

Subject Temporary solar energy system credit

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Overview

H.F. 1850 allows a temporary, nonrefundable tax credit to taxpayers who install a solar energy system. The bill allows the credit to taxpayers who install solar energy systems on their homestead or business. The credit amount is equal to a percentage of the cost of the system—the percentage begins at 15 percent and scales down over time. The maximum credit is \$5,000 for systems installed at a homestead and \$20,000 for systems installed at a business. The total amount of the credit is capped at \$5 million per year, half of which is reserved for homesteads.

Summary

| Section | Description |
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| 1 | Temporary solar energy credit. |
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Subd. 1. Definitions. Defines the following terms as follows:

“Business property” is class 3a property.

“Energy storage system” is a commercially available technology capable of absorbing and storing electrical energy, and dispatching electrical energy at a later time.

“Homestead” means class 1a and 1b residential property or an agricultural homestead.

“Solar energy system” means a photovoltaic device, solar water heater, or solar thermal system installed alone, or in combination, or in conjunction with an energy storage system.

“Photovoltaic device” and “solar thermal system” are defined by cross-reference.

Section Description

“Solar water heater” is an active, closed-loop system that heats water by pumping a nonfreezing heat transfer fluid through a flat plate collector that collects solar energy and a heat exchanger.

Subd. 2. Credit allowed; limitation. Allows a nonrefundable tax credit to taxpayers who put a solar energy system in service in Minnesota in the taxable year. To qualify, a taxpayer must receive electric service at retail from a municipal utility or cooperative association, and the capacity of any solar photovoltaic device that is part of the system must be less than 40 kilowatts.

The amount of the credit equals the lesser of:

- 1) A **percentage of the purchase and installation costs**. The percentage depends on the year the system was placed in service, and scales down over time as follows:
 - 2021: 15 percent
 - 2022: 13 percent
 - 2023-2024: 11 percent
- 2) The **maximum credit**, which is \$5,000 for solar energy systems installed at a taxpayer’s homestead and \$20,000 for a solar system installed on a business property.

Part-year or nonresidents must apportion the credit based on their residency percentage.

The credit is nonrefundable. Portions of the credit that are unused may be carried forward to the succeeding ten taxable years.

Credits granted to pass-through entities are passed through pro rata to the entity’s partners, shareholders, owners, or members.

Subd. 3. Application. Requires taxpayer to apply for the credit in the form and manner specified by the Department of Revenue. The department must make the 2021 application available by August 1, 2021. The department must make applications for subsequent years available by November of the preceding years.

Taxpayers may apply separately to receive a credit for their business and homestead, and may apply separately for systems installed on multiple business properties.

Subd. 4. Certificates; limitations. Requires the Department of Revenue to issue credits on a first-come, first-served basis.

Section **Description**

The department may issue no more than \$5 million in credit certificates per year, of which \$2.5 million must be for homesteads. If a portion of the year's credits are unallocated on September 30 of the taxable year, the department may issue the remaining amount for all claims of installations. Amounts remaining on December 31 of the taxable year are added to the amount allowed in the following taxable year.

The bill is effective for taxable years 2020 through 2023.



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