



Date: 1/16/2025

To: Senate Taxes Committee

From: Property Tax Division, Department of Revenue

RE: Legislatively Mandated Reports

A 2021 law directed the Department of Revenue to review the process and rules for valuations of utility and pipeline operating property. As part of this review, Revenue developed two reports. [One report](#) summarized a series of stakeholder engagement sessions to gather stakeholder opinions and thoughts on the current process. [The other report](#) reviewed theoretical ideals and best practices for valuing utility, pipeline, and railroad operating property and added a comparison to Minnesota Rule, Chapter 8100.

Stakeholder Engagement

First, a series of listening sessions were held in October through December 2021. More than 400 stakeholders participated in listening sessions to help us better understand their interests. Stakeholders mentioned several strengths, and possible improvements to Rule 8100 and our administration of the rule, including the administrative appeals process, discretion, communication, and timeline. Stakeholders were asked to rank five tax principles from most important to least important, ranking stability and transparency as the most important principles.

Next, workgroup discussions were held in June through October 2022. Two workgroups were formed: focusing on the valuation process and the methodology prescribed by Rule 8100. The department presented the workgroup with possible alternative valuation methods, such as a production-based tax, or state collection of property tax. Stakeholders saw strengths and weaknesses in alternative models.

Valuation Framework

The department reviewed theoretical ideals and best practices for valuing utility, pipeline, and railroad operating property and added a comparison to Minnesota Rule, Chapter 8100. This report reviewed valuation framework texts from appraisal and assessment organizations as well as other states and compared those frameworks to the ones used by the department to identify best practices.

Unitary valuation, used in Minnesota, appeared to be the most common method used to assess state-assessed (or centrally-assessed) properties such as utilities, pipelines, and railroads. Many of the approaches to value for unitary valuation have similarities to the ones outlined in Minnesota Rules 8100.

Minnesota also places the burden of proof on companies for establishing any exclusions from the taxable market value of its operating property. Minnesota's administrative appeals process allows the department to enter into binding settlement agreements with companies when it's in the best interest of the state, eliminating the option for tax court appeals when settlements are reached.

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