

# MINNESOTA • REVENUE

## PROPERTY TAX Exemption for an Electric Generating Facility

February 25, 2005

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

Department of Revenue  
Analysis of S.F. 634 (Robling) / H.F. 600 (Beard)

	<u>Fund Impact</u>			
	<u>F.Y. 2006</u>	<u>F.Y. 2007</u>	<u>F.Y. 2008</u>	<u>F.Y. 2009</u>
		(000's)		
General Fund	\$0	\$0	(\$35)	(\$35)

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 are part of a simple-cycle combustion-turbine electric generating facility that exceeds 300 megawatts of installed capacity would be exempt from the property tax. At the time of construction, the facility must be designed to utilize natural gas as a primary fuel, be owned by a public utility, and be located at or interconnected with an existing generating plant of the utility. The facility must be designed to provide peaking, emergency backup, or contingency services, and satisfy a resource need identified in an approved integrated resource plan. The facility must have received approval from the governing body of the county and the city for the property tax exemption. Construction of the facility must start after January 1, 2004, and before January 1, 2005.

### REVENUE ANALYSIS DETAIL

- It is assumed that the proposed electric generating facility in the city of Shakopee in Scott 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 \$70 million.
- Under the current contingent plan, it is assumed that the facility will be completed in the spring of 2005 and will affect property taxes starting with payable year 2007.

**REVENUE ANALYSIS DETAIL (continued)**

- 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 (relative to current law) will increase state-paid homeowner property tax refunds by about \$35,000 beginning in FY 2008.

**Number of Taxpayers:** All property taxpayers in Scott County will be affected by the property tax exemption.

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)