

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 0428-01  
Bill No.: Perfected SB 72  
Subject: Taxation and Revenue - Property; Utilities  
Type: Original  
Date: February 25, 2019

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Bill Summary: This proposal defines wind farms as local property for property tax assessments for electric companies.

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<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>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 6 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</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 2020</b>	<b>FY 2021</b>	<b>FY 2022</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 \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
<b>Local Government*</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

\* Property tax assessment changes net to zero.

## FISCAL ANALYSIS

### ASSUMPTION

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal may impact Total State Revenue and may impact the calculation under Article X, Section 18(e).

This proposal would define "wind farms" as local property of an electric company which is not used directly in the generation and distribution of power. B&P notes that most property related to wind energy is currently assessed and valued under Chapter 137. Therefore, B&P estimates that this proposal may impact Total State Revenue and the Blind Pension Fund if assessed valuations of relevant property change as a result of adding "wind farms" to the definition of local property under Section 153.034.

Officials at the **State Tax Commission** assume this proposal would remove wind farm facilities owned and operated by electric utility companies from distributable property and include it in local property. Currently windfarms not owned and operated by public utility companies are locally assessed. Schools and other taxing districts where the wind farm is located would realize an unknown positive fiscal impact with the inclusion of the entire value of the wind farm as part of their tax base. Schools and other taxing districts that may have miles of line within their district, but not the wind farm, would lose that valuation in their tax base. The fiscal impact would be unknown in both circumstances as it would be dependent on the number, size and scope of such projects.

The State Tax Commission stated there are currently four counties that have privately held wind farms. They are Atchison, DeKalb, Gentry and Nodaway counties. Currently, there are no publicly held wind farms. Those 6 privately held wind farms have 630 turbines. The wind farms are assessed based on the number of turbines they own.

Under current law, property of electric companies (centrally assessed) are categorized as "local property" or "distributable property" for ad valorem purposes. The value of all distributable property 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. Distributable property currently includes property used in the generation and distribution of electric power.

ASSUMPTION (continued)

Officials at the **Department of Revenue** and the **Office of the State Auditor** each assume there is no fiscal impact from this proposal.

**Oversight** notes that the Department of Revenue and the Office of the State Auditor have stated the proposal would not have a direct fiscal impact on their organization. Oversight does not have any information to the contrary. Therefore, Oversight will reflect a zero impact on the fiscal note for them.

Officials at the **Fairfax R-III School District** assume this would increase revenue by \$638,875 annually. The district is a rural district in Northwest MO that has experienced financial difficulties for the past decade. While our supportive community recently passed a significant tax levy increase, that additional revenue will not cover all of the Board Priorities regarding facilities and fiscal expenditures. In our district, the revenue gleaned from local tax payments of future windfarms will ensure the financial, physical, and educational success and solidity of our district. Without it we will continue to heavily prioritize allowing through necessity, many initiatives which would be good for our students and community, to be placed on a semi-permanent delay. This revenue represents the financial and educational health of our district.

Officials at the **Tarkio R-I School District** assume this would impact the district by \$36,133 annually from the Brickyard Hill wind project. The Outlaw Wind Project is expected to begin construction in 2019, and the projected financial impact of this project is estimated at \$720,000 per year for the district.

Officials at **Atchison County** assume revenue from wind energy has had a huge economic impact on the County. This proposal is estimated to increase revenue by \$1,600,000 annually. Currently all the wind farms in the county are developer-owned. When the ownership moves from a developer to a public owned utility the turbines become state assessed which removes over 90% of the revenue from the County.

Officials at the **Rock Port R-II School District** assume this would increase revenue by \$416,583 annually.

**Oversight** notes that under current law should a public utility purchase or construct a wind farm that wind farm would be centrally assessed. However, this proposal would allow a publicly owned utility to purchase or construct a wind farm that would be treated like the privately owned wind farms and be locally assessed. A locally assessed wind farm keeps the property tax in the city, county and school district of the wind farm. A centrally assessed wind farm would

ASSUMPTION (continued)

distribute property tax to additional cities, counties and school districts in the area of the state the wind farm is located and lines reached. Oversight will show that the locally assessed political subdivisions will gain revenue while the centrally assessed political subdivisions will lose revenue.

**Oversight** notes this proposal is changing the assessment of wind farms that may or may not be constructed or purchased in the future. Therefore, Oversight will show the impact as \$0 (none built or purchased) to Could Exceed \$100,000 in property tax revenue retained or shared; however, Oversight will assume the net fiscal impact across all Missouri political subdivisions will net to zero.

**Oversight** only reflects the responses that we have received from state agencies and political subdivisions; however, other county assessors were requested to respond to this proposed legislation but did not. For a general listing of political subdivisions included in our database, please refer to [www.legislativeoversight.mo.gov](http://www.legislativeoversight.mo.gov).

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
<b>LOCAL POLITICAL SUBDIVISIONS</b>			
<u>Revenue</u> - Locally Assessed Political Subdivisions from change to wind farm assessments §153.034	\$0 or Could exceed \$100,000	\$0 or Could exceed \$100,000	\$0 or Could exceed \$100,000
<u>Loss</u> - Centrally Assessed Political Subdivisions from change to wind farm assessments §153.034	\$0 or (Could exceed <u>\$100,000</u> )	\$0 or (Could exceed <u>\$100,000</u> )	\$0 or (Could exceed <u>\$100,000</u> )
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISION</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act provides that wind farms shall be considered local property for the purposes of assessing the real and personal property of electric companies.

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

Atchison County  
Department of Revenue  
Gentry County Assessor  
Fairfax R-III School District  
Office of Administration Division of Budget and Planning  
Office of the State Auditor  
Rock Port R-II School District  
State Tax Commission  
Tarkio R-I School District



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February 25, 2019

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