

**SENATE**  
**STATE OF MINNESOTA**  
**EIGHTY-NINTH SESSION**

**S.F. No. 1636**

(SENATE AUTHORS: SKOE, Marty and Rest)

DATE	D-PG	OFFICIAL STATUS
03/11/2015		Introduction and first reading Referred to Taxes

A bill for an act

1.1 relating to taxation; property; eliminating the personal property tax on electric  
 1.2 generation systems; instituting a new method of valuing personal property on  
 1.3 electric generation systems; authorizing transition aid; repealing exemptions;  
 1.4 appropriating money; amending Minnesota Statutes 2014, sections 126C.21,  
 1.5 subdivision 3; 216B.16, subdivision 6d; 216B.1621, subdivision 2; 216B.164,  
 1.6 subdivision 2a; 216B.2424, subdivision 5; 270C.01, subdivision 7; 272.02,  
 1.7 subdivision 9; 272.025, subdivision 1; 273.13, subdivision 24; 275.70,  
 1.8 subdivision 6; 275.71, subdivision 5; 469.315; proposing coding for new law  
 1.9 in Minnesota Statutes, chapters 273; 477A; repealing Minnesota Statutes 2014,  
 1.10 sections 272.02, subdivisions 10, 24, 29, 33, 44, 45, 52, 54, 55, 56, 68, 69, 70,  
 1.11 71, 84, 89, 92, 93, 96, 99; 272.0211; 272.029; 272.0295.  
 1.12

1.13 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.14 Section 1. Minnesota Statutes 2014, section 126C.21, subdivision 3, is amended to read:

1.15 Subd. 3. **County apportionment deduction.** Each year the amount of money  
 1.16 apportioned to a district for that year pursuant to ~~sections~~ section 127A.34, subdivision 2,  
 1.17 ~~and 272.029, subdivision 6,~~ must be deducted from the general education aid earned by  
 1.18 that district for the same year or from aid earned from other state sources.

1.19 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
 1.20 2015 and thereafter.

1.21 Sec. 2. Minnesota Statutes 2014, section 216B.16, subdivision 6d, is amended to read:

1.22 Subd. 6d. **Wind energy; property tax.** An owner of a wind energy conversion  
 1.23 facility which is required to pay property taxes under section 272.02, subdivision 22, or  
 1.24 ~~production taxes under section 272.029~~ section 273.129, and any related or successor  
 1.25 provisions, or a public utility regulated by the Public Utilities Commission which purchases  
 1.26 the wind-generated electricity may petition the commission to include in any power

2.1 purchase agreement between the owner of the facility and the public utility the amount of  
 2.2 property taxes and production taxes paid by the owner of the facility. The Public Utilities  
 2.3 Commission shall require the public utility to amend the power purchase agreement to  
 2.4 include the property taxes and production taxes paid by the owner of the facility in the  
 2.5 price paid by the utility for wind-generated electricity if the commission finds:

2.6 (1) the owner of the facility has paid the property taxes or production taxes required  
 2.7 by this subdivision;

2.8 (2) the power purchase agreement between the public utility and the owner does  
 2.9 not already require the utility to pay the amount of property taxes or production taxes the  
 2.10 owner has paid under this subdivision or, in the case of a power purchase agreement  
 2.11 entered into prior to 1997, the amount of property or production taxes paid by the owner  
 2.12 in any year of the power purchase agreement exceeds the amount of such property or  
 2.13 production taxes included in the price paid by the utility to the owner, as reflected in  
 2.14 the owner's bid documents; and

2.15 (3) the commission has approved a rate schedule containing provisions for the  
 2.16 automatic adjustment of charges for utility service in direct relation to the charges ordered  
 2.17 by the commission under section 272.02, subdivision 22, or ~~272.029~~ 273.129.

2.18 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
 2.19 2015 and thereafter.

2.20 Sec. 3. Minnesota Statutes 2014, section 216B.1621, subdivision 2, is amended to read:

2.21 Subd. 2. **Commission approval.** (a) The commission shall approve an agreement  
 2.22 under this section upon finding that:

2.23 ~~(1) the proposed electric service power generation facility could reasonably be~~  
 2.24 ~~expected to qualify for a market value exclusion under section 272.0211;~~

2.25 ~~(2)~~ (1) the public utility has a contractual option to purchase electric power from  
 2.26 the proposed facility; and

2.27 ~~(3)~~ (2) the public utility can use the output from the proposed facility to meet its  
 2.28 future need for power as demonstrated in the most recent resource plan filed with and  
 2.29 approved by the commission under section 216B.2422.

2.30 (b) Sections 216B.03, 216B.05, 216B.06, 216B.07, 216B.16, 216B.162, and  
 2.31 216B.23 do not apply to an agreement under this section.

2.32 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
 2.33 2015 and thereafter.

3.1 Sec. 4. Minnesota Statutes 2014, section 216B.164, subdivision 2a, is amended to read:

3.2 Subd. 2a. **Definitions.** (a) For the purposes of this section, the following terms  
3.3 have the meanings given them.

3.4 (b) "Aggregated meter" means a meter located on the premises of a customer's  
3.5 owned or leased property that is contiguous with property containing the customer's  
3.6 designated meter.

3.7 (c) "Capacity" means the number of megawatts alternating current (AC) at the point  
3.8 of interconnection between a distributed generation facility and a utility's electric system.

3.9 (d) "Cogeneration" means a combined process whereby electrical and useful thermal  
3.10 energy are produced simultaneously.

3.11 (e) "Contiguous property" means property owned or leased by the customer sharing  
3.12 a common border, without regard to interruptions in contiguity caused by easements,  
3.13 public thoroughfares, transportation rights-of-way, or utility rights-of-way.

3.14 (f) "Customer" means the person who is named on the utility electric bill for the  
3.15 premises.

3.16 (g) "Designated meter" means a meter that is physically attached to the customer's  
3.17 facility that the customer-generator designates as the first meter to which net metered  
3.18 credits are to be applied as the primary meter for billing purposes when the customer is  
3.19 serviced by more than one meter.

3.20 (h) "Distributed generation" means a facility that:

3.21 (1) has a capacity of ten megawatts or less;

3.22 (2) is interconnected with a utility's distribution system, over which the commission  
3.23 has jurisdiction; and

3.24 (3) generates electricity from natural gas, renewable fuel, or a similarly clean fuel,  
3.25 and may include waste heat, cogeneration, or fuel cell technology.

3.26 (i) "High-efficiency distributed generation" means a distributed energy facility that  
3.27 has a minimum efficiency of 40 percent, as calculated under Minnesota Statutes 2014,  
3.28 section 272.0211, subdivision 1.

3.29 (j) "Net metered facility" means an electric generation facility constructed for the  
3.30 purpose of offsetting energy use through the use of renewable energy or high-efficiency  
3.31 distributed generation sources.

3.32 (k) "Renewable energy" has the meaning given in section 216B.2411, subdivision 2.

3.33 (l) "Standby charge" means a charge imposed by an electric utility upon a distributed  
3.34 generation facility for the recovery of costs for the provision of standby services, as  
3.35 provided for in a utility's tariffs approved by the commission, necessary to make electricity  
3.36 service available to the distributed generation facility.

4.1 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
4.2 2015 and thereafter.

4.3 Sec. 5. Minnesota Statutes 2014, section 216B.2424, subdivision 5, is amended to read:

4.4 Subd. 5. **Mandate.** (a) A public utility, as defined in section 216B.02, subdivision 4,  
4.5 that operates a nuclear-powered electric generating plant within this state must construct  
4.6 and operate, purchase, or contract to construct and operate (1) by December 31, 1998,  
4.7 50 megawatts of electric energy installed capacity generated by farm-grown closed-loop  
4.8 biomass scheduled to be operational by December 31, 2001; and (2) by December 31,  
4.9 1998, an additional 75 megawatts of installed capacity so generated scheduled to be  
4.10 operational by December 31, 2002.

4.11 (b) Of the 125 megawatts of biomass electricity installed capacity required under  
4.12 this subdivision, no more than 55 megawatts of this capacity may be provided by a facility  
4.13 that uses poultry litter as its primary fuel source and any such facility:

4.14 (1) need not use biomass that complies with the definition in subdivision 1;

4.15 (2) must enter into a contract with the public utility for such capacity, that has an  
4.16 average purchase price per megawatt hour over the life of the contract that is equal to or  
4.17 less than the average purchase price per megawatt hour over the life of the contract in  
4.18 contracts approved by the Public Utilities Commission before April 1, 2000, to satisfy  
4.19 the mandate of this section, and file that contract with the Public Utilities Commission  
4.20 prior to September 1, 2000; and

4.21 (3) must schedule such capacity to be operational by December 31, 2002.

4.22 (c) Of the total 125 megawatts of biomass electric energy installed capacity required  
4.23 under this section, no more than 75 megawatts may be provided by a single project.

4.24 (d) Of the 75 megawatts of biomass electric energy installed capacity required under  
4.25 paragraph (a), clause (2), no more than 33 megawatts of this capacity may be provided by  
4.26 a St. Paul district heating and cooling system cogeneration facility utilizing waste wood  
4.27 as a primary fuel source. The St. Paul district heating and cooling system cogeneration  
4.28 facility need not use biomass that complies with the definition in subdivision 1.

4.29 (e) The public utility must accept and consider on an equal basis with other biomass  
4.30 proposals:

4.31 (1) a proposal to satisfy the requirements of this section that includes a project that  
4.32 exceeds the megawatt capacity requirements of either paragraph (a), clause (1) or (2), and  
4.33 that proposes to sell the excess capacity to the public utility or to other purchasers; and

4.34 (2) a proposal for a new facility to satisfy more than ten but not more than 20  
4.35 megawatts of the electrical generation requirements by a small business-sponsored

5.1 independent power producer facility to be located within the northern quarter of the state,  
 5.2 which means the area located north of Constitutional Route No. 8 as described in section  
 5.3 161.114, subdivision 2, and that utilizes biomass residue wood, sawdust, bark, chipped  
 5.4 wood, or brush to generate electricity. A facility described in this clause is not required  
 5.5 to utilize biomass complying with the definition in subdivision 1, but must be under  
 5.6 construction by December 31, 2005.

5.7 (f) If a public utility files a contract with the commission for electric energy installed  
 5.8 capacity that uses poultry litter as its primary fuel source, the commission must do a  
 5.9 preliminary review of the contract to determine if it meets the purchase price criteria  
 5.10 provided in paragraph (b), clause (2). The commission shall perform its review and advise  
 5.11 the parties of its determination within 30 days of filing of such a contract by a public  
 5.12 utility. A public utility may submit by September 1, 2000, a revised contract to address the  
 5.13 commission's preliminary determination.

5.14 (g) The commission shall finally approve, modify, or disapprove no later than July  
 5.15 1, 2001, all contracts submitted by a public utility as of September 1, 2000, to meet the  
 5.16 mandate set forth in this subdivision.

5.17 (h) If a public utility subject to this section exercises an option to increase the  
 5.18 generating capacity of a project in a contract approved by the commission prior to April  
 5.19 25, 2000, to satisfy the mandate in this subdivision, the public utility must notify the  
 5.20 commission by September 1, 2000, that it has exercised the option and include in the  
 5.21 notice the amount of additional megawatts to be generated under the option exercised.  
 5.22 Any review by the commission of the project after exercise of such an option shall be  
 5.23 based on the same criteria used to review the existing contract.

5.24 ~~(i) A facility specified in this subdivision qualifies for exemption from property~~  
 5.25 ~~taxation under section 272.02, subdivision 45.~~

5.26 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
 5.27 2015 and thereafter.

5.28 Sec. 6. Minnesota Statutes 2014, section 270C.01, subdivision 7, is amended to read:

5.29 Subd. 7. **Property tax laws.** "Property tax laws" means all laws and rules related to  
 5.30 the administration of the tax on property referred to in section 272.01, subdivision 1, ~~and~~  
 5.31 ~~all laws related to the administration of the tax on wind energy production imposed under~~  
 5.32 ~~section 272.029, subdivision 1.~~

5.33 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
 5.34 2015 and thereafter.

6.1 Sec. 7. Minnesota Statutes 2014, section 272.02, subdivision 9, is amended to read:

6.2 Subd. 9. **Personal property; exceptions.** Except for the taxable personal property  
6.3 enumerated below, all personal property and the property described in section 272.03,  
6.4 subdivision 1, paragraphs (c) and (d), shall be exempt.

6.5 The following personal property shall be taxable:

6.6 (a) personal property which is part of an electric ~~generating~~, transmission, or  
6.7 distribution system or a pipeline system transporting or distributing water, gas, crude  
6.8 oil, or petroleum products or mains and pipes used in the distribution of steam or hot or  
6.9 chilled water for heating or cooling buildings and structures;

6.10 (b) railroad docks and wharves which are part of the operating property of a railroad  
6.11 company as defined in section 270.80;

6.12 (c) personal property defined in section 272.03, subdivision 2, clause (3);

6.13 (d) leasehold or other personal property interests which are taxed pursuant to section  
6.14 272.01, subdivision 2; 273.124, subdivision 7; or 273.19, subdivision 1; or any other law  
6.15 providing the property is taxable as if the lessee or user were the fee owner;

6.16 (e) manufactured homes and sectional structures, including storage sheds, decks,  
6.17 and similar removable improvements constructed on the site of a manufactured home,  
6.18 sectional structure, park trailer or travel trailer as provided in section 273.125, subdivision  
6.19 8, paragraph (f); and

6.20 (f) flight property as defined in section 270.071.

6.21 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
6.22 2015 and thereafter.

6.23 Sec. 8. Minnesota Statutes 2014, section 272.025, subdivision 1, is amended to read:

6.24 Subdivision 1. **Statement of exemption.** (a) Except in the case of property owned  
6.25 by the state of Minnesota or any political subdivision thereof, and property exempt from  
6.26 taxation under section 272.02, subdivisions 9, 10, 13, 15, 18, 20, and 22 to 25, and at  
6.27 the times provided in subdivision 3, a taxpayer claiming an exemption from taxation  
6.28 on property described in section 272.02, subdivisions 2 to 33, must file a statement of  
6.29 exemption with the assessor of the assessment district in which the property is located.

6.30 ~~(b) A taxpayer claiming an exemption from taxation on property described in section~~  
6.31 ~~272.02, subdivision 10, must file a statement of exemption with the commissioner of~~  
6.32 ~~revenue, on or before February 15 of each year for which the taxpayer claims an exemption.~~

6.33 ~~(e)~~ (b) In case of sickness, absence or other disability or for good cause, the assessor  
6.34 or the commissioner may extend the time for filing the statement of exemption for a  
6.35 period not to exceed 60 days.

7.1 ~~(d)~~ (c) The commissioner of revenue shall prescribe the form and contents of the  
7.2 statement of exemption.

7.3 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
7.4 2015 and thereafter.

7.5 Sec. 9. **[273.129] ELECTRIC GENERATION MACHINERY; VALUATION.**

7.6 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms  
7.7 having the meanings given.

7.8 (b) "Electric generation machinery" means all personal property of an electric  
7.9 generation system used for the purpose of generating electricity.

7.10 (c) "Generation capacity" means the generation rate per megawatt hour as follows:

7.11 (1) \$0 for hydroelectric, wind, or solar generation systems;

7.12 (2) \$5,000 for machinery used to generate electricity from biomass, natural gas, or  
7.13 nuclear fuel generation systems; and

7.14 (3) \$10,000 for machinery used to generate electricity from a coal or oil generation  
7.15 system or any other fossil fuel.

7.16 (d) "Generation rate" means the rate per kilowatt hour as follows:

7.17 (1) \$.05 for hydroelectric, wind, or solar generation systems;

7.18 (2) \$.0525 for machinery used to generate electricity from biomass, natural gas, or  
7.19 nuclear fuel generation systems; and

7.20 (3) \$.055 for machinery used to generate electricity from a coal or oil generation  
7.21 system or any other fossil fuel.

7.22 (e) "Solar energy generating system" means a set of devices whose primary purpose  
7.23 is to produce electricity by means of any combination of collecting, transferring, or  
7.24 converting solar generated energy.

7.25 (f) "Spent fuel" means fuel that has been irradiated in a nuclear reactor to the point  
7.26 where it is no longer useful in sustaining a nuclear reaction.

7.27 (g) "Spent fuel tax base" means \$150,000,000 plus \$100,000 per ton for machinery  
7.28 used to generate electricity from a nuclear fuel generation system.

7.29 (h) "Wind energy conversion system" means any device, such as a wind charger,  
7.30 windmill, or wind turbine that converts wind energy to a form of usable energy, and also  
7.31 includes a substation that is used and owned by one or more wind energy conversion  
7.32 systems.

7.33 Subd. 2. **Electric generation tax base.** (a) The commissioner shall annually  
7.34 calculate the electric generation tax base under this section.

8.1 (b) The electric generation tax base of property described in subdivision 1 is equal  
8.2 to the sum of: (1) its nameplate capacity multiplied by its generation capacity rate; (2)  
8.3 the average of its electric energy production according to the Federal Energy Regulatory  
8.4 Commission for the immediately preceding five years, multiplied by its generation rate;  
8.5 and (3) its spent fuel tax base.

8.6 (c) For purposes of a levy based on market value, the electric generation tax base  
8.7 shall become part of the jurisdiction's market value tax base. For all levies based on net  
8.8 tax capacity, the electric generation tax base multiplied by two percent shall be added  
8.9 to the jurisdiction's net tax capacity base.

8.10 Subd. 3. **Wind energy conversion systems; size; exemption; reports.** (a) For  
8.11 wind energy conversion systems installed and contracted for after January 1, 2002, the  
8.12 total size of the system shall be determined according to this paragraph. Unless the  
8.13 systems are interconnected with different distribution systems, the nameplate capacity of  
8.14 one wind energy conversion system shall be combined with the nameplate capacity of any  
8.15 other wind energy conversion system that is:

8.16 (1) located within five miles of the wind energy conversion system;

8.17 (2) constructed within the same 12-month period as the wind energy conversion  
8.18 system; and

8.19 (3) under common ownership.

8.20 (b) In the case of a dispute of the size of the system, the commissioner of commerce  
8.21 shall determine the total size of the system and shall draw all reasonable inferences in  
8.22 favor of combining the systems. In making a determination under paragraph (a), clause  
8.23 (3), the commissioner of commerce may determine that two wind energy conversion  
8.24 systems are under common ownership when the underlying ownership structure contains  
8.25 similar persons or entities even if the ownership shares differ between the two systems.  
8.26 Wind energy conversion systems are not under common ownership solely because the  
8.27 same person or entity provided equity financing for the systems.

8.28 (c) A wind energy conversion system with a capacity of one megawatt or less is  
8.29 exempt from taxation under this section.

8.30 (d) An owner of a wind energy conversion system subject to tax under this section  
8.31 shall file a report with the commissioner of revenue annually on or before February 1  
8.32 detailing the amount of electricity in kilowatt hours that was produced by the wind energy  
8.33 conversion system for the previous calendar year. The commissioner shall prescribe the  
8.34 form of the report. The report must contain the information required by the commissioner  
8.35 to determine the tax due under this section for the current year. If an owner of a wind  
8.36 energy conversion system subject to taxation under this section fails to file the report



9.1 by the due date, the commissioner of revenue shall determine the tax based upon the  
9.2 nameplate capacity of the system multiplied by a capacity factor of 60 percent.

9.3 Subd. 4. **Solar energy generating systems; size; exemption; reports.** (a) The total  
9.4 size of a solar energy generating system shall be determined according to this paragraph.  
9.5 Unless the systems are interconnected with different distribution systems, the nameplate  
9.6 capacity of a solar energy generating system shall be combined with the nameplate  
9.7 capacity of any other solar energy generating system that:

9.8 (1) is constructed within the same 12-month period as the solar energy generating  
9.9 system; and

9.10 (2) exhibits characteristics of being a single development, including but not  
9.11 limited to ownership structure, an umbrella sales arrangement, shared interconnection,  
9.12 revenue-sharing arrangements, and common debt or equity financing.

9.13 (b) In the case of a dispute, the commissioner of commerce shall determine the total  
9.14 size of the system and shall draw all reasonable inferences in favor of combining the  
9.15 systems. In making a determination under this paragraph, the commissioner of commerce  
9.16 may determine that two solar energy generating systems are under common ownership  
9.17 when the underlying ownership structure contains similar persons or entities even if the  
9.18 ownership shares differ between the two systems. Solar energy generating systems are  
9.19 not under common ownership solely because the same person or entity provided equity  
9.20 financing for the systems.

9.21 (c) A solar energy generating system with a capacity of one megawatt alternating  
9.22 current or less is exempt from the tax imposed under this section.

9.23 (d) An owner of a solar energy generating system subject to tax under this section  
9.24 shall file a report with the commissioner of revenue annually on or before January 15  
9.25 detailing the amount of electricity in megawatt hours that was produced by the system  
9.26 in the previous calendar year. The commissioner shall prescribe the form of the report.  
9.27 The report must contain the information required by the commissioner to determine the  
9.28 tax due under this section for the current year. If an owner of a solar energy generating  
9.29 system subject to taxation under this section fails to file the report by the due date, the  
9.30 commissioner of revenue shall determine the tax based upon the nameplate capacity of  
9.31 the system multiplied by a capacity factor of 30 percent.

9.32 **EFFECTIVE DATE.** This section is effective for assessment year 2015, taxes  
9.33 payable in 2016, and thereafter.

9.34 Sec. 10. Minnesota Statutes 2014, section 273.13, subdivision 24, is amended to read:

10.1 Subd. 24. **Class 3.** Commercial and industrial property and utility real and personal  
10.2 property is class 3a.

10.3 (1) Except as otherwise provided, each parcel of commercial, industrial, or utility  
10.4 real property has a classification rate of 1.5 percent of the first tier of market value, and 2.0  
10.5 percent of the remaining market value. In the case of contiguous parcels of property owned  
10.6 by the same person or entity, only the value equal to the first-tier value of the contiguous  
10.7 parcels qualifies for the reduced classification rate, except that contiguous parcels owned  
10.8 by the same person or entity shall be eligible for the first-tier value classification rate on  
10.9 each separate business operated by the owner of the property, provided the business is  
10.10 housed in a separate structure. For the purposes of this subdivision, the first tier means the  
10.11 first \$150,000 of market value. Real property owned in fee by a utility for transmission  
10.12 line right-of-way shall be classified at the classification rate for the higher tier.

10.13 For purposes of this subdivision, parcels are considered to be contiguous even if  
10.14 they are separated from each other by a road, street, waterway, or other similar intervening  
10.15 type of property. Connections between parcels that consist of power lines or pipelines do  
10.16 not cause the parcels to be contiguous. Property owners who have contiguous parcels of  
10.17 property that constitute separate businesses that may qualify for the first-tier classification  
10.18 rate shall notify the assessor by July 1, for treatment beginning in the following taxes  
10.19 payable year.

10.20 (2) All personal property that is: (i) part of an electric ~~generation, transmission, or~~  
10.21 ~~distribution system;~~ or (ii) part of a pipeline system transporting or distributing water, gas,  
10.22 crude oil, or petroleum products; and (iii) not described in clause (3), and all railroad  
10.23 operating property has a classification rate as provided under clause (1) for the first tier  
10.24 of market value and the remaining market value. In the case of multiple parcels in one  
10.25 county that are owned by one person or entity, only one first tier amount is eligible for the  
10.26 reduced rate.

10.27 (3) The entire market value of personal property that is: (i) tools, and implements,  
10.28 ~~and machinery~~ of an electric generation, transmission, or distribution system; (ii) tools,  
10.29 implements, and machinery of a pipeline system transporting or distributing water, gas,  
10.30 crude oil, or petroleum products; or (iii) the mains and pipes used in the distribution of  
10.31 steam or hot or chilled water for heating or cooling buildings, has a classification rate as  
10.32 provided under clause (1) for the remaining market value in excess of the first tier.

10.33 **EFFECTIVE DATE.** This section is effective beginning with taxes payable in  
10.34 2016 and thereafter.

10.35 Sec. 11. Minnesota Statutes 2014, section 275.70, subdivision 6, is amended to read:

11.1 Subd. 6. **Levy aid base.** "Levy aid base" for a local governmental unit for a levy  
11.2 year means its total levy spread on net tax capacity, minus any amounts that would  
11.3 qualify as a special levy under this section, plus the sum of (1) the total amount of aids  
11.4 and reimbursements that the local governmental unit is certified to receive under sections  
11.5 477A.011 to 477A.014 in the same year, and (2) taconite aids under sections 298.28  
11.6 and 298.282 in the same year, including any aid which was required to be placed in a  
11.7 special fund for expenditure in the next succeeding year, ~~and (3) payments to the local~~  
11.8 ~~governmental unit under section 272.029 in the same year, adjusted for any error in~~  
11.9 ~~estimation in the preceding year.~~

11.10 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
11.11 2015 and thereafter.

11.12 Sec. 12. Minnesota Statutes 2014, section 275.71, subdivision 5, is amended to read:

11.13 Subd. 5. **Property tax levy limit.** (a) For taxes levied in 2008 through 2010, the  
11.14 property tax levy limit for a local governmental unit is equal to its adjusted levy limit  
11.15 base determined under subdivision 4 plus any additional levy authorized under section  
11.16 275.73, which is levied against net tax capacity, reduced by the sum of (i) the total amount  
11.17 of aids and reimbursements that the local governmental unit is certified to receive under  
11.18 sections 477A.011 to 477A.014, (ii) taconite aids under sections 298.28 and 298.282  
11.19 including any aid which was required to be placed in a special fund for expenditure in the  
11.20 next succeeding year, and (iii) ~~estimated payments to the local governmental unit under~~  
11.21 ~~section 272.029, adjusted for any error in estimation in the preceding year, and (iv) aids~~  
11.22 ~~under section 477A.16.~~

11.23 (b) If an aid, payment, or other amount used in paragraph (a) to reduce a local  
11.24 government unit's levy limit is reduced by an unallotment under section 16A.152, the  
11.25 amount of the aid, payment, or other amount prior to the unallotment is used in the  
11.26 computations in paragraph (a). In order for a local government unit to levy outside of its  
11.27 limit to offset the reduction in revenues attributable to an unallotment, it must do so under,  
11.28 and to the extent authorized by, a special levy authorization.

11.29 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
11.30 2015 and thereafter.

11.31 Sec. 13. Minnesota Statutes 2014, section 469.315, is amended to read:

11.32 **469.315 TAX INCENTIVES AVAILABLE IN ZONES.**

12.1 Qualified businesses that operate in a job opportunity building zone, individuals who  
 12.2 invest in a qualified business that operates in a job opportunity building zone, and property  
 12.3 located in a job opportunity building zone qualify for:

12.4 (1) exemption from individual income taxes as provided under section 469.316;

12.5 (2) exemption from corporate franchise taxes as provided under section 469.317;

12.6 (3) exemption from the state sales and use tax and any local sales and use taxes on  
 12.7 qualifying purchases as provided in section 297A.68, subdivision 37;

12.8 (4) exemption from the state sales tax on motor vehicles and any local sales tax on  
 12.9 motor vehicles as provided under section 297B.03;

12.10 (5) exemption from the property tax as provided in section 272.02, subdivision  
 12.11 64; and

12.12 ~~(6) exemption from the wind energy production tax under section 272.029,~~  
 12.13 ~~subdivision 7; and~~

12.14 ~~(7)~~ (6) the jobs credit allowed under section 469.318, except that a qualified business  
 12.15 located in a create automotive recovery zone is not eligible for the credit under section  
 12.16 469.318 but is eligible for the credit under section 469.3181.

12.17 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
 12.18 2015 and thereafter.

12.19 Sec. 14. **[477A.21] ELECTRIC GENERATION PROPERTY TRANSITION AID.**

12.20 **Subdivision 1. Definitions.** (a) For the purposes of this section, the following terms  
 12.21 have the meanings given.

12.22 (b) "Local unit" means a home rule charter or statutory city, county, school district,  
 12.23 or a town.

12.24 (c) "Net tax capacity differential" means the positive difference, if any, by which  
 12.25 the local unit's net tax capacity was reduced from assessment year 2015 to assessment  
 12.26 year 2016 as a result of changes made to the valuation and taxation of electric generation  
 12.27 machinery under section 273.129.

12.28 **Subd. 2. Aid eligibility; payment.** (a) If the net tax capacity differential of the  
 12.29 local unit exceeds its 2016 net tax capacity, the local unit is eligible for transition aid as  
 12.30 provided in paragraph (b).

12.31 (b) For aids payable in 2017 and thereafter, transition aid under this section for  
 12.32 an eligible local unit equals (1) the net tax capacity differential, multiplied by (2) the  
 12.33 jurisdiction's tax rate for taxes payable in 2016, provided that the transition aid to an  
 12.34 eligible local unit shall cease beginning in the year following the year in which the net tax

13.1 capacity of the local unit exceeds its 2016 net tax capacity. Once a local unit becomes  
13.2 ineligible for aid under this section, it may not subsequently become eligible.

13.3 (c) The commissioner of revenue shall compute the amount of transition aid payable  
13.4 to each local unit under this section. On or before August 1 of each year, the commissioner  
13.5 shall certify the amount of transition aid computed for aids payable in the following year  
13.6 for each recipient local unit. The commissioner shall pay transition aid to local units  
13.7 annually at the times provided in section 477A.015.

13.8 (d) The commissioner of revenue may require counties to provide any data that the  
13.9 commissioner deems necessary to administer this section.

13.10 Subd. 3. **Appropriation.** An amount sufficient to pay transition aid under this  
13.11 section is annually appropriated to the commissioner of revenue from the general fund.

13.12 **EFFECTIVE DATE.** This section is effective beginning with aids payable in 2017.

13.13 Sec. 15. **REPEALER.**

13.14 Minnesota Statutes 2014, sections 272.02, subdivisions 10, 24, 29, 33, 44, 45, 52,  
13.15 54, 55, 56, 68, 69, 70, 71, 84, 89, 92, 93, 96, and 99; 272.0211; 272.029; and 272.0295,  
13.16 are repealed.

13.17 **EFFECTIVE DATE.** This section is effective beginning with assessment year  
13.18 2015 and thereafter.

**272.02 EXEMPT PROPERTY.**

Subd. 10. **Personal property used for pollution control.** Personal property used primarily for the abatement and control of air, water, or land pollution is exempt to the extent that it is so used, and real property is exempt if it is used primarily for abatement and control of air, water, or land pollution as part of an agricultural operation, as a part of a centralized treatment and recovery facility operating under a permit issued by the Minnesota Pollution Control Agency pursuant to chapters 115 and 116 and Minnesota Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater treatment facility and for the treatment, recovery, and stabilization of metals, oils, chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as part of an electric generation system. For purposes of this subdivision, personal property includes ponderous machinery and equipment used in a business or production activity that at common law is considered real property.

Any taxpayer requesting exemption of all or a portion of any real property or any equipment or device, or part thereof, operated primarily for the control or abatement of air, water, or land pollution shall file an application with the commissioner of revenue. The commissioner shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The Minnesota Pollution Control Agency shall upon request of the commissioner furnish information and advice to the commissioner.

The information and advice furnished by the Minnesota Pollution Control Agency must include statements as to whether the equipment, device, or real property meets a standard, rule, criteria, guideline, policy, or order of the Minnesota Pollution Control Agency, and whether the equipment, device, or real property is installed or operated in accordance with it. On determining that property qualifies for exemption, the commissioner shall issue an order exempting the property from taxation. The commissioner shall develop an electronic means to notify interested parties when the commissioner has issued an order exempting property from taxation under this subdivision. The equipment, device, or real property shall continue to be exempt from taxation as long as the order issued by the commissioner remains in effect.

Subd. 24. **Solar energy generating systems.** Personal property consisting of solar energy generating systems, as defined in section 272.0295, is exempt. If the real property upon which a solar energy generating system is located is used primarily for solar energy production subject to the production tax under section 272.0295, the real property shall be classified as class 3a. If the real property upon which a solar energy generating system is located is not used primarily for solar energy production subject to the production tax under section 272.0295, the real property shall be classified without regard to the system.

Subd. 29. **Cogeneration systems; certain property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a facility containing a cogeneration system as described in section 216B.166, subdivision 2, paragraph (a), is exempt if the cogeneration system has met the following criteria: (i) the system utilizes natural gas as a primary fuel and the cogenerated steam initially replaces steam generated from existing thermal boilers utilizing coal; (ii) the facility developer is selected as a result of a procurement process ordered by the Public Utilities Commission; and (iii) construction of the facility is commenced after July 1, 1994, and before July 1, 1997.

Subd. 33. **Electric generation facility personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 250 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (i) not be owned by a public utility as defined in section 216B.02, subdivision 4;
- (ii) utilize natural gas as a primary fuel;
- (iii) be located within 20 miles of the intersection of an existing 42-inch (outside diameter) natural gas pipeline and a 345-kilovolt high-voltage electric transmission line; and
- (iv) be designed to provide peaking, emergency backup, or contingency services, and have received a certificate of need pursuant to section 216B.243 demonstrating demand for its capacity. Construction of the facility must be commenced after July 1, 1999, and before July 1, 2003. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Subd. 44. **Electric generation facility personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 250 megawatts of installed capacity

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and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize natural gas as a primary fuel;
- (2) be located within 20 miles of parallel existing 16-inch and 12-inch (outside diameter) natural gas pipelines and a 345-kilovolt high-voltage electric transmission line; and
- (3) be designed to provide peaking, emergency backup, or contingency services, and have received a certificate of need under section 216B.243 demonstrating demand for its capacity.

Construction of the facility must be commenced after January 1, 2000, and before January 1, 2004. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Subd. 45. **Biomass electrical generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize biomass as established in section 216B.2424 as a primary fuel source; and
- (2) be constructed for the purpose of generating power at the facility that will be sold pursuant to a contract approved by the Public Utilities Commission in accordance with the biomass mandate imposed under section 216B.2424.

Construction of the facility must be commenced after January 1, 2000, and before December 31, 2005. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

Subd. 52. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility of more than 40 megawatts and less than 50 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize natural gas as a primary fuel;
- (2) be located within two miles of parallel existing 36-inch natural gas pipelines and an existing 115-kilovolt high-voltage electric transmission line;
- (3) be designed to provide peaking, emergency backup, or contingency services; and
- (4) satisfy a resource deficiency identified in an approved integrated resource plan filed under section 216B.2422.

Construction of the facility must be commenced after January 1, 2001, and before January 1, 2005. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Subd. 54. **Small biomass electric generation facility; personal property.** (a) Subject to paragraph (b), notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electrical generating facility that meets the requirements of this subdivision is exempt. At the time of construction the facility must:

- (1) have a generation capacity of less than 25 megawatts;
- (2) provide process heating needs in addition to electrical generation; and
- (3) utilize agricultural by-products from the malting process and other biomass fuels as its primary fuel source.

Construction of the facility must be commenced after January 1, 2002, and before January 1, 2008. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or facility.

(b) The exemption under this subdivision is contingent on approval by the governing bodies of the municipality and county in which the electric generation facility is located.

Subd. 55. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an electric generating facility that meets the requirements of this subdivision is exempt. At the time of construction, the facility must (i) be eligible to be designated as an innovative energy project under section 216B.1694, except that, notwithstanding anything to the contrary in section 216B.1694, a project may include gas-fired generating facilities that are adaptable for subsequent incorporation into a facility that uses coal as a primary fuel, provided that this exception applies only to the eligibility for exemption under this section, (ii) be within a tax relief area as defined in section 273.134, (iii) have access to existing railroad infrastructure within less than three miles, (iv) have received by resolution approval from the governing body of the county and township or city in which the proposed facility is to be located for the exemption of personal property under this subdivision, and (v) be designed to host at least 500 megawatts of electrical generation.

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Construction of the first 100 megawatts of the facility must be commenced after January 1, 2006, and before January 1, 2012. Construction of up to an additional 750 megawatts of generation must be commenced before January 1, 2015. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility. To qualify for an exemption under this subdivision, the owner of the electric generation facility must have an agreement with the host county, township or city, and school district, for payment in lieu of personal property taxes to the host county, township or city, and school district.

Subd. 56. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a combined-cycle combustion-turbine electric generation facility that exceeds 300 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) not be owned by a public utility as defined in section 216B.02, subdivision 4;
- (3) be located within five miles of an existing natural gas pipeline and within four miles of an existing electrical transmission substation;
- (4) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and
- (5) be designed to provide energy and ancillary services and have received a certificate of need under section 216B.243.

(b) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2007, except that property eligible for this exemption includes any expansion of the facility that also meets the requirements of paragraph (a), clauses (1) to (5), without regard to the date that construction of the expansion commences. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Subd. 68. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 290 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) not be owned by a public utility as defined in section 216B.02, subdivision 4;
- (3) be located within 15 miles of an existing natural gas pipeline and within five miles of an existing electrical transmission substation;
- (4) be located outside the metropolitan area as defined under section 473.121, subdivision 2;
- (5) be designed to provide peaking capacity energy and ancillary services and have satisfied all of the requirements under section 216B.243; and

(6) have received, by resolution, the approval from the governing body of the county, city, and school district in which the proposed facility is to be located for the exemption of personal property under this subdivision.

(b) Construction of the facility must be commenced after January 1, 2005, and before January 1, 2009. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Subd. 69. **Electric generation facility personal property.** (a) Notwithstanding subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other personal property which is part of an electric generation facility that exceeds 150 megawatts of installed capacity and meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) be owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;
- (3) have received the certificate of need under section 216B.243;
- (4) be located outside the metropolitan area as defined under section 473.121, subdivision 2; and
- (5) be designed to be a combined-cycle facility, although initially the facility will be operated as a simple-cycle combustion turbine.

(b) To qualify under this subdivision, an agreement must be negotiated between the municipal power agency and the host city, for a payment in lieu of property taxes to the host city.



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(c) Construction of the facility must be commenced after January 1, 2004, and before January 1, 2006. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Subd. 70. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of an existing simple-cycle, combustion-turbine electric generation facility that exceeds 300 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of the construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) be owned by a public utility as defined in section 216B.02, subdivision 4, and be located at or interconnected with an existing generating plant of the utility;
- (3) be designed to provide peaking, emergency backup, or contingency services;
- (4) satisfy a resource need identified in an approved integrated resource plan filed under section 216B.2422; and
- (5) have received, by resolution, the approval from the governing body of the county and the city for the exemption of personal property under this subdivision.

Construction of the facility expansion must be commenced after January 1, 2004, and before January 1, 2005. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Subd. 71. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 150 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize natural gas as a primary fuel;
- (2) be owned by an electric generation and transmission cooperative;
- (3) be located within five miles of parallel existing 12-inch and 16-inch natural gas pipelines and a 69-kilovolt high-voltage electric transmission line;
- (4) be designed to provide peaking, emergency backup, or contingency services;
- (5) have received a certificate of need under section 216B.243 demonstrating demand for its capacity; and
- (6) have received by resolution the approval from the governing body of the county and township in which the proposed facility is to be located for the exemption of personal property under this subdivision.

(b) Construction of the facility must be commenced after July 1, 2005, and before January 1, 2009. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Subd. 84. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property which is part of a 10.3 megawatt run-of-the-river hydroelectric generation facility and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize between 12 and 16 turbine generators at a dam site existing on March 31, 1994;
- (2) be located on land within 3,000 feet of a 13.8 kilovolt distribution substation; and
- (3) be eligible to receive a renewable energy production incentive payment under section 216C.41.

Construction of the facility must be commenced after April 30, 2006, and before January 1, 2011. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Subd. 89. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, paragraph (a), attached machinery and other personal property which is part of a simple-cycle combustion-turbine electric generation facility that exceeds 150 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize natural gas as a primary fuel;
- (2) be owned by an electric generation and transmission cooperative;
- (3) be located within one mile of an existing 16-inch natural gas pipeline and a 69-kilovolt and a 230-kilovolt high-voltage electric transmission line;
- (4) be designed to provide peaking, emergency backup, or contingency services;
- (5) have received a certificate of need under section 216B.243 demonstrating demand for its capacity; and

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(6) have received by resolution the approval from the governing bodies of the county and the city in which the proposed facility is to be located for the exemption of personal property under this subdivision.

(b) Construction of the facility must be commenced after January 1, 2008, and before January 1, 2012. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

Subd. 92. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), attached machinery and other personal property that is part of an electric generation facility that exceeds 150 megawatts of installed capacity, does not exceed 780 megawatts of summer capacity, and meets the requirements of this subdivision is exempt. At the start of construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) be owned by an entity other than a public utility as defined in section 216B.02, subdivision 4;
- (3) be located within five miles of two or more interstate natural gas pipelines;
- (4) be located within one mile of an existing electrical transmission substation with operating alternating current voltages of 115 kV, 345 kV, and 500 kV;
- (5) be designed to provide electrical capacity, energy, and ancillary services;
- (6) have satisfied all of the requirements under section 216B.243;
- (7) have executed an interconnection agreement with the Midwest Independent System Operator that does not require the acquisition of more than one mile of new electric transmission right-of-way within the county where the facility is located, and does not provide for any other new routes or corridors for future electric transmission lines in the county where the facility is located;
- (8) be located in a county with an essential services and transmission services ordinance;
- (9) have signed a development agreement with the county board in the county in which the facility is located. The development agreement must be adopted by a two-thirds vote of the county board, and must contain provisions ensuring:
  - (i) the facility is designed to use effluent from a wastewater treatment facility as its preferred water source if it includes any combined-cycle units, and will not seek an exemption from legislative approval under section 103G.265, subdivision 3, paragraph (b); and
  - (ii) all processed wastewater discharge will be colocated with the outfall of a wastewater treatment facility;
- (10) have signed a development agreement with the township board in the township in which the facility is located containing provisions ensuring that noise and visual impacts of the facility are mitigated. The development agreement must be adopted by a two-thirds vote of the township board; and
- (11) have an agreement with the host county, township, and school district for payment in lieu of personal property taxes to the host county, township, and school district for a total amount not to exceed \$600,000 per year for the operating life of the facility. Any amount distributed to the school district is not subject to the deductions under section 126C.21.

(b) Construction of the facility must begin after March 1, 2010, and before March 1, 2014. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the facility.

Subd. 93. **Electric generation facility; personal property.** Notwithstanding subdivision 9, clause (a), attached machinery and other personal property that is part of a simple-cycle electric generation facility of more than 40 megawatts and less than 125 megawatts of installed capacity and that meets the requirements of this subdivision is exempt. At the time of construction, the facility must:

- (1) utilize natural gas as a primary fuel;
- (2) be located within two miles of parallel existing 36-inch natural gas pipelines and an existing 115-kilovolt high-voltage electric transmission line;
- (3) be designed to provide peaking, emergency backup, or contingency services;
- (4) satisfy a resource deficiency identified in an approved integrated resource plan filed under section 216B.2422; and
- (5) have an agreement with the host county, township, and school district for payment in lieu of personal property taxes to the host county, township, and school district for the operating life of the facility. Any amount distributed to the school district is not subject to the deductions under section 126C.21.

Construction of the facility must be commenced after January 1, 2015, and before January 1, 2019. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

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Subd. 96. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other personal property that is part of a multiple reciprocating engine electric generation facility that adds more than 20 and less than 30 megawatts of installed capacity at a site where there is presently more than ten megawatts and fewer than 15 megawatts of installed capacity and that meets the requirements of this subdivision is exempt from taxation and from payments in lieu of taxation. At the time of construction, the facility must:

- (1) be designed to utilize natural gas as a primary fuel;
- (2) be owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;
- (3) be located within one mile of an existing natural gas pipeline;
- (4) be designed to have black start capability and to furnish emergency backup power service to the city in which it is located;
- (5) satisfy a resource deficiency identified in an approved integrated resource plan filed under section 216B.2422; and
- (6) have received, by resolution, the approval of the governing bodies of the city and county in which it is located for the exemption of personal property provided by this subdivision.

(b) Construction of the facility must be commenced after December 31, 2011, and before January 1, 2015. Property eligible for this exemption does not include (i) electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility; or (ii) property located on the site on July 20, 2011.

Subd. 99. **Electric generation facility; personal property.** (a) Notwithstanding subdivision 9, clause (a), and section 453.54, subdivision 20, attached machinery and other personal property which is part of an electric generation facility that exceeds five megawatts of installed capacity and meets the requirements of this subdivision is exempt. At the time of construction, the facility must be:

- (1) designed to utilize natural gas as a primary fuel;
- (2) owned and operated by a municipal power agency as defined in section 453.52, subdivision 8;
- (3) designed to utilize reciprocating engines paired with generators to produce electrical power;
- (4) located within the service territory of a municipal power agency's electrical municipal utility that serves load exclusively in a metropolitan county as defined in section 473.121, subdivision 4; and
- (5) designed to connect directly with a municipality's substation.

(b) Construction of the facility must be commenced after June 1, 2013, and before June 1, 2017. Property eligible for this exemption does not include electric transmission lines and interconnections or gas pipelines and interconnections appurtenant to the property or the facility.

**272.0211 SLIDING SCALE MARKET VALUE EXCLUSION FOR ELECTRIC POWER GENERATION EFFICIENCY.**

Subdivision 1. **Efficiency determination and certification.** An owner or operator of a new or existing electric power generation facility, excluding wind energy conversion systems, may apply to the commissioner of revenue for a market value exclusion on the property as provided for in this section. This exclusion shall apply only to the market value of the equipment of the facility, and shall not apply to the structures and the land upon which the facility is located. The commissioner of revenue shall prescribe the forms and procedures for this application. Upon receiving the application, the commissioner of revenue shall: (1) request the commissioner of commerce to make a determination of the efficiency of the applicant's electric power generation facility; and (2) shall develop an electronic means to notify interested parties when electric power generation facilities have filed an application. The commissioner of commerce shall calculate efficiency as the ratio of useful energy outputs to energy inputs, expressed as a percentage, based on the performance of the facility's equipment during normal full load operation. The commissioner must include in this formula the energy used in any on-site preparation of materials necessary to convert the materials into the fuel used to generate electricity, such as a process to gasify petroleum coke. The commissioner shall use the Higher Heating Value (HHV) for all substances in the commissioner's efficiency calculations, except for wood for fuel in a biomass-eligible project under section 216B.2424; for these instances, the commissioner shall adjust the heating value to allow for energy consumed for evaporation of the moisture in the wood. The applicant shall provide the commissioner of commerce with whatever information the commissioner deems necessary to make the determination. Within 30 days of the receipt

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of the necessary information, the commissioner of commerce shall certify the findings of the efficiency determination to the commissioner of revenue and to the applicant. The commissioner of commerce shall determine the efficiency of the facility and certify the findings of that determination to the commissioner of revenue every two years thereafter from the date of the original certification.

Subd. 2. **Sliding scale exclusion.** Based upon the efficiency determination provided by the commissioner of commerce as described in subdivision 1, the commissioner of revenue shall subtract eight percent of the taxable market value of the qualifying property for each percentage point that the efficiency of the specific facility, as determined by the commissioner of commerce, is above 40 percent. The reduction in taxable market value shall be reflected in the taxable market value of the facility beginning with the assessment year immediately following the determination. The commissioner shall develop an electronic means to notify interested parties of the qualifying facilities and their respective exclusion percentages after the efficiency determination is made by the Department of Commerce. For a facility that is assessed by the county in which the facility is located, the commissioner of revenue shall certify to the assessor of that county the percentage of the taxable market value of the facility to be excluded.

Subd. 3. **Revocation.** (a) The commissioner of revenue shall revoke the market value reduction under this section, if:

(1) the applicant exercises its right under federal law to require an electric utility to purchase power generated by the facility; and

(2) the electric utility notifies the commissioner that the applicant has exercised its right to require purchase of power.

The revocation is effective beginning the first assessment year after notification of the commissioner.

(b) For purposes of this subdivision, the following terms mean:

(1) "Federal law" is the federal Public Utility Regulatory Policies Act, United States Code, title 16, section 824a-3, and regulations promulgated under that section, including Code of Federal Regulations, title 18, sections 929.303 and 929.304.

(2) "Electric utility" means an electric utility as defined in federal law described in clause (1).

Subd. 4. **Eligibility.** An owner or operator of a new or existing electric power generation facility who offers electric power generated by the facility for sale is eligible for an exclusion under this section only if:

(1) the owner or operator has received a certificate of need under section 216B.243, if required under that section;

(2) the public utilities commission finds that an agreement exists or a good faith offer has been made to sell the majority of the net power generated by the facility to an electric utility which has a demonstrated need for the power. A right of first refusal satisfies the good faith offer requirement. The commission shall have 90 days from the date the commission receives notice of the application under subdivision 1 to make this determination;

(3) the electric utility has agreed in advance not to offer the electric power for resale to a retail customer located outside of the utility's assigned service area, or, if the utility is a generation and transmission cooperative electric association, the assigned service area of its members, unless otherwise permitted by law; and

(4) for any facility that was not certified as eligible for an exclusion under subdivision 2 for property taxes payable in 2015, the facility must be converted from coal to an alternative fuel and must have a nameplate capacity prior to conversion of less than 75 megawatts.

For the purposes of this subdivision, "electric utility" means an entity whose primary business function is to operate, maintain, or control equipment or facilities for providing electric service at retail or wholesale, and includes distribution cooperative electric associations, generation and transmission cooperative electric associations, municipal utilities, and public utilities as defined in section 216B.02, subdivision 4.

**272.029 WIND ENERGY PRODUCTION TAX.**

Subdivision 1. **Production tax.** A tax is imposed on the production of electricity from a wind energy conversion system installed after January 1, 1991, and used as an electric power source.

Subd. 2. **Definitions.** (a) For the purposes of this section, the term:

(1) "wind energy conversion system" has the meaning given in section 216C.06, subdivision 19, and also includes a substation that is used and owned by one or more wind energy conversion facilities;

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(2) "large scale wind energy conversion system" means a wind energy conversion system of more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b);

(3) "medium scale wind energy conversion system" means a wind energy conversion system of over two and not more than 12 megawatts, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b); and

(4) "small scale wind energy conversion system" means a wind energy conversion system of two megawatts and under, as measured by the nameplate capacity of the system or as combined with other systems as provided in paragraph (b).

(b) For systems installed and contracted for after January 1, 2002, the total size of a wind energy conversion system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of one wind energy conversion system shall be combined with the nameplate capacity of any other wind energy conversion system that is:

(1) located within five miles of the wind energy conversion system;

(2) constructed within the same calendar year as the wind energy conversion system; and

(3) under common ownership.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system, and shall draw all reasonable inferences in favor of combining the systems.

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two wind energy conversion systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Wind energy conversion systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

Subd. 3. **Rate of tax.** (a) The owner of a wind energy conversion system shall pay a tax based on the following schedule:

(1) for a large scale wind energy conversion system, .12 cents per kilowatt-hour of electricity produced by the system;

(2) for a medium scale wind energy conversion system, .036 cents per kilowatt-hour of electricity produced by the system; and

(3) for a small scale wind energy conversion system of two megawatts or less, but greater than .25 megawatts capacity, .012 cents per kilowatt-hour of electricity produced by the system.

(b) Small scale wind energy conversion systems with the capacity of .25 megawatts or less, and small scale wind energy conversion systems with a capacity of two megawatts or less that are owned by a political subdivision, are exempt from the wind energy production tax.

Subd. 4. **Reports.** (a) An owner of a wind energy conversion system subject to tax under subdivision 3 shall file a report with the commissioner of revenue annually on or before February 1 detailing the amount of electricity in kilowatt-hours that was produced by the wind energy conversion system for the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a wind energy conversion system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 60 percent.

(b) On or before February 28, the commissioner of revenue shall notify the owner of the wind energy conversion systems of the tax due to each county for the current year and shall certify to the county auditor of each county in which the systems are located the tax due from each owner for the current year.

Subd. 4a. **Correction of errors.** If the commissioner of revenue determines that the amount of production tax has been erroneously calculated, the commissioner may correct the error. The commissioner must notify the owner of the wind energy conversion system of the correction and the amount of tax due to each county and must certify the correction to the county auditor of each county in which the system is located on or before April 1 of the current year. The commissioner may correct errors that are merely clerical in nature until December 31.

Subd. 5. **Payment of tax; collection.** The amount of production tax determined under subdivision 4 must be paid to the county treasurer at the time and in the manner provided for payment of property taxes under section 277.01, subdivision 3, and, if unpaid, is subject to the same enforcement, collection, and interest and penalties as delinquent personal property taxes. Except to the extent inconsistent with this section, the provisions of sections 277.01 to 277.24 and 278.01 to 278.13 apply to the taxes imposed under this section, and for purposes of those provisions, the taxes imposed under this section are considered personal property taxes.

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Subd. 6. **Distribution of revenues.** Revenues from the taxes imposed under subdivision 5 must be part of the settlement between the county treasurer and the county auditor under section 276.09. The revenue must be distributed by the county auditor or the county treasurer to local taxing jurisdictions in which the wind energy conversion system is located as follows: 80 percent to counties and 20 percent to cities and townships.

Subd. 6a. **Report to commissioner of education.** The county auditor, on the first Wednesday after such settlement, shall report to the commissioner the amount distributed to each school district under subdivision 6.

Subd. 7. **Exemption.** The tax imposed under this section does not apply to electricity produced by wind energy conversion systems located in a job opportunity building zone for the duration of the zone. The exemption applies beginning for the first calendar year after designation of the zone and applies to each calendar year that begins during the designation of the zone. The exemption only applies if the owner of the system is a qualified business under section 469.310, subdivision 11, who has entered into a business subsidy agreement that covers the land on which the system is situated.

### **272.0295 SOLAR ENERGY PRODUCTION TAX.**

Subdivision 1. **Production tax.** A tax is imposed on the production of electricity from a solar energy generating system used as an electric power source.

Subd. 2. **Definitions.** (a) For the purposes of this section, the term "solar energy generating system" means a set of devices whose primary purpose is to produce electricity by means of any combination of collecting, transferring, or converting solar generated energy.

(b) The total size of a solar energy generating system under this subdivision shall be determined according to this paragraph. Unless the systems are interconnected with different distribution systems, the nameplate capacity of a solar energy generating system shall be combined with the nameplate capacity of any other solar energy generating system that:

(1) is constructed within the same 12-month period as the solar energy generating system; and

(2) exhibits characteristics of being a single development, including but not limited to ownership structure, an umbrella sales arrangement, shared interconnection, revenue-sharing arrangements, and common debt or equity financing.

In the case of a dispute, the commissioner of commerce shall determine the total size of the system and shall draw all reasonable inferences in favor of combining the systems.

(c) In making a determination under paragraph (b), the commissioner of commerce may determine that two solar energy generating systems are under common ownership when the underlying ownership structure contains similar persons or entities, even if the ownership shares differ between the two systems. Solar energy generating systems are not under common ownership solely because the same person or entity provided equity financing for the systems.

Subd. 3. **Rate of tax.** (a) For a solar energy generating system with a capacity exceeding one megawatt alternating current, the tax is \$1.20 per megawatt-hour.

(b) A solar energy generating system with a capacity of one megawatt alternating current or less is exempt from the tax imposed under this section.

Subd. 4. **Reports.** An owner of a solar energy generating system subject to tax under this section shall file a report with the commissioner of revenue annually on or before January 15 detailing the amount of electricity in megawatt-hours that was produced by the system in the previous calendar year. The commissioner shall prescribe the form of the report. The report must contain the information required by the commissioner to determine the tax due to each county under this section for the current year. If an owner of a solar energy generating system subject to taxation under this section fails to file the report by the due date, the commissioner of revenue shall determine the tax based upon the nameplate capacity of the system multiplied by a capacity factor of 30 percent.

Subd. 5. **Notification of tax.** (a) On or before February 28, the commissioner of revenue shall notify the owner of each solar energy generating system of the tax due to each county for the current year and shall certify to the county auditor of each county in which the system is located the tax due from each owner for the current year.

(b) If the commissioner of revenue determines that the amount of production tax has been erroneously calculated, the commissioner may correct the error. The commissioner must notify the owner of the solar energy generating system of the correction and the amount of tax due to each county and must certify the correction to the county auditor of each county in which the system is located on or before April 1 of the current year.

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Repealed Minnesota Statutes: 15-3524

Subd. 6. **Payment of tax; collection.** The amount of production tax determined under subdivision 5 must be paid to the county treasurer at the time and in the manner provided for payment of property taxes under section 277.01, subdivision 3, and, if unpaid, is subject to the same enforcement, collection, and interest and penalties as delinquent personal property taxes. Except to the extent inconsistent with this section, the provisions of sections 277.01 to 277.24 and 278.01 to 278.14 apply to the taxes imposed under this section, and for purposes of those provisions, the taxes imposed under this section are considered personal property taxes.

Subd. 7. **Distribution of revenues.** Revenues from the taxes imposed under this section must be part of the settlement between the county treasurer and the county auditor under section 276.09. The revenue must be distributed by the county auditor or the county treasurer to local taxing jurisdictions in which the solar energy generating system is located as follows: 80 percent to counties and 20 percent to cities and townships.