

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5122S.02I
 Bill No.: SB 879
 Subject: Boards, Commissions, Committees, and Councils; Counties; County Officials;
 Eminent Domain and Condemnation; Energy; Public Service Commission; Tax
 Credits; Utilities
 Type: Original
 Date: February 1, 2026

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 2027	FY 2028	FY 2029
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Blind Pension Fund (1621)*	\$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 fiscal impact(s) *may* reach the \$250,000 threshold.
 Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS

FUND AFFECTED	FY 2027	FY 2028	FY 2029
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)

FUND AFFECTED	FY 2027	FY 2028	FY 2029
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 2027	FY 2028	FY 2029
Local Government	\$0	(Unknown) to Unknown	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

§137.100 – Taxation of Solar Energy Projects

Officials from the **Office of Administration - Budget and Planning (B&P)** note 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 2028.

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 \$833,333,333. This would be approximately a 3.0% change in the assessed value of all commercial property.

§137.124 – Taxation of Solar Energy Projects

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 \$6,000 per megawatt of nameplate capacity. The \$6,000 shall be adjusted annually for inflation. In addition, solar energy projects may still utilize tax credits or abatements. Land may be assessed at the commercial rate.

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined it will have an unknown positive 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 at \$6,000 per megawatt. This amounts to an assessment ratio of approximately 60%, which equates to a significant increase in assessed value over where assessors are currently putting their value. Solar systems installed on personal property will be assessed at the discretion of the assessor.

Oversight does not have information to the contrary and therefore, Oversight will show an unknown gain in property tax revenue to local political subdivisions beginning in FY 2028.

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 increases the assessed value portion of this equation, the Blind Pension Fund may experience a increase in revenue relative to what it would have received under current law.

Oversight doesn't have enough information to estimate a fiscal impact to the Blind Pension Fund from these changes. Therefore, Oversight will show an unknown gain in property tax revenue beginning in FY 2028.

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.

§§153.030 & 153.034 - Taxation of Solar Energy Projects

Officials from the **Office of Administration - Budget and Planning (B&P)** note Section 153.030 requires 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 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 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 **City of Kansas City** assume the proposed legislation has an unknown fiscal impact.

Officials from the **City of St. Louis Assessor's Office** state the impact is unknown but likely minimal as of now. The City of St. Louis does not have any solar farms on acreage as envisioned by this bill. They do have a 200 KW solar array owned by Ameren; with the new methodology it would likely lessen their taxes on that 200 KW facility, however it is part of their state assessment and not valued locally, so not sure exactly how much the loss would be.

All other solar arrays built commercially in the area of which they are aware have been built for the use of a particular owner, property or group of properties, but not for the primary purpose of wholesale or retail sales of generated electricity.

Officials from the **Callaway County SB 40 Board** assume Senate Bill 879 makes significant changes to the regulation, classification, and taxation of electric, solar, and wind energy projects, including replacing existing property tax exemptions with a fixed valuation methodology and reclassifying certain renewable energy properties for assessment purposes. Senate Bill 40 (SB40) Boards are identified as impacted taxing entities.

For SB40 organizations such as Callaway County Special Services (CCSS), this legislation presents a potential fiscal risk through changes to the local property tax base. CCSS relies on personal and real property tax revenues to fund essential support for more than 230 individuals with intellectual and developmental disabilities (IDD) and their families. In Callaway County, personal property taxes account for approximately 27.24% of the developmental disability levy. Any shift in assessed values, valuation methodology, or taxable acreage related to utility or renewable energy projects may affect levy stability and available funding.

Officials from the **Department of Commerce and Insurance, Department of Social Services,** and the **City of O'Fallon** 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 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. 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. A general listing of political subdivisions included in our database is available upon request.

<u>FISCAL IMPACT – State Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
BLIND PENSION FUND			
<u>Revenue Loss</u> – (§137.100) Property tax exemption for solar energy systems p.3	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Gain</u> – (§137.124) Assessment changes to real or personal property associated with a solar energy project p.4	\$0	Unknown	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 2027 (10 Mo.)	FY 2028	FY 2029
LOCAL POLITICAL SUBDIVISIONS			
<u>Revenue Loss</u> – (§137.100) Property tax exemption for solar energy systems p. 3	\$0	\$0 or (Unknown)	\$0 or (Unknown)
<u>Revenue Gain</u> – (§137.124) Assessment changes to real or personal property associated with a solar energy project p.4	\$0	Unknown	Unknown
<u>Revenue Loss</u> – (§153.030 & 153.034) Loss of revenue from no longer being centrally assessed and distributed p. 5	\$0	(Unknown)	(Unknown)

<u>FISCAL IMPACT – Local Government</u>	FY 2027 (10 Mo.)	FY 2028	FY 2029
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	\$0	(Unknown) to Unknown	(Unknown) to 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

The act creates and modifies provisions relating to electric utilities.

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 be constructed within specific distances from certain properties described in the act. The permit shall require noise levels not to exceed 45 decibels from any property line.

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.

The county commission of any county where a solar farm is proposed to be constructed shall require a decommissioning plan of the solar farm, as described in the act.

This provision has an emergency clause.

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, 2027, 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 and that was built or constructed to sell power, the tax liability actually owed shall be equal to \$6,000 per megawatt of nameplate capacity and shall be adjusted for inflation annually.

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, 2027, for purposes of assessing land that is associated with a solar energy project, the land shall be assessed as commercial property.

Beginning January 1, 2027, for any public utility that has a solar energy project, such solar energy project shall be assessed using certain methodology for real and personal property as described in 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, 2027, 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.

SOLAR PROJECTS NOT TO EXCEED MORE THAN 2% OF ALL CROPLAND (Section 393.1120)

The total amount of real property associated with all solar energy projects in any county shall not be more than 2% of all cropland in the county.

The county commission or other authorized governing body may increase the percentage of cropland by order, ordinance, regulation, or vote of the residents of the county.

Any resident of the county shall have standing to bring suit to enforce these provisions against a solar energy project developer.

For all solar energy projects built on or after January 1, 2027, such project shall be subject to setback distances, as described in the act. This provision shall not apply to solar projects built and operating at capacity on or before December 31, 2026.

A solar energy company shall secure all property rights or easements necessary for transmission and interconnection for the solar energy project to connect to the electrical grid prior to beginning construction of the solar energy project.

CONDEMNATION OF PROPERTY (Section 523.010)

Under the act, the authority of any electrical corporation to condemn property shall not extend to the construction of any structure or facility that uses wind or solar energy to generate or manufacture electricity.

The authority of any electrical corporation to condemn property shall extend to acquisition of rights needed to construct, operate, and maintain certain electrical infrastructure, described in the act, needed to collect and deliver solar or wind energy to the distribution or transmission grid.

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 Social Services
City of Kansas City
City of O'Fallon
City of St. Louis Assessor's Office
Callaway County SB 40 Board



Julie Morff
Director
February 1, 2026
KLS:LR:OD



Jessica Harris
Assistant Director
February 1, 2026