

MINNESOTA • REVENUE

PROPERTY TAX

Market Value Exclusion for Energy Efficient Electric Generation Facilities

April 27, 2005

Department of Revenue

Analysis of S.F. 2166 (Anderson) / H.F. 2363 (Abrams)

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

General Fund

	Fund Impact			
	F.Y. 2006	F.Y. 2007	F.Y. 2008	F.Y. 2009
General Fund	\$0	(Negligible)	(Negligible)	(Negligible)

Effective for taxes payable in 2006 and thereafter.

EXPLANATION OF THE BILL

Current Law: Energy efficient equipment that is part of an electric power generation facility is eligible for a market value exclusion, provided its efficiency is above 35%. The efficiency of a facility is equal to the sum of (1) the useful electrical power output, plus (2) the useful thermal energy output, plus (3) the fuel energy of the useful chemical products, all divided by the total energy input to the facility. Qualifying property receives a market value exclusion equal to 5% for each efficiency percentage point above 35%.

Proposed Law: The bill modifies the calculation of the market value exclusion for energy efficient electric generation equipment. The efficiency calculation for a facility is clarified to use the energy outputs and inputs determined during a heat rate test conducted in conformance with the American Society of Mechanical Engineers Performance Test Codes PTC-46-1996. Qualifying property would receive a market value exclusion equal to 8% for each efficiency percentage point about 40%.

REVENUE ANALYSIS DETAIL

- There are four electric power generation facilities eligible for a market value exclusion for energy efficient equipment, three of which are in Dakota County and the other in Carlton County.
- Increasing both the efficiency threshold to 40% and the market value exclusion per point to 8% results in each of the facilities receiving approximately the same total market value exclusion as under current law. There is a possibility for a small increase in state-paid homeowner property tax refunds, estimated to be less than \$5,000 beginning in FY 2007.

Number of Taxpayers: Four electric power generation facilities.

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