

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0599H.011
Bill No.: HB 524
Subject: Taxation and Revenue - General; Taxation and Revenue - Property; Property, Real and Personal; Utilities; Economic Development; County Officials
Type: Original
Date: March 8, 2021

Bill Summary:

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Blind Pension Fund (0621)	\$0	\$0	(Unknown) to Unknown
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	(Unknown) to Unknown

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2022	FY 2023	FY 2024
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 2022	FY 2023	FY 2024
Local Government	\$0	\$0	(Unknown) to Unknown

FISCAL ANALYSIS

ASSUMPTION

Section 153.030 Public Utilities utilizing Chapter 100 Financing

Officials from the **State Tax Commission (STC)** have reviewed this proposal and determined school districts and other local taxing jurisdictions (fire, cities, counties) in which the real and personal property of any public utility that utilizes Chapter 100 has tax situs (is located) would realize an unknown positive fiscal impact with the inclusion of the entire value of the Chapter 100 real and personal property held by a utility as part of their (local) tax base. School districts and other local taxing jurisdictions that may have miles of line within their district, but not the Chapter 100 assessment assets, 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 said Chapter 100 property.

The STC notes, in current law, property of electric companies (centrally assessed) are categorized as “local property” and “distributable property” for ad valorem purposes. The value of all distributable 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.

Officials from the **Office of Administration - Budget and Planning (B&P)** assume this provision may impact TSR. This provision may impact the calculation under Article X, Section 18(e).

This proposal would change how real and personal property of a public utility is taxed. Currently, public utilities are assessed by the State Tax Commission as distributable property. This provision would require that the public utility instead be assessed by a county assessor if the public utility uses public financing under Chapter 100.

Therefore, B&P estimates that this proposal may have an impact on the Blind Pension Trust Fund and local jurisdictions if the change from state assessment to local assessment changes the assessed value of a public utility and the distribution of property taxes owed.

Officials from the **Department of Commerce and Insurance, Department of Economic Development, Office of the State Auditor, Department of Social Services** and the **Department of Revenue** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal, SB 92 (2021), officials from the **Department of Commerce and Insurance** stated their response was related to the operations of the Public Service Commission only. It does not contemplate any impact to public utilities.

Oversight assumes any impact to utility rates as result of property tax changes would be an indirect impact.

In response to a similar proposal, SB 92 (2021), officials from the **Boone County Assessor's Office** state Boone County has not used Chapter 100 financing for any projects of this nature. Counties who have financed projects of this nature would benefit financially.

Officials from the **City of Kansas City** assume this legislation provides that real and personal property tax of any public utility company that utilizes Chapter 100 financing be assessed only upon the county assessor's local tax rolls. As the City collects taxes from utilities directly, this would result in a negative fiscal impact.

Officials from the **City of Hale, Stone County PWSD #1** and the **Metropolitan St. Louis Sewer District** each assume the proposal could have a fiscal impact on their respective organizations.

Officials from the **City of Springfield, Cass County PWSD #2, Clarence Water District, Glasgow Village, Hancock Street Light District, High Point Elementary School Water District, Lexington Water & Wasterwater, Little Blue Valley Sewer District, Macon County PWSD #1, Platte County PWSD #6, Schell City Water Department** and the **Wayne County PWSD #2** each assume the proposal will have no fiscal impact on their respective organizations.

Oversight assumes this proposal would change the way public utilities utilizing Chapter 100 financing are assessed. Currently, they are centrally assessed and distributable. This proposal would require these public utilities to be assessed at the local level and would no longer be distributable.

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). Oversight assumes this proposal could have an unknown impact (positive or negative) on tax revenues to the Blind Pension Fund if the locally assessed values differ from the centrally assessed values.

Oversight assumes to reach a revenue impact of \$250,000 in the Blind Pension Fund would require a change in assessed value of approximately \$830 million. Oversight assumes it is unlikely the difference between the centrally assessed valuation and locally assessed valuation would differ to that degree. Therefore, Oversight assumes the impact on the Blind Pension Fund would be less than \$250,000.

Oversight assumes local taxing entities with tax situs would experience an unknown positive impact while local taxing entities with property that is no longer centrally assessed and distributable would experience an unknown negative impact.

Additionally, **Oversight** notes property tax revenues are generally designed to be revenue neutral from year to year. The tax levy is adjusted relative to the assessed value to produce roughly the same revenue from the prior year with an allowance for growth. Therefore, Oversight assumes this proposal could impact property tax levies.

Oversight assumes public utilities could experience an impact if the centrally assessed valuation and locally assessed valuation differ causing a change in the amount of property taxes owed. Oversight will show an unknown impact (positive or negative) for public utilities using Chapter 100 financing.

Although the effective date of this change is January 1, 2022, the next re-assessment cycle would not occur until calendar year 2023 with impacted revenues occurring in FY 2024 (December 2023).

<u>FISCAL IMPACT – State Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
BLIND PENSION FUND (0621)			
<u>Revenue (Gain or Loss) - property owned by public utilities utilizing Chapter 100 financing is locally assessed - §153.030</u>	<u>\$0</u>	<u>\$0</u>	(Unknown) to <u>Unknown</u>
ESTIMATED NET EFFECT ON THE BLIND PENSION FUND	<u>\$0</u>	<u>\$0</u>	(Unknown) to <u>Unknown</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024
LOCAL POLITICAL SUBDIVISIONS			
<u>Cost or Savings</u> - Public Utilities - from a change in the assessed valuation of property and subsequent property taxes due - §153.030	\$0	\$0	(Unknown) to Unknown
<u>Revenue Gain</u> - for taxing entities with tax situs for public utilities using Chapter 100 financing - §153.030	\$0	\$0	Unknown
<u>Revenue (Loss)</u> - for taxing entities with property owned by public utilities using Chapter 100 financing that is no longer distributable - §153.030	\$0	\$0	(Unknown)
ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS	<u>\$0</u>	<u>\$0</u>	(Unknown) to Unknown

FISCAL IMPACT – Small Business

Oversight assumes there could be a fiscal impact to small businesses if tax rates are adjusted relative to changes in assessed value.

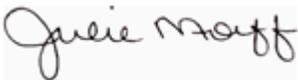
FISCAL DESCRIPTION

Beginning January 1, 2022, this bill provides that the real and personal property of any public utility that utilizes financing under Chapter 100, RSMo, for construction will be assessed only upon the county assessor's local tax rolls.

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 Revenue
Office of the State Auditor
Department of Economic Development
Department of Social Services
Boone County Assessor's Office
City of Hale
City of Kansas City
City of Springfield
Cass County PWSD #2
Clarence Water District
Glasgow Village
Hale Water District
Hancock Street Light District
High Point Elementary School Water District
Lexington Water & Wastewater
Little Blue Valley Sewer District
Metropolitan St. Louis Sewer District
Platte County PWSD #6
Schell City Water Department
South River Drainage District
Stone County PWSD #1
Wayne County PWSD #2



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March 8, 2021



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