MINNESOTA · REVENUE

preliminary

March 26, 2014

PROPERTY TAX

Electric Generation Systems Pollution Control Property Tax Exemption Phase Out

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue
Analysis of S.F. 1025 (Saxhaug) as amended by SCS1025A-4

	Fund Impact			
	FY2014	FY2015	FY2016	FY2017
	(000's)			
Property Tax Refunds	$0	$0	$220	$440

Effective for taxes payable 2015 and thereafter.

EXPLANATION OF THE BILL

The bill modifies the exemption of pollution control machinery of electric generation facilities. No new exemptions are allowed after assessment year 2014. Existing exemptions are phased out over 4 years, with 75% of the exemption applying in assessment 2014, 50% in assessment year 2015, and 25% in assessment year 2016. The exemption is fully repealed in assessment year 2017.

REVENUE ANALYSIS DETAIL

- The proposal was modeled on a payable 2014 simulation.
- The total amount of currently exempt public utility property that would become taxable when fully phased in is estimated to be $832.6 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.
- When fully phased in, the proposal would increase taxes on public utility property by $14.9 million, and lower property taxes on homesteads and other property.
- 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 $220,000 in FY 2016, and $440,000 in FY 2017.

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

Transparency, Understandability, Simplicity & Accountability	Neutral
Efficiency & Compliance	Neutral
Equity (Vertical & Horizontal)	Neutral
Stability & Predictability	Neutral
Competitiveness for Businesses	Neutral

Responsiveness to Economic Conditions	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

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