

MINNESOTA • REVENUE

PROPERTY TAX Exemption for an Electric Generating Facility

April 18, 2005

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

Department of Revenue
Analysis of S.F. 2091 (Day) / H.F. 2372 (Ruth)

	Fund Impact			
	<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	\$0	\$0

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 either a simple-cycle or combined-cycle combustion-turbine electric generating facility that does not exceed 325 megawatts of installed capacity would be exempt from the property tax. At the time of construction, the facility must be utilize natural gas as a primary fuel, be located on an underground natural gas storage aquifer, and be connected to an existing 115-kilovolt high-voltage electric transmission line that is within 1 mile of the facility. The facility must be designed as either a peaking or intermediate load facility and have received local approval for the property tax exemption. Construction of the facility must start after January 1, 2006, and before January 1, 2008.

REVENUE ANALYSIS DETAIL

- It is assumed that the proposed electric generating facility in Blooming Grove Township in Waseca 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 \$130 million.
- Under the current contingent plan, it is assumed that the facility will be completed in the fall of 2007 and will affect property taxes starting with payable year 2009.

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 \$60,000 beginning in FY 2010.

Number of Taxpayers: Property owners in Waseca County.

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