

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2327S.01I  
 Bill No.: SB 607  
 Subject: Taxation and Revenue - Property; Energy  
 Type: Original  
 Date: April 17, 2023

Bill Summary: This proposal modifies provisions relating to the assessment of solar energy property.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2024	FY 2025	FY 2026
<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 2024	FY 2025	FY 2026
Blind Pension Fund (0621)*	\$0	(Unknown)	(Unknown)
<b>Total Estimated Net Effect on <u>Other State Funds</u></b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

\***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, approximately a 3.0% change in the assessed value of all commercial property. Therefore, Oversight assumes it is possible this proposal could impact the Blind Pension by an amount that could exceed \$250,000.

Numbers within parentheses: () indicate costs or losses.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026</b>
<b>Local Government</b>	<b>\$0</b>	<b>(Unknown)</b>	<b>(Unknown)</b>

**FISCAL ANALYSIS**

## ASSUMPTION

Officials from the **Office of Administration - Budget and Planning** note this proposal would change how solar energy property is assessed and taxed. This proposal could impact the Blind Pension Trust Fund if this proposal results in a change in the property tax liability on solar energy property. Therefore, this proposal may have an unknown impact to TSR and the Blind Pension Trust Fund.

Officials from the **State Tax Commission** assume the proposed SB has an unknown fiscal impact. Assessment changes will impact negatively the revenue for school districts, counties, cities and other taxing jurisdiction who are supported by property taxes. Current statute would have the solar systems assessed as personal property based on original cost and depreciated. For centrally assessed utility companies, the procedure handled by the State Tax Commission and the assessment is made per mile of electrical lines. The bill proposes a tax without assessment based on the per megawatt generation for systems that are 1 MegaWatt or larger. All systems with less generation are considered deminimis and handled by the local assessor. The \$1750 per megawatt cap on the tax liability would be less than the current methods of assessing the solar systems.

Officials from the **Office of the State Auditor** assume the proposal will 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.

Officials from the **Metropolitan St. Louis Sewer District** assume the proposed legislation will impact MSD to the extent it changes the tax revenue they are able to collect.

Officials from the **Lexington Water/Wastewater** and the **Morgan County PWS** each assume this proposal would have a negative fiscal impact on their respective districts of an indeterminate amount.

Officials from the **City of Kansas City** assume this legislation could have a negative fiscal impact on Kansas City in an indeterminate amount.

Officials from the **City of Springfield, Lincoln County Assessor, Little Blue Valley Sewer District - 7B Sewer, South River Drainage District - 7D Levee, Wayne County Pwsd #2, St. Charles Community College – 2, and the Hancock Street Light District** each assume the proposal will have no fiscal impact on their respective organizations.

**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.

Based on information provided by the Office of the State Auditor, **Oversight** notes, in 2020, there were over 2,500 tax entities with 4,000 different tax rates. Of those entities, 2,980 tax rate ceilings were below the entities’ statutory or voter approved maximum tax rate and 1,098 tax rate ceilings were at the entities’ statutory or voter approved maximum rate. (These numbers do not include entities, which use a multi-rate method and calculate a separate tax rate for each subclass of property.)

**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 2025.

**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. Therefore, Oversight assumes it is possible this proposal could impact the Blind Pension by an amount that could exceed \$250,000.

**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 2024 (10 Mo.)	FY 2025	FY 2026
<b>BLIND PENSION FUND</b>			
<u>Revenue Loss</u> –§137.077 - change in assessment method for real or personal property associated with a solar energy project	\$0	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON THE BLIND PENSION FUND</b>	<b><u>\$0</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

<u>FISCAL IMPACT – Local Government</u>	FY 2024 (10 Mo.)	FY 2025	FY 2026
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue Loss</u> –\$137.077 - change in assessment method for real or personal property associated with a solar energy project	\$0	(Unknown)	(Unknown)
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$0</u></b>	<b><u>(Unknown)</u></b>	<b><u>(Unknown)</u></b>

FISCAL IMPACT – Small Business

**Oversight** assumes there could be a fiscal impact to small businesses if tax rates/taxes are adjusted relative to changes in assessed value. Oversight also notes that small business solar energy companies could be directly affected by property tax assessment changes in this proposal.

FISCAL DESCRIPTION

Beginning January 1, 2024, for purposes of assessing all real and tangible personal property associated with a project that uses solar energy directly to generate electricity, the assessor shall determine the true value in money of such property, provided that all solar energy property with a placard output value of one megawatt or less, and all solar energy property that was built, operating, and generating power prior to August 28, 2023, shall be considered to be de minimis in value. The assessor shall request any documentation necessary to determine the true value in money of such property.

The tax liability actually owed for solar energy property with a placard output value of greater than one megawatt shall not exceed \$1,750 per megawatt. For projects for which the land associated with such project is reclassified due to the project, the property tax liability incurred from such land shall be included in such limit. (Section 137.077)

This act also requires all solar energy property of public utility companies to be assessed upon the county assessor's local tax rolls pursuant to this act. (Section 153.030)

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

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SOURCES OF INFORMATION

Office of Administration - Budget and Planning

State Tax Commission

Office of the State Auditor

Metropolitan St. Louis Sewer District

Lexington Water/Wastewater

Morgan County PWS

City of Kansas City

City of Springfield

Lincoln County Assessor

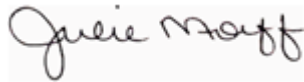
Little Blue Valley Sewer District - 7B Sewer

South River Drainage District - 7D Levee

Wayne County Pwsd #2

St. Charles Community College – 2

Hancock Street Light District



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