

SENATE  
STATE OF MINNESOTA  
EIGHTY-EIGHTH SESSION

S.F. No. 1724

(SENATE AUTHORS: SAXHAUG and Schmit)

DATE	D-PG	OFFICIAL STATUS
02/25/2014	5816	Introduction and first reading Referred to Taxes

1.1

A bill for an act

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relating to taxation; property; requiring the commissioner of revenue to notify

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cities and counties of pending pollution control exemption and sliding scale

1.4

market value exclusion applications; amending Minnesota Statutes 2012,

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sections 272.02, subdivision 10; 272.0211, subdivisions 1, 2.

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

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Section 1. Minnesota Statutes 2012, section 272.02, subdivision 10, is amended to read:

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Subd. 10. **Personal property used for pollution control.** Personal property used

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primarily for the abatement and control of air, water, or land pollution is exempt to the

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extent that it is so used, and real property is exempt if it is used primarily for abatement

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and control of air, water, or land pollution as part of an agricultural operation, as a part

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of a centralized treatment and recovery facility operating under a permit issued by the

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Minnesota Pollution Control Agency pursuant to chapters 115 and 116 and Minnesota

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Rules, parts 7001.0500 to 7001.0730, and 7045.0020 to 7045.1260, as a wastewater

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treatment facility and for the treatment, recovery, and stabilization of metals, oils,

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chemicals, water, sludges, or inorganic materials from hazardous industrial wastes, or as

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part of an electric generation system. For purposes of this subdivision, personal property

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includes ponderous machinery and equipment used in a business or production activity

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that at common law is considered real property.

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Any taxpayer requesting exemption of all or a portion of any real property or any

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equipment or device, or part thereof, operated primarily for the control or abatement of air,

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water, or land pollution shall file an application with the commissioner of revenue. Within

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30 days of receipt of an application, the commissioner shall notify the county assessor

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and city clerk of the jurisdictions that host the electric generation facility that a pollution

control exemption was requested. 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 and shall provide notification of the order to the county assessor and city clerk of the jurisdictions that host the electric generation facility. 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.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

Sec. 2. Minnesota Statutes 2012, section 272.0211, subdivision 1, is amended to read:

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) within 30 days, notify the county assessor and city clerk of the jurisdictions that host the electric generation facility that an application for an exclusion is being processed. 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

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.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.

Sec. 3. Minnesota Statutes 2012, section 272.0211, subdivision 2, is amended to read:

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. For a facility that is assessed by the county in which the facility is located, the commissioner of revenue shall certify within 30 days of determination to the assessor of that county and the city clerk of the host city the percentage of the taxable market value of the facility to be excluded.

**EFFECTIVE DATE.** This section is effective beginning with assessment year 2014.