

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1325H.02C
Bill No.: HCS for HB Nos. 440 & 1160
Subject: Utilities; Property, Real and Personal; Taxation and Revenue - Property; State Tax
Commission; Public Service Commission; Counties
Type: Original
Date: March 18, 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) to Unknown	(Unknown) to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	(Unknown) to Unknown	(Unknown) to Unknown

* Oversight assumes the impact to the Blind Pension Fund and local political subdivisions would result in a change in assessed value and subsequent loss/gain of revenue. Without additional information, Oversight cannot estimate the net impact to the Blind Pension Fund. 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) to Unknown	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 137.016 - Classification of Real Property Used for Energy Production Purposes

In response to a previous version (HB 1160), officials from the **State Tax Commission (STC)** have reviewed this proposal and determined it would have a negative impact on taxing jurisdictions reliant on property taxes for revenue. The bill requires that agriculture land that is used for the production of electricity for resale, solar farms and windmills, to be assessed as a mixed use property with the portion of land being used for agriculture assessed as ag land and the portion used for energy production as commercial land. The STC is unable to calculate an amount because of the lack of data, but much of the land used to produce energy is currently assessed as commercial land causing the negative impact.

In response to a previous version (HB 1160), officials from the **Office of Administration - Budget and Planning (B&P)** note this proposal would require land used for wind or solar (or other energy generation forms) located on agriculture land to be classified as commercial real property rather than agriculture real property. To the extent that this proposal results in increased property tax assessments, revenues to the Blind Pension Trust fund and local property tax revenues could increase.

In response to a previous version (HB 1160), officials from the **Howell County Assessor** assume this is a positive impact on the assessment process and further defines the conversion of real property from one statutory use to another. This property should be assessed as subclass 3 as it no longer is in production agriculture.

In response to a previous version (HB 1160), officials from the **Metropolitan St. Louis Sewer District - 7B Sewer** assume a fiscal impact of an indeterminate amount.

Oversight notes the following assessment value rates by subclass per the State Tax Commission manual:

Subclass	Rate
(1) residential	19%
(2) agricultural and horticultural	12%
(3) utility, industrial, commercial, railroad, and other property	32%

Oversight assumes this proposal would require certain land to be assessed at a higher tax rate. Therefore, Oversight assumes this proposal could result in an increase in assessed values and subsequent tax revenues; therefore, Oversight will show an unknown positive impact to the Blind Pension Fund and local political subdivisions.

However, **Oversight** received varied responses regarding the fiscal impact of this provision. 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 is uncertain what proportion of assessed value would be reclassified under this proposal.

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 $((\text{Total Assessed Value}/100) \times .03)$.

Oversight notes to reach a revenue impact of \$250,000 on the Blind Pension Fund would require a change in assessed value of approximately \$830,000,000. Based on information from the State Tax Commission's [website](#), Oversight notes the following assessed values by category:

Subclass	Assessed Value
Agricultural	\$2,008,283,243
Commercial	\$30,214,171,778

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.

Section 393.1120 - Solar Energy Project Restrictions

In response to a similar proposal (HB 2651, 2024), officials from the **Office of Administration - Budget and Planning (B&P)** note Section 393.1120 would limit solar energy projects to 2% of cropland per county and requires that at least 75% of the solar property be made or sourced within the U.S. This section will not impact TSR or the calculation under Article X, Section 18(e).

B&P assumes this provision will have no fiscal impact on their organization. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note.

Responses regarding the proposed legislation as a whole

Officials from the **City of Kansas City** assume this proposed legislation will have a negative impact in the first year or two of adoption, but will become revenue neutral due to the City's ability to float its property tax levy.

Officials from the **Callaway County SB 40 Board** assume a reduction in funding from personal property and/or real property taxes would have significant consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as Callaway County Special Services, Callaway County, assess local needs and nurture a strong network of high-quality services that are essential to over 201 people with IDD and their families. These services, supported by personal property and/or real property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

In response to a previous version (HB 1160), officials from the **Adair County SB 40 DD Board** assume a reduction in funding from personal property and/or real property taxes would have significant consequences on critical supports for individuals with intellectual and developmental disabilities (IDD), limiting access to critical supports for those who rely on them. Senate Bill 40 organizations such as Adair County SB40 Developmental Disability Board assess local needs and nurture a strong network of high-quality services that are essential to over 465 people with IDD and their families. These services, supported by personal property taxes, include employment opportunities, inclusive community programs, and vital resources for families.

In response to a previous version (HB 440), officials from the **Callaway County SB 40 Board** assume the proposed legislation has a fiscal impact of an indeterminate amount.

In response to a previous version (HB 440), 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)** assume the proposal 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 the proposal would impact the County Employees' Retirement Fund.

Officials from the **Department of Social Services, Newton County Health Department, Kansas City Police Dept., City of Osceola, Newton County Health Department, St. Louis County Police Dept, Branson Police Dept, Metropolitan St. Louis Sewer District - 7B Sewer, Morgan County PWSD #2, Osceola Water/Wastewater, South River Drainage District - 7D Levee, Wayne County PWSD #2, 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.

<u>FISCAL IMPACT – State Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
BLIND PENSION FUND			
<u>Revenue Gain</u> - §137.016 – gain of tax revenue from the reclassification of certain agriculture land	\$0	Unknown	Unknown
<u>Revenue Loss</u> - §137.124 - Assessment changes to 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) to Unknown</u>	<u>(Unknown) to Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Gain</u> - §137.016 – gain of tax revenue from the reclassification of certain agriculture land	\$0	Unknown	Unknown
<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	<u>\$0</u>	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>

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

The proposed legislation Modifies and creates new provisions relating to electric utilities.

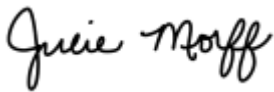
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

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.

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St. Louis County Police Dept
Mid-Continent Public Library
Branson Police Dept
City of Osceola
Newton County Health Department
Metropolitan St. Louis Sewer District - 7B Sewer
Morgan County PWSD #2
Osceola Water/Wastewater
South River Drainage District - 7D Levee
Wayne County PWSD #2



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