

# MINNESOTA · REVENUE

## PROPERTY TAX Electric Utility Exemption

February 13, 2002

|   |            |           |
|---|------------|-----------|
|   | <b>Yes</b> | <b>No</b> |
| Separate Official Fiscal Note Requested |            | <b>X</b>  |
| <b>Fiscal Impact</b>                    |            |           |
| DOR Administrative Costs/Savings        |            | <b>X</b>  |

Department of Revenue  
Analysis of S.F. 2651 (Day)/H.F. 2974 (Ruth)

|              | <u>Revenue Gain or (Loss)</u> |                  |                  |                  |
|--------------|-------------------------------|------------------|------------------|------------------|
|              | <u>F.Y. 2002</u>              | <u>F.Y. 2003</u> | <u>F.Y. 2004</u> | <u>F.Y. 2005</u> |
|              |                               | (000's)          |                  |                  |
| General Fund | \$                            | \$               | \$(20)           | \$(20)           |

Effective for the 2002 assessment (taxes payable 2003) and thereafter.

### EXPLANATION OF THE BILL

**Current Law:** With some exceptions, personal property that is part of an electric generating system is subject to the local property tax. The attached machinery of an electric generation facility is exempt from the state general property tax levy.

**Proposed Law:** Attached machinery and other personal property would be permanently exempt from the local personal property tax if it is part of an electric generating facility that is designed to:

- utilize a combined cycle gas turbine generator fueled by natural gas
- be connected to an existing 115-kilovolt high-voltage transmission line that is within one mile of the facility
- be located on an underground natural gas storage aquifer
- be an intermediate load facility
- have received approval from the county for the exemption.

Construction must be commenced after January 1, 2002 and before January 1, 2004. Transmission lines and gas pipeline connections are excluded from the exemption.

### REVENUE ANALYSIS DETAIL

- The proposed plant would be located in Blooming Grove Township in Waseca County.
- Information from department sources indicates that a 43 megawatt power plant is likely to be valued by the assessor at about \$35 million, and the personal property is likely to represent about 90% of total value.
- Upon completion of the plant, the personal property of the plant would be subject to the local property tax under current law. The proposed exemption of the personal property tax would shift about \$990,000 to other property in Waseca County, including homeowners.

- The shift of tax burden to homeowners will increase state payments of homeowner property tax refunds, relative to current law, by about \$20,000.

**Number of taxpayers affected:** All property taxpayers in Waseca County would be affected by the tax shift from the proposed exemption.

#### **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>

