

HOUSE RESEARCH

Bill Summary

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Authors: Olson and others

Subject: Delay of utility assessment rules

Analyst: Karen Baker, 651-296-8959
Steve Hinze, 651-296-8956

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Overview

Proposes to delay the adoption of the Department of Revenue utility valuation rules until the end of the regular legislative session in the calendar year following the adoption of the rules. Effective the day following final enactment.

Section

- 1** **Effective date for new utility rules to take effect.** Prohibits any rules adopted by the commissioner of revenue that govern the method of valuing electric utilities and transmission pipeline utilities from taking effect before the end of the regular legislative session in the calendar year following the adoption of the rules.

Effective the day following final enactment.

Background: As a result of valuation appeals from utilities and tax court cases involving utilities, the Department of Revenue is in the process of updating the administrative rules prescribing the method for the valuation and assessment of utility property. DOR hired an independent consultant to prepare a report on the rules currently being used by the department. DOR staff analyzed the consultant's report, received comments from interested parties regarding the report, and held open forum meetings on the report.

An advisory committee was formed in the fall of 2005 to help DOR develop proposed changes to the rules. The committee consists of seven members representing various types

Section

of utilities, seven members representing counties, and various DOR employees. On May 16, 2006, the DOR is holding a public meeting to release the draft utility rules; it plans to release the final rules sometime in late summer or early fall of 2006. If the final rules are adopted in 2006, this bill will prevent the rules from being implemented until after the 2007 legislative session. The first utility valuations that would reflect the new rules would then be for the 2008 assessment, for property taxes payable in 2009.

It is anticipated that while a few companies may see modest increases in values, most will see decreases, although the magnitude of the decreases is still unknown. The effect is expected to be more significant on electric companies than on pipelines.