

# MINNESOTA • REVENUE

## PROPERTY TAX

**Electric generation facility exempted from personal property tax**

May 18, 2016

	Yes	No
DOR Administrative Cost/Savings		X

Department of Revenue

Analysis of H.F. 2719 (Petersburg) as amended by H2719A1

	Fund Impact			
	FY2016	FY2017	FY2018	FY2019
	(000's)			
PTR Interactions	\$0	\$0	\$0	(\$10)
Income Tax Interactions	\$0	\$0	\$0	(\$10)
General Fund Total	\$0	\$0	\$0	(\$20)

Effective the day following final enactment.

## EXPLANATION OF THE BILL

The proposal would exempt the attached machinery and other personal property of an electric generation facility that is located outside the metropolitan area, has more than 35 megawatts and less than 40 megawatts of installed capacity, and is designed to use natural gas as a primary fuel. The facility must be owned and operated by a municipal power agency and be located within 800 feet of an existing natural gas pipeline. Construction of the facility must commence between January 1, 2015 and January 1, 2016. Electric transmission lines, gas pipelines, and interconnections are not eligible for the exemption.

Under current law, municipal power agencies make payments in lieu of taxes and do not pay property taxes. The proposal would exempt attached machinery and other personal property from taxation and from payments in lieu of taxes.

## REVENUE ANALYSIS DETAIL

- It is assumed that only one facility, the Owatonna Energy Station, would be eligible for the exemption. The facility is owned by the Southern Minnesota Municipal Power Agency.
- It is assumed that the payments in lieu of taxes that would be paid for this facility under current law would be used in part to reduce local levies. In the absence of these payments local levies will be higher.
- Increases in local levies will result in larger property tax refunds and larger income tax deductions, costing the state general fund an estimated \$20,000 in FY2019.

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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