

March 13, 2015

The Honorable Les Donovan, Sr., Chairperson
Senate Committee on Assessment and Taxation
Statehouse, Room 123-E
Topeka, Kansas 66612

Dear Senator Donovan:

SUBJECT: Fiscal Note for SB 257 by Senate Committee on Assessment and Taxation

In accordance with KSA 75-3715a, the following fiscal note concerning SB 257 is respectfully submitted to your committee.

Current law provides for an ad valorem property tax exemption on property used to produce and generate electricity utilizing renewable energy resources or technologies, including wind, solar, photovoltaic, biomass, hydropower, geothermal, and landfill gas resources or technologies. SB 257 would allow this property tax exemption to be granted for only the ten tax years immediately following the tax year that the property is first used to produce and generate electricity.

Passage of SB 257 would increase property tax revenues by limiting the number of years that a current tax exemption could be claimed. The state funds directly affected by this bill are the two building funds, the Educational Building Fund (EBF) and the State Institutions Building Fund (SIBF). The Department of Revenue estimates that this bill would increase revenues to these two funds by \$3,663 in FY 2016, with \$2,442 going to the EBF and \$1,221 going to the SIBF. The bill would increase property tax revenues by \$48,840 that school districts would receive through the state's uniform mill levy. The bill would also increase revenues to any local government that levies a property tax. Passage of this bill would gradually put the exempt renewable energy utilities back on the tax rolls. The following table provides the estimated appraised value of property that would gradually be put back on the tax rolls and the additional revenue that would be generated from the 20-mill school levy and 1.5-mill levy for state building funds:

<u>Fiscal Year</u>	<u>Appraised Value (Non-Exempt)</u>	<u>20-Mill School Levy</u>	<u>1.5-Mill State Building Levy</u>
2016	\$ 7,400,000	\$ 48,840	\$ 3,663
2017	58,400,000	385,440	28,908
2018	58,400,000	385,440	28,908
2019	58,400,000	385,440	28,908
2020	235,400,000	1,553,640	116,523
2021	261,600,000	1,726,560	129,492
2022	261,600,000	1,726,560	129,492
2023	655,600,000	4,326,960	324,522
2024	2,220,600,000	14,655,960	1,099,197
2025	2,520,600,000	16,635,960	1,247,697

To formulate these estimates, the Department of Revenue reviewed data on current renewable energy facilities. The majority of electricity generating facilities utilizing renewable resources or technologies in Kansas are wind farms. Current installed wind powered electricity generating capacity is about 3,000 megawatts. Any fiscal effect associated with SB 257 is not reflected in *The FY 2016 Governor's Budget Report*.

The Kansas Association of Counties indicates that the bill would increase property tax revenues in counties where electricity generating facilities utilizing renewable resources or technologies are located. However, the precise fiscal effect cannot be estimated because some counties have agreements with wind energy operators for payments in lieu of taxes (PILOTs) which would be eliminated and replaced with property taxes under the provisions of the bill. The Kansas Association of Counties assumes that the property tax revenue would exceed the amount of revenue from the PILOTs; however, the amount of additional revenues for local governments cannot be estimated.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Jack Smith, KDOR
Melissa Wangemann, KAC
Larry Baer, LKM
Amy Gilbert, KCC
Dale Dennis, Education