

**PROPERTY TAX
Solar generating system real
property classification
provisions modified**

March 17, 2022

	Yes	No
DOR Administrative Costs/Savings		X

Department of Revenue
Analysis of H.F. 2181 (Anderson) as proposed to be amended by H2181A1

Fund Impact

	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
Property Tax Refund Interactions	\$0	\$0	negligible	negligible

Effective beginning with property taxes payable in 2023.

EXPLANATION OF THE BILL

Solar energy generating systems with a capacity greater than one megawatt alternating current are subject to the solar energy production tax. For the purposes of determining the production tax, system capacities are combined if the systems:

- 1) were constructed within the same 12-month period, and
- 2) exhibit characteristics of being a single development.

Under current law, if a solar energy generating system is used primarily for solar energy production subject to the solar energy production tax, then the real property underlying the system is classified as class 3a. However, if a solar energy generating system has a capacity of one megawatt or less, then the underlying real property is classified without regard to the system.

Under the proposal, if real property contains two or more solar energy generating systems that cannot be combined for the purposes of the production tax, then the real property upon which the systems are located must be classified as class 3a.

REVENUE ANALYSIS DETAIL

- It is assumed that “property” refers to land containing two or more solar energy generating systems constructed as part of a single project or belonging to a single owner, but deemed as not meeting the requirements for the solar energy production tax.
- Under this assumption, it is estimated that approximately 150 solar energy generating systems would be located on land subject to reclassification under the proposal.
- Reclassifying the underlying land to class 3a would shift an estimated \$40,000 in property tax onto the impacted parcels and away from other property, including homesteads, decreasing homeowner property tax refunds by less than \$5,000 in FY 2024.
- Tax year impact is allocated to the following fiscal year.
- The estimate is based on the 2022 February Forecast.

PROPERTY TAX BENCHMARKS (Minn. Stat. § 270C.991)

<i>Transparency, Understandability, Simplicity & Accountability</i>	Decrease	It is not clear how to determine “property” containing two or more solar energy generating systems.
<i>Efficiency & Compliance</i>	Neutral	
<i>Equity (Vertical & Horizontal)</i>	Neutral	
<i>Stability & Predictability</i>	Neutral	
<i>Competitiveness for Businesses</i>	Neutral	
<i>Responsiveness to Economic Conditions</i>	Neutral	

The bill is scored on a three-point scale (decrease, neutral, increase) for each principle in comparison to current law.

Source: Minnesota Department of Revenue
Property Tax Division – Research Unit
<https://www.revenue.state.mn.us/revenue-analyses>

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