

Fiscal Note Request SB0115, As Amended in House Tax
(continued)

6. For purposes of this fiscal note, it is assumed that a 180 megawatt wind generation facility will be constructed and in operation for FY 2007. The estimated FY 2007 changes in taxable value, and estimated taxes for the proposed facility is shown in the table below.

Proposed New Wind Generation Facility in Wheatland County			
<u>Description</u>	<u>Current Law</u>	<u>Under SB00115</u>	<u>Fiscal Impact</u>
Nameplate Generation Capacity (megawatts)	180	180	
Market Value (first year of operation)	213,750,000	213,750,000	
Taxable Rate	6.0%	3.0%	
Taxable Value	12,825,000	6,412,500	(6,412,500)
General Fund Taxes (95 mills)	1,218,375	609,188	(609,187)
University System Taxes (6 mills)	76,950	38,475	(38,475)

7. All property in this new class 14, except for property owned by rural electric cooperatives would be considered commercial property. The new lower tax rate will reduce the taxable rate for class 12 property (railroad and airlines) – which is the average commercial tax rate statewide.
8. In FY 2007, it is projected that the new wind generation facility located near Judith Gap in Wheatland County will be commercial property and included in the class 12 tax rate calculation. It is estimated that the class 12 tax rate would decline from the projected rate of 3.69% to 3.67% in FY 2007.
9. In FY 2007, class 12 is projected to have a market value of \$1,204,000,000. The change in taxable value is estimated at \$241,000 (($\$1.204 \text{ million} \times 3.69\% = \$44,444,000$) – ($\$1.204 \text{ million} \times 3.67\% = \$44,203,000$)).
10. Due to the estimated change in class 12, the general fund would decrease by \$22,895 ($\$241,000 \times 95 \text{ mills}$).
11. Due to the estimated change in class 12, the university 6 mill account would decrease by \$1,446 ($\$241,000 \times 6 \text{ mills}$).
12. In FY 2007, the total estimated impacts of SB 115 to the general fund is a *decrease* of \$632,082 ($\$609,187 + \$22,895$).
13. In FY 2007, the total estimated impacts of SB 115 to the university 6 mill account is a *decrease* of \$39,921 ($\$38,475 + \$1,446$).

FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	\$0	(\$632,082)
State Special Revenue – University System (02)	\$0	(\$39,921)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$0	(\$632,082)
State Special Revenue – University System (02)	\$0	(\$39,921)

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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Local governments and schools tax base would be reduced from facilities that would have been built under the current tax structure with current tax rates. Assuming the aforementioned large facility located near Judith Gap in Wheatland County would have been built without SB 115, local governments and schools would lose tax base of approximately \$6.4 million in taxable value in tax year 2006 and beyond.

Local governments, including schools will be allowed to impose an impact fee of 0.5% during the first three years a commercial wind facility produces generation. These monies may be expanded for any purpose allowed by law.

LONG-RANGE IMPACTS:

This bill could have significant long-range impacts. Revenue will be lost from facilities that would have been built under the current tax structure with current tax rates. In addition, property in this new class 14, except for property owned by rural electric cooperatives, would be considered commercial property and would be included in the class 12 tax rate calculation. The new lower rate would reduce the taxable rate for class 12 property (railroad and airlines).

TECHNICAL NOTES:

1. New section 1(d) refers to “wind generation facilities owned or operated by cooperative rural electric associations ~~or a noncentrally assessed public utility~~; DESCRIBED UNDER 15-6-137. 15-6-137, MCA, describes rural electric cooperatives in class 7 property. If 15-6-137, MCA, is amended in the future, this new section of law would need to be amended also. The bill would be clearer if it included the description of cooperative rural electric associations in the description of class 14, instead of referencing the class 7 description in 15-6-137, MCA.