



CARLTON COUNTY

COUNTY ASSESSOR'S OFFICE

Courthouse • Room 114 • P.O. Box 440 • Carlton, MN 55718-0440
218-384-9142

Kyle W. Holmes ■ County Assessor
Donna House ■ Chief Deputy Assessor

Utility Tax Court Petition Update PRESS RELEASE

03/07/2017

&

10/09/2018

&

10/29/2018

The State of Minnesota Department of Revenue (DOR) is in the midst of addressing a multitude of Minnesota Tax Court petitions of both above and below ground energy and utility providers statewide. These carriers include oil and natural gas pipelines and electric power transmission lines.

The formula the DOR uses to value this infrastructure is very complex and, in some regards, different from the formulas used by our neighboring states, but in Minnesota much of what DOR does is prescribed by state law. A number of utility providers have questioned the DOR's formula, and some have even decided to legally challenge the DOR formula in Minnesota Tax Court.

The legal challenges that have been made question not just current valuation, but also past valuations dating back eight years or more. When these legal challenges are resolved, it is possible that both the current and past taxable value of these carriers could change in a positive or negative manner.

If the tax court rules to reduce one or more carrier's value, it is in essence ruling that the carrier or carriers are or were valued at too high of an amount, therefore paying too much in tax, or shouldering a greater burden than they should have. Should such a ruling occur, the tax court can also order that the difference in taxes be paid back to the carriers?

Even though the State of Minnesota, and not the local taxing authorities nor the county, is solely responsible for setting the Estimated Market Value for taxing purposes, it is likely that the State of Minnesota will not be held responsible for paying back any difference without legislative action. That responsibility will fall to the local taxing authorities, including counties, cities, townships, schools, etc. It is important to know that these carriers' values are given to the County as orders and we enjoy the benefit of the taxes they provide. On the reverse, we bear the responsibility should the courts determine overvaluation and overpayments occurred.

"An Equal Opportunity Employer"



CARLTON COUNTY

COUNTY ASSESSOR'S OFFICE

Courthouse • Room 114 • P.O. Box 440 • Carlton, MN 55718-0440
218-384-9142

Kyle W. Holmes ■ County Assessor
Donna House ■ Chief Deputy Assessor

UPDATE

Some of the carriers have reached settlements with the DOR or have finalized their cases through the court. This is beginning to provide a clearer picture of potential impacts to Carlton County residents. We will continue to monitor this situation, and strive to provide timely and accurate information to our citizens and local elected officials as the facts of these cases are provided to us. The following cases have been decided and impacts are as follows:

Merc 2008-2017 Refund \$332,225.10 Tax shift .4%

WCT/CN 2016/2017 Refund \$12,792 Tax shift .25%

BNSF 2017/2018 Refund \$-0- Tax shift .4%

Pending (Court Decision in appeal):

Enbridge 2011-2013 **Estimated** Refund 2.5 Million (1.1 to the county, 200k townships, 400k schools, 700k state)

Preliminary Assumption

Tax Shift Est. @ 25% reduction in value, shift of 7-9% minimum (25-45% on Township and School portion of Tax bill in most affected jurisdictions). **Could be mitigated depending upon timeline and added value of Line 3**

******Still to be decided, 2014-2017**** Additional refunds likely in the 3 million to 3.5 million dollar range!**

Cases Pending (no court decisions)- Scale 1 to 5 in size and significance

Great River Energy- 1.5 (see update below)

Lake Country Power- 1 (three of the 6 years being disputed were just dismissed by the court)

Northern Natural Gas- 4

Enbridge LP and Enbridge Southern Lights Line - 5

It is both wise and prudent for the county and other local elected officials to continue to monitor this situation, and to begin planning how any payback obligations might be met, including efforts to convince the State of Minnesota to contribute to any payback obligations. We at the county have been relaying this information to the local jurisdictions that are most likely to be impacted as well.

“An Equal Opportunity Employer”



CARLTON COUNTY

COUNTY ASSESSOR'S OFFICE

Courthouse • Room 114 • P.O. Box 440 • Carlton, MN 55718-0440
218-384-9142

Kyle W. Holmes ■ County Assessor
Donna House ■ Chief Deputy Assessor

It is important to remember that nothing has been finalized yet though as far as future impacts and/or tax shifts with the remaining cases in litigation, and being that the litigation is between the utility providers and the state, much of the information is classified even to the top county officials. It is also very important to understand the cases left involve some of our largest taxpayers in the County and the impacts are likely to be significantly more than what we have seen to date.

UPDATE to the UPDATE - 10/29/2018

The Department of Revenue and Great River Energy have come to a negotiated settlement for 2017 and 2018 and moving forward. In simplest terms they agreed to a 10% value reduction. The good news is the reduction was applied all to the 2018 value and 2017 was dismissed. This means the county will not have to issue any refunds. The bad news is because it was all shifted to the 2018 value this will mean a larger tax shift to all other property owners for 2018 payable 2019. If all other things were held equal I would estimate about a .9% increase in the county portion of individual tax bills due to just this settlement. For 2019 payable 2020 this would then be reduced to about a .45% shift.

****Any questions about the above information should be referred to either Kyle Holmes, Carlton County Assessor or Paul Gassert, Carlton County Auditor/Treasurer***