FISCAL NOTE

Requested by Legislative Council
01/16/2003

Bill/Resolution No.: HB 1348

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Slight wording changes are needed to make this bill workable. This narrative assumes those changes are made.
It is not possible to estimate the fiscal effect of this bill. That will depend on expansion of existing lines and construction of new lines. This bill may reduce revenues to the State Medical Center, counties, cities, and school districts in the 2003-2005 biennium by exempting substantially expanded (needs definition) existing investor-owned transmission lines from taxes that are currently paid by those investor-owned lines. One existing transmission line owned by Otter Tail Power apparently has been expanded and may qualify for exemption under the provisions of this bill. The bill may similarly reduce county general funds by exempting existing cooperative-owned transmission lines that may be substantially expanded. Exemption of newly constructed transmission lines will not change current revenues because the new lines have not yet generated tax revenue.
New or substantially expanded investor-owned transmission lines of 230 kilovolts or larger, placed in service on or after October 1, 2002, will pay no property tax for their first year of operation. In the second year they will pay 25 percent of the tax they would otherwise pay; in the third year, 50 percent; and in the fourth year, 75 percent. Those taxes will be distributed to all taxing districts in which the lines are located.
After the fourth year, new or substantially expanded investor-owned transmission lines will pay $300 per mile in lieu of property tax on lines and substations. That tax will be allocated entirely to the general fund of the counties where the lines are located. Other political subdivisions will no longer receive any revenue from those lines. Other existing investor-owned transmission lines and substations will continue to pay property taxes that are distributed to all taxing districts in which the lines are located.
The transmission line tax rate for new or substantially expanded cooperative-owned transmission lines of 230 kilovolts or larger, placed in service on or after October 1, 2002, is increased from $225 to $300 per mile. Those lines will pay no transmission line tax for their first year of operation. In the second year they will pay 25 percent of the tax they would otherwise pay; in the third year, 50 percent; and in the fourth year, 75 percent. All revenue from the tax is allocated to the county general fund of the counties where the lines are located. Existing cooperative-owned transmission lines of 230 kilovolts or larger will continue to pay a tax at the rate of $225 per mile, allocated to the county general fund of the counties where the lines are located. Both the $300 tax and the $225 tax are in lieu of property taxes on transmission lines and substations.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Name:	Kathryn Strombeck	**Agency:**	Tax Dept.
Phone Number:	328-3402	**Date Prepared:**	01/24/2003