



Utilities and Local Tax Base

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Minnesota Energy Transition Plan

116J.5493 MINNESOTA ENERGY TRANSITION PLAN.

...

(b) The energy transition plan must, at a minimum, for each impacted facility:

...

(3) describe the statutes and administrative processes that govern how retired utility property impacts a local government tax base;

(4) review existing state programs that might support impacted communities and impacted workers, and project the effectiveness of each program's response to the effects of impacted facility retirements; and

(5) recommend how to effectively respond to the economic effects of impacted facility retirements.

Impacted Facility

(c) "Impacted facility" means an electric generating unit powered by coal, nuclear energy, or natural gas that is or was owned by a public utility, as defined in section 216B.02, subdivision 4, and that:

(1) is currently operating and (i) is projected, estimated, or scheduled to cease operations, or (ii) whose cessation of operations has been proposed in an integrated resource plan filed with the Public Utilities Commission under section 216B.2422; or

(2) ceased operations or was removed from the local property tax base no earlier than five years before July 1, 2021.

Minn. Stat. § 116J.5491, subd. 1(c).

Impacted Facilities- Currently Operating

(c)(1) is currently operating

- ALLETE, Inc.
 - Syl Laskin Units 1 and 2 – Natural Gas
 - Clay Boswell Units 3 and 4 – Coal (Planned Retirement: Unit 3 12/2029)
 - Taconite Harbor Energy Center Units GEN1 and GEN2 – Coal (Planned Retirement 3/2023)
 - Rapids Energy Center Units 6 and 7 – Natural Gas
- Northern States Power Co – Minnesota
 - Black Dog Units 2, 5, and 6-1 – Natural Gas (Planned Retirement: Unit 2 and 5 12/2031; Unit 6-1 12/2058)
 - High Bridge Units 7, 8, and 9 – Natural Gas
 - Inver Hills Units 1-6 – Natural Gas (Planned Retirement 12/2026)
 - Allen S King Unit 1 – Coal
 - Monticello Nuclear Facility Unit 1 – Nuclear
 - Prairie Island Units 1 and 2 – Nuclear
 - Riverside (MN) Units 9, 10, ST7 – Natural Gas
 - Sherburne County Units 1, 2, and 3 – Coal (Planned Retirement: Unit 2 12/2023; Unit 1 12/2024; Unit 3 12/2034)
 - Blue Lake Units 7 and 8 – Natural Gas
- Otter Tail Power Co
 - Solway CT Unit 1 – Natural Gas

Impacted Facilities - Retired

(c)(2) [Retired] no earlier than five years before July 1, 2021

- Interstate Power and Light Co
 - Fox Lake Units 1 and 3 – Natural Gas – 11/2017
- ALLETE, Inc.
 - Clay Boswell Units 1 and 2 – Coal – 12/2018
- Northern States Power Co - Minnesota
 - Granite City Units 1, 2, 3, and 4 – Natural Gas – 6/2019
- Otter Tail Power Co
 - Hoot Lake Units 2 and 3 – Coal – 6/2021

Revenue's Mission/Vision

Our Mission

Working together to fund the future for all of Minnesota.

Our Vision

Everyone reports, pays, and receives the right amount: no more, no less.



Electric Utility Impacted Taxes in Minnesota

- **Property Tax (Minn. Stat. Chapters 270 – 289)**
- **Wind Energy Production Tax (Minn. Stat. § 272.029)**
- **Solar Energy Production Tax (Minn. Stat. § 272.0295)**
- Corporate Franchise Tax
- Sales & Use Tax
 - **Local Option (Minn. Stat. § 297A.99)**
- Withholding and Individual Income Tax
- Motor Fuel
- Other

Property Tax Overview

Assessment Year

Payable Year

Minnesota's property tax system is levy-based

- Jurisdictions set their budget and levy need
- That levy is spread against all taxable properties according to value and classification
- Property taxes are an interdependent system: if one property owner pays less, others pay more

Property Tax Calendar

- Property Tax Calendar | Minnesota Department of Revenue (state.mn.us)

Dec 31	Assessment roll for buildings and other improvements is published for public review.
Jan 1	Assessment roll for buildings and other improvements is published for public review.
Jan 15	Assessment roll for buildings and other improvements is published for public review.
Jan 31	Assessment roll for buildings and other improvements is published for public review.
Feb 1	Assessment roll for buildings and other improvements is published for public review.
Feb 15	Assessment roll for buildings and other improvements is published for public review.
Feb 28	Assessment roll for buildings and other improvements is published for public review.
Mar 1	Assessment roll for buildings and other improvements is published for public review.
Mar 15	Assessment roll for buildings and other improvements is published for public review.
Mar 31	Assessment roll for buildings and other improvements is published for public review.
Apr 1	Assessment roll for buildings and other improvements is published for public review.
Apr 15	Assessment roll for buildings and other improvements is published for public review.
Apr 30	Assessment roll for buildings and other improvements is published for public review.
May 1	Assessment roll for buildings and other improvements is published for public review.
May 15	Assessment roll for buildings and other improvements is published for public review.
May 31	Assessment roll for buildings and other improvements is published for public review.
Jun 1	Assessment roll for buildings and other improvements is published for public review.
Jun 15	Assessment roll for buildings and other improvements is published for public review.
Jun 30	Assessment roll for buildings and other improvements is published for public review.
Jul 1	Assessment roll for buildings and other improvements is published for public review.
Jul 15	Assessment roll for buildings and other improvements is published for public review.
Jul 31	Assessment roll for buildings and other improvements is published for public review.
Aug 1	Assessment roll for buildings and other improvements is published for public review.
Aug 15	Assessment roll for buildings and other improvements is published for public review.
Aug 31	Assessment roll for buildings and other improvements is published for public review.
Sep 1	Assessment roll for buildings and other improvements is published for public review.
Sep 15	Assessment roll for buildings and other improvements is published for public review.
Sep 30	Assessment roll for buildings and other improvements is published for public review.
Oct 1	Assessment roll for buildings and other improvements is published for public review.
Oct 15	Assessment roll for buildings and other improvements is published for public review.
Oct 31	Assessment roll for buildings and other improvements is published for public review.
Nov 1	Assessment roll for buildings and other improvements is published for public review.
Nov 15	Assessment roll for buildings and other improvements is published for public review.
Nov 30	Assessment roll for buildings and other improvements is published for public review.
Dec 1	Assessment roll for buildings and other improvements is published for public review.
Dec 15	Assessment roll for buildings and other improvements is published for public review.
Dec 31	Assessment roll for buildings and other improvements is published for public review.

Property Tax Calendar

Jan. 2	Assessment date for both real and personal property.
Feb. 1	Last day to file for tax-exempt status with the assessor.
March 31	Last day for county treasurers to mail Property Tax Statements to property owners.
March - April	Valuation Notices are mailed to property owners.
April - May	Local Boards of Appeal and Equalization convene.
April 1	PRISM Submission 1, Preliminary Assessment and Submission 3, Final Assessment and Taxation are due.
April 30	Last day to file Tax Court petition for dispute over value that affects the taxes payable in the current year.
May 15	First-half real property taxes due.
June	County Boards of Appeal and Equalization convene.
June 30	Final Adjustment Net Tax Capacities are due.
Sept. 1	PRISM Submission 2, Adjusted Assessment and Submission 4 and Manufactured Homes are due.
Oct. 15	Last day to pay second half of real estate taxes.
Nov. 10-25	Truth-in-Taxation notices sent to all property owners.
Nov. 25	Truth-in-Taxation meetings may occur on or after this date.
Dec. 31	Last day for assessors to file a copy of clerical corrections and administrative errors made after Local and County Boards of Appeal and Equalization with the county board of commissioners.

State Assessed Property

Electric utilities are valued under a “dual” system:

- Operating Property is valued centrally by the state.*
- Nonoperating Property is valued locally by city or county assessors.

State Assessment Under MN Rule 8100

Unitary Valuation Steps:

- System Unit Value
- Minnesota Allocated Value
- Remove locally assessed and non-taxable property
- Apportionment & Equalization
- Certification

Taxable Property and Exemptions

- All real and personal property in this state is taxable, except Indian lands and such other property as is by law exempt from taxation. (Minn. Stat. § 272.01, subd. 1).
- There are currently 104 subdivisions of exemptions listed in Minn. Stat. § 272.02. The filing requirements to receive these exemptions are listed in Minn. Stat. § 272.025.
- Personal property, with several exceptions including personal property which is part of an electric generating, transmission, or distribution system. (Minn. Stat. § 272.02, subd. 9). Also note Minn. Rule 8100.0300, subp. 8.
- Personal property used for pollution control. (Minn. Stat. § 272.02, subd. 10).
- Wind energy conversion systems. (Minn. Stat. § 272.02, subd. 22).
- Solar energy generating systems. (Minn. Stat. § 272.02, subd. 24).
- Qualifying electric generation facility personal property. (Minn. Stat. § 272.02, subd. 15, 29, 33, 44, 45, 47, 52, 54, 55, 56, 68, 69, 70, 71, 84, 89, 92, 93, 96, 99, 100).
- Other exemptions exist within Minnesota Statutes.

Pollution Control Exemption

- Personal property used for pollution control. (Minn. Stat. § 272.02, subd. 10).
- [Pollution Control Exemption | Minnesota Department of Revenue \(state.mn.us\)](#)
- The Pollution Control Exemption applies to real and personal property used primarily to reduce or control of air, water, or land pollution.

Sliding Scale Market Value Exclusion

- Sliding Scale Market Value Exclusion for Electric Power Generation Efficiency. (Minn. Stat. § 272.0211).
- <https://www.revenue.state.mn.us/sliding-scale-market-value-exclusion>
- The Sliding Scale Market Value Exclusion is a market value exclusion for equipment located in high efficiency electric power generation facilities, excluding wind energy conversion systems. It reduces the taxable market value of the equipment.

COMPANY	LOCATION	EFFICIENCY RATIO	MARKET VALUE EXCLUSION TO THE EQUIPMENT OF THE FACILITY
Hometown BioEnergy, LLC	Le Sueur	52.69%	96%
Xcel Energy - Black Dog Plant	Burnsville	46.03%	48%
Xcel Energy - Riverside Plant	Minneapolis	48.50%	64%
Xcel Energy - Highbridge Plant	St. Paul	48.30%	64%



Solar and Wind Energy Production Taxes

Wind Energy Production Tax

General Information

- Tax on the production of electricity
- Real and personal property of a Wind Energy Conversion System (WECS) is exempt
- Land is subject to property tax
- [Wind Energy Production Tax | Minnesota Department of Revenue \(state.mn.us\)](http://state.mn.us)
- Minn. Stat. § 272.029



Wind Energy Production Tax

Tax Rate

TYPE OF WECS	NAMEPLATE CAPACITY	TAX PER MW HOUR
Large Scale	Over 12	\$1.20
Medium Scale	Between 2 and 12	\$0.36
Small Scale	2 and under	\$0.12



Wind Energy Production Tax

Production Tax Calculation Example

$$\begin{array}{ccccc} \mathbf{5,000\ MWh} & \mathbf{x} & \mathbf{\$0.36} & \mathbf{=} & \mathbf{\$1,800} \\ \text{Annual Production} & & \text{Tax Rate*} & & \text{Tax} \end{array}$$

* for a medium-scale WECS



Solar Energy Production Tax

General Information

- Tax on the production of electricity
- Personal property of SEGs are exempt from property tax
- Land is still subject to property tax
- [Solar Energy Production Taxes | Minnesota Department of Revenue \(state.mn.us\)](#)
- Minn. Stat. § 272.0295



Solar Energy Production Tax

Tax Rate

One rate only: \$1.20 per megawatt hour (MWh)

Tax Calculation Example

$$\begin{array}{rcccl} 5,000 \text{ MWh} & \times & \$1.20 & = & \$6,000 \\ \text{Annual Production} & & \text{Tax Rate} & & \text{Tax} \end{array}$$



Local Sales and Use Tax

- [Sales and Use Tax | Minnesota Department of Revenue \(state.mn.us\)](#)
- Sales Tax
- Use Tax
- Local Option Sales Tax
 - [Local Sales Tax Information | Minnesota Department of Revenue \(state.mn.us\)](#)
 - [Starting a Local Sales Tax | Minnesota Department of Revenue \(state.mn.us\)](#)

Review of Existing Programs and Recommendations

- Local Government Aid (LGA) to cities
- County Program Aid (CPA) to counties
- Transition Aid
 - Replace Utility Value Transition Aid?
 - Proposed Transition Aid
- Grant Program(s)
- Be proactive
- Consider other funding sources

Thank you!

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