

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 62 – SB 1000

March 4, 2013

**SUMMARY OF BILL:** Increases, from 0.5 percent of acquisition value to one-third of the total installed cost, the rate at which machinery and equipment used to produce energy in a “certified green-energy production facility”, as defined by Tenn. Code Ann. § 67-4-2004, is valued for purposes of property taxation. The provisions of the bill shall apply retroactively for tax year 2013.

**ESTIMATED FISCAL IMPACT:**

**Increase Local Revenue – Exceeds \$100,000**

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-4-2004, a “certified green energy production facility” is certified by the Tennessee Department of Environment and Conservation (TDEC) as producing electricity for use and consumption off the premises using clean energy technology, including geothermal, hydrogen, solar, and wind sources.
- Pursuant to Tenn. Code Ann. § 67-5-604(d), machinery and equipment used to produce electricity in certified green energy production facilities are valued at 0.5 percent of the acquisition value. The bill will increase the rate at which these items are taxed, which will result in a recurring increase in local property tax revenue.
- According to TDEC, from 2011 to date there have been 367 applications filed and approved for “certified green-energy production” status across the state; all of which have been classified as solar powered facilities; however, it is unknown how many facilities currently operate in the state.
- According to the Comptroller of the Treasury, a record is not currently kept of the value of machinery and equipment for specific facilities; the value of the machinery and equipment is combined for the total amount of tangible property taxed.
- The fiscal impact of this bill is dependent upon several unknown factors such as the number of qualified facilities currently operating within the state, the number of qualified facilities that will begin operations in the future, the total value of machinery and equipment utilized within any qualified facility, the differences between value assessed under current law relative to value assessed under the provisions of this bill. Given the extent of unknown factors, a precise estimate for increased property tax revenue for local governments is difficult. However, the recurring increase in local government revenue is reasonably estimated to exceed \$100,000 statewide.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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