

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4225H.02I
 Bill No.: HB 2478
 Subject: Energy; Environmental Protection
 Type: Original
 Date: March 30, 2026

Bill Summary: This proposal modifies provisions relating to utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Blind Pension Fund (1621)*	\$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 fiscal impact(s) *may* reach the \$250,000 threshold.
 Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Local Government	\$0	(Unknown) to Unknown	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

§137.100 – Taxation of Solar Energy Projects

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 137.100.2 would create a property tax exemption for solar energy systems constructed for use on a single property. This exemption would only be granted at the discretion of a county assessor. B&P notes that per the recent MO Supreme Court case regarding the existing solar exemption under Section 137.100.1(10), it is unclear if this proposed exemption is allowable.

B&P notes that the term “single property” is not defined. It is unclear whether this would be limited to a single building or if it would include multiple buildings located on a single plot of land owned by an individual(s) or entity.

Therefore, B&P estimates that this provision could reduce TSR and revenues to the Blind Pension Trust Fund, if the proposed exemption is allowable under the latest MO Supreme Court ruling and if any local assessor approved of such exemption.

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 2028.

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 \$833,333,333. This would be approximately a 3.0% change in the assessed value of all commercial property.

§137.124 – Taxation of Solar Energy Projects

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 137.124 would require all real and tangible personal property, except land, associated with a solar energy project to be assessed at \$6,000 per megawatt of nameplate capacity. The \$6,000 shall be adjusted annually for inflation. In addition, solar energy projects may still utilize tax credits or abatements. Land may be assessed at the commercial rate.

Officials from the **State Tax Commission (STC)** Officials from the State Tax Commission (STC) have reviewed this proposal and determined it will have an unknown positive 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 \$6,000 per megawatt, and the land will be assessed as commercial property. This is more than allowed under current law. The effect of the increase will vary depending on the current methodology an assessor is using to assess solar property.

Oversight does not have information to the contrary and therefore, Oversight will show an unknown gain in property tax revenue to local political subdivisions beginning in FY 2028.

Oversight notes the Blind Pension Fund (1621) is calculated as an annual tax of three cents on each one hundred dollars valuation of taxable property ((Total Assessed Value/100)*.03). Because this proposal increases the assessed value portion of this equation, the Blind Pension Fund may experience a increase in revenue relative to what it would have received under current law.

Oversight doesn't have enough information to estimate a fiscal impact to the Blind Pension Fund from these changes. Therefore, Oversight will show an unknown gain in property tax revenue beginning in FY 2028.

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.

§§153.030 & 153.034 - Taxation of Solar Energy Projects

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 153.030 requires that solar energy projects be assessed at the county level. B&P notes that typically, the State Tax Commission assesses public utility companies and property tax collections are distributed to all local jurisdictions by the miles of line contained in their area. Therefore, this provision would limit local tax collections to only the jurisdictions containing the actual solar energy property.

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

In response to similar legislation, SB 879 (2026), officials from the **City of Kansas City** assume the proposed legislation has an unknown fiscal impact.

Officials from the **City of St. Louis Assessor's Office** state that the City of St. Louis does not have any solar farms on at least 20 acres. The Assessor does not have discretion to exempt any property unless specifically enumerated in the statute. They do not know the megawatt capacity of all of the solar systems in the City, therefore do not have a measure on the effect of valuing all systems at \$6,000 per megawatt.

The City of St. Louis does not currently have any cropland. This could disallow any solar energy projects from our County.

In response to similar legislation, SB 879 (2026), officials from the **Callaway County SB 40 Board** assume Senate Bill 879 makes significant changes to the regulation, classification, and taxation of electric, solar, and wind energy projects, including replacing existing property tax exemptions with a fixed valuation methodology and reclassifying certain renewable energy properties for assessment purposes. Senate Bill 40 (SB40) Boards are identified as impacted taxing entities.

For SB40 organizations such as Callaway County Special Services (CCSS), this legislation presents a potential fiscal risk through changes to the local property tax base. CCSS relies on personal and real property tax revenues to fund essential support for more than 230 individuals with intellectual and developmental disabilities (IDD) and their families. In Callaway County, personal property taxes account for approximately 27.24% of the developmental disability levy. Any shift in assessed values, valuation methodology, or taxable acreage related to utility or renewable energy projects may affect levy stability and available funding.

Oversight notes that because of the need to ensure that solar farms being currently constructed do not cause disruption to adjoining properties, the enactment of §67.5350 of section A of this act is deemed necessary for the immediate preservation of the public health, welfare, peace, and safety, and is hereby declared to be an emergency act within the meaning of the constitution, and the enactment of §67.5350 of section A of this act shall be in full force and effect upon its passage and approval.

Officials from the **Department of Commerce and Insurance, Department of Natural Resources, Department of Revenue, and Office of the State Courts Administrator** each assume the proposal will have no fiscal impact on their respective organizations.

In response to similar legislation, SB 879 (2026), officials from the **City of O’Fallon** assumed that the proposal would 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 for these agencies.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other local political subdivisions were requested to respond to this proposed legislation but did not. 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. A general listing of political subdivisions included in our database is available upon request.

Rule Promulgation

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

In response to similar legislation, SB 879 (2026), officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than \$5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
BLIND PENSION FUND			
<u>Revenue Loss</u> – (§137.100) Property tax exemption for solar energy systems p.3	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Gain</u> – (§137.124) Assessment changes to real or personal property associated with a solar energy project p.4	\$0	Unknown	Unknown
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	(Unknown) to Unknown	(Unknown) to Unknown

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> – (§137.100) Property tax exemption for solar energy systems p. 3	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Gain</u> – (§137.124) Assessment changes to real or personal property associated with a solar energy project p.4	\$0	Unknown	Unknown
<u>Revenue Loss</u> – (§153.030 & 153.034) Loss of revenue from no longer being centrally assessed and distributed p. 5	\$0	(Unknown)	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	(Unknown) to Unknown	(Unknown) to 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 value. Oversight assumes there could be an impact on small businesses if utility rates are adjusted for changes in assessed values.

FISCAL DESCRIPTION

The bill modifies provisions relating to utilities.

PERMIT FOR THE CONSTRUCTION OF SOLAR FARMS (Section 67.5350)

The bill requires that prior to obtaining a certificate of public convenience or necessity from the Public Service Commission, any person constructing a solar farm must first submit an application to the county commission in each county where the solar farm is to be located.

The county commission of any county must adopt an order or an ordinance requiring a permit to construct a solar farm within specified boundaries in an unincorporated area within the county. The permit must require construction of the facility to meet specific distances from certain properties as specified in the bill. The permit must also require noise levels not to exceed 45 decibels from any property line.

Within 90 days of receiving an application for a permit, the county commission must hold a public meeting before the issuance of a permit. Notice must be provided at least 14 days prior to the public meeting. The applicant must provide certain information at the public meeting, as described in the bill. No later than 90 days after the public meeting, the county commission must issue a permit; issue a permit limiting the boundaries of the proposed solar farm; or deny the permit. Any applicant intending to make a material amendment to the permit once it is issued must submit a new application for the permit to the county commission.

The county commission must require any applicant who is issued a permit to obtain liability insurance in an amount sufficient to cover any damages arising from the construction of the solar farm.

The Public Service Commission must not issue a certificate of public convenience or necessity to any applicant who did not receive a permit from a county commission in each county where the solar farm is to be located. The county commission of any county where a solar farm is proposed to be constructed must require a decommissioning plan of the solar farm. This provision has an emergency clause.

TAXATION OF SOLAR ENERGY PROJECTS (Section 137.100, 137.124, 153.030, & 153.034)

Current law exempts solar energy systems not held for resale from property taxes. The bill repeals such provision and provides that solar energy systems constructed for exclusive use of a single property can be exempted from property tax at the discretion of the county assessor.

Beginning January 1, 2027, 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 \$6,000 per megawatt of nameplate capacity and adjusted for inflation annually. All land associated with the project that used solar energy will be assessed as commercial property. This does not prohibit a project from engaging in enhanced enterprise zone agreements or certain abatement agreements.

This bill also provides that, for certain public utility companies that have a solar energy project, the solar energy project must be assessed using a specific methodology.

The bill also provides that real or tangible personal property associated with a project which uses solar or wind energy to generate electricity, including equipment used to support the integration of a solar generation asset into an existing system, must be valued and taxed by local authorities.

COMMISSION'S RULEMAKING AUTHORITY RELATING TO THE CONSTRUCTION OF ELECTRIC TRANSMISSION LINES ON AGRICULTURAL LAND (Section 393.172)

By March 31, 2027, the Public Service Commission must promulgate rules applicable to electrical corporations requiring construction of electric transmission lines for which permission is sought from the Commission to adhere to specific standards relating to construction activities occurring partially or wholly on privately owned agricultural land.

ALTERNATIVE ENERGY RESOURCES (Sections 393.1025 and 393.1030)

The bill repeals the definition of "renewable energy resources" for the purpose of the Renewable Energy Standard and replaces it with a definition of "alternative energy resources", which includes nuclear energy.

SOLAR PROJECTS NOT TO EXCEED MORE THAN 2% OF ALL CROPLAND (Section 393.1120)

The total amount of real property associated with all solar energy projects in any county cannot be more than 2% of all cropland in the county. The county commission or other authorized governing body can increase the percentage of cropland by order, ordinance, regulation, or vote of the residents of the county.

Any resident of the county will have standing to bring suit to enforce these provisions against a solar energy project developer.

For all solar energy projects built on or after January 1, 2027, the project will be subject to certain setbacks, specified in the bill, as measured from the nearest occupied dwelling, church, or school to the perimeter of the nearest solar panel. The setbacks do not apply to solar projects built and operating at capacity on or before December 31, 2026.

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

CONDEMNATION OF PROPERTY (Section 523.010)

The bill prohibits the use of eminent domain by electrical corporations for the construction or erection of any plant, tower, panel, or facility that:

- (1) Uses, captures, or converts wind or air currents to generate or manufacture electricity; or
- (2) Uses, captures, or converts the light or heat generated by the sun to generate or manufacture electricity.

The bill specifies that the authority of any corporation to condemn property extends to the acquisition of rights needed for collection, distribution, communication and transmission lines, as well as substations, switchyards and other facilities needed to collect and deliver energy generated or manufactured by solar or wind facilities.

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

Department of Commerce and Insurance
Department of Natural Resources
Department of Revenue
Office of Administration
 - Budget and Planning
Office of the Secretary of State
Office of the State Courts Administrator
State Tax Commission
Joint Committee on Administrative Rules
City of Kansas City
City of O'Fallon
City of St. Louis Assessor's Office
Callaway County SB 40 Board



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