

The Power Line Credit

2015 Fall Forum – Stassen Building
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Bill Sparks, State Program Administrator
Auditor and Treasurer Services



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This presentation is based on the facts and circumstances being discussed, and on the laws in effect when it is presented. It does not supersede or alter any provisions of Minnesota laws, administrative rules, court cases, or revenue notices.

If you have any questions, contact us at sa.property@state.mn.us, 651-556-6091, or consult a tax professional.

A complex credit

- Lines are taxed at different rates
- Rates differ between cities and townships
- Transmission lines have varying voltages
- Construction date is important
- Two different funding sources
- Certain value must be excluded in setting tax rates
- Some properties receive credit while others do not
- You need to know the length of the line

Who gets the credit?

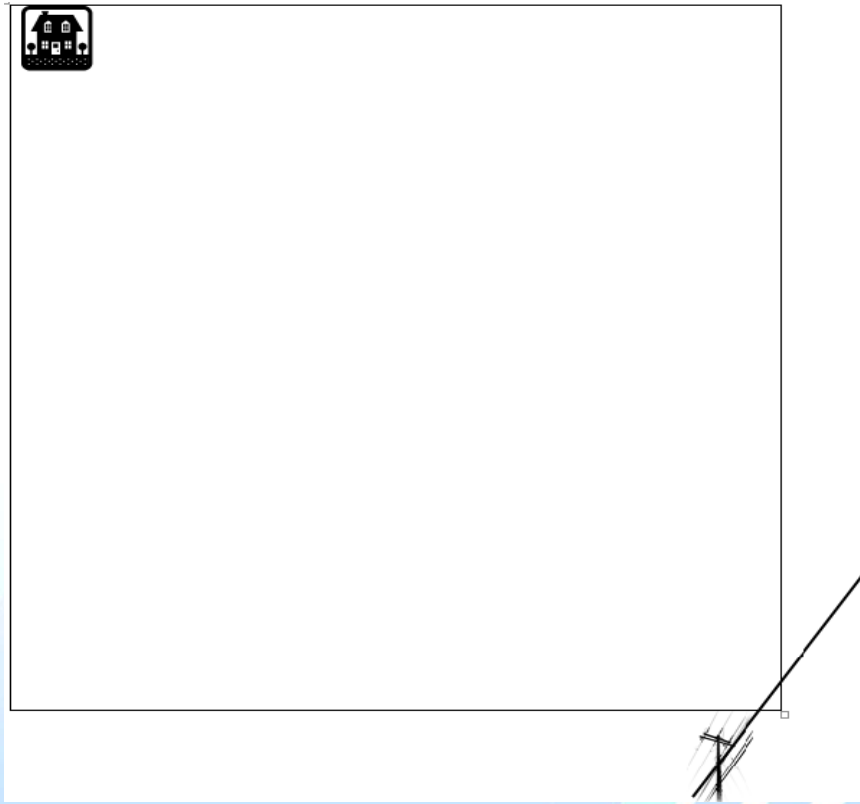
“It is amazing what you can accomplish if you do not care who gets the credit.”

Harry S. Truman – 33rd President of the United States

Eligibility – Qualifying Properties

- Line has capacity of > 200 kilovolts
- Construction of the line must have commenced on July 1, 1974, or later.
- Must be of a qualifying class of property

Power line crossing 2b with parcel that has 1a



Where does the money come from?

- Unorganized Townships
 - Ten percent of the tax receipts on qualifying high voltage lines are distributed to a utility property tax credit fund
 - The line must be:
 - A conductor of electric energy
 - Have a voltage of 100 kilovolts or greater
 - Be longer than 1,500 feet
 - Have commenced construction after July 1, 1974

Where does the money come from?

- Cities and Townships
 - Ten percent of the NTC of qualifying transmission lines is removed when setting local NTC-based tax rates
 - Tax rates are extended on the total value of the lines
 - The local NTC-based taxes attributed to 10% of qualifying lines (200kv or greater and constructed on or after July 1, 1974) are used to fund the credit

What high voltage transmission lines are taxed to fund the credit?

Unorganized Townships (M.S. 216E.01)	City or Township (M.S. 273.42, subd. 2)
Be a conductor of electric energy	Be a conductor of electric energy
Conduct voltage of 100 kilovolts or greater	Conduct voltage of 200 kilovolts or greater
Be longer than 1,500 feet	Have commenced construction after July 1, 1974
Have commenced construction after July 1, 1974	

What classes or property qualify?

Land Description	Corresponding Classification (M.S. 273.13)	Assessment Abstract Item
Agricultural Homestead	1a, 1b, 2a, 2b*	100-138
Nonagricultural Homestead	1a, 1b	330-360
Nonhomestead Agricultural Land	2 a, 2b*	190-210
Rental Residential Property	4a, 4bb(1), 4bb(2), 4b(1), 4c(4), 4c(5)(i), 4c(5)(ii), 4d	365-432
Commercial Seasonal Residential Recreational Property	1c, 4c(1), 4c(9)	440-464
Noncommercial Seasonal Residential Recreational Property	4c(12)	434-438

* 2b property qualifies only when contiguous to qualifying 2a property.

How do I calculate the credit?

Unorganized Townships

Equation Variables	
a	Utility Property Tax Credit Fund Amount
b	Length of high transmission line over parcel
c	Total length of line over all property in unorganized townships in the county

$$\text{Power Line Credit} = a * \frac{b}{c}$$

How do I calculate the credit?

City or Organized Township

Equation Variables	
a	Transmission line tax revenue from line in city or township
b	Length of high transmission line over parcel
c	Total length of line over all property in city or township

$$\text{Power Line Credit} = [10\% * a] * \frac{b}{c}$$

Right-of-Way Power Line Credit Rules

Equation Variables	
a, b, c	See prior equations
d	Property owner's proportion of right-of-way width

$$\textit{City or Organized Township Power Line Credit} = [10\% * a] * \frac{b * d}{c}$$

OR

$$\textit{Unorganized Township Power Line Credit} = a * \frac{b*d}{c}$$

$$\underline{\textit{Power Line Credit Max} = [20\% * \textit{Gross Tax on Parcel Prior to State Paid Ag Credit}]}$$

Right-of-way in a parcel exceeding 40 acres

Equation Variables	
e	Gross tax on parcel prior to state paid ag credit
f	Sum of acres in each quarter-quarter section or portion which contains right-of-way
g	Total acres in parcel from tax statement

$$\text{Power Line Credit Max} = 20\% * \left[e * \frac{f}{g} \right]$$

Total credit applied by counties?

- Pay 2013 ATL - \$97,145
- Pay 2014 ATL - \$157,680
- Pay 2015 ATL - \$353,383

How is the credit applied?

Power Line Credit in an Organized Township or City

	Calculation and Values	
1.	Length of the power line on property	300 ft
2.	Shared right-of-way percent	100%
3.	Length of the power line in the township	12,500 ft
4.	Property's portion of the power line [Line 1 x Line 2 / Line 3]	2.40%
5.	Township's total tax on the power line	\$30,400
6.	10% of tax on the power line [Line 5 x 10%]	\$3,040
7.	Power line credit [Line 4 x Line 6]	\$73

How is the credit applied?

Power Line Credit in an Unorganized Township

	Calculation and Values	
1.	Length of the power line on property	375 ft
2.	Shared right-of-way percent	100%
3.	Length of the power line in the township	25,000 ft
4.	Property's portion of the power line [Line 1 x Line 2 / Line 3]	1.10%
5.	Township's total tax on the power line	\$61,000
6.	10% of tax on the power line [Line 5 x 10%]	\$6,100
7.	Power line credit [Line 4 x Line 6]	\$67

What if money remains after calculating and paying the credit?

Location determines how remaining funds are treated.

- *Unorganized Townships*

Remaining funds are returned to the general school fund of the county. ([M.S. 273.42, subd. 2](#))

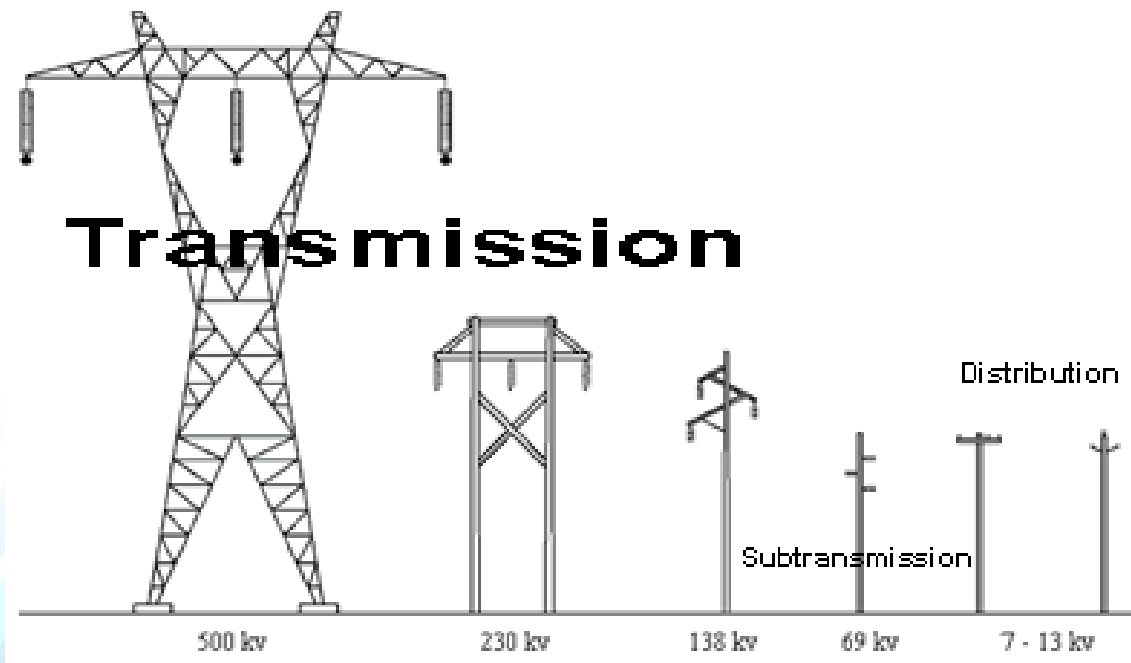
- *Cities and Township*

Remaining funds are distributed to taxing districts in proportion to their respective local tax rates to be used for general levy purposes.

How do I know there are transmission lines that may qualify in my county?

- High Voltage Transmission Lines (200kV or more) in a City or Organized Township, built after 7/1/1974; *abbreviated as “Elec Transm \geq 200kV City or Org Twp, Built After 7/1/1974”*
- High Voltage Transmission Lines (100-200kV) in an Unorganized Township, built after 7/1/1974; *abbreviated as “Elec Transm 100-200kV Unorg, Built After 7/1/1974”*
- High Voltage Transmission Lines (200kV or more) in an Unorganized Township, built after 7/1/1974; *abbreviated as “Elec Transm \geq 200kV Unorg, Built After 7/1/1974”*

How do I know where the transmission lines are located?



Who do I contact with questions?

proptax.admin@state.mn.us

Power Line Credit Calculations
Qualifying Parcels

sa.property@state.mn.us

Qualifying Lines
Line Location
Line Valuation