

**PROPERTY TAX  
Energy storage systems  
property tax exemption**

February 7, 2023

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	X	

Department of Revenue  
Analysis of H.F. 0178 (Stephenson) as proposed to be amended by H0178DE2

	<b>Fund Impact</b>			
	<b>F.Y. 2024</b>	<b>F.Y. 2025</b>	<b>F.Y. 2026</b>	<b>F.Y. 2027</b>
	(000's)			
Property Tax Refund Interaction	\$0	\$0	(\$20)	(\$20)

Effective beginning with assessment year 2024.

**EXPLANATION OF THE BILL**

The proposal would create a property tax exemption for personal property consisting of an energy storage system. (An energy storage system is a commercially available technology that uses mechanical, chemical, or thermal processes to store energy.) An exemption application must be filed with the Department of Revenue by February 15 of each assessment year.

**REVENUE ANALYSIS DETAIL**

- The primary beneficiary of the exemption would be Connexus Energy, with two large battery storage systems: a 6MW site in Anoka County and a 9MW site in Isanti County.
- There may be other smaller energy storage systems that would also qualify for the exemption.
- For taxes payable in 2025 and thereafter, the exemption would shift property taxes away from the exempted energy storage systems and onto all other properties, including homesteads.
- The additional property tax burden on homesteads caused by the exemption would increase state-paid homeowner refunds by approximately \$20,000 beginning in fiscal year 2026.
- The exemption from the commercial-industrial state general tax would have no impact on state revenues in payable year 2025 and thereafter, because the tax rate would be adjusted to yield the amount of revenue required by statute.
- Tax year impact is allocated to the following fiscal year.

Number of Taxpayers: Assumed to be fewer than ten.

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

<i>Transparency, Understandability, Simplicity &amp; Accountability</i>	Neutral	Decrease – An additional type of exemption. Increase – Clarifies the tax treatment of this new technology.
<i>Efficiency &amp; Compliance</i>	Neutral	
<i>Equity (Vertical &amp; Horizontal)</i>	Neutral	
<i>Stability &amp; 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>

RevAn 23 Template/jtb