

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 landowners 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 to pay for local emergency services and community and infrastructure improvements. 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 22% of electricity in Minnesota during 2020, placing the state in the top 10 nationwide for total share of energy generated by wind.¹ Minnesota had 2,507 turbines equaling approximately 4710.1 megawatts of installed utility-scale capacity in 2021.² 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.

Sources

¹ "Minnesota State Profile and Energy Estimates." U.S. Energy Information Administration, June 17, 2021, [eia.gov/state/analysis.php?sid=MN](https://www.eia.gov/state/analysis.php?sid=MN). Accessed January 2022.

² "Electric Power Monthly: Table 6.2.B." U.S. Energy Information Agency, December 2021, [eia.gov/electricity/monthly/epm_table_grapher.php?t=table_6_02_b](https://www.eia.gov/electricity/monthly/epm_table_grapher.php?t=table_6_02_b). Accessed March 2022.



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 2022, 28 counties in Minnesota received **\$14.1 million** in combined revenue from the wind energy production tax.³

Table 1 shows the 10 counties that received the most revenue from the tax.^{4,5}

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

County	FY 2022 Tax Revenue (Dollars)	FY 2022 Tax Revenue Per Capita (Dollars)	FY 2022 Wind Energy Production (MWh)
Lincoln	\$3,492,811.60	\$627	2,958,351.37
Mower	\$1,930,042.68	\$48	1,636,912.31
Nobles	\$1,660,173.88	\$75	1,410,358.91
Jackson	\$1,435,458.99	\$144	1,217,253.43
Pipestone	\$1,097,783.94	\$118	1,086,107.59
Murray	\$834,414.44	\$102	740,896.42
Rock	\$767,870.69	\$79	657,508.40
Cottonwood	\$735,759.08	\$64	613,132.57
Freeborn	\$487,728.33	\$16	412,106.91
Martin	\$341,919.63	\$17	294,602.12

Sources, continued

3 “County Energy Production.” Minnesota Department of Revenue, mndor.state.mn.us/ReportServer/Pages/ReportViewer.aspx?/Property%20Tax/Property_Tax_Energy_County. Accessed May 2022.

4 Ibid.

5 “Quick Facts.” U.S. Census Bureau, [census.gov/quickfacts/fact/table/US/PST045221](https://www.census.gov/quickfacts/fact/table/US/PST045221). Accessed May 2022.

