

**PROPERTY TAX
Electric Generation
Transition Aid Established**

February 7, 2023

Department of Revenue
Analysis of S.F. 897 (Housley) / H.F. 1061 (Hill) as introduced

	Yes	No
DOR Administrative Costs/Savings	X	

Fund Impact

	<u>F.Y. 2024</u>	<u>F.Y. 2025</u>	<u>F.Y. 2026</u>	<u>F.Y. 2027</u>
	(000's)			
Electric Generation Transition Aid	\$0	\$0	\$0	\$0
Property Tax Refund Interactions	\$0	\$0	\$0	\$0
Income Tax Interactions	\$0	\$0	\$0	\$0
General Fund Total	\$0	\$0	\$0	\$0

Effective beginning for aids payable 2024.

EXPLANATION OF THE BILL

As currently drafted, there are several unspecified blanks in the bill.

The bill would create an electric generation transition aid and modify the local government aid (LGA) formula for cities meeting the following criteria for eligibility:

- Located in the seven-county metropolitan area.
- Have a coal energy producing facility.
- The net tax capacity (NTC) of the coal generation property in assessment 2022 equaled at least an unspecified percentage of the total NTC of the city.
- The NTC reduction of the coal generation property from one year exceeds an unspecified percentage of the total NTC of the city.

A city meeting these qualifications would receive electric generation transition aid for three years. The aid each year would be equal to an unspecified percentage of the city's NTC change times the city tax rate. In the third year an eligible city would have its LGA adjusted to either an unspecified percentage of its unmet need or \$1 million if either amount is greater than its current formula aid.

REVENUE ANALYSIS DETAIL

- The only city assumed to qualify for this aid would be Oak Park Heights. The Allen King plant in Oak Park Heights is scheduled to be retired in 2028.
- The first year of potential aid is assumed to be 2030, which would increase costs to the state general fund beginning in FY 2031. The estimated amount of aid is unknown due to unspecified percentages in the bill. It is assumed the aid would decrease property tax levies, which would reduce property tax refunds and income tax deductions. These decreases would reduce the cost to the general fund.
- Because total Local Government Aid is set to a fixed appropriation level, there would be no state cost associated with the changes in the LGA formula. However, the changes may shift aid to Oak Park Heights and away from other cities.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral
<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>

sf0897(hf1061) Electric Generation Transition Aid_pt_1/css