

**PROPERTY TAX  
Cooperative utility distribution  
lines definition modified**

March 22, 2022

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>		<b>X</b>

Department of Revenue  
Analysis of S.F. 3898 (Weber) as proposed to be amended by SCS3898A-1

	<b>Fund Impact</b>			
	<b>F.Y. 2022</b>	<b>F.Y. 2023</b>	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>
	(000's)			
Property Tax Refund Interactions	\$0	\$0	\$0	(\$520)

Effective beginning with assessment year 2023.

**EXPLANATION OF THE BILL**

Under current law, electric cooperative associations pay a tax of \$10 for each 100 members in lieu of all personal property taxes on distribution lines – and attachments and appurtenances of those distribution lines – located in a rural area.

Under the proposal, "attachments and appurtenances" is defined to include all cooperative association-owned metering equipment, streetlights, and any other infrastructure that is physically or electrically connected to the cooperative association's distribution system.

**REVENUE ANALYSIS DETAIL**

- The \$10-per-100-members tax is already being paid by electric cooperative associations, meaning the proposal would, in effect, create an exemption for the newly eligible personal property.
- It is assumed that “other infrastructure that is physically or electrically connected to the cooperative association's distribution system” includes all personal property owned by an electric cooperative association and located in a rural area, including electric transmission lines.
- Under this assumption, the exemption would shift an estimated \$9.85 million in property taxes away from electric cooperative personal property and onto all other property, including homesteads, increasing state-paid homeowner property tax refunds by \$520,000 in fiscal year 2025.
- Tax year impact is allocated to the following fiscal year.
- The estimate is based on the 2022 February Forecast.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	Increase – “metering equipment, streetlights” clarifies definition. Decrease – “any other infrastructure” could be very broadly interpreted.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; Predictability</i>	Neutral	
<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  
<https://www.revenue.state.mn.us/revenue-analyses>

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