

**PROPERTY TAX
Cooperative utility
distribution lines definition**

February 15, 2023

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue

Analysis of S.F. 1242 (Putnam) as proposed to be amended by SCS1242A-1

Fund Impact

	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
Property Tax Refund Interaction	\$0	\$0	(\$30)	(\$30)

Effective beginning with assessment year 2024.

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 as including, but not limited to, all cooperative association-owned metering and streetlighting equipment that is 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 not clear what other attachments and appurtenances – beyond metering and streetlighting equipment – might be eligible for exemption under “not limited to”; therefore, the estimate takes into account only metering and streetlighting equipment.
- For taxes payable in 2025, the exemption would shift an estimated \$530,000 in property taxes away from electric cooperative personal property and onto all other property, including homesteads, increasing state-paid homeowner property tax refunds by \$30,000 in fiscal year 2026.
- The exemption from the commercial-industrial state general tax would have no impact on state revenues in payable year 2025 and thereafter, because the tax rate would be adjusted to yield the amount of revenue required by statute.
- Tax year impact is allocated to the following fiscal year.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	Increase – “metering and streetlighting” clarifies definition. Decrease – “include but are not limited to” is open to interpretation.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & 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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