

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0428-05
Bill No.: HCS for SB 72
Subject: Taxation and Revenue - Property; Utilities
Type: Original
Date: April 12, 2019

Bill Summary: This proposal modifies provisions relating to wind energy.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
General Revenue	(\$2,400)	\$0	\$0
Total Estimated Net Effect on General Revenue	(\$2,400)	\$0	\$0

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

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Total Estimated Net Effect on FTE	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2020	FY 2021	FY 2022
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

§153.034 Wind Energy

Officials at the **Office of Administration Division of Budget and Planning (B&P)** assume this proposal will not impact Total State Revenue and will not impact the calculation under Article X, Section 18(e).

This proposal would require any real or tangible personal property associated with the production of wind energy to be valued and taxed under the provisions of Chapter 137 and not under Section 153.030.2. B&P notes that currently all wind farms are assessed and taxed as local property. Therefore, B&P estimates that this section will not impact Total State Revenue or the Blind Pension Trust Fund.

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 previously 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** assume there is no fiscal impact from this proposal.

In response to the previous version, officials at the **Fairfax R-III School District** assumed 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.

In response to the previous version, officials at the **Tarkio R-I School District** assumed 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.

In response to the previous version, officials at **Atchison County** assumed 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.

In response to the previous version, officials at the **Rock Port R-II School District** assumed this would increase revenue by \$416,583 annually.

Officials at the **Mercer County** and **Taney County** each assume no impact as they currently have no wind farms.

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 establish a Task Force on Wind Energy which would make recommendations as to how wind farms would be assessed if a public utility were to purchase or construct a wind farm. (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 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 notes that this proposal would delay any decisions as to how windfarms would be assessed and will show a

ASSUMPTION (continued)

“zero” fiscal impact to local governments.

§393.1070 Task Force on Wind Energy

Officials at the **B&P** assume this section creates the "Task Force on Wind Energy". The tax force shall submit a report, including any recommended legislation, by December 31, 2019. The task force shall terminate on December 31, 2019. This section will not impact Total State Revenue or the calculation under Article X, Section 18(e).

Officials at the **Missouri Senate** anticipate a negative impact to reimburse travel for 3 senators to attend the task force meetings. The Senate assumes a cost of \$300 per meeting for the Senators.

Officials at the **State Tax Commission** assume no impact from this portion of the proposal.

Oversight notes this proposal creates a Task Force on Wind Energy that is made up of members of the Missouri House of Representatives and Senators as well as assessors whose purpose is to develop a report on the benefits of wind turbines to the state and local communities. The members are to serve without compensation and can be reimbursed for expenses. This task force is to deliver their report by December 31, 2019 (FY 2020).

Oversight notes this proposal did not indicate who would reimburse the eight members of the task force. Oversight notes that House and Senate members are generally reimbursed out of funds for the purpose of task forces/committees. Using the Missouri Senate’s estimate of \$100 per member per meeting, Oversight will assume a cost to the General Revenue Fund of \$2,400 (eight task force members x \$100 x 3 meetings) in FY 2020.

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.

<u>FISCAL IMPACT - State Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
GENERAL REVENUE			
<u>Cost</u> - Task Force on Wind Energy - reimbursed expenses	<u>(\$2,400)</u>	<u>\$0</u>	<u>\$0</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>(\$2,400)</u>	<u>\$0</u>	<u>\$0</u>
<u>FISCAL IMPACT - Local Government</u>	FY 2020 (10 Mo.)	FY 2021	FY 2022
	<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 any real or tangible personal property associated with a wind energy project shall be valued and taxed under provisions of chapter 137 and other relevant provisions of law. The method of taxation in subsection 153.030.2 shall not apply to the property.

The proposal specifies which real and personal property are associate with wind energy projects.

The proposal also establishes the “Task Force on Wind Energy. The charge of the task force and the membership of the task force are specified. Among other things, the task force is to recommend legislation to provide “...a uniform assessment and taxation methodology...” for the abovementioned real and tangible personal property that will be used in all Missouri counties.

The task force will compile and deliver a report to the General Assembly by December 31, 2019 and terminate on December 31, 2019.

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
Mercer County
Office of Administration Division of Budget and Planning
Rock Port R-II School District
State Tax Commission
Taney County
Tarkio R-I School District



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