

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1325H.011
 Bill No.: HB 440
 Subject: Utilities; Property, Real and Personal; Taxation and Revenue - Property; State Tax Commission; Public Service Commission; Counties
 Type: Original
 Date: February 25, 2025

Bill Summary: This proposal modifies and creates new provisions relating to electric utilities.

FISCAL SUMMARY

| ESTIMATED NET EFFECT ON GENERAL REVENUE FUND | | | |
|--|------------|------------|------------|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| | | | |
| | | | |
| Total Estimated Net Effect on General Revenue | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|------------|------------------|------------------|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| Blind Pension Fund (0621)* | \$0 | (Unknown) | (Unknown) |
| | | | |
| Total Estimated Net Effect on <u>Other</u> State Funds | \$0 | (Unknown) | (Unknown) |

* Oversight assumes the impact to the Blind Pension Fund and local political subdivisions would be a reduction in assessed value and subsequent loss of revenue. Oversight assumes the fiscal impact *may* reach the \$250,000 threshold.

Numbers within parentheses: () indicate costs or losses.

| ESTIMATED NET EFFECT ON FEDERAL FUNDS | | | |
|---|------------|------------|------------|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| | | | |
| | | | |
| Total Estimated Net Effect on <u>All</u> Federal Funds | \$0 | \$0 | \$0 |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|----------|----------|----------|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| | | | |
| | | | |
| 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 2026 | FY 2027 | FY 2028 |
| | | | |
| | | | |
| Local Government | \$0 | (Unknown) | (Unknown) |

* **Oversight** assumes the impact to the Blind Pension Fund and local political subdivisions would be a reduction in assessed value and subsequent loss of revenue.

FISCAL ANALYSIS

ASSUMPTION

Section 137.124 – Taxation of Solar Energy Projects

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined it will have an unknown negative 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. The bill establishes that solar energy projects (all real and personal property excluding land) will be assessed at \$2,500 per megawatt, and the land will be assessed as commercial property. This is less than allowed under current law. The effect of the decrease will vary depending on the current methodology an assessor is using to assess solar property.

Oversight notes this proposal would change the assessment method for equipment 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 2027.

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.

Sections 153.030 & 153.034 – Taxation of Solar Energy Projects

Oversight assumes that if a public utility has ownership of any real or personal property associated with a project that uses solar energy directly to generate electricity, the property is to be valued and taxed by the local authorities.

Oversight assumes this provision would result in the loss of revenue to some local political subdivisions.

Responses regarding the proposed legislation as a whole

Officials from the **City of Kansas City** assume the proposed legislation has a negative fiscal impact of an indeterminate amount.

Officials from the **Callaway County SB 40 Board** assume the proposed legislation has a fiscal impact of an indeterminate amount.

Officials from the **Howell County Assessor** assume this could potentially cost local government millions of dollars of needed funding across the state.

Officials from the **County Employees' Retirement Fund (CERF)** has reviewed HB 440 (1325H.011). HB 440 may have an unknown fiscal impact to the County Employees' Retirement Fund. Data is not available to quantify how changes to property assessments as they relate to solar energy under HB 440 would impact the County Employees' Retirement Fund.

Officials from the **Department of Social Services, Newton County Health Department, Kansas City Police Dept., St. Louis County Police Dept, Branson Police Dept,** and the **Mid-Continent Public Library** 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.

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 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 2026 (10 Mo.) | FY 2027 | FY 2028 |
|---|---------------------|-----------|-----------|
| BLIND PENSION FUND | | | |
| <u>Revenue Loss - §137.124 - Assessment changes to real or personal property associated with a solar energy project</u> | \$0 | (Unknown) | (Unknown) |
| ESTIMATED NET EFFECT ON THE BLIND PENSION FUND | \$0 | (Unknown) | (Unknown) |

| <u>FISCAL IMPACT – Local Government</u> | FY 2026 (10 Mo.) | FY 2027 | FY 2028 |
|---|---------------------|------------------|------------------|
| LOCAL POLITICAL SUBDIVISIONS | | | |
| <u>Revenue Loss</u> - §137.124 - Assessment changes to real or personal property associated with a solar energy project | \$0 | (Unknown) | (Unknown) |
| <u>Revenue Loss</u> - §153.030 & 153.034 – loss of revenue from no longer being centrally assessed and distributed | \$0 | (Unknown) | (Unknown) |
| ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS | \$0 | (Unknown) | (Unknown) |

FISCAL IMPACT – Small Business

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

FISCAL DESCRIPTION

Beginning January 1, 2026, for purposes of assessing all real property, excluding land, or tangible personal property associated with a project that uses solar energy directly to generate electricity, the tax liability will be equal to \$2500 per megawatt of nameplate capacity. All land associated with the project that used solar energy will be assessed as commercial property.

As specified in this bill, if any public utility company has ownership of any real or personal property associated with a project which uses solar energy directly to generate electricity, such solar energy project property will be valued and taxed by any local authorities having jurisdiction.

Beginning January 1, 2026, for any public utility company which has a solar energy project, such solar energy project must be assessed with any solar energy property of such company assessed upon the county assessor's local tax rolls, and all other real property, excluding land, or personal property related to the solar energy project assessed using the methodology as specified in the bill.

The total amount of real property associated with all solar energy projects in any county may not exceed 2% of all cropland in the county, except a county commission may increase the

percentage by order, ordinance, regulation, or a vote of the county residents. Any resident of the county has standing to bring suit if he or she believes that the cap on cropland has been met.

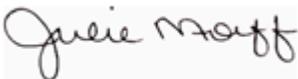
For all solar energy projects built on or after January 1, 2026, the project will be subject to certain setbacks specified in the bill from adjacent property.

A solar energy company must secure all property rights or easements necessary for transmission and interconnection to the electrical grid prior to construction of a solar energy project.

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
Department of Social Services
City of Kansas City
Callaway County SB 40 Board
Howell County Assessor
County Employees' Retirement Fund (CERF)
Newton County Health Department
Kansas City Police Dept.
St. Louis County Police Dept
Mid-Continent Public Library
Branson Police Dept



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