

MINNESOTA · REVENUE

PROPERTY TAX Exemption of a Biomass Electric Generating Plant

March 1, 2002

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

Department of Revenue
Analysis of S.F. 3409 (Robling)/H.F. 3652 (Buesgens)

	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	\$0

Effective for assessment year 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.

Personal property used to generate electric power is exempt from property taxation if the power is used to manufacture or produce goods or services. The tax exemption does not apply if the personal property is used to produce electric power for sale to others.

Proposed Law: Personal property which is part of an electric generating facility is exempt if:

- The plant has a generation capacity of less than 25 megawatts
- The plant provides heating needs in addition to electrical generation
- The plant utilizes agricultural by-products from the malting process and other biomass fuel as its primary fuel source.

REVENUE ANALYSIS DETAIL

- The Rahr Malting Company of Shakopee plans to build the proposed plant beginning in 2003 with completion in 2004. Although the plant will be used for heating needs, some of the electric power will be sold to Xcel Energy, Inc. because the plant will be linked to the Xcel power grid.
- The total cost of the personal property that would be exempt under this proposal is between \$18 and \$20 million.

- Because the personal property will not be installed until 2003 or 2004, the proposed property tax exemption will not affect taxes until taxes payable 2005 or 2006. Although the exemption will cause a property tax shift to other taxpayers including homeowners, the effect on homeowner property tax refunds will not effect the state budget within the forecast biennium. Beginning with taxes payable 2005 or 2006, the tax shift will increase homeowner property tax refunds by about \$12,000 per year.

Number of taxpayers affected: All taxpayers in Scott County will be affected.

ADMINISTRATIVE/OPERATIONAL IMPACT

See Fiscal Note

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

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