COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0841S.01I
Bill No.: SB 379
Subject: Taxation and Revenue - Property; Energy
Type: Original
Date: March 29, 2021

Bill Summary: This proposal modifies provisions relating to the taxation of property associated with the production of energy.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Blind Pension Fund (0621)	$0	$0	(Unknown)
Total Estimated Net Effect on Other State Funds	**$0**	**$0**	**(Unknown)**

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	**$0**	**$0**	**$0**

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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 2022	FY 2023	FY 2024
Local Government	**$0**	**$0**	**(Unknown)**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission (STC)** assume the proposal would have an unknown 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 which wind energy projects owned by a public utility has tax situs. In 2019, House Bill 220 was enacted which established that all wind generation real and personal property used to generate electricity owned by a public utility would be assessed locally by county assessors and the addition of the wind energy assessment assets created a positive fiscal impact for local taxing jurisdictions with tax situs for wind generation assets. The bill establishes that wind energy projects (all real and personal property excluding land) will be assessed using a depreciation methodology provided in Section 137.123. The fiscal impact for those taxing jurisdictions in which a wind energy facility has tax situs will be determined by the size, number and scope of the wind energy project.

Officials from **Office of Administration - Budget and Planning (B&P)** assume this proposal may impact TSR. This proposal may impact the calculation under Article X, Section 18(e).

Sections 137.123 and 153.030 would require all real and tangible personal property, except land, associated with a wind energy project be depreciated at the rates established within section 137.123. B&P notes that currently such property uses the depreciation schedule in Section 137.122. Therefore, B&P estimates that these sections may impact TSR and the Blind Pension Trust Fund if the use of the new depreciation schedule changes the assessed values of relevant property. In addition, these sections may impact the calculation under Article X, Section 18(e).

This proposal would also repeal **Section 393.1073** which established the "Task Force on Wind Energy". B&P notes that this section expired on December 31, 2019. This section will not impact TSR or the calculation under Article X, Section 18(e).

Officials from **Department of Revenue (DOR)** state the assessment of property tax is handled by the State Tax Commission. The Department assumes no direct fiscal impact from this proposal and defers to the State Tax Commission for a statewide fiscal impact.

Officials from the **Department of Social Services**, **Department of Commerce and Insurance** and the **Office of the State Auditor** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes the response submitted by DCI is related to the operations of the Public Service Commission only and does not contemplate any impact to public utilities. Any impact to utility rates would be considered an indirect impact.

In response to a similar proposal, HB 845 (2021), officials from the **Howell County Assessor's Office** stated they do not have a wind energy project at this time but the estimated fiscal impact of this legislation may be estimated as follows;

2022 $100,000 to $1,000,000 in lost revenue

2023 $100,000 to $1,000,000 in lost revenue

2024 $100,000 to $1,000,000 in lost revenue

Wording of this legislation appears to violate the equity clause of the Constitution and sets up a county for a discrimination suit. Residential property owners will be tasked with the burden of making up all the lost revenue and paying higher utility bills for the subsidy to support this low return on investment power generation system.

Officials from the **Barton County Assessor's Office** assume the proposal could have a fiscal impact on their organization. They stated the 69 towers that are in Barton County were completed in 2020 and should be taxed in 2021.

Oversight assumes this proposal changes the depreciation schedule for tangible personal property. Oversight assumes this would result in an unknown impact (positive or negative) to the Blind Pension Fund and local political subdivisions.

In addition, **Oversight** is assumes this proposal makes real property, excluding land, subject to a depreciation schedule. Oversight assumes this provision would have a negative fiscal impact on local taxing entities as real property generally does not depreciate.

Oversight assumes the magnitude of the impact from depreciating real property is likely to be greater than the change in the depreciable schedule.

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. Below are sample of Wind Energy Projects in Missouri:

Project	Reported Cost	County
White Cloud	$380 Million	Nodaway
Tenaska Clear Creek	$300 Million	Nodaway
Rock Creek	$500 Million	Atchison
Grain Belt Express (Proposed)	$2.3 Billion	Multiple

Oversight assumes it is possible the depreciation of real property for wind energy projects could result in in a loss that would exceed $250,000.

Additionally, **Oversight** notes property tax revenues are generally 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. Therefore, Oversight assumes this proposal could impact property tax levies.

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 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. A general listing of political subdivisions included in our database is available upon request.

FISCAL IMPACT – State Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
BLIND PENSION FUND			
Revenue (Loss) - loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule	$0	$0	(Unknown)
Revenue - Gain or Loss - changes to the depreciation schedule for wind energy projects	$0	$0	Unknown to (Unknown)
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	**$0**	**$0**	**(Unknown)**

FISCAL IMPACT – Local Government	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
Revenue (Loss) - loss of tax revenue from real property now assessed as personal property and subject to a depreciation schedule	$0	$0	(Unknown)
Revenue - Gain or Loss - changes to the assessment of wind energy projects	$0	$0	Unknown to (Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	**$0**	**$0**	**(Unknown)**

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

Beginning January 1, 2022, this act provides a depreciation table for the purposes of assessing all real and tangible personal property associated with a project that uses wind energy directly to generate electricity. Such depreciation percentages range from 40% in the first year following construction of the property to 35% in the fifth year following construction of the property and each year thereafter.

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 Revenue
Office of Administration – Budget & Planning
Department of Social Services
Office of the State Auditor
County of Barton - Assessor's Office
County of Howell - Assessor's Office

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March 29, 2021

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JLH: LR: OD