

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3493S.02I
 Bill No.: SB 892
 Subject: Counties; County Officials; Boards, Commissions, Committees, and Councils;
 Public Service Commission; Utilities; Energy
 Type: Original
 Date: April 2, 2024

Bill Summary: This proposal modifies and creates new provisions relating to electric utilities.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Blind Pension Fund (0621)*	\$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 proposed assessment process for centrally assessed properties and locally assessed properties could result in a different assessed value than is currently assessed. Oversight is unable to determine the change in assessed value as a result of this proposal. Oversight assumes the fiscal impact *may* reach the \$250,000 threshold.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2025	FY 2026	FY 2027
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 2025	FY 2026	FY 2027
Local Government	\$0	(Unknown) to Unknown	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 137.100 Solar Energy Exemption

Officials from **Office of Administration - Budget and Planning (B&P)** assume 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 2026.

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 \$830,000,000. This would be approximately a 3.0% change in the assessed value of all commercial property. Therefore, Oversight assumes it is unlikely this proposal could impact the Blind Pension by an amount that could exceed \$250,000

Section 137.124 - Solar Energy Property Depreciated Original Cost

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 37.5% of the original costs, starting the year after the solar project was constructed. In addition, solar energy projects may still utilize tax credits or abatements.

Oversight notes this provision could potentially lower the assessed value and tax revenues relative to how the property is currently assessed. Oversight assumes there could be an unknown negative impact if real or tangible personal property assessed at market value is subject to a valuation of 37.5% of the original costs.

Sections 153.030 - Local Assessment of Public Utilities Utilizing Solar Energy

Officials from the **Office of Administration - Budget and Planning (B&P)** note Sections 153.030 and 153.034 require 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 the assessment process for centrally assessed properties and locally assessed properties are different and therefore could result in a different assessed value than is currently assessed. Oversight assumes this proposal could result in an unknown positive impact to an unknown negative impact.

Responses regarding the proposed legislation as a whole

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined it will have an unknown negative 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 solar energy projects owned by a public utility has tax situs. The bill establishes that solar energy projects (all real and personal property excluding land) will be assessed using a depreciation methodology (37 1/2 %) of the original cost in year one, provided in Section 137.124. Solar systems installed on personal property will be assessed at the discretion of the assessor. The fiscal impact for those taxing jurisdictions in which a solar energy facility has tax situs will be determined by the size, number and scope of the solar energy projects.

In response to a similar proposal from this year (HB 2651), officials from the **Howell County Assessor** noted it is difficult to estimate, but at the typical cost to build a moderate size facility the loss of local revenue could be in excess of \$1,000,000.

It seems contradictory to state the true value in money of any property is 37.5% of cost related to the construction of the facility and then allow the project to receive an abatement under the Enhanced Enterprise Zone law which requires the property to be valued at full market value. This type of legislation is adding to the tax burden on homeowners by allowing them to receive preferential status in the property tax code.

Officials from the **Department of Commerce and Insurance**, the **Department of Natural Resources**, the **Department of Social Services**, the **Missouri Department of Conservation**, the **Missouri Department of Transportation**, the **Office of Administration**, the **Office of the State Auditor**, **Kansas City** and **Hancock Street Light District** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2025 (10 Mo.)	FY 2026	FY 2027
BLIND PENSION FUND			
<u>Revenue Loss</u> - \$137.124 - Real or personal property assessed at market value associated with a solar energy project subject to a depreciated original cost valuation	\$0	(Unknown)	(Unknown)
<u>Revenue Loss</u> –\$137.100 – property tax exemption for solar energy systems	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue (Gain or Loss)</u> - \$153.030 - Property owned by public utilities and associated with solar energy project is locally assessed	\$0	(Unknown) to Unknown	(Unknown) to Unknown
<u>Revenue (Gain or Loss)</u> - \$153.034 - Property owned by a public utility used for the integration of solar generation is locally assessed	\$0	(Unknown) to Unknown	(Unknown) to 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 2025 (10 Mo.)	FY 2026	FY 2027
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> - §137.124 - Real or personal property assessed at market value associated with a solar energy project subject to a depreciated original cost valuation	\$0	(Unknown)	(Unknown)
<u>Revenue (Gain or Loss)</u> - §153.030 - Property owned by public utilities and associated with solar energy project is locally assessed	\$0	(Unknown) to Unknown	(Unknown) to Unknown
<u>Revenue (Gain or Loss)</u> - §153.034 - Property owned by a public utility used for the integration of solar generation is locally assessed	\$0	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>(Unknown) to Unknown</u>	<u>(Unknown) to Unknown</u>

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 assumes there could be an impact small businesses if utility rates are adjusted for changes in assessed values.

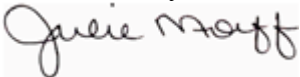
FISCAL DESCRIPTION

The proposal modifies provisions relating to electric utilities.


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 Natural Resources
Department of Revenue
Department of Social Services
Missouri Department of Conservation
Missouri Department of Transportation
Office of Administration
Office of the State Auditor
Metropolitan St. Louis Sewer District - 7B Sewer
South River Drainage District - 7D Levee
City of Kansas City
Hancock Electric
Howell County Assessor



Julie Morff
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April 2, 2024



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April 2, 2024