

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0313-03
Bill No.: Perfected HCS for HB 220
Subject: Taxation and Revenue - General; Energy; Counties
Type: Original
Date: March 6, 2019

Bill Summary: This proposal modifies provisions relating to the taxation of property involved in producing wind energy.

FISCAL SUMMARY

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

FISCAL ANALYSIS

ASSUMPTION

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.

This section defines wind farms as "local property". 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 Fund.

In response to a previous version of this proposal, officials at the **State Tax Commission** assumed 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. School 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. School 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** assume there is no fiscal impact from this proposal.

Officials at the **Office of the State Auditor** 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 organizations. 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 **Barton County Assessor's Office** at the present time we do not have any Wind Turbines in our county, Empire is telling us they will put 140 in a county area Barton, Lawrence, Dade and Jasper. At this time we do not know how many will be in Barton County. We also do not know the Mega watt size of what the towers will be. This proposal used the multiplier of 5900 times the mega watt of the tower to be used as a constant tax amount to be used each year on the tower if it is local assessed. If state assessed it would go by lines of miles with Empire in which we have 1% but we do not know how the State would tax them.

In response to a previous version of this proposal, 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 a previous version of this proposal, 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 a previous version of this proposal, officials at the **Monroe County Assessor Office** assumed this would not impact them as they do not have any tangible personal property in their county associated with wind energy.

ASSUMPTION (continued)

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

Oversight notes this proposal outlines how a public utility that owns a wind farm (or farms) will be assessed in the future. Oversight notes that under current law should a public utility purchase or construct a wind farm that wind farm would be centrally assessed just as the public utility is 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 all their property to be locally assessed. A locally assessed utility and wind farm keeps the property tax in the city, county and school district of the utility or 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 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 Unknown positive or negative depending on the tax rate for local political subdivisions.

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
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

FISCAL IMPACT - Small Business

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

FISCAL DESCRIPTION

This bill specifies that any real or tangible personal property associated with a project which uses wind energy directly to generate electricity shall continue to be valued and taxed by any state and local authorities having jurisdiction.

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
Barton County Assessor
Department of Revenue
Fairfax R-III School District
Monroe County Assessor
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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