

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0901S.05C
Bill No.: SCS for SB 92
Subject: Taxation and Revenue - Property; Counties; Energy
Type: Original
Date: April 5, 2021

Bill Summary:

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) to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	(Unknown) to 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) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined school, fire districts and cities, counties in which the real and personal property of any public utility that utilizes Chapter 100 that has tax situs would realize an unknown positive fiscal impact with the inclusion of the entire value of the Chapter 100 real and personal property of the generation portion held by a utility (determined by depreciated cost) as part of their (local) tax base. The act proposes that said property will be valued locally and the value would stay with local taxing districts in which the property is located. School districts and other local taxing jurisdictions that may have miles of line within their district, but not the Chapter 100 assessment assets, would lose that valuation in their tax base. The fiscal impact would be unknown in both circumstances as it would be dependent on the amount of depreciation, size and scope of said Chapter 100 property. The proposed depreciation is based on the cost information for the generation portion from the Federal Energy Regulatory Commission filed report at transfer of ownership "and depreciate the costs provided in a manner similar to other commercial and industrial property".

In current law, property of electric companies (state centrally assessed) are categorized as "local property" and "distributable property" for ad valorem purposes. The value of all distributable 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.

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

This proposal states that if any public utility company has ownership of any property associated with a generation project that was constructed using public financing under Chapter 100, that property shall be taxed by a county assessor under Chapter 137.

Beginning January 1, 2022, any public utility company assessed under Chapter 153 that has property associated with a generation project that was constructed using public financing under Chapter 1000 shall be assessed using the following methodology:

- All qualifying property shall be assessed at the local level, and not by the State Tax Commission. The local assessor must use cost information from the public utility company and shall then depreciate the costs similar to other commercial and industrial property.

- Land and buildings related to the qualifying generation project shall be assessed under Chapter 137.
- All other business or personal property related to the generation project shall be assessed using Section 137.122.

B&P notes that the term “generation project” is not defined and could include: solar, thermal, coal, nuclear, hydroelectric, gas, or other forms of energy generation.

B&P notes that currently, public utilities are assessed property taxes under Chapter 153. In the event that a public utility was to purchase or build qualifying generation project property, the qualifying property would instead be assessed under Chapter 137. B&P further notes that the two methods are not identical and may have a significant positive or negative impact on local revenues depending on the physical location of the public utility’s property. In addition, if the assessed value of such property differs between the county assessor methodology under Chapter 137 and the STC methodology under Chapter 153, then this proposal may impact revenues to the Blind Pension Trust Fund.

Officials from the **Office of the State Auditor** and the **Department of Revenue** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a previous version, officials from the **Department of Commerce and Insurance** assume the proposal will have no fiscal impact on their organization.

Upon further inquiry, the **Department of Commerce and Insurance** stated their response was related to the operations of the Public Service Commission only. It does not contemplate any impact to public utilities.

Officials from the **City of Kansas City** state this legislation provides that real and personal property tax of any public utility company that utilizes Chapter 100 financing be assessed only upon the county assessor’s local tax rolls. As the City collects taxes from utilities directly, this would result in a negative fiscal impact.

In response to the previous version, officials from the **Boone County Assessor’s Office** stated Boone County has not used Chapter 100 financing for any projects of this nature. Counties which have financed projects of this nature would benefit financially.

In response to the previous version, officials from the **City of Hale** and the **Metropolitan St. Louis Sewer District** each assumed the proposal would have a fiscal impact on their respective organizations.

Officials from the **Lincoln County Assessor’s Office**, **City of Springfield**, **City of Claycomo** and the **City of Corder** each assume the proposal will have no fiscal impact on their respective organizations.

In response to the previous version, officials from the **City of Ballwin, City of Hughesville, City of O'Fallon, St. Louis Budget Division, Cass County PWSD #2, Hughesville Water & Wastewater, Lexington Water & Wasterwater, Little Blue Valley Sewer District, Macon County PWSD #1, Platte County PWSD #6, South River Drainage District, City of Springfield Utilities, St. Charles County PWSD #2, Stone County PWSD #1** and the **Wayne County PWSD #2** each assumed the proposal would have no fiscal impact on their respective organizations.

Oversight assumes this proposal would change the way public utilities utilizing Chapter 100 financing are assessed. Currently, they are centrally assessed and distributable. This proposal would require these public utilities to be assessed at the local level and would no longer be distributable.

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 assumes this proposal could have an unknown impact (positive or negative) on tax revenues to the Blind Pension Fund if the locally assessed values differ from the centrally assessed values.

Oversight assumes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830 million. Oversight assumes it is unlikely the difference between the centrally assessed valuation and locally assessed valuation would differ to that degree. Therefore, Oversight assumes the impact on the Blind Pension Fund would be less than \$250,000.

Oversight assumes local taxing entities with tax situs would experience an unknown positive impact while local taxing entities with property that is no longer centrally assessed and distributable would experience an unknown negative impact.

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 assumes public utilities could experience an impact if the centrally assessed valuation and locally assessed valuation differ causing a change in the amount of property taxes owed. Oversight will show an unknown impact (positive or negative) for public utilities using Chapter 100 financing.

Although the effective date of this proposal, if passed, would be FY 2022 (August 2021), the next re-assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
BLIND PENSION FUND (0621)			
<u>Revenue (Gain or Loss) - property owned by public utilities utilizing Chapter 100 financing is locally assessed</u>	\$0	\$0	(Unknown) to Unknown
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	\$0	\$0	(Unknown) to Unknown

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost or Savings - Public Utilities - from a change in the assessed valuation of property and subsequent property taxes due</u>	\$0	\$0	(Unknown) to Unknown
<u>Revenue Gain - for taxing entities with tax situs for public utilities using Chapter 100 financing</u>	\$0	\$0	Unknown
<u>Revenue (Loss) - for taxing entities with property owned by public utilities using Chapter 100 financing that is no longer distributable</u>	\$0	\$0	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	\$0	(Unknown) to 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

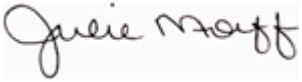
Beginning January 1, 2022, this act provides that any real and personal property owned by a public utility company that was constructed using chapter 100 financing shall, upon the transfer of such property to the public utility company, be assessed upon the local tax rolls. Any property consisting of land and buildings shall be assessed pursuant to current law relating to the assessment of such property in general, and all other business or personal property shall be assessed pursuant to the depreciation schedule provided under current law.

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

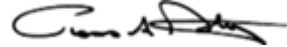
SOURCES OF INFORMATION

State Tax Commission
Office of Administration - Budget and Planning
Department of Commerce and Insurance
Department of Revenue
Office of the State Auditor
Boone County Assessor's Office
Lincoln County Assessor's Office
City of Ballwin
City of Hale
City of Hughesville
City of O'Fallon
City of St. Louis
City of Kansas City
City of Springfield
City of Claycomo
City of Corder
Cass County PWSD #2
Hughesville Water & Wastewater
Lexington Water & Wasterwater
Little Blue Valley Sewer District
Macon County PWSD #1
Platte County PWSD #6
South River Drainage District
City of Springfield Utilities
St. Charles County PWSD #2
Stone County PWSD #1
Wayne County PWSD #2

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