

MINNESOTA • REVENUE

PROPERTY TAX Exemption for an Electric Generating Facility

April 12, 2004

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

Department of Revenue
Analysis of S.F. 3014 (Marko) / H.F. 3155 (Sieben) **Preliminary Analysis**

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

(000's)

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 either a simple-cycle combustion-turbine electric generating facility that equals or exceeds 150 megawatts of installed capacity or a combined-cycle combustion-turbine electric generation facility that equals or exceeds 225 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, not be owned by a public utility, and be located in a metropolitan county with population between 190,000 and 225,000, within one mile of an existing natural gas pipeline, and within one mile of an existing electrical substation. The facility must be designed to provide energy and ancillary services. Construction of the facility must be commenced after January 1, 2005, and before January 1, 2008.

REVENUE ANALYSIS DETAIL

- It is assumed that the proposed expansion of an electric generating facility in the city of Cottage Grove in Washington County would be the only facility affected by the proposal.
- Under the current contingent plan, it is assumed that the 225 megawatt facility will be completed in the summer of 2007 and will affect property taxes starting with payable year 2009.

REVENUE ANALYSIS DETAIL (continued)

- In the absence of information specific to the project, the total cost of attached machinery and other equipment, excluding currently-exempt pollution control equipment, that would be exempt from personal property tax is assumed to about \$55 million.
- 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.
- The increased property tax burden on homeowners caused by the exemption (relative to current law) will increase state-paid homeowner refunds by about \$50,000 in FY 2010.

Number of Taxpayers Affected: All property taxpayers in Washington 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