

Mr. Mitch Berggren
Committee Administrator
Minnesota State Senate Committee on Taxes
328 Capitol 75 Rev. Dr. Martin Luther King, Jr. Blvd
Saint Paul, MN 55155 ***via email***

RE: S.F. 1413, providing a temporary exemption for certain natural gas fees.

Public Comments of John Purdy, February 20, 2023

Dear Mr. Berggren and Committee members,

From February 13 through Feb. 17, 2021, Winter Storm Uri set off a natural gas price fly-up that caused \$662 million of extra expense for Minnesota natural gas customers. As a result, we are paying more for the gas sold to us during this five-day weather event than for gas sold to us during the entire previous year.

CenterPoint Energy alone is currently charging its 809,201 residential customers monthly fees to recover \$236,637,720 of extraordinary expense. Half of this money is being collected during the non-heating season May-September utility bills over the next five years, and a sales tax of at least 6.875% is being applied to those bills.

This represents a windfall tax collection of at least \$8,112,500 for just CenterPoint Energy residential customers alone to pay, and is also the reason why MNPUC has required the utilities to request that you consider the proposed S.F. 1413 sales tax provisions as a way to discontinue and return these sales taxes to residential customers.

The Tax Committee would also be doing a further service to a large category of residential customers by amending the proposed S.F. 1413 in order to clear up a grey area regarding the definition of "Residential Customer".

This grey area, explained below, is causing arbitrary and unintentional sales taxes to apply against residents of older, legacy type buildings equipped with central steam or hot water heating systems.

The current wording of 297A.67 Subd. 15 clause (2) provides exemption to residential use customers "who are metered and billed as residential customers", deferring to the utilities' tariff definition of who is a residential customer:

- 1) CenterPoint's tariff limits residential customers, in general, to four-plex and smaller living units.
- 2) Xcel Energy's tariff limits residential customers to duplex and smaller units.
- 3) MERC limits to four-plex and smaller but allows for mixed residential/commercial considerations.
- 4) Great Plains limits to four-plex and smaller but also allows for mixed residential/commercial.

MN Rule 8130.1100, Subp. 2 F. defines residential customers to include those living in apartment units of any size:

- 1) Subp. 3 C. then exempts sales taxes for only those residential customers who are "metered and billed as residential users", also deferring to the utility's definition.
- 2) Subp. 6 A. allows for buildings having combined residential/commercial occupancy to be considered to be for residential use but such buildings are further treated as Subp. 3 (C) exemptions, deferring again to the "metered and billed" utility definition.

Minnesota Sales Tax Fact Sheet 157 defines residential customers to include apartments of any size, and exempts those buildings from sales tax during heating season when there is only one gas meter, as is the case for older, larger, legacy type apartments.

There are at least 500 of these apartments within the Twin Cities where young and old residents can find affordable housing and whose utility bills should also be tax exempt and eligible for the refund of windfall taxes.

The remedy would be to adopt within the proposed H.F. 1413 the following changes:

- 1) provide a stand-alone definition for Residential Customers using Fact Sheet 157 language below:

Residential customers, for the purpose of heating fuels (natural gas or electricity), include: Apartments, Condominiums, Correctional facilities, Duplexes, Fraternity or sorority houses, Garages – residential (attached or unattached), Intermediate care facilities, Lake cabins, Mobile homes, Nursing homes, Rooming houses, Single family homes, Town house.”

- 2) Add the word “residential” and delete the words, “metered and billed as residential” within Subd. 15. (2) and (3):

(2) for the billing months of November, December, January, February, March, and April, natural gas sold for residential use to **residential** customers ~~who are metered and billed as residential users~~ and who use natural gas for their primary source of residential heat; and

(3) for the billing months of November, December, January, February, March, and April, electricity sold for residential use to **residential** customers ~~who are metered and billed as residential users~~ and who use electricity for their primary source of residential heat.

- 3) Add the word, “residential”, and delete the words, “metered and billed as residential users” to S.F. 1413, Section 1, Subdivision 1:

Section 1. **SALES AND USE TAX EXEMPTION; CERTAIN NATURAL GAS FEES.**

Subdivision 1. **Exemption.** Notwithstanding Minnesota Statutes, section 297A.67, subdivision 15, clause (2), fees related to natural gas sold for residential use to **residential** customers ~~who were metered and billed as residential users~~ and who used natural gas for their primary source of residential heat are exempt for purposes of the billing periods May to October, provided that:

4. Add the words, “Providing Residential Customer definition” to the Bill’s introduction:

relating to taxation; sales and use; **Providing a Residential Customer definition**, and providing a temporary exemption for certain natural gas fees.

These changes would eliminate the gray area that technically limits sales tax exemptions and refunds to duplex or four-plex residences while arbitrarily burdening some 10,000 urban residents living in the older and larger, more affordable legacy apartments having central heating systems.

Sincerely,

John Purdy

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