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State of Minnesota
HOUSE OF REPRESENTATIVES

**EIGHTY-SIXTH
SESSION**

HOUSE FILE No. 1574

March 12, 2009

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; increasing the class rate on certain utility properties;
1.3 amending Minnesota Statutes 2008, section 273.13, subdivision 24.

1.4 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:**

1.5 Section 1. Minnesota Statutes 2008, section 273.13, subdivision 24, is amended to read:

1.6 Subd. 24. **Class 3.** (a) Commercial and industrial property and utility real and
1.7 personal property is class 3a.

1.8 (1) Except as otherwise provided, each parcel of commercial, industrial, or utility
1.9 real property has a class rate of 1.5 percent of the first tier of market value, and 2.0 percent
1.10 of the remaining market value. In the case of contiguous parcels of property owned by the
1.11 same person or entity, only the value equal to the first-tier value of the contiguous parcels
1.12 qualifies for the reduced class rate, except that contiguous parcels owned by the same
1.13 person or entity shall be eligible for the first-tier value class rate on each separate business
1.14 operated by the owner of the property, provided the business is housed in a separate
1.15 structure. For the purposes of this subdivision, the first tier means the first \$150,000 of
1.16 market value. Real property owned in fee by a utility for transmission line right-of-way
1.17 shall be classified at the class rate for the higher tier.

1.18 For purposes of this subdivision, parcels are considered to be contiguous even if
1.19 they are separated from each other by a road, street, waterway, or other similar intervening
1.20 type of property. Connections between parcels that consist of power lines or pipelines do
1.21 not cause the parcels to be contiguous. Property owners who have contiguous parcels of
1.22 property that constitute separate businesses that may qualify for the first-tier class rate shall
1.23 notify the assessor by July 1, for treatment beginning in the following taxes payable year.

2.1 (2) ~~All~~ Personal property that is: ~~(i) part of an electric generation, transmission, or~~
 2.2 ~~distribution system; or (ii), including tools, implements, and machinery, has a class rate~~
 2.3 ~~of 2.8 percent.~~

2.4 (3) Personal property that is either: (i) part of a pipeline system transporting
 2.5 or distributing water, gas, crude oil, or petroleum products; and (iii) not described in
 2.6 clause (3), and all, including tools, implements, and machinery; or (ii) part of an electric
 2.7 transmission or distribution system, including tools, implements, and machinery, has a
 2.8 class rate of 2.25 percent.

2.9 (4) Railroad operating property has a class rate as provided under ~~clause~~ paragraph
 2.10 (1) for the first tier of market value and the remaining market value. In the case of multiple
 2.11 parcels in one county that are owned by one person or entity, only one first tier amount
 2.12 is eligible for the reduced rate.

2.13 ~~(3) The entire market value of personal property that is: (i) tools, implements, and~~
 2.14 ~~machinery of an electric generation, transmission, or distribution system; (ii) tools,~~
 2.15 ~~implements, and machinery of a pipeline system transporting or distributing water, gas,~~
 2.16 ~~crude oil, or petroleum products; or (iii) the~~ (5) Personal property consisting of mains
 2.17 and pipes used in the distribution of steam or hot or chilled water for heating or cooling
 2.18 buildings, has a class rate as provided under ~~clause~~ paragraph (1) for the remaining market
 2.19 value in excess of the first tier.

2.20 (b) Employment property defined in section 469.166, during the period provided
 2.21 in section 469.170, shall constitute class 3b. The class rates for class 3b property are
 2.22 determined under paragraph (a).

2.23 **EFFECTIVE DATE.** This section is effective for taxes levied in 2009, payable in
 2.24 2010 and thereafter.