the **Eureka Fire Protection District (EURE) - St. Louis** each assume the proposal will have no fiscal impact on their respective organizations.

**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 2025 (10 Mo.)	FY 2026	FY 2027
<b>BLIND PENSION FUND</b>			
<u>Revenue Loss –§137.077 - change in assessment method for real or personal property associated with a solar energy project</u>	\$0	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND</b>			

<u>FISCAL IMPACT – Local Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Loss</u> –\$137.077 - change in assessment method for real or personal property associated with a solar energy project *	\$0	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\*Oversight notes this impact could be substantially reduced if taxing authorities are able to increase the levy to other taxpayers to make up for the loss of property tax revenue resulting from this proposal

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

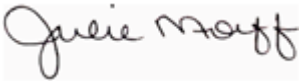
Beginning January 1, 2025, assessors shall determine the true value in money of all real and tangible personal property associated with a project that uses solar energy directly to generate electricity that was built or contracted to sell power prior to August 28, 2024, to be de minimis in value.

The tax for solar energy property with a placard output value of greater than one megawatt shall not exceed \$1,000 per megawatt. For solar projects in which the land associated with such project is reclassified, the property tax incurred from such land shall be included in the limit established in this bill.

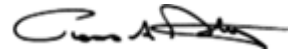
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration - Budget and Planning  
State Tax Commission  
City of Kansas City  
Department of Social Services  
Office of the State Auditor  
Phelps County Sheriff  
Kansas City Police Dept.  
St. Louis County Police Dept  
Eureka Fire Protection District (EURE) - St. Louis



Julie Morff  
Director  
February 26, 2024



Ross Strope  
Assistant Director  
February 26, 2024