

# MINNESOTA • REVENUE

\*revised for new estimates

May 10, 2011

## PROPERTY TAX

### Pollution Control Exemption and Class 3 Modifications

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of S.F. 0962 (Howe) as introduced

	Fund Impact			
	FY2012	FY2013	FY2014	FY2015
	(000's)			
Property Tax Refunds	\$0	\$1,312	\$1,407	\$1,501
Utility Transition Aid	\$0	\$0	\$570	\$142
General Fund Total	\$0	\$1,312	\$1,977	\$1,643

Effective for taxes payable 2012 and thereafter.

## EXPLANATION OF THE BILL

The bill terminates the exemption of pollution control machinery and personal property of electric generation facilities. Each exemption granted to begin in assessment 2011 or later will apply for 3 years. The full exemption applies for the first year. For the second year of phase-in of value, one third of the value of previously exempted property will be subject to taxation. An additional one-third will become taxable in each of the following two assessment years. For exemptions granted earlier, the phase out begins in assessment year 2011.

In addition, the classification rate for public utility personal property that is part of an electric generation, transmission, or distribution system, or part of a pipeline system transporting water, gas, crude oil, of petroleum products is increased from 2% to 3%.

## REVENUE ANALYSIS DETAIL

- It is assumed that the exempt electric generation property referred to in this provision is listed in M.S. 272.02 and M.S. 272.027 as specific exempt public utility properties. Wind energy, pollution control, and other potential exemptions were excluded.
- The total amount of current exempt pollution control public utility property is estimated to be \$739 million of market value, based on a assessment year 2009 pollution control equipment study.
- Apportionment of market value would affect all public utility property owned by the qualifying utilities, not just in jurisdictions where exempt property is located. Furthermore, the statewide apportionment factor may increase or decrease by utility.
- The state general levy total would remain the same, but the distribution by use type would change, with public utilities paying a larger share of the commercial-industrial total.
- The increase in public utility net tax capacity in the formula would eliminate Utility Transition Aid , saving the state general fund \$570,000 in FY 2014 and \$142,000 in FY 2015.
- The bill may also affect school equalization aids and levies, and so have an additional state general fund impact.

- Local Government Aid (LGA) would shift between jurisdictions, but the total state cost would remain constant.
- The proposed changes to the general public utility valuation provisions would decrease property taxes paid by homesteads and result in a decrease in property tax refunds (PTR) paid by the state. The PTR impact is estimated to be \$1,312,000 in FY 2013, \$1,407,000 in FY 2014, and \$1,501,000 for FY 2015.

Number of Taxpayers: Few.

## **PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)**

*Transparency, Understandability,  
Simplicity & Accountability*      Neutral

---

<i>Efficiency &amp; Compliance</i>	Decrease	Phase-in of taxable values must be tracked.
------------------------------------	----------	---

---

<i>Equity (Vertical &amp; Horizontal)</i>	Neutral
---	---------

---

<i>Stability &amp; Predictability</i>	Neutral
---------------------------------------	---------

---

<i>Competitiveness for Businesses</i>	Neutral
---------------------------------------	---------

---

<i>Responsiveness to Economic Conditions</i>	Neutral
--	---------

---

*The bill is scored on a three point scale (decrease, neutral, increase) for each principle in comparison to current law.*

Source: Minnesota Department of Revenue  
Property Tax Division - Research Unit  
[http://www.taxes.state.mn.us/taxes/legal\\_policy](http://www.taxes.state.mn.us/taxes/legal_policy)

sf0962\_pt\_2/lam