COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

# FISCAL NOTE

L.R. No.: 0654S.01I
Bill No.: SB 213
Subject: Boards, Commissions, Committees, and Councils; Counties; County Officials; Energy; Public Service Commission; Tax Credits; Utilities
Type: Original
Date: February 21, 2025

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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 2026 | FY 2027 | FY 2028 |
| | | | |
| | | | |
| **Total Estimated Net Effect on General Revenue** | **$0** | **$0** | **$0** |

| ESTIMATED NET EFFECT ON OTHER STATE FUNDS | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| Blind Pension Fund (0621)* | $0 | (Unknown) | (Unknown) |
| | | | |
| **Total Estimated Net Effect on Other State Funds** | **$0** | **(Unknown)** | **(Unknown)** |

* **Oversight** assumes the impact to the Blind Pension Fund and local political subdivisions would be a reduction in assessed value and subsequent loss of revenue. 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 2026 | FY 2027 | FY 2028 |
| | | | |
| | | | |
| **Total Estimated Net Effect on All Federal Funds** | **$0** | **$0** | **$0** |

| ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE) | | | |
|---|---|---|---|
| FUND AFFECTED | FY 2026 | FY 2027 | FY 2028 |
| | | | |
| | | | |
| **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 2026 | FY 2027 | FY 2028 |
| | | | |
| | | | |
| **Local Government*** | **$0** | **(Unknown)** | **(Unknown)** |

* **Oversight** assumes the impact to the Blind Pension Fund and local political subdivisions would be a reduction in assessed value and subsequent loss of revenue.

## FISCAL ANALYSIS

ASSUMPTION

Section 137.100 – Taxation of Solar Energy Projects

Officials from the **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 2027.

**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 ((Total Assessed Value/100)*.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 $833,333,333. This would be approximately a 3.0% change in the assessed value of all commercial property.

Section 137.124 – Taxation of Solar Energy Projects

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 137.124 will 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 & 153.034 – Taxation of Solar Energy Projects

Officials from the **Office of Administration - Budget and Planning (B&P)** notes section 153.030 will require that 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 this provision would result in the loss of revenue to some local political subdivisions.

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.

**Oversight** assumes the overall net impact to the Blind Pension Fund and local political subdivisions would be a reduction in assessed value and subsequent loss of revenue.

Officials from the **Department of Revenue (DOR)** state that the responsibilities of this bill are the PSC (under DED) and the State Tax Commission. DOR assume the proposal will have no fiscal impact on their organization.

In response to similar legislation, HB 2651 (2024), 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 the 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**, and the **City of Kansas City** 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.

**Oversight** only reflects the responses received from state agencies and political subdivisions; however, other local agencies 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>Rule Promulgation</u>

Officials from the **Joint Committee on Administrative Rules** assume this proposal is not anticipated to cause a fiscal impact beyond its current appropriation.

Officials from the **Office of the Secretary of State (SOS)** note many bills considered by the General Assembly include provisions allowing or requiring agencies to submit rules and regulations to implement the act. The SOS is provided with core funding to handle a certain amount of normal activity resulting from each year's legislative session. The fiscal impact for this fiscal note to the SOS for Administrative Rules is less than $5,000. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the office can sustain with its core budget. Therefore, the SOS reserves the right to request funding for the cost of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the governor.

| FISCAL IMPACT – State Government | FY 2026 (10 Mo.) | FY 2027 | FY 2028 |
|---|---|---|---|
| | | | |
| **BLIND PENSION FUND** | | | |
| | | | |
| Revenue Loss - §137.124 - Real or personal property assessed at market value associated with a solar energy project subject to a depreciated original cost valuation p. 4 | $0 | (Unknown) | (Unknown) |
| | | | |
| Revenue Loss - §137.100 – property tax exemption for solar energy systems p. 3 | $0 | $0 or (Unknown) | $0 or (Unknown) |
| | | | |
| **ESTIMATED NET EFFECT ON THE BLIND PENSION FUND** | **$0** | **(Unknown)** | **(Unknown)** |

| FISCAL IMPACT – Local Government | FY 2026 (10 Mo.) | FY 2027 | FY 2028 |
|---|---|---|---|
| **LOCAL POLITICAL SUBDIVISIONS** | | | |
| | | | |
| Revenue Loss - §137.124 - Real or personal property assessed at market value associated with a solar energy project subject to a depreciated original cost valuation p. 4 | $0 | (Unknown) | (Unknown) |
| | | | |
| Revenue Loss - §137.100 – property tax exemption for solar energy systems p. 3 | $0 | $0 or (Unknown) | $0 or (Unknown) |
| | | | |
| Revenue Loss - §153.030 & 153.034 – loss of revenue from no longer being centrally assessed and distributed p. 3 | $0 | (Unknown) | (Unknown) |
| | | | |
| **ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS** | **$0** | **(Unknown)** | **(Unknown)** |

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact on small businesses if tax rates/taxes are adjusted relative to changes in assessed value. Oversight assumes there could be an impact on small businesses if utility rates are adjusted for changes in assessed values.

FISCAL DESCRIPTION

PERMIT FOR THE CONSTRUCTION OF SOLAR FARMS (Section 67.5350)

Under the act, prior to obtaining a certificate of public convenience or necessity from the Public Service Commission, any person constructing a solar farm shall first submit an application to the county commission in each county where the solar farm is to be located.

The county commission of any county shall adopt an order or an ordinance requiring a permit to construct a solar farm within specified boundaries in an unincorporated area within the county.

The permit shall require any construction of a solar farm to be at least one thousand feet from any church, school, city, town, village, or a private residence.
Within 90 days of receiving an application for a permit, the county commission shall hold a public meeting before the issuance of a permit. Notice shall be provided at least 14 days prior to the public meeting. The applicant shall provide certain information at the public meeting as described in the act.

No later than 90 days after the public meeting, the county commission shall do the following:

- Issue a permit;
- Issue a permit limiting the boundaries of the proposed solar farm; or
- Deny the permit.

Any applicant intending to make a material amendment to the permit once it is issued shall submit a new application for the permit to the county commission. The county commission shall require any applicant who is issued a permit to obtain liability insurance in an amount sufficient to cover any damages which may arise from the construction of the solar farm.

The Public Service Commission shall not issue a certificate of public convenience or necessity to any applicant who did not receive a permit from a county commission in each county where the solar farm is to be located.

TAXATION OF SOLAR ENERGY PROJECTS (Section 137.100, 137.124, 153.030, & 153.034)

Current law exempts solar energy systems not held for resale from property taxes. This act repeals such provision and provides that solar energy systems constructed for exclusive use of a single property may be exempted from property tax at the discretion of the county assessor.

Beginning January 1, 2026, for purposes of assessing all real property, excluding land, or tangible personal property associated with a project that uses solar energy directly to generate electricity, 37.5% of the original costs shall be the true value in money of such property. Such value shall begin the year immediately following the year of construction of the property. Original costs are described in the act. Nothing in this provision shall be construed to prohibit a project from engaging in enhanced enterprise zone agreements or similar tax abatement agreements or to affect any existing enhanced enterprise zone agreements.

Beginning January 1, 2026, for any public utility which has a solar energy project, such solar energy project shall be assessed using the methodology for real and personal property as described under the act.

The real and tangible personal property associated with a project which uses solar energy shall include certain solar equipment as described in the act.

COMMISSION'S RULEMAKING AUTHORITY RELATING TO THE CONSTRUCTION OF ELECTRIC TRANSMISSION LINES ON AGRICULTURAL LAND (Section 393.172)

By March 31, 2026, the Public Service Commission shall promulgate rules applicable to electrical corporations requiring construction of electric transmission lines for which permission is sought from the Commission to adhere to specific standards relating to construction activities occurring on privately owned agricultural land. Such standards are described in the act.

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

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 Secretary of State
Office of the State Auditor
Joint Committee on Administrative Rules

State Tax Commission
City of Kansas City
Howell County Assessor

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