

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0313-01
Bill No.: HB 220
Subject: Taxation and Revenue - General
Type: Original
Date: January 15, 2019

Bill Summary: This proposal clarifies and modifies provisions relating to the taxation of personal property involved in producing wind energy.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government*	\$0	\$0	\$0

* Property tax assessment changes net to zero.

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal may impact Total State Revenue and may impact the calculation under Article X, Section 18(e).

This proposal would require any real or tangible personal property associated with the production of wind energy to be valued and taxed under the provisions of Chapter 137 and not under Section 153.030.2.

B&P notes that this proposal includes the wording "shall continue to be" in reference to the valuation and taxation under Chapter 137. Therefore, B&P estimates that this proposal could have a \$0 to minimal impact on Total State Revenue and the Blind Pension Fund, if some relevant property is being valued under a method different than allowed in Chapter 137.

Officials at the **State Tax Commission** assume this proposal would remove wind farm facilities owned and operated by electric utility companies from distributable property and include it in local property. Currently windfarms not owned and operated by public utility companies are locally assessed. School and other taxing districts where the wind farm is located would realize an unknown positive fiscal impact with the inclusion of the entire value of the wind farm as part of their tax base. School and other taxing districts that may have miles of line within their district, but not the wind farm, would lose that valuation in their tax base. The fiscal impact would be unknown in both circumstances as it would be dependent on the number, size and scope of such projects.

The State Tax Commission stated there are currently four counties that have privately held wind farms. They are Atchison, DeKalb, Gentry and Nodaway counties. Currently, there are no publicly held wind farms. Those 6 privately held wind farms have 630 turbines. The wind farms are assessed based on the number of turbines they own.

Under current law, property of electric companies (centrally assessed) are categorized as "local property" or "distributable property" for ad valorem purposes. The value of all distributable property is apportioned to the local taxing districts according to the number of miles of line in the counties and districts. All taxing districts with miles of line in a county that a centrally assessed company serves, shares the ad valorem valuation of all distributable property. In contrast, the value of local property stays with the local taxing districts in which the property is located. Distributable property currently includes property used in the generation and distribution of electric power.

ASSUMPTION (continued)

Officials at the **Department of Revenue** and the **Office of the State Auditor** each assume there is no fiscal impact from this proposal.

Oversight notes that the Department of Revenue and the Office of the State Auditor have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for them.

Officials at the **Fairfax R-III School District** assume this would increase revenue by \$638,875 annually. The district is a rural district in Northwest MO that has experienced financial difficulties for the past decade. While our supportive community recently passed a significant tax levy increase, that additional revenue will not cover all of the Board Priorities regarding facilities and fiscal expenditures. In our district, the revenue gleaned from local tax payments of future windfarms will ensure the financial, physical, and educational success and solidity of our district. Without it we will continue to heavily prioritize allowing through necessity, many initiatives which would be good for our students and community, to be placed on a semi-permanent delay. This revenue represents the financial and educational health of our district.

Officials at **Atchison County** assume revenue from wind energy has had a huge economic impact on the County. This proposal is estimated to increase revenue by \$1,600,000 annually. Currently all the wind farms in the County are developer owned. When the ownership moves from a developer to a public owned utility the turbines become state assessed which removes over 90% of the revenue from the County.

Officials at the **Monroe County Assessor Office** assume this would not impact them as they do not have any tangible personal property in their county associated with wind energy.

Officials at the **Tarkio R-I School District** assume this would impact the district by \$36,133 annually from the Brickyard Hill wind project. The Outlaw Wind Project is expected to begin construction in 2019, and the projected financial impact of this project is estimated at \$720,000 per year for the district.

Officials at the **Rock Port R-II School District** assume this would increase revenue by \$416,583 annually.

ASSUMPTION (continued)

Oversight notes that under current law should a public utility purchase or construct a wind farm that wind farm would be centrally assessed. However, this proposal would allow a publicly owned utility to purchase or construct a wind farm that would be treated like the privately owned wind farms and be locally assessed. A locally assessed wind farm keeps the property tax in the city, county and school district of the wind farm. A centrally assessed wind farm would distribute property tax to additional cities, counties and school districts in the area of the state the wind farm is located and lines reached. Oversight will show that the locally assessed political subdivisions will gain revenue while the centrally assessed political subdivisions will lose revenue.

Oversight notes this proposal is changing the assessment of wind farms that may or may not be constructed or purchased in the future. Therefore, Oversight will show the impact as \$0 (none built or purchased) to Could Exceed \$100,000 in property tax revenue retained or shared; however, Oversight will assume the net fiscal impact across all Missouri political subdivisions will net to zero.

Oversight only reflects the responses that we have received from state agencies and political subdivisions; however, other county assessors were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to www.legislativeoversight.mo.gov.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue</u> - Locally Assessed Political Subdivisions from change to wind farm assessments §153.034	\$0 or Could exceed \$100,000	\$0 or Could exceed \$100,000	\$0 or Could exceed \$100,000
<u>Loss</u> - Centrally Assessed Political Subdivisions from change to wind farm assessments §153.034	\$0 or (Could exceed <u>\$100,000</u>)	\$0 or (Could exceed <u>\$100,000</u>)	\$0 or (Could exceed <u>\$100,000</u>)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This bill specifies that any real or tangible personal property associated with a project which uses wind energy directly to generate electricity shall continue to be valued and taxed by any state and local authorities having jurisdiction.

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

Atchison County
Department of Revenue
Fairfax R-III School District
Monroe County Assessor
Office of Administration
 Division of Budget and Planning
Office of the State Auditor
Rock Port R-II School District
State Tax Commission
Tarkio R-I School District



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January 15, 2019

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