

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **TAX - MINNESOTA**

### **Enbridge Energy, Limited Partnership v. Commissioner of Revenue**

**Supreme Court of Minnesota - July 8, 2020 - N.W.2d - 2020 WL 3818130**

Taxpayer filed petitions to challenge valuation of pipeline system for two tax years.

The Tax Court entered judgment in favor of Commissioner of Revenue. Taxpayer appealed.

The Supreme Court held that:

- Tax Court was not required to exclude indirect construction expenses from the cost indicator of value;
- It did not commit clear error in determining that taxpayer did not carry its burden regarding expenditures listed in its construction work in progress (CWIP) accounts;
- Taxpayer was not entitled to include only expansionary construction work in progress (CWIP) expenses;
- Tax Court error in requiring taxpayer to show that nationwide or industrywide factors contributing to pipeline obsolescence affected pipeline to a greater extent than other pipelines was harmless; and
- Tax Court had discretion to depart from default weightings to place equal weight on the cost and income indicators of value.

Tax court was not required to exclude indirect construction expenses from the cost indicator of value for pipeline system under construction; under general appraisal practices and industry standards for pipeline company accounting, construction work in progress (CWIP) expenses included the direct and indirect costs of construction.

Tax court valuing pipeline under construction did not commit clear error in determining that taxpayer did not carry its burden to show that expenditures listed in its construction work in progress (CWIP) accounts reflected the cost of items that were not installed as of the valuation dates; although taxpayer argued that evidence of in-service dates it offered were synonymous with when projects were installed, it conceded that the in-service dates could relate to an entire project and might not capture when portions of that project were installed.

Taxpayer was not entitled to include only expansionary construction work in progress (CWIP) expenses and exclude non-expansionary expenses for valuing pipeline system under cost approach.

Tax court error in requiring taxpayer to show that nationwide or industrywide factors contributing to pipeline obsolescence affected pipeline to a greater extent than other pipelines was harmless; although court erred by expecting proof that governmental regulations affected taxpayer more than others, its underlying finding that governmental regulations did not adversely affect taxpayer since it was regulated on a cost-of-service basis was not clearly erroneous, record indicated taxpayer's inability to meet existing demand undercutting claims that drop in oil prices negatively affected demand and competitors were interfering with business, and evidence supported court's concerns

regarding appraiser's methodology.

Tax court had discretion to depart from default weightings to place equal weight on the cost and income indicators of value to calculate the unit value of the pipeline system if dictated by the circumstances of the case.

Copyright © 2024 Bond Case Briefs | [bondcasebriefs.com](https://bondcasebriefs.com)