

**PROPERTY TAX
Cooperative Utility Distribution
Lines Definition Modified**

February 28, 2024

Department of Revenue

Analysis of H.F. 1171 (Brand) as proposed to be amended by H1171DE1

	Yes	No
DOR Administrative Costs/Savings		X

Fund Impact

	F.Y. 2024	F.Y. 2025	F.Y. 2026	F.Y. 2027
	(000's)			
General Fund	\$0	\$0	(\$30)	(\$30)

Effective beginning with assessment year 2024.

EXPLANATION OF THE BILL

Under current law, electric cooperative associations pay a tax of \$10 for each 100 members in lieu of all personal property taxes on “distribution lines and the attachments and appurtenances thereto of such associations” located in rural areas.

Under the proposal, "distribution lines and the attachments and appurtenances thereto of such associations" would be replaced with “that part of the association’s distribution system, not including substations, or transmission or generation equipment...”

REVENUE ANALYSIS DETAIL

- The \$10-per-100-members tax is already being paid by electric cooperative associations, meaning the proposal would, in effect, create an exemption for the newly eligible personal property.
- Under the proposal, metering equipment, installations on customers’ premises, and streetlighting equipment would be eligible for exemption from property taxes.
- For taxes payable in 2025, the exemption would shift an estimated \$560,000 in property taxes away from electric cooperative personal property and onto all other property, including homesteads, increasing state-paid homeowner property tax refunds by \$30,000 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.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Increase	Clarifies the taxation of utility property.
<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>

hf1171(sf1242) Cooperative Utility Distribution Lines_pt_4/jtb