

MINNESOTA • REVENUE

PROPERTY TAX Exemption for an Electric Generating Facility

March 11, 2004

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

Department of Revenue
Analysis of H.F. 2001 (Beard) / S.F. 2988 (Robling)

	<u>Revenue Gain or (Loss)</u>			
	<u>F.Y. 2004</u>	<u>F.Y. 2005</u>	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>
		(000's)		
General Fund	\$0	\$0	\$0	\$0

Effective for taxes payable in 2006 and thereafter.

EXPLANATION OF THE BILL

Current Law: With some exceptions, attached machinery and other personal property which is part of an electric generating system are subject to property tax.

Proposed Law: Attached machinery and other personal property which are part of a simple-cycle combustion-turbine electric generating facility that exceeds 300 megawatts of installed capacity would be exempt from the property tax. At the time of construction, the facility must be designed to utilize natural gas as a primary fuel, be owned by a public utility, and be located at or interconnected with an existing generating plant of the utility. The facility must also be designed to provide peaking, emergency backup, or contingency services, and satisfy a resource need identified in an approved integrated resource plan. Construction of the facility must be commenced after January 1, 2004, and before January 1, 2005.

REVENUE ANALYSIS DETAIL

- It is assumed that the proposed electric generating facility in the city of Shakopee in Scott County would be the only facility affected by the proposal.
- The total cost of attached machinery and other equipment, excluding currently exempt pollution control equipment, that would be exempt from personal property tax is about \$86 million.
- Under the current contingent plan, it is assumed that the facility will be completed in the spring of 2005 and will affect property taxes starting with payable year 2007.
- Upon completion of the proposed facility, the property tax exemption will reduce the local tax base relative to the base under current law, and cause a property tax shift to all other property including homeowners.

REVENUE ANALYSIS DETAIL (continued)

- The increased property tax burden on homeowners caused by the exemption (relative to current law) will increase state-paid homeowner refunds by about \$75,000 in FY 2008.

Number of Taxpayers: All property taxpayers in Scott County will be affected by the property tax exemption.

Source: Minnesota Department of Revenue
Tax Research Division
http://www.taxes.state.mn.us/taxes/legal_policy