

**PROPERTY TAX
Exemption of Wind Energy Generation**

April 9, 2001

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

Department of Revenue
Analysis of S.F. 2130 (Lesewski) / H.F. 2348 (Mulder)

	Revenue Gain or (Loss)			
	<u>F.Y. 2002</u>	<u>F.Y. 2003</u>	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>
		(000's)		
General Fund:	\$0	\$9	\$9	\$9

Effective for taxes payable in 2002 and thereafter.

EXPLANATION OF THE BILL

Current Law: M.S. 272.02, subd. 22, provides levels of exemption from the property tax for wind energy conversion systems. Small scale wind energy conversion systems installed after January 1, 1991, producing two megawatts of power or less are exempt from property tax. Medium scale wind energy conversion systems installed after January 1, 1991, and producing between 2 and 12 megawatts of energy are partially exempt. Large scale wind energy conversion systems installed after January 1, 1991, which produce more than 12 megawatts of energy are also partially exempt.

Proposed Law: The proposal limits the exemption for small scale wind energy conversion systems for an owner of multiple systems in one county so that only the systems that do not exceed two megawatts in aggregate would be exempt. The remaining value of the systems would be allowed the partial exemptions for medium and large scale systems as applicable.

REVENUE ANALYSIS DETAIL

- This estimate assumes that the proposal will affect one development under construction in Lincoln County that would receive exemptions for each of several systems under current law, but would amount to a large scale system of approximately 28 MW in aggregate. Based on other examples, the taxable value of this property will be approximately \$4.65 million, including the exemption of the first 2 MW and the partial exemption for the remaining value as a large scale system.
- Based on average tax rates for Lincoln County for taxes payable in 2000, the tax shift resulting from a larger tax base under the proposal is approximately \$177,000.
- Tax shifts caused by the proposal will reduce property tax burdens and may reduce the amount of property tax refunds paid by the state. The amount of this savings would likely be about \$9,000 per year.

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REVENUE ANALYSIS DETAIL (CONT.)

- By expanding the local tax base, the proposal could reduce state-paid general education aid to the local school districts. However, because general education levies are fixed in statute, and the corresponding general education aid is also constant at the statewide level, the exemption will cause a redistribution of state education aid, but not affect statewide costs.

Number of Taxpayers Affected: All taxpayers in counties with wind energy conversion systems would be affected.

ADMINISTRATIVE/OPERATIONAL IMPACT

There will be no significant administrative or operational costs or savings to DOR in administration of this bill.

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

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