

Subject Climate action tax credit

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## Overview

H.F. 3320 would establish a refundable tax credit for expenditures for certain energy efficiency home improvements, electric vehicles, and renewable energy systems. The amount of the credit would be limited to \$2,000.

Qualifying expenditures would be required to come from one of three categories of expenditures: qualifying appliance expenditures, qualifying energy efficiency measure expenditures, and qualifying large improvement expenditures. Only up to \$1,000 from each category would be allowed to be included in the \$2,000 limit.

## Summary

Section	Description
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1	<p><b>Climate action tax credit.</b></p> <p><b>Subd. 1. Definitions.</b> Provides that the terms defined in subdivisions 2 through 19 have the meanings given.</p> <p><b>Subd. 2. Adjusted gross income.</b> Defines “adjusted gross income” with reference to the Internal Revenue Code.</p> <p><b>Subd. 3. Air-source heat pump.</b> Defines “air-source heat pump” as an Energy Star certified mechanism that transfers indoor or outdoor heat using a heat exchanger and compressor.</p> <p><b>Subd. 4. Climate action expenditure.</b> Defines “climate action expenditure” as the sum of three categories of expenditures: qualifying appliance expenditures; qualifying energy efficiency measure expenditures; and qualifying large improvement expenditures. Up to \$1000 per category would be included in the total and separate limits for individual items would also apply.</p>
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**Subd. 5. Ductless mini-split heat pump.** Defines “ductless mini-split heat pump” as an energy certified mechanism that provides space heating for non-ducted residences using certain indoor and outdoor units.

**Subd. 6. Electric vehicle.** Defines “electric vehicle” as that term is defined by state law. The vehicle would have to also be a passenger vehicle and would include plug-in hybrids.

**Subd. 7. Electric vehicle residential charger.** Defines “electric vehicle residential charger” as a certified level 2 charger with certain specifications that transfers electricity to an electric vehicle battery.

**Subd. 8. Electrical service panel upgrade.** Defines “electrical service panel upgrade” as a device that increases the capacity of a residential panel to 200 amps.

**Subd. 9. Energy efficiency measure.** Defines “energy efficiency measure” as insulation or other measures that are designed to reduce residential heat loss or gain.

**Subd. 10. Energy storage system.** Defines “energy storage system” as the term is defined by state law. These systems would be stationary equipment that use mechanical, chemical, or thermal processes to store energy, including from renewables, for later use.

**Subd. 11. Ground-source heat pump.** Defines “ground-source heat pump” as an Energy Star certified mechanism that provides space heating using a heat exchanger and heat pump.

**Subd. 12. Heat pump water heater.** Defines “heat pump water heater” as an Energy Star certified water heater that uses a heat pump to transfer heat from the air to water.

**Subd. 13. Induction range.** Defines “induction range” as a cooking surface that transfers current from an electromagnetic field to magnetic induction cookware.

**Subd. 14. Photovoltaic device.** Defines “photovoltaic device” as the term is defined by state law. The devices generate electricity using sunlight via the photoelectric effect.

**Subd. 15. Qualifying appliance expenditures.** Defines “qualifying appliance expenditures” as expenditures on electric vehicle residential chargers, heat pump water heaters, induction ranges, and smart thermostats. Expenditures from this

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category are one of the three categories of expenditures included in a taxpayer's climate action expenditure.

**Subd. 16. Qualifying energy efficiency measure expenditures.** Defines "qualifying energy efficiency measure expenditures" as the sum of energy efficiency measure expenditures. Expenditures from this category are one of the three categories of expenditures included in a taxpayer's climate action expenditure.

**Subd. 17. Qualifying large improvement expenditures.** Defines "qualifying large improvement expenditures" as the sum of expenditures for air-source heat pumps, ductless mini-split heat pumps, electrical service panel upgrades, electric vehicles, energy storage systems, ground-source heat pumps, photovoltaic devices, and solar water heaters. Expenditures from this category are one of the three categories of expenditures included in a taxpayer's climate action expenditure.

**Subd. 18. Smart thermostat.** Defines "smart thermostat" as an Energy Star certified Wi-Fi device and sensors that optimally adjust space heating and cooling.

**Subd. 19. Solar water heater.** Defines "solar water heater" as a device that collects, converts, and circulates the sun's radiant energy to a water tank.

**Subd. 20. Credit allowed; limitations.** Allows a credit equal to the amount of a taxpayer's climate action expenditure up to a maximum of \$2,000. Expenditures may only be included once in the credit calculation and married taxpayers filing separately could not use expenditures claimed by their spouse. The credit would only be allowed for expenditures for a taxpayer's homestead, as defined for property tax purposes, and would include duplexes and triplexes.

**Subd. 21. Credit to be refundable.** Allows the credit to be refundable for resident taxpayers.

**Subd. 22. Phaseout.** Phases out the credit by \$1 for every \$30 of adjusted gross income over \$150,000 for married filers and \$75,000 for all other filers.

**Subd. 23. Appropriation.** Appropriates money sufficient to pay the refunds under section 2 to the commissioner of revenue.

**Subd. 24. Sunset.** Establishes a sunset date for the credit for taxable years in 2027.



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