HB10-1267

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL FISCAL IMPACT

Drafting Number:	LLS 10-0819	**Date:**	February 17, 2010
Prime Sponsor(s):	Rep. Kerr A. Sen. Romer	**Bill Status:**	House Finance
		Fiscal Analyst:	Kate Watkins (303-866-6289)

TITLE: CONCERNING THE PROPERTY TAX TREATMENT OF AN INDEPENDENTLY OWNED RESIDENTIAL SOLAR ELECTRIC GENERATION FACILITY.

Fiscal Impact Summary	FY 2010-2011	FY 2011-2012
State Revenue*	See State Revenue section.	
State Expenditures School Finance Act**		$16,500
FTE Position Change		
Effective Date: August 11, 2010, assuming the General Assembly adjourns May 12, 2010, as scheduled and no referendum petition is filed.		
Appropriation Summary for FY 2010-2011: None required.		
Local Government Impact: See Local Government Impact section.		

* *Because the degree to which economic activity may be spurred expressly due to this bill is unknown, the fiscal impact stated above does not incorporate increased revenue from additional economic activity.*

** *School Finance Act expenditures could be from the General Fund, State Education Fund, or a combination of both.*

Summary of Legislation

Under current law, third-party owners (lessors) of solar electric generation facilities are required to pay business personal property tax on the facilities that are leased to residential households. This bill defines third-party owned (leased) residential solar electric generation facilities as household furnishings, thereby exempting such solar systems from property tax. To qualify for the exemption, solar electric generation facilities may not be owned by the residential property owner, may not have a production capacity in excess of 100 kilowatts, and may not be income producing to the homeowner. Rebates, offsets, credits, and reimbursements for renewable energy projects are not considered income under this bill.

Background

Solar systems require large up-front capital costs, which limit many homeowners from utilizing solar power. The third-party solar leasing model has emerged in recent years as a way for homeowners to avoid the high capital costs that accompany solar power. Under these leasing arrangements, homeowners install a leased solar system on their property and make monthly payments to the third-party solar system lessor over a set amount of time while consuming the electricity generated.

According to testimony provided by an Xcel energy representative on Colorado's Renewable Energy Standard compliance plan in October of 2009, third-party residential solar electric generation in Colorado is projected to grow from 0.5 megawatts in 2009 to up to 4 megawatts by 2011. Assuming that two-thirds of this electricity is generated on residential properties and the solar electricity generating facilities would be subject to business personal property tax, this bill will result in an annual assessed valuation decrease of roughly $850,000 in FY 2011-12 through FY 2013-14.

State Revenue

Because the degree to which economic activity may be spurred expressly due to the bill is unknown, this fiscal impact does not incorporate increased revenue from potential job creation.

State Expenditures

School Finance Act. The bill is expected to increase state expenditures under the School Finance Act by $16,500 in FY 2011-12, $17,200 in FY 2012-13, and $16,400 in FY 2013-14. The state's share of public school total program funding will increase by the amount of local school operating property taxes lost due to this bill.

Local Government Impact

Local governments that are not at their revenue limit will lose property tax revenue because of the bill's provision to provide an exemption for leased solar systems. For local governments that consistently reach their revenue limit due to high assessed value growth, the impact of the bill will be felt through smaller decreases in the mill levy. In the latter case, a portion of the money that would have been received from business personal property taxpayers will instead be spread out over the remaining taxpayers in the form of higher mill levies than would have occurred otherwise.

Table 1 shows the maximum local property tax revenue loss assuming all local governments do not reach their revenue limit or have voted to exempt themselves from revenue limits. The bill will reduce property taxes by a maximum of $60,000 in FY 2011-12, $62,500 in FY 2012-13, and $59,900 in FY 2013-14. To the degree local governments reach their revenue limits with the bill's reduction in assessed value, the property tax loss will be less than the amounts estimated in Table 1.

Table 1. Estimated Annual Impacts of HB10-1267

Fiscal Year	Assumed Third-party Residential Solar Electricity Generation	Assessed Value Impact	Maximum Local Property Tax Impact*	School Property Tax Loss/ School Finance Act Expenditures
2011-12	2.7 megawatts	($824,800)	($60,000)	($16,500)
2012-13	2.7 megawatts	($859,300)	($62,500)	($17,200)
2013-14	2.7 megawatts	($823,300)	($59,900)	($16,400)

* *Assumes all local governments are not at revenue limits or have voted to exempt themselves from revenue limits. The revenue loss will be lower depending on the number of local governments that are at the local limit.*

State Appropriations

No new appropriations are needed in FY 2010-11.

Departments Contacted

Property Tax Colorado Counties Governor's Energy Office