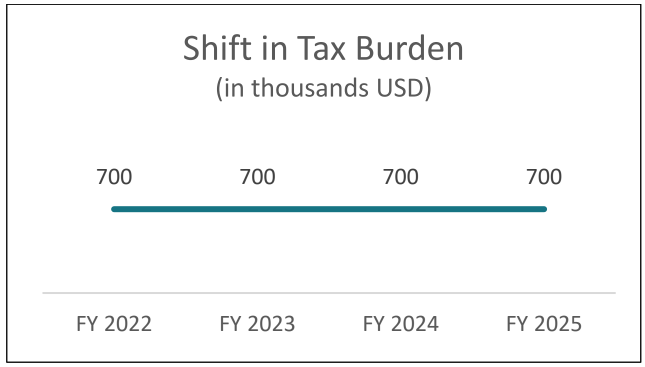
# Power Line Credit

## Tax Expenditure Initial Review – TEB 13.10

### Tax Expenditure Facts

| | |
|---|---|
| Year Enacted | 1979 |
| Statute | Minn. Stat. § 273.42 and 273.425 |
| Tax Type | Property |
| Provision Type | Credit |
| Shift in Tax Burden | $656,358 – Taxes Payable 2024 |
| Claims Estimate | 4,100 parcels – 2021 |
| Expiration Date | None |




### Tax Expenditure Description

The owner of land that is a homestead, agricultural land, residential rental property, or seasonal residential recreational property receives a property tax credit if the property is crossed by an electric transmission line of 200KV or more which was constructed after July 1, 1974. The credit is limited to 20 percent of the gross property tax for the parcel. If the parcel exceeds 40 acres, the maximum credit is 20 percent of a portion of the tax.[i]

### Additional Background Information

The power line credit was one of several legislative responses to landowner and activist groups that opposed the routing and construction of a high-voltage transmission lines through western and central Minnesota during the 1970s.[ii] S.F. 896, enacted during the 1977 legislative session, required utilities to make annual payments to landowners on which high-voltage lines were sited, in addition to any negotiated one-time easement payments. The bill also established several policies and procedures regarding the designation of power line routes and eminent domain proceedings.[iii] In 1979, the annual power line payment was converted to a property tax credit.

To receive the credit, a property must be crossed by a transmission line of 200 kilovolts (kV) or greater that was constructed after July 1, 1974, and be classified as one of the property types specified in M.S. 273.42. Qualifying classes of property include:

- Agricultural and Nonagricultural Homesteads
- Nonhomestead Agricultural Land
- Rental Residential
- Commercial and Noncommercial Seasonal Residential Recreational

The credit is funded by 10 percent of property tax receipts on qualifying high-voltage transmission lines.[iv] In cities or townships, an electric transmission line qualifies if construction commenced after July 1, 1974, and it conducts voltage of 200 kV or greater. In unorganized townships, an electric transmission line qualifies if construction commenced after July 1, 1974, the line is longer than 1,500 feet, and it conducts voltage of 100 kV or greater. Qualifying transmission lines in cities and organized townships are taxed at the local rate where they are located; qualifying lines in unorganized townships are taxed at the countywide average rate.

Tax revenue set aside for the credit is apportioned to qualifying properties based on the length of transmission line that crosses the parcel relative to the total length of transmission line that runs through the city, organized township, or all unorganized townships in the county where the property is located.[v] An example calculation taken from the Minnesota Department of Revenue's *Auditor/Treasurer Manual* is shown below.[vi]

*Table 1: Power Line Credit in an Organized Township*

| Row | Calculation | Values |
|---|---|---|
| 1 | Length of transmission line on the property | 300 ft |
| 2 | Shared right-of-way percent | 100% |
| 3 | Length of transmission line in the township | 12,500 ft |
| 4 | Property's portion of the transmission line [Row 1 x Row 2 / Row 3] | 2.40% |
| 5 | Township's total tax on the transmission line | $30,400 |
| 6 | 10% of tax on the transmission line [Line 5 x 10%] | $3,040 |
| 7 | Power line credit [Line 4 x Line 6] | $73 |

The net tax capacity (NTC) of transmission lines within cities and lines of 69 kV and above in organized townships are subject to the state general property tax, including the NTC used to fund the power line credit.[vii]

The total value of the power line credit for taxes payable in 2024 was $656,358 according to Minnesota Department of Revenue property tax data.[viii] The individual value of the power line credit varies by location and over time depending on local or countywide average tax rates, property classification rates, and market values. For reference, the median credit amount for taxes payable in 2024 was $83.25 while the average credit amount was $159.47. The minimum credit amount was $10.04, and the maximum credit amount was $1,999.36.

Beneficiaries of the power line credit include owners of qualifying property crossed by a qualifying transmission line. The method by which the credit is funded effectively shifts property tax liability from owners of qualifying property to owners of other, non-qualifying property types. Revenues from transmission lines subject to the state general property tax are deposited in the state general fund.

**Proposed Tax Expenditure Objective for Consideration**

The objective of the power line credit is to compensate affected landowners for the negative impacts of having qualifying high-voltage transmission lines on their property.

**Sources**

Recorded legislative history does not directly identify a public policy objective for the power line credit. The objectives identified in this report were inferred from legislator interviews conducted as part of the Minnesota Powerline Oral History Project (referred to here as Powerline Project) and contemporary legislative publications.[ix] Powerline Project interviews were conducted before the credit was enacted in 1979, but after annual payments from utilities to affected landowners were established in 1977. It is assumed the intent of annual payment mandate was similar to the property tax credit that succeeded it. Interviewees discussed the development of the power line siting controversy from 1970 to 1977 and the legislative response including the introduction of annual payments that "hopefully will make living with the line a little easier."[x]

**Potential Metrics and Performance Measures**

A full tax expenditure review may examine:

- The change in credit value over time measured on a statewide per-mile average, sample parcel, or jurisdiction basis, and the relationship between credit value, parcel market value, and total property tax liability
- Complexity and cost of administration compared to credit amounts received and alternative incentive methods
- The value of the credit compared to the reduced income generating potential of affected properties, adjusted for land use
- Recent right-of-way acquisitions and the degree to which the power line credit helped facilitate agreement between the utility and the landowner

**Contact Information and Disclaimer**

This tax expenditure review was prepared by the Legislative Budget Office for the Tax Expenditure Review Commission pursuant to Minnesota Statutes 2023, section 3.8855, subdivision 4.

Notice: Proposed tax expenditure objective statements are not binding authority and should not be used as a legal interpretation of any tax expenditure statute.

For questions regarding this review, please contact the Legislative Budget Office at 651-297-7146 or lbo@lbo.mn.gov.

For more information, please visit the [Tax Expenditure Review Commission website](Tax Expenditure Review Commission website).

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[i] Minnesota Department of Revenue, Tax Research Division, *Tax Expenditure Budget: Fiscal Years 2022-2025* (February 1, 2022), 195. A short Department of Revenue FAQ on the power line credit can be found at https://www.revenue.state.mn.us/sites/default/files/2021-08/Power%20Line%20Credit%20FAQ_1.pdf. A 2015 presentation is also a helpful primer – https://www.revenue.state.mn.us/sites/default/files/2016-10/Power%2520Line%2520Credit.pdf. A property tax primer prepared by the House Research and Fiscal Analysis departments covering general concepts and terminology can be found at: https://www.house.mn.gov/hrd/issinfo/2023PTHandout.pdf.

[ii] For additional historical context, see the research guide created by the Minnesota Historical Society, available at https://libguides.mnhs.org/powerline/primary, including Paul Wellstone and Barry M Casper, *Powerline: The First Battle of America's Energy War* (Amherst: University of Massachusetts Press, 1981) and Edward P. Nelson, Charles L. Anderson, Willard Anderson, et al. *Minnesota Powerline Construction Oral History Project* (St. Paul, Minnesota: Minnesota Historical Society, 1981).

[iii] Laws of Minnesota 1977, Chapter 439, https://www.revisor.mn.gov/laws/1977/0/Session+Law/Chapter/439/pdf/, 1198.

[iv] In cities and organized townships, ten percent of the net tax capacity (NTC) of qualifying transmission lines is excluded (set aside) when determining taxable NTC and initial NTC-based tax rates. The initial rate is applied to both taxable NTC and the excluded ten percent of tax capacity to yield an amount in addition to the local levy amount that is used to pay power line credits. See M.S. 273.425. In unorganized townships, ten percent of county-wide tax receipts on qualifying transmission lines are allocated to a utility property tax credit fund that is used to pay power line credits. See M.S. 273.42, subd. 1. Only qualifying transmission lines constructed after July 1, 1974, are eligible for the credit, corresponding to the date which high-voltage transmission lines became subject to the Minnesota Power Plant Siting Act of 1973. The act included language that prohibits local units of government from using zoning, building, or other land use regulations to block the placement of large electric generating facilities or high-voltage transmission lines. See Laws of Minnesota 1973, Chapter 591, https://www.revisor.mn.gov/laws/1973/0/Session+Law/Chapter/591/pdf/. Transmission lines are considered Class 3 property for purposes of taxation.

[v] Minnesota Department of Revenue, *Auditor/Treasurer Manual* (August 2021), https://www.revenue.state.mn.us/auditor/treasurer-manual, 81, 114, 123, 127-129.

[vi] Ibid, 128.

[vii] Ibid, 117.

[viii] Jurisdiction-level property tax data can be accessed at https://www.revenue.state.mn.us/property-tax-history-data.

[ix] Charles Berg, interview by Edward P. Nelson, *Minnesota Powerline Construction Oral History Project*, https://www.lrl.mn.gov/docs/2012/other/120340.pdf, 36-37; David F. Fjoslien, interview by Edward P. Nelson, *Minnesota Powerline Construction Oral History Project*, https://www.lrl.mn.gov/docs/2012/other/120341.pdf, 38-39. Senate session review, 4; Minnesota Senate Information Office, *Session Review* (June 1977), https://www.lrl.mn.gov/docs/pre2003/other/770492.pdf, 4.

[x] Roger E. Strand, interview by Edward P. Nelson, *Minnesota Powerline Construction Oral History Project*, https://www.lrl.mn.gov/docs/2012/other/120379.pdf, 55-56.