

# MINNESOTA • REVENUE

## PROPERTY TAX Modify an Exemption for an Electric Generating Facility

April 5, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue  
Analysis of H.F. 3020 (Solberg) / S.F. 2570 (Saxhaug)

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
General Fund	\$0	\$0	\$0	\$0

(000's)

Effective the day following final enactment.

### EXPLANATION OF THE BILL

**Current Law:** Attached machinery and other personal property which are part of an electric generating facility that meet the following requirements are exempt from the property tax. At the time of construction, the facility must be sited on an energy park that:

- (i) is located on an active or former mining site;
- (ii) is within a tax relief area;
- (iii) has on-site access to existing railroad infrastructure;
- (iv) has direct access to a Great Lakes port;
- (v) has sufficient private resources on site; and
- (vi) is designed to host at least 500 megawatts of electrical generation.

Construction of the first 250 megawatts of the facility must begin after January 1, 2002, and before January 1, 2005. Construction of up to an additional 750 megawatts must begin before January 1, 2010. Property eligible for the exemption does not include electric transmission lines or gas pipelines.

**Proposed Law:** The proposal modifies specific requirements and construction deadlines of the property tax exemption for an electric generating facility. Requirements (i), (iv) and (v) are eliminated, and item (iii) is adjusted to require access to existing railroad infrastructure within less than three miles rather than on-site. A new requirement is added that the facility must be designated as an innovative energy project, as defined.

The construction deadlines are changed as follows: construction of the first 500 megawatts must begin after January 1, 2006, and before January 1, 2010. Construction of an additional 750 megawatts must begin before January 1, 2015.

## REVENUE ANALYSIS DETAIL

- It is assumed that the electric generating facility in the city of Grand Rapids in Itasca County would be the only facility affected by the proposal.
- The preliminary total cost of attached machinery and other equipment, excluding currently exempt pollution control equipment, that would be exempt from personal property tax is estimated to be about \$750 million.
- Under the current contingent plan, it is assumed that the facility will be completed in 2010 and will affect property taxes starting with payable year 2012.
- 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 homesteads.
- The increased property tax burden on homesteads caused by the exemption will increase state-paid homeowner property tax refunds by about \$700,000 beginning in FY 2013.

**Number of Taxpayers:** The proposal would primarily affect one facility. Property owners in Itasca County would also be affected.

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)