

# MINNESOTA • REVENUE

## PROPERTY TAX Exemption for Biomass Electric Generating Facility

March 22, 2004

Department of Revenue  
Analysis of H.F. 2839 (Clark) / S.F. 2676 (Berglin)

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

	<b>Revenue Gain or (Loss)</b>			
	<b><u>F.Y. 2004</u></b>	<b><u>F.Y. 2005</u></b>	<b><u>F.Y. 2006</u></b>	<b><u>F.Y. 2007</u></b>
		(000's)		
General Fund	\$0	\$0	\$0	(\$4)

Effective for taxes payable in 2006 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 machinery for a specific new facility. The qualifications include a construction start date between January 1, 2004, and January 1, 2008, up to 30 megawatts capacity, use a minimum of 90% waste biomass as fuel, not be owned by a public utility, be designed to provide baseload energy and district heating, and be located within a city of the first class on a former garbage transfer station. Electric transmission lines and interconnections or gas pipelines and interconnections are not included in the exemption.

### REVENUE ANALYSIS DETAIL

- The facility would be located in Minneapolis in Hennepin County.
- The total cost of generating equipment that would be exempted is about \$5 million.
- It is assumed that the plant would be completed by payable 2006.
- 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 \$4,000 as soon as FY 2007.

**Number of Taxpayers Affected:** Property owners in Hennepin County.

Source: Minnesota Department of Revenue  
Tax Research Division  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)