

PROPERTY TAX

Natural gas pipelines property tax abatement authorization

February 04, 2019

	Yes	No
DOR Administrative Cost/Savings	X	

Department of Revenue
Analysis of S.F. 0318 (Johnson) as introduced

	Fund Impact			
	FY2020	FY2021	FY2022	FY2023
	(000's)			
State General Levy	\$0	(negligible)	(negligible)	(\$10)
Income Tax Interaction	\$0	\$0	negligible	negligible
General Fund Total	\$0	\$0	\$0	(\$10)

Effective beginning with taxes payable in 2021.

EXPLANATION OF THE BILL

Under current law, the state general levy for commercial-industrial property is \$784,590,000 and is paid for by specified commercial-industrial property, except the first \$100,000 of market value.

The bill would abate state general property tax for personal property that is part of an intrastate natural gas transportation or distribution pipeline system if it meets certain qualifications. These qualifications include: construction began after January 1, 2018, the property is located outside the metropolitan area, and the property is located in an area in which households or businesses lacked access to natural gas distribution before January 1, 2018. The abatement could not apply for more than 12 years. Taxpayers must file an application by March 1 of the first assessment year they seek to receive the abatement. The net tax capacity for this property would still be included in the commercial-industrial tax capacity used to calculate the state general levy tax rate.

REVENUE ANALYSIS DETAIL

- As of assessment year 2018, there are no properties that would qualify for the state levy abatement under the bill. However, properties that are a part of a gas pipeline project would be eligible for the abatement once construction begins in a qualifying area.
- It is assumed that one gas pipeline system will be partially constructed by assessment year 2020 for taxes payable in 2021. Because it is assumed the system will not be fully constructed by taxes payable 2021 (the effective date of this bill), there would be additional state general levy impacts outside the forecast window due to the property's increase in value as construction is completed.
- By abating state general tax for certain properties, state revenues would be reduced by less than \$5,000 in fiscal years 2021 and 2022, and \$10,000 in fiscal year 2023.
- Lower property taxes would reduce deductions on corporate and individual income tax returns, increasing state tax collections by less than \$5,000 beginning in fiscal year 2022.
- Additional gas pipeline system properties may receive the state general tax abatement in the

future.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	Decreases simplicity by adding a temporary abatement.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	Potentially affects stability and predictability of state tax collections due to the temporary abatement and unknown future abatements.
<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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