

MINNESOTA • REVENUE

PROPERTY TAX

Electric Utility Classes @ 2.0% & 2.5%

March 26, 2004

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

Department of Revenue

Analysis of S.F. 2545 (Murphy) / H.F. 3127 (Dempsey)

	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 2006, and thereafter if conditions are met.

EXPLANATION OF THE BILL

Current Law: Public utilities are state assessed property. 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 establishes new classification rates for electric utility real and personal property of 2.0% for the first \$150,000 of market value, and 2.5% for the remainder. The proposed class rates go into effect only if the Department of Revenue adopts rules after December 31, 2004, and before August 1, 2005, that prescribe the method of valuing property of electric utilities that lower the market value of electric utility real and personal property by more than an unspecified percentage.

REVENUE ANALYSIS DETAIL

- The Department of Revenue is currently reviewing its electric company valuation rules.
- The bill would compensate for lowered valuations by increasing classification rates.
- There would be some shifting from other property types onto public utilities, assuming that the bill's conditions are met. A small decrease in property tax refunds would result from lower homeowner taxes.

Number of Taxpayers Affected: Jurisdictions with public utilities.

Source: Minnesota Department of Revenue
Tax Research Division

http://www.taxes.state.mn.us/taxes/legal_policy

sf2545(hf3127)-1 / lm