

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1594-03
Bill No.: HB 916
Subject: Utilities; Energy; Taxation and Revenue - Income
Type: Original
Date: April 5, 2017

Bill Summary: This proposal would create the Solar Garden Project Act and authorize an individual income tax exemption related to solar garden energy projects

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
General Revenue	\$0	\$0 to (Unknown)	\$0 to (Unknown)
Total Estimated Net Effect on General Revenue	\$0	\$0 to (Unknown)	\$0 to (Unknown)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2018	FY 2019	FY 2020
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 2018	FY 2019	FY 2020
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of Administration - Division of Budget and Planning (B&P)** assume this proposal would result in a reduction in Total State Revenues (TSR), and would have an impact on the constitutional revenue limit calculation.

Section 143.2010

B&P officials stated this section would allow one income tax deduction per taxpayer for 100% of taxable income from rebates and credits in association with a solar garden beginning in 2018. Since deductions do not reduce taxes on a dollar for dollar basis, B&P officials assume this would reduce TSR by less than the sum of rebates and credits received. B&P officials stated they do not have enough information to estimate the impact on state revenues since it is not known how many solar gardens exist in the state and the amount of rebates or credits they may receive. The impact may vary in the future due to the impact of SB 509 (2014).

Section 386.920

B&P officials stated this section would allow a rebate or credit, to be paid by the solar garden utility, up to 120% of a customer's average annual electricity consumption.

Officials from the **Department of Revenue (DOR)** assume this proposal would have a fiscal impact on their organization.

Section 143.2010

Beginning in 2018, the legislation would allow a one-time deduction of the full amount of rebates or credits allowed under Section 386.920 and received by a taxpayer who has an ownership interest in a solar garden.

Section 386.920

This section would create the Solar Garden Project Act. Beginning August 28, 2018, the Public Service Commission (PSC) would create rules to incentivize the construction and operation of a solar garden energy project by electric utilities.

ASSUMPTION (continued)

Administrative Impact

DOR officials assume Personal Tax would require form changes and programming to implement this legislation. Additionally, DOR officials assume implementing the proposal would require two additional Revenue Processing Technicians I (Range 10, Step L) for every 2,400 pieces of correspondence and 19,000 error corrections, respectively. Collections & Tax Assistance would require two additional Tax Collection Technicians I (Range 10, Step L) for every 15,000 additional contacts on the delinquent and non-delinquent tax lines. Each technician would require CARES equipment and license.

The DOR estimate of cost including four additional employees and related equipment and expense totaled \$154,383 for FY 2018, \$151,465 for FY 2019, and \$263,845 for FY 2020.

Oversight has no information on the number or cost of qualifying solar gardens that might be in existence now or might be constructed in the future, or the amount and number of rebates that might be exempted from income tax, and will assume for fiscal note purposes this proposal would result in a limited number of additional entries on a limited number of returns.

Oversight also notes DOR is provided with core funding to handle a certain amount of activity each year, and assumes DOR could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, DOR could request funding through the budget process.

Officials from the **Department of Economic Development - Office of Public Counsel (OPC)** stated this proposal would authorize customer/company owned generation facilities, which would likely create additional filing requirements for regulated entities that have the potential to create multiple filings in multiple new processes. These new filings could result in potential contested hearings before the Commission requiring additional legal work and additional review and evaluation from accountants.

OPC officials assumed that implementing this proposal would require one additional FTE Accountant I-III. The OPC estimate of cost including one additional employee and related equipment and expense totaled \$66,347 for FY 2018, \$78,769 for FY 2019, and \$79,520 for FY 2020.

ASSUMPTION (continued)

Oversight assumes OPC is provided with core funding to handle a certain amount of activity each year, and assumes OPC could absorb the costs related to this proposal. If multiple bills pass which require additional staffing and duties at substantial costs, OPC could request funding through the budget process.

Officials from the **Department of Economic Development - Division of Energy, and Public Service Commission** assume this proposal would have no fiscal impact on their organizations.

According to officials from the **Office of the Secretary of State (SOS)**, 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 \$2,500. The SOS recognizes that this is a small amount and does not expect that additional funding would be required to meet these costs. However, we also recognize 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 our office can sustain with our core budget. Therefore, we reserve 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.

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

Oversight has no information on the number or cost of qualifying solar gardens that might be in existence now or might be constructed in the future, or the amount and number of rebates that might be exempted from income tax, and will assume this proposal would have an impact from \$0 to an unknown negative amount on individual income tax revenues in the General Revenue Fund. The proposed exemption would be effective beginning January 1, 2018 and Oversight will indicate a fiscal impact beginning in January, 2019, when tax returns for 2018 would be filed. Oversight is aware some taxpayers would reduce their withholding or estimated tax payments in anticipation of reduced taxes but for clarity will include the entire fiscal impact in the year the tax returns would be filed.

Oversight will assume that any potential impact from the incentives provided to electric utilities under this proposal would be indirect, and no provision for that potential impact will be included in this fiscal note.

<u>FISCAL IMPACT - State Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
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GENERAL REVENUE FUND

<u>Revenue reduction</u> - exemption from individual income tax for rebates or credits related to solar garden energy projects. Section 143.2010	<u>\$0</u>	\$0 to <u>(Unknown)</u>	\$0 to <u>(Unknown)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE FUND	<u>\$0</u>	<u>\$0 to (Unknown)</u>	<u>\$0 to (Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2018 (10 Mo.)	FY 2019	FY 2020
	<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 proposal would create the Solar Garden Project Act and authorize an individual income tax exemption for rebates due to solar garden projects.

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 the Secretary of State
Joint Committee on Administrative Rules
Office of Administration
 Division of Budget and Planning
Department of Economic Development
 Division of Energy
 Office of Public Counsel
 Public Service Commission
Department of Revenue



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April 5, 2017

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April 5, 2017