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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-THIRD SESSION

H. F. No. 1427

02/08/2023 Authored by Hill, Lislegard, Mekeland, Davis and Backer The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; establishing electric generation transition aid to local
1.3 governments; appropriating money; amending Minnesota Statutes 2022, section
1.4 273.1392; proposing coding for new law in Minnesota Statutes, chapter 477A.

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

1.6 Section 1. Minnesota Statutes 2022, section 273.1392, is amended to read:

1.7 273.1392 PAYMENT; SCHOOL DISTRICTS.

1.8 The amounts of bovine tuberculosis credit reimbursements under section 273.113;
1.9 conservation tax credits under section 273.119; disaster or emergency reimbursement under
1.10 sections 273.1231 to 273.1235; agricultural credits under sections 273.1384 and 273.1387;
1.11 aids and credits under section 273.1398; enterprise zone property credit payments under
1.12 section 469.171; and metropolitan agricultural preserve reduction under section 473H.10;
1.13 and electric generation transition aid under section 477A.23 for school districts, shall be
1.14 certified to the Department of Education by the Department of Revenue. The amounts so
1.15 certified shall be paid according to section 127A.45, subdivisions 9, 10, and 13.

1.16 EFFECTIVE DATE. This section is effective July 1, 2024.

1.17 Sec. 2. [477A.23] ELECTRIC GENERATION TRANSITION AID.

1.18 Subdivision 1. Definitions. (a) For purposes of this section, the following terms have
1.19 the meanings given.

1.20 (b) "Electric generating unit" means a single generating unit at an electric generating
1.21 plant powered by coal, nuclear, or natural gas.

2.1 (c) "Electric generation property" means taxable property of an electric generating plant
2.2 owned by a public utility, as defined in section 216B.02, subdivision 4, that is powered by
2.3 coal, nuclear, or natural gas and located in an eligible taxing jurisdiction.

2.4 (d) "Eligible taxing jurisdiction" means a county, home rule charter or statutory city,
2.5 town, or school district.

2.6 (e) "Unit base year" means the assessment year in which the assessed value of electric
2.7 generation property is reduced due to the retirement of the electric generating unit.

2.8 (f) "Unit differential" means (1) the tax capacity of electric generation property in the
2.9 assessment year preceding the unit base year, minus (2) the tax capacity of electric generation
2.10 property in the unit base year. The unit differential may not be less than zero. The unit
2.11 differential equals zero if the tax capacity of electric generation property in the eligible
2.12 taxing jurisdiction in the assessment year preceding the unit base year is less than four
2.13 percent of the total net tax capacity of the eligible taxing jurisdiction in the assessment year
2.14 preceding the aid calculation year, as adjusted under section 473F.08, subdivision 2, or
2.15 276A.06, subdivision 2, as applicable, except that, in an eligible taxing jurisdiction with
2.16 multiple electric generating units, only the unit differential calculated upon the first retirement
2.17 of an electric generating unit in that jurisdiction following the effective date of this section
2.18 is subject to the reduction under this sentence.

2.19 Subd. 2. **Required notification.** Notwithstanding the requirements of Minnesota Rules,
2.20 chapter 8100, a public utility must notify the commissioner when the public utility expects
2.21 to retire an electric generating unit and remove that unit from the property tax base. The
2.22 notification must be in the form and manner determined by the commissioner, include
2.23 information required by the commissioner to calculate transition aid under this section, and
2.24 be filed together with the reports required under section 273.371.

2.25 Subd. 3. **Unit transition amount.** (a) The initial unit transition amount equals the product
2.26 of (1) the unit differential, times (2) the jurisdiction's tax rate for taxes payable in the unit
2.27 base year.

2.28 (b) The unit transition amount for the year following the unit base year, or in the year
2.29 as provided under subdivision 6, equals the initial unit transition amount. Unit transition
2.30 amounts in subsequent years must be reduced each year by an amount equal to five percent
2.31 of the initial unit transition amount. If the unit transition amount attributable to any unit is
2.32 less than \$5,000 in any year, the unit transition amount for that unit equals zero.

2.33 Subd. 4. **Electric generation transition aid.** Electric generation transition aid for an
2.34 eligible taxing jurisdiction equals the sum of the unit transition amounts for that jurisdiction.

3.1 Subd. 5. **Aid elimination.** (a) Notwithstanding subdivision 4, beginning for aid in the
3.2 year after the year in which the jurisdiction first qualified for aid, aid for an eligible taxing
3.3 jurisdiction equals zero if the commissioner determines that the eligible taxing jurisdiction's
3.4 total net tax capacity in the assessment year preceding the aid calculation year is greater
3.5 than the product of:

3.6 (1) 90 percent of the jurisdiction's total net tax capacity in the assessment year preceding
3.7 the aid calculation year in which the jurisdiction first qualified for aid under this section;
3.8 times

3.9 (2) the greater of one or the ratio of (i) the statewide total net tax capacity of real and
3.10 personal property in the assessment year preceding the aid calculation year to (ii) the
3.11 statewide total net tax capacity of real and personal property in the assessment year preceding
3.12 the aid calculation year in which the jurisdiction first qualified for aid under this section.

3.13 (b) For the purposes of this subdivision, "net tax capacity" means net tax capacity as
3.14 adjusted under section 473F.08, subdivision 2, or 276A.06, subdivision 2, as applicable.

3.15 (c) If aid to a jurisdiction attributable to a previous unit retirement has been eliminated
3.16 under this subdivision, the jurisdiction may qualify for aid under this section for subsequent
3.17 unit retirements.

3.18 (d) The requirements of this subdivision do not apply to the aid attributable to prior unit
3.19 retirements qualifying under subdivision 7.

3.20 Subd. 6. **Commissioner's duties; payment schedule.** (a) The commissioner of revenue
3.21 shall compute the amount of electric generation transition aid payable to each jurisdiction
3.22 under this section. On or before August 1 of each year, the commissioner shall certify the
3.23 amount of aid computed for aids payable in the following year for each jurisdiction. The
3.24 commissioner shall pay aid to each jurisdiction other than school districts annually at the
3.25 times provided in section 477A.015. Aids to school districts must be certified to the
3.26 commissioner of education and paid under section 273.1392.

3.27 (b) The commissioner of revenue may require counties to provide any data that the
3.28 commissioner deems necessary to administer this section.

3.29 Subd. 7. **Aid for prior unit retirements.** An electric generating unit with a unit base
3.30 year after 2016 but before 2023 must be counted for the purpose of calculating aid under
3.31 this section. For a unit eligible to be counted under this subdivision and for the purpose of
3.32 the schedule of amounts under subdivision 3, paragraph (b), the unit base year is 2023.

4.1 Subd. 8. **Appropriation.** An amount sufficient to make the aid payments required by
4.2 this section to eligible taxing jurisdictions other than school districts is annually appropriated
4.3 from the general fund to the commissioner of revenue. An amount sufficient to make the
4.4 aid payments required by this section for school districts is annually appropriated from the
4.5 general fund to the commissioner of education.

4.6 **EFFECTIVE DATE.** This section is effective for aids payable in 2024 and thereafter.