
MEMORANDUM

DATE: March 24, 2025

TO: Chair Rest, Lead Weber, and Members of the Senate Tax Committee

FROM: Joseph A. Hoffman, Director of Agency and Government Relations & CEO

RE: Steele Energy Station Personal Property Tax Exemption Request

The Southern Minnesota Municipal Power Agency is seeking a personal property tax exemption for the Steele Energy Station, a new 49 MW power plant to be built in Owatonna.

Background on Personal Property Taxes

In the early 1970s, the State of Minnesota ended collection of personal property taxes on nonutility businesses. However, utilities continue to be taxed on personal property.

The personal property tax exemption for natural gas fired generation equipment is fairly common in Minnesota. Since 2000, the legislature has granted more than 20 personal property tax exemptions for generation projects. The exemption does not apply to the entire value of the facility - only the generating equipment - so land, buildings, other electrical equipment are still added to the local tax base.

Owatonna Energy Station

In 2017, with the support of the City of Owatonna and Steele County, the legislature approved a personal property tax exemption for SMMPA's Owatonna Energy Station (OES). For OES, which began commercial operation in 2018, SMMPA now makes an annual property tax payments of approximately \$66,000 to the City of Owatonna, \$51,000 to Steele County, and \$40,000 to the Owatonna Public Schools. While estimates are not yet available, it is reasonable to assume that the proposed Steele Energy Station will provide similar property tax benefits to these three taxing jurisdictions. The personal property tax exemption would place the new Steele Energy Station on a level playing field with other similar natural gas fired plants in Minnesota and help keep SMMPA's wholesale prices competitive with other utilities.

All SMMPA Members Benefit

The SMMPA members generally view having a natural gas power plant in their community as a sought-after asset due to the resulting local construction benefits, property taxes, job creation, and local electric system reliability. The personal property tax exemption is a way for the host community, in this case, Owatonna, to share some of these benefits with the other 16 SMMPA member communities. The Owatonna City Council and the Steele County Board have recently passed resolutions of support for the exemption.

Approved Property Tax Exemptions for Attached Machinery and other Personal Property at Newly Constructed Power Plants (2000-2025)

