

MINNESOTA • REVENUE

PROPERTY TAX Electrical Facility - Biomass

April 17, 2003

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

Department of Revenue

Analysis of H.F. 1533 (Westrom) / S.F. 1483 (Johnson, D.E.), As Introduced

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>FY2007</u>
		(000's)		
General Fund	\$0	\$0	\$0	(\$30)

Effective for taxes payable in 2005 and thereafter.

EXPLANATION OF THE BILL

Current Law: Generally, the personal property of electric generating facilities used to produce electric power for sale is taxable and classified as class 3 personal property. A personal property tax exemption was enacted in 2001 for the attached machinery and other personal property that was to be part of an electric generating facility that utilizes poultry litter as a primary fuel source. To qualify, construction needed to begin after January 1, 2000, and before December 31, 2002.

Proposed Law: The exemption would be extended to apply to a facility if construction began after January 1, 2003, and before December 31, 2003.

REVENUE ANALYSIS DETAIL

- It is assumed that one project in the city of Benson will be the only facility to qualify for the exemption. 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 estimate is based on 2001 cost information provided by a Fibrominn representative, updated in 2003.
- 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 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.

REVENUE ANALYSIS DETAIL (cont.)

- 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 2004, and assessed in 2005 for property taxes payable in 2006, the proposed exemption will increase state-paid homeowner property tax refunds by about \$30,000 in fiscal year 2007 and after.

Number of Taxpayers: This proposal is expected to apply to one project in the city of Benson. All taxpayers in Swift County where the plant is located will be affected by the exemption of the personal property.

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