

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

March 8, 2022

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of S.F. 3467 (Weber) / H.F. 3782 (Stephenson) as introduced

	Fund Impact			
	F.Y. 2022	F.Y. 2023	F.Y. 2024	F.Y. 2025
	(000's)			
Refunds of State General Tax	\$0	(\$90)	\$0	\$0
PTR Interactions	\$0	\$0	(\$20)	(\$20)
General Fund Total	\$0	(\$90)	(\$20)	(\$20)

Effective beginning with assessment year 2022.

EXPLANATION OF THE BILL

The bill 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.) For assessment year 2022, an exemption application must be filed by August 1, 2022.

The bill would also allow taxpayers to request a refund of property taxes paid on energy storage systems for property taxes payable in 2021 and 2022.

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.
- Based on energy storage systems currently in operation, it is estimated that state-paid refunds of state general tax in fiscal year 2023 would be approximately \$90,000.
- For taxes payable in 2023 and thereafter, the exemption would reduce taxable market value, shifting 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 2024.
- The exemption from the commercial-industrial state general tax would have no impact on state revenues in payable year 2023 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.
- Estimates are based on the 2022 February Forecast.

Number of Taxpayers: Assumed to be fewer than ten.

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

<i>Transparency, Understandability, Simplicity & Accountability</i>	Neutral	Decrease – An additional type of exemption. Increase – Clarifies the tax treatment of this new technology.
<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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