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State of Minnesota
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 988

02/18/2015 Authored by Swedzinski

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

1.1 A bill for an act
1.2 relating to taxation; property; creating an exemption for certain electric
1.3 generation facilities; amending Minnesota Statutes 2014, section 272.02, by
1.4 adding a subdivision.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. Minnesota Statutes 2014, section 272.02, is amended by adding a
1.7 subdivision to read:

1.8 Subd. 100. Electric generation facility; personal property. (a) Notwithstanding
1.9 subdivision 9, paragraph (a), attached machinery, transformers, and other personal
1.10 property that (1) is part of a natural gas-fired combined heat and power facility, (2)
1.11 generates electricity and steam for at least partial consumption as part of an industrial use,
1.12 including corn processing, (3) is less than 80,000 kilowatts of installed capacity, and (4)
1.13 meets the requirements of this subdivision, are exempt.

1.14 (b) At the time of construction, the facility must:

1.15 (1) be designed to utilize natural gas as a primary fuel;

1.16 (2) not be owned by a public utility as defined in section 216B.02, subdivision 4;

1.17 (3) be located within 15 miles of an existing natural gas pipeline and within one mile

1.18 of an existing electrical transmission substation; and

1.19 (4) be located outside the metropolitan area as defined in section 473.121,

1.20 subdivision 2.

1.21 (c) Construction of the facility must commence after January 1, 2015, and

1.22 before January 1, 2019. Property eligible for this exemption does not include electric

1.23 transmission lines and interconnections, or gas pipelines and interconnections, appurtenant

1.24 to the property or the facility.

2.1 (d) In lieu of personal property taxes each year, the owner of the combined heat and
2.2 power facility shall pay a base payment of 0.14 cents per kilowatt-hour of electricity
2.3 produced by the facility during the previous calendar year. In addition to the base payment
2.4 and in lieu of personal property taxes each year, the owner of the combined heat and power
2.5 facility shall pay an additional payment of 0.08 cents per kilowatt-hour of electricity
2.6 produced by the facility during the previous calendar year if, during the previous calendar
2.7 year, the host township or city had an agreement with a municipal utilities commission
2.8 to share the cost of acquiring, developing, and marketing land for industrial purposes,
2.9 and under such agreement both the host township or city and the municipal utilities
2.10 commission provided funds during the previous calendar year as part of a cost-sharing
2.11 agreement. The additional payment to be paid by the owner of the combined heat and
2.12 power facility shall be the lesser of 0.08 cents per kilowatt-hour of electricity produced
2.13 by the facility or 57 percent of the amount funded by the host township or city during
2.14 the previous calendar year pursuant to the aforementioned cost-sharing agreement. The
2.15 payments imposed under this section shall be paid to the county treasurer for the benefit of
2.16 the host township or city, at the time and in the manner provided for payment of property
2.17 taxes under section 277.01, subdivision 3. If unpaid, the payments are subject to the same
2.18 enforcement, collection, and interest and penalties as delinquent personal property taxes.
2.19 Except to the extent inconsistent with this section, sections 277.01 to 277.24 and 278.01
2.20 to 278.13 apply to the payments imposed under this section, and for purposes of those
2.21 sections the payments imposed under this section are considered personal property taxes.

2.22 (e) The owner of the combined heat and power facility shall file a report with the
2.23 commissioner of revenue annually on or before February 1, detailing the amount of
2.24 electricity in kilowatt-hours that was produced by the facility and the amount funded by
2.25 the host township or city in accordance with the cost-sharing agreement described in
2.26 paragraph (d) during the previous calendar year. The commissioner shall prescribe the
2.27 form of the report. The report must contain the information required by the commissioner
2.28 to determine the payments due under this section payable in the current year. If an owner
2.29 of the facility subject to taxation under this section fails to file the report by the due date,
2.30 the commissioner of revenue shall determine the payments based upon the nameplate
2.31 capacity of the system multiplied by a capacity factor of 85 percent.

2.32 **EFFECTIVE DATE.** This section is effective for taxes payable beginning in 2016
2.33 and thereafter.