

MINNESOTA • REVENUE

PROPERTY TAX Biomass Electric Generating Facility Eligibility Extension

April 28, 2006

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of S.F. 3370 (Robling) / H.F. 3767 (Beard)

	Fund Impact			
	<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 for taxes payable in 2009 and thereafter.

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:

- (i) have a generating capacity of less than 25 megawatts;
- (ii) provide process heating needs in addition to electrical generation; and
- (iii) utilize agricultural by-products from the malting process and other biomass as a primary fuel source;

Construction of the facility must begin after January 1, 2002, and before January 1, 2006. Property eligible for the exemption does not include electric transmission lines or gas pipelines.

Proposed Law: The proposal would extend the date that construction must begin on the facility to before June 30, 2007.

REVENUE ANALYSIS DETAIL

- It is assumed that the 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 \$45 million.
- Under the current contingent plan, it is assumed that the facility will be completed by the end of 2007 and will affect property taxes starting with payable year 2009.
- Upon completion of the 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 \$27,000 beginning in FY 2010.

Number of Taxpayers: One facility.

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