

MINNESOTA • REVENUE

PROPERTY & CORPORATE FRANCHISE TAXES Pollution Control Property Tax Exemption Repealed and Credit Established

April 16, 2013

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue

Analysis of S.F. 1026 (Saxhaug) as proposed to be amended by SCS1026A-3

	Fund Impact			
	FY2014	FY2015	FY2016	FY2017
	(000's)			
Property Tax Refunds	\$0	\$640	\$650	\$660
Corporate Franchise Tax Credit	\$0	(\$14,000)	(\$14,000)	(\$14,000)
General Fund Total	\$0	(\$13,360)	(\$13,350)	(\$13,340)

Property tax section effective for taxes payable 2014 and thereafter. The corporate franchise tax credit would be effective beginning with tax year 2014.

EXPLANATION OF THE BILL

The bill removes the property tax exemption for qualifying electric generation pollution control equipment.

As proposed to be amended, the bill creates a refundable credit against the corporate franchise tax that is equal to amount of property taxes paid on electric generation pollution control equipment that was previously exempt. Unitary businesses may allocate the credit to any of their members.

REVENUE ANALYSIS DETAIL

Property Taxes

- The proposal was modeled on a payable 2013 simulation.
- The total amount of currently exempt public utility property that would become taxable is estimated to be \$800 million of market value.
- Apportionment of market value would effect 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 proposal would increase taxes on public utility property by \$14 million, and lower property taxes on homesteads.
- As a result of lower homestead net taxes, property tax refunds (PTR) paid by the state would decrease. The PTR impact is estimated to be \$640,000 in FY 2015, \$650,000 in FY 2016, and \$660,000 in FY 2017.

Corporate Franchise Tax Credit

- Because the credit is refundable, it is assumed that the full amount of the property tax paid on the affected property would be taken as a credit.
- Tax year impact is allocated to following fiscal year.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	New credit.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & 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
[www.revenue.state.mn.us/research_stats/
pages/revenue-analyses.aspx](http://www.revenue.state.mn.us/research_stats/pages/revenue-analyses.aspx)

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