GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

# Fiscal Note 2023 Biennium

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|---|---|---|---|
| **Bill #** | SB0085 | **Title:** | Generally revise taxation of renewable energy |
| **Primary Sponsor:** | Ankney, Duane | **Status:** | As Introduced |

☒Significant Local Gov Impact ☐Needs to be included in HB 2 ☐Technical Concerns

☐Included in the Executive Budget ☐Significant Long-Term Impacts ☐Dedicated Revenue Form Attached

## FISCAL SUMMARY

| | FY 2022 Difference | FY 2023 Difference | FY 2024 Difference | FY 2025 Difference |
|---|---|---|---|---|
| **Expenditures:** | | | | |
| General Fund | $0 | $0 | $0 | $0 |
| State Special Revenue | $0 | $0 | $0 | $0 |
| **Revenue:** | | | | |
| General Fund | $0 | $2,270,227 | $2,286,119 | $2,302,122 |
| State Special Revenue | $0 | $143,787 | $144,793 | $145,806 |
| **Net Impact-General Fund Balance:** | $0 | $2,270,227 | $2,286,119 | $2,302,122 |

**Description of fiscal impact:** SB 85 changes the classification of wind generation property from class 14 and distributes the property into class 7, class 9, or class 13 property, as defined in those statutes, starting in FY 23. The bill would also exclude new wind and solar generation property from consideration for new and expanding industry property tax abatements.

## FISCAL ANALYSIS

**Assumptions:**

**Department of Revenue**

1. Wind power generation is currently classified as class 14 property, which has a tax rate of 3% (15-6-157, MCA). There is currently $772.73 million in market value of wind generation property in the class.
2. This property has a local jurisdiction taxable value of $17.57 million in FY 2021. For state mills, the taxable value is $22.80 million. The difference between these taxable values is due to local new and expanding industry tax abatements.
3. After reallocating this property to Class 7 (electrical generation property that in not centrally assessed with an 8% tax rate) , Class 9 (electrical transmission property with a 9% tax rate) , or Class 13 (centrally assessed electrical generation property with a 6% tax rate) depending on the property attributes, the taxable value of this same property for the purpose of state mills is $46.36 million in FY 2021.

4. The increase in statewide taxable value for state mills is $23.57 million.
5. The increased taxable value is grown by the estimated growth rate of Class 14 property contained in HJ 2, which is 0.7% per fiscal year.
6. This results in an increased taxable value of $23.73 million in FY 2022, $23.90 million in FY 2023, $24.06 million in FY 2024, and $24.23 million in FY 2025.
7. The new classifications apply as of January 1, 2022 (TY 2022). Receipts from this reclassified property would first be received in FY 2023.
8. General fund (95 education equalization and 1.5 vo-tech) mills increase revenue by $2.27 million in FY 2023, $2.29 million in FY 2024, and $2.30 million in FY 2025. The university state special revenue mills generate an additional $143,383 in FY 2023, $144,386 in FY 2024, and $145,397 in FY 2025.
9. The costs associated with implementing SB 85 are not anticipated to be significant.

| **Fiscal Impact:** | **FY 2022 Difference** | **FY 2023 Difference** | **FY 2024 Difference** | **FY 2025 Difference** |
|---|---|---|---|---|
| **Department of Revenue** | | | | |
| **FTE** | 0.00 | 0.00 | 0.00 | 0.00 |
| **Expenditures:** | | | | |
| Personal Services | $0 | $0 | $0 | $0 |
| **TOTAL Expenditures** | $0 | $0 | $0 | $0 |
| **Funding of Expenditures:** | | | | |
| General Fund (01) | $0 | $0 | $0 | $0 |
| State Special Revenue (02) | $0 | $0 | $0 | $0 |
| **TOTAL Funding of Exp.** | $0 | $0 | $0 | $0 |
| **Revenues:** | | | | |
| General Fund (01) | $0 | $2,270,227 | $2,286,119 | $2,302,122 |
| State Special Revenue (02) | $0 | $143,787 | $144,793 | $145,806 |
| **TOTAL Revenues** | $0 | $2,414,014 | $2,430,912 | $2,447,928 |
| **Net Impact to Fund Balance (Revenue minus Funding of Expenditures):** | | | | |
| General Fund (01) | $0 | $2,270,227 | $2,286,119 | $2,302,122 |
| State Special Revenue (02) | $0 | $143,787 | $144,793 | $145,806 |

**Effect on County or Other Local Revenues or Expenditures:**

1. The statewide net taxable value increase due to SB 85 would be $18.33 million in FY 2021. This is a 0.57% increase. Local mills would adjust to hold revenue otherwise constant, though shifts in local taxes will be based on the proportional change in taxable value in each respective levy district.
2. There will also be shifts between property taxpayers based on the changes in taxable value due to this bill.

**Long-Term Impacts:**

1. New wind and solar projects would no longer be considered alternative energy sources for the purposes of 15-24-1402, MCA, and therefore ineligible for future new and expanding industry tax abatements.

| *Sponsor's Initials* | *Date* | *Budget Director's Initials* | *Date* |
|---|---|---|---|
| | 1/13 | KA | 1/13/21 |