

Questions from the Feedback

Regarding the Idea for a Gross Operating Revenues Tax for Utility, Pipeline, and Railroad Operating Property

When reading through the feedback, we generated some additional questions that we wanted to pose to those interested. The feedback also included several questions for the department to answer. We list those questions here for others that may have ideas to share with everyone.

If you have answers or comments to any of these questions, you can email them to sa.property@state.mn.us or complete this [form](#).

1. Is the solar and wind energy production tax difficult for counties to administer? If so, please explain.
2. What are your preferred deadlines and timeline if we were to implement a new system?
3. What happens when a company sells their property mid-year?
 - a. One consideration for sales that occur during the calendar year, is to have the seller report gross operating revenues before the sale and the purchaser to report their gross operating revenues after the sale. However, if the rates are tiered, we would need to clearly define how the sale impacts the tiers.
4. What would happen with companies undergoing bankruptcy?
5. Is there a forward-looking obligation for the state to protect local governments from refund situations?
6. Would implementing a “lag” year, by certifying market values with an assessment year that is one year later than the assessment year of all other properties in the jurisdiction fix some timing difficulties in the current system? What are the concerns of this approach?
7. Under the current system, we do not apportion part of the apportionable market value to property that has a pollution control exemption. How would this work under a gross operating revenues tax?
8. How can we ensure a new system would meet federal requirements that are unique to railroads?
9. If you are a company, what is the annual percent change in your gross operating revenue over the past five years?

10. How often do municipalities acquire cooperative service areas? And what happens to their gross operating revenues after acquisition?
11. Several cooperatives mentioned additional litigation in Kansas related to moving to a similar system. What system did Kansas move to?
12. How do you think rates need to change as the industry transitions away from fossil fuels?
13. Should property that is to improve safety or property that is considered a public project be exempt from the gross operating revenues tax?
14. Several of those providing feedback questioned the reliability of company-provided data, citing concerns of fraudulent reporting. Do those questioning the reliability think there is currently fraudulent reporting? If so, please explain why?
15. Because wind and solar facilities that pay the production tax are currently exempt from property tax, would it make more sense to reduce the gross operating revenues tax by the production tax to account for the taxes those systems are already paying? Rather than reducing gross operating revenues by the income generated from those facilities?

16. What is the definition of gross operating revenues?

Gross operating revenues are revenues generated from the operations of the company before any deductions for expenses, taxes, depreciation, capital expenditures, dividend payments, etc. Revenues generated from other business segments of the company, such as for internet services will not be included in the gross operating revenues amount.

- a. Should we use an average or weighted average of several years to determine the amount of gross operating revenues?
 - b. Should there be any adjustments allowed to gross operating revenues for items such as:
 - Cost of gas/fuel
 - Extraordinary items
 - Incidental gas sales
 - Wholesale power purchases
 - Power cost adjustments
 - c. Would net operating income be a better level of income to a new taxing mechanism?
17. What refinements/adjustments can the department make to the current system to allow for more stability and predictability?
18. What allocation factors would provide fairness and equitability while also providing ease of administration?

19. What apportionment factors would provide fairness and equitability while also providing ease of administration?
20. Should the department collect the tax from the companies and distribute it to the local jurisdictions?
21. What do other states do? What works well in other states for administering taxes?
The [Review of Minnesota Rule 8100 Report](#) lists the framework used by other states.
22. What considerations are there, or should there be for storage of spent nuclear fuel?
23. Should there only be a production tax for generation facilities?
24. Should this idea fund a replacement to the current power line credit?
We've heard this credit is difficult to administer and we've heard this credit is meaningful to those taxpayers receiving the credit.
25. How will this idea impact fiscal disparities?
26. What would it look like to combine wind energy conversion systems and solar energy generating systems as part of the gross operating revenues tax?
27. Is there a formula that can be used for market valuation in the existing system rather than change the whole system?
28. What would prevent large corporate energy producers from creating sub-companies (shell companies) that they could segregate parts of the operation so portions of the company could sit dormant for periods of time and pay little to no taxes?
29. Is out-of-state energy produced elsewhere shipped into Minnesota going to be subject to something akin to an import tax?
30. Should there be a threshold of net tax capacity increase that triggers aid elimination?
31. Some of the feedback stated the current level of taxes is too high and should not be used to set a new taxing mechanism. What is an appropriate level to establish rates for a new taxing mechanism?