Property Tax
Exemption for Biomass Electrical Generating Facility

March 9, 2001

	Yes	No
Separate Official Fiscal Note Requested		X
Fiscal Impact		
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 1101 (Dean Johnson) / H.F. 1202 (Westrom)

	Revenue Gain or (Loss)			
	F.Y. 2002	**F.Y. 2003**	**F.Y. 2004**	**FY2005**
		(000's)		
General Fund	$0	$0	$0	($30)

Effective for taxes payable in 2002 and thereafter.

EXPLANATION OF THE BILL

Current Law: In general, the personal property of electric generating facilities used to produce electric power for sale is taxable and classified as class 3 personal property. Current law also mandates that a public utility that operates a nuclear-powered electric generating plant in the state must contract to operate an electric energy facility using farm-grown closed-loop biomass, of which no more than 50 megawatts of this capacity may be provided by poultry litter as the primary fuel. The latter facility must be operational by December 31, 2002.

Proposed Law: The proposal exempts from the personal property tax the attached machinery and other personal property which is part of an electric generating facility that utilizes poultry litter as a primary fuel source and is built in accord with the biomass mandate in current law.

REVENUE ANALYSIS DETAIL

- It is assumed that one project in the City of Benson in Swift County will be the only facility to qualify for the exemption prior to January 1, 2003.
- Xcel Energy, Inc. is contracting with Fibrowatt, LLC to purchase electricity produced by burning poultry litter. The local affiliate of Fibrowatt is Fibrominn and the local project requires approval from the Public Utilities Commission. The electricity plant would be located in the City of Benson.
- The estimate assumes that the project meets the requirements of the biomass mandate in M.S. 216B.2424 and that it will be approved by the Public Utilities Commission.
- The estimate is based on information provided by a Fibrominn representative.
- The total cost of the project as estimated by Fibrowatt is $139 million, of which $63 million of attached machinery and other personal property will be exempt from personal property tax under the proposal.

- Exemption of the attached machinery and other personal property of the proposed facility upon its completion will reduce the local tax base, relative to the base under current law, and shift property tax burden to all other taxpayers in the county, including homeowners.
- Assuming that construction will be completed in 2002, and assessed in 2003 for property taxes payable in 2004, the proposed exemption will increase state-paid homeowner property tax refunds by about $30,000 in fiscal year 2005 and after.

Number of Taxpayers Affected: All taxpayers in Swift County where the plant is located will be affected by the exemption of the personal property.

ADMINISTRATIVE/OPERATIONAL IMPACT

There are no administrative or operational costs to the Department of Revenue in administering this bill.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/polic.html#analyses

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