

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2178H.011  
 Bill No.: HB 1160  
 Subject: Property, Real and Personal; Taxation and Revenue - Property; State Tax  
 Commission; Counties; Energy; Agriculture  
 Type: Original  
 Date: February 10, 2025

Bill Summary: This proposal modifies provisions relating to classification of mixed use agricultural real property when used for energy production activities for resale purposes.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
<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 2026	FY 2027	FY 2028
Blind Pension Fund (0621)*	\$0	(Unknown) to Unknown	(Unknown) to Unknown
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>

\***Oversight** assumes the fiscal impact to the Blind Pension Fund could reach the \$250,000 threshold.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
<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>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
<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>			
FUND AFFECTED	FY 2026	FY 2027	FY 2028
<b>Local Government</b>	<b>\$0</b>	<b>(Unknown) to Unknown</b>	<b>(Unknown) to Unknown</b>

## FISCAL ANALYSIS

### ASSUMPTION

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

Officials at 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.

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.

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.

Officials from the **City of Kansas City** state the proposed legislation will have a negative fiscal impact in the first year and potentially neutral fiscal impact after the first-year adjustment.

Officials from the **Metropolitan St. Louis Sewer District - 7B Sewer** assume a fiscal impact of an indeterminate amount.

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.

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.

Officials from the **County Employees' Retirement Fund** have reviewed this proposal. This proposal may have an unknown fiscal impact to the County Employees' Retirement. A certain portion of the moneys that are used to fund the County Employees' Retirement Fund are tied to the collection of real property taxes. Data is not available to quantify how changes to real property assessments under this proposal would impact contribution revenue.

**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 received varied responses regarding the fiscal impact of this legislation. This proposal could result in a change in assessed values and subsequent tax revenues; therefore, Oversight will show an unknown negative or positive impact to the Blind Pension Fund and local political subdivisions.

**Oversight** notes local property tax revenues are 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. However, some taxing entities have tax rate ceilings that are at their statutory or voter approved maximum. 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 a loss of revenue.

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

**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

Officials from the **City of O'Fallon, Kansas City Police Dept., St. Louis County Police Dept, Morgan County Pwsd #2, South River Drainage District - 7D Levee, St. Charles County Pwsd #2 - 7A Water, Branson Police Dept, Morgan County Pwsd #2, South River Drainage District - 7D Levee, St. Charles County Pwsd #2 - 7A Water, Wayne County Pwsd #2, Department of Social Services, Rolling Hills Consolidated Library, 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
<b>BLIND PENSION FUND</b>			
<u>Revenue Change</u> - §137.016 – Loss/gain of tax revenue from the reclassification of certain agriculture land	\$0	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND</b>	<b>\$0</b>	<b><u>(Unknown) to Unknown</u></b>	<b><u>(Unknown) to Unknown</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2026 (10 Mo.)	FY 2027	FY 2028
<b>LOCAL POLITICAL SUBDIVISION</b>			
<u>Revenue Change</u> - \$137.016 – Loss/gain of tax revenue from the reclassification of certain agriculture land	\$0	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<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 to small businesses if tax rates are adjusted relative to changes in assessed value.

FISCAL DESCRIPTION

Currently, where real property is used for more than one purposes resulting in different classifications, the county Assessor must allocate to each classification the percentage of the true value in money for the property devoted to each use. This bill specifies that any property classified as agricultural property that is used for the purpose of energy production activities for resale must be proportionally calculated, assessed, and reclassified as commercial property.

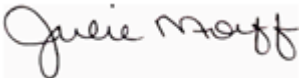
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Tax Commission  
 Office of Administration - Budget and Planning (B&P)  
 Department of Social Services  
 County Employees' Retirement Fund  
 Howell County Assessor  
 Metropolitan St Louis Sewer District  
 Callaway County SB 40 Board  
 Adair County SB 40 DD Board  
 City of O'Fallon  
 Kansas City Police Dept.

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St. Louis County Police Dept  
Morgan County Pwsd #2  
South River Drainage District - 7D Levee  
St. Charles County Pwsd #2 - 7A Water  
Branson Police Dept  
Morgan County Pwsd #2  
South River Drainage District - 7D Levee  
St. Charles County Pwsd #2 - 7A Water  
Wayne County Pwsd #2,  
Rolling Hills Consolidated Library  
Mid-Continent Public Library



Julie Morff  
Director  
February 10, 2025



Jessica Harris  
Assistant Director  
February 10, 2025