

MINNESOTA • REVENUE

PROPERTY TAX Exemption for an Electric Generation Facility

April 7, 2003

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

Department of Revenue
Analysis of S.F. 715 (Knutson) / H.F. 1438 (Ozment)

	<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 is part of a combined-cycle combustion-turbine electric generating facility that exceeds 150 megawatts of installed capacity would be exempt from the property tax. At the time of construction, the facility must utilize natural gas as a primary fuel, be owned by an electric generation and transmission cooperative, and be located within ten miles of parallel existing natural gas pipelines and a high-voltage electric transmission line. The facility must also be designed to provide intermediate energy and ancillary services and have received a certificate of need demonstrating demand for its capacity. Construction of the facility must be commenced after January 1, 2004, and before January 1, 2009.

REVENUE ANALYSIS DETAIL

- It is assumed that the proposed electric generating facility developed by Great River Energy Electric Cooperative in the city of Rosemount in Dakota 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 \$300 million.
- It is assumed that the plant will be completed in 2007 and will affect property taxes starting with payable year 2009.

REVENUE ANALYSIS DETAIL (cont.)

- 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 \$240,000 in FY 2010

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

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

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