What happens to a host community when a power plant retires?

A power plant community's tax base includes:

Power Plant
Derives most of its value from electric generating machinery, which is centrally assessed by the Dept. of Revenue

Residential

Businesses

What happens when a power plant retires?

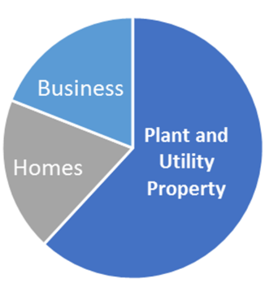
Electric generating machinery is decommissioned.

Taxable value of electric generating machinery drops to zero.

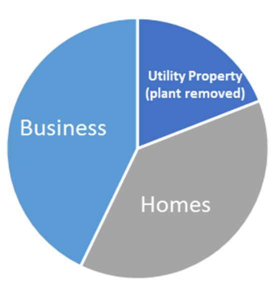
Electric generating machinery is considered "personal property" of the utility under Minnesota's tax code. Once a plant retires, its personal property is exempt from taxation and the tax capacity attributable to it is removed immediately from the local tax base.

Impact on city's tax base

Tax burden immediately shifts onto others ...



Tax base:
Plant's final year

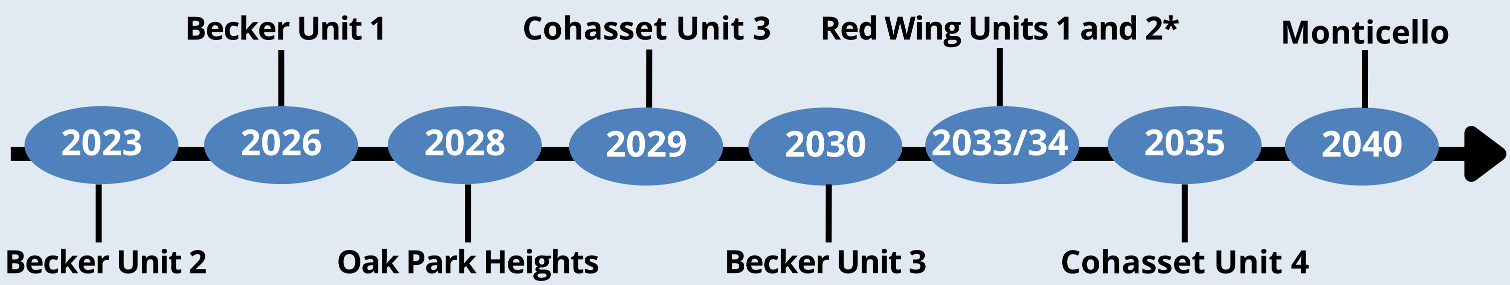


Tax base:
First year after retirement

... resulting in hard choices for communities.

SF3641/HF3977 will help host communities thrive after plants retire

Plant Retirement Timeline



*End of current licenses
Unknown retirement: Hoyt Lakes

This Bill:

Empowers communities to protect residents and businesses from bearing the brunt of property tax shifts that occur when a power plant retires

Provides property tax replacement aid that faces down over time — providing valuable time for communities to execute a strategy to develop their future

How It Works:

- **Aid is triggered by the retirement of electric generating unit**
- **The first year of aid is determined by a calculation to measure the city's lost utility tax capacity**
- **Aid phases down by 5% each year**
- **Allows communities to provide services without drastic cuts or dramatic property tax increases**

Year of Aid	Percent of Year One Aid
Year 1	100%
Year 2	95%
Year 3	90%
Year 4	85%
...	...
Year 18	15%
Year 19	10%
Year 20	5%
Year 21	0%

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