

MINNESOTA • REVENUE

PROPERTY TAX Exemption for an Electric Generating Facility

March 19, 2004

Department of Revenue
Analysis of H.F. 2701 (Dempsey) / S.F. 2532 (Murphy)

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

	Revenue Gain or (Loss)			
	<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 2007 and thereafter.

EXPLANATION OF THE BILL

Current Law: Public utility land and buildings are taxed the same as commercial property. The first \$150,000 of market value is classed at 1.5%, with the remainder classed at 2.0%. Public utility land and buildings are subject to the state general levy. Electric generating machinery is classed at 2.0%. Electric generating machinery is exempt from the state general levy.

Proposed Law: The bill would exempt electric generating property for a specific new construction. The qualifications include a construction start date between January 1, 2005, and January 1, 2009, exceed 290 megawatts capacity, use natural gas, not be owned by a public utility, be designed as a simple cycle plant, be located within 5 miles of an existing natural gas pipeline and within 5 miles of an existing electrical substation, be designed to provide peaking capacity energy, and be located outside the metropolitan area. Electric transmission lines and interconnections or gas pipelines and interconnections are not included in the exemption.

REVENUE ANALYSIS DETAIL

- The facility would be located at Cannon Falls in Goodhue County.
- The total cost of generating equipment that would be exempted is about \$93 million.
- It is assumed that the plant would be completed no sooner than payable 2007.
- Upon completion of the proposed facility, the property tax exemption will reduce the local tax base relative to 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 will increase state-paid homeowner refunds by about \$65,000 as soon as FY 2008.

Number of Taxpayers Affected: Property owners in Goodhue County.

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