HB14-1101

Colorado Legislative Council Staff Fiscal Note

STATE and LOCAL
REVISED FISCAL IMPACT

(replaces fiscal note dated April 2, 2014)

Drafting Number:	LLS 14-0515	**Date:**	April 7, 2014
Prime Sponsor(s):	Rep. Tyler Sen. Schwartz	**Bill Status:**	House Appropriations
		Fiscal Analyst:	Marc Carey (303-866-4102)

SHORT TITLE: COMMUNITY SOLAR GARDEN BUS PER PROP TAX EXEMPTION

Fiscal Impact Summary*	FY 2014-2015	FY 2015-2016	FY 2016-2017
State Revenue			
Revenue Change			
General Fund		$4,000	$9,200
State Expenditures			
General Fund		$153,400	$200,000
FTE Position Change			
Appropriation Required: None			

* *This summary shows changes from current law under the bill for each fiscal year.*

Summary of Legislation

Under current law, business owners of a community solar garden (CSG) must pay property tax on the personal property used to generate electricity. Assessors value this property by determining the generating capacity of the CSG and multiplying by the cost per kilowatt of alternating current electricity as published by the Division of Property Taxation in the Department of Local Affairs.

For property tax years 2015 through 2020, this bill, ***as amended by the House Finance Committee***, specifies that the share of electricity generated by a CSG and attributed to residential or governmental subscribers, or subscribers that are property tax exempt religious or charitable organizations, is exempt from property tax. Thus, business personal property tax for a CSG would be levied only on the share of electricity generating capacity used by businesses.

Background

Based on data from industry representatives, there are currently 22 CSGs in operation with 13.9 megawatts (MW) of generating capacity across 13 counties in Colorado. Another 15 CSGs with 13.5 MW of capacity are in the development phase. Of the CSGs already in use, 82 percent of the generation goes to either residential or government subscribers and would be exempt from property tax under this bill. For CSGs in the development stage, 100 percent of generation is projected to go to residential or government subscribers and would be exempt from property tax under this bill.

It should be noted that this fiscal note relies on data from CSGs already in use or currently in the development stage. To the extent that additional CSGs would have been built under current law, the revenue and expenditure impacts presented in this fiscal note will be understated.

State Revenue

This bill will increase state income tax revenue by $4,000 in FY 2015-16 and $9,200 in FY 2016-17. Because the bill reduces local property taxes and the available property tax deduction, the bill will increase state income tax collections. The impact in FY 2015-16 is a half year impact on an accrual accounting basis.

State Expenditures

This bill will increase state expenditures by $153,400 in FY 2015-16 and $200,000 in FY 2016-17 as described below.

School Finance Impact. Based on average school operating mill levies for each county, the reduction in property taxes for school finance will require additional state aid of $153,400 in FY 2015-16 and $200,000 in FY 2016-17. This impact results from exempting the share of electricity generated at CSGs for residential, governmental, and religious and charitable organizations that are subscribers from property tax. An estimated total of $4.6 million in assessed value in 13 counties would be lost through this exemption for CSGs currently in use, with another $3.6 million lost from CSGs currently in the development stage.

Department of Local Affairs, Division of Property Taxation. The division will incur nominal expenses from creating a new personal property declaration schedule specific to CSGs and potential additional work concerning appeals. These tasks can be accomplished with existing appropriations.

Local Government Impact

Beginning in property tax year 2015, the bill decreases property tax revenue by exempting the share of electricity generated at CSGs for residential and governmental subscribers from property tax. This is expected to reduce total property tax revenue by $525,200 in FY 2015-16 and $675,200 in FY 2016-17.

Local non-school finance property taxes are estimated to decline by up to $371,900 in FY 2015-16 and $475,200 in FY 2016-17. This reduction will impact municipalities, counties, special districts, and school districts, and is not backfilled by state aid. However, property taxpayers in affected jurisdictions may experience an increase in mill levies to pay for any outstanding bonded debt or school district property tax overrides that were previously approved by voters.

To the extent that the exemption contained in this bill spurs investment in CSGs with commercial subscribers that would not have otherwise occurred, in the short term, local governments may receive additional property tax revenue that partially offsets the losses described above.

School District Impact

This bill is estimated to reduce the local share of funding for public schools by up to $153,400 in FY 2015-16 and $200,000 in FY 2016-17. This reduction will be replaced by state aid.

Pursuant to Section 22-32-143, C.R.S., as specified by House Bill 11-1277, school districts and Boards of Cooperative Educational Services (BOCES) may submit estimates of fiscal impacts within seven days of a bill's introduction. As of the date of this fiscal note, no summaries of fiscal impacts were submitted by districts or BOCES for this bill. If summaries of fiscal impacts are submitted by districts or BOCES in the future, they will be noted in subsequent revisions to the fiscal note and posted at this address: http://www.colorado.gov/lcs

Effective Date

The bill takes effect August 6, 2014, if the General Assembly adjourns on May 7, 2014, as scheduled, and no referendum petition is filed.

State and Local Government Contacts

Division of Property Taxation