

FACT SHEET:

MINNESOTA WIND ENERGY TAX REVENUE

Wind farm development brings numerous economic benefits to the counties and local communities where the farms are located.

Among the perks are direct payments to land-owners who host turbines and employment opportunities in the area during the construction and operation of a project. In some cases, operators may also provide payments to neighbors who are near development but do not host turbines, and some wind farms are developed by associations that distribute payments to members.

In addition, projects provide new tax revenue streams to rural communities, which help pay for local schools, roads, and police and fire services. This fact sheet provides a breakdown of taxes that are typically paid by developers and operators of wind energy projects in Minnesota.



LOCAL TAXES IN RELATION TO WIND ENERGY

Wind energy generated 18 percent of electricity in Minnesota during 2017, placing the state at seventh nationwide for total share of energy generated by wind. Minnesota had 3,699 megawatts of installed capacity in 2017, and the state produced enough energy from wind to power 1,012,000 homes.¹ New tax revenue from wind generation in Minnesota is derived from the state's wind energy production tax.

Production tax

- The owner of a facility will file a return that shows the production of a wind energy system by Jan. 15, and the Department of Revenue will use this information to determine the production tax for a facility.
- If the return is not filed, the department will assume a 60 percent of capacity production rate and use available information to determine the taxable amount.
- Systems are exempt from the production tax if they are small scale systems that:
 - Have 0.25 megawatts or less for total capacity.
 - Are owned by a municipality and have a capacity of 2 megawatts or less.

¹ "Wind Energy in Minnesota." American Wind Energy Association, 2018, awea.org/Awea/media/Resources/StateFactSheets/Minnesota.pdf. Accessed Dec. 3, 2018.



Production tax continued

- The capacity of systems under common ownership are combined if they are located within 5 miles of each other, and if they were constructed within the same 12 months.
- The production tax rate will vary by the capacity of the wind energy systems that are not exempt.
 - Small scale wind energy systems with a capacity of 2 megawatts or less pay \$0.12 per megawatt hour.
 - Wind energy systems with a capacity of more than 2 megawatts and up to 12 megawatts, and pay a rate of \$0.36 per megawatt hour.
 - Systems with a capacity of more than 12 megawatts pay a rate of \$1.20 per megawatt hour.
- The production tax is paid by May 15 to the county treasurer where a wind energy system is located.

In 2018, 27 counties in Minnesota received **\$12.7 million** in combined revenue from the wind energy production tax.

Table 1 shows the 10 counties that received the most revenue from the tax.²

Alternative payment plans

- Owners of a wind energy system may work with the county and communities where a project is located to negotiate an alternative payment plan rather than paying the wind energy production tax.
- This alternative payment can be based on previous production, capacity, or other factors that are mutually agreed upon.
- Once an agreement has been signed, it is submitted to the commissioner of revenue and to the local county recorder.

TABLE 1. TOP 10 MINNESOTA COUNTIES—WIND ENERGY PRODUCTION TAX FOR 2018

County	Tax revenue (dollars)	Wind energy production (millions of kWh)
Mower	\$2,375,055	2,017.8
Jackson	\$2,202,936	1,853.2
Murray	\$1,323,936	1,173.1
Nobles	\$1,113,006	954.2
Lincoln	\$1,084,569	944.2
Rock	\$825,431	712.6
Cottonwood	\$748,116	659.5
Freeborn	\$679,523	566.3
Pipestone	\$572,715	602.1
Stearns	\$378,954	315.8

² “May 2018 Renewable News.” Minnesota Department of Commerce, May 29, 2018, mn.gov/commerce/media/news-letters/?pid=17-340975. Accessed Nov. 10, 2018.

