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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETIETH SESSION

H. F. No. **1495**

02/20/2017 Authored by Miller, Swedzinski, Hamilton, Cornish and Backer

The bill was read for the first time and referred to the Committee on Job Growth and Energy Affordability Policy and Finance

03/14/2017 Adoption of Report: Re-referred to the Committee on Taxes

1.1 A bill for an act
1.2 relating to taxation; income and corporate franchise; providing a credit for combined
1.3 heat and power systems and expander generators; proposing coding for new law
1.4 in Minnesota Statutes, chapter 290.

1.5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6 Section 1. **[290.0682] COMBINED HEAT AND POWER AND EXPANDER**
1.7 **GENERATOR CREDIT.**

1.8 Subdivision 1. Credit allowed; limitation; definition. (a) A taxpayer is allowed a credit
1.9 against the tax imposed under this chapter equal to 50 percent of the total installed cost of:

1.10 (1) an eligible combined heat and power system; and

1.11 (2) an eligible expander generator system.

1.12 (b) For purposes of this section, "eligible combined heat and power system" means a
1.13 system that:

1.14 (1) uses the same energy source for the simultaneous or sequential generation of electrical
1.15 power, mechanical shaft power, or both, in combination with the generation of steam or
1.16 other forms of useful thermal energy, including for industrial process applications, which
1.17 produces at least 20 percent of its total useful energy in the form of thermal energy which
1.18 is not used to produce electrical or mechanical power, or combination thereof, and at least
1.19 20 percent of its total useful energy in the form of electrical or mechanical power, or
1.20 combination thereof, with a system energy efficiency percentage of at least 60 percent;

1.21 (2) has a nameplate output of no less than one megawatt and no more than 26 megawatts;

1.22 (3) is located in Minnesota; and

2.1 (4) is installed after December 31, 2015, and before January 1, 2026.

2.2 (c) For purposes of this section, "eligible expander generator system" means a system
2.3 that:

2.4 (1) uses a gaseous flow, pressure drop, or both, for generation of electrical power,
2.5 mechanical shaft power, or both, or other forms of useful thermal energy, including for
2.6 industrial process applications, with a system efficiency of at least 60 percent;

2.7 (2) has a nameplate output of no less than 250 kilowatts and no more than 26 megawatts;

2.8 (3) is located in Minnesota;

2.9 (4) is installed after December 31, 2015, and before January 1, 2026.

2.10 (d) The total credit allowed under this section for any taxable year cannot exceed the
2.11 taxpayer's tax liability for tax imposed under this chapter. However, if the credit is created
2.12 by a pass-through entity, the limitation is applied to the partner, member, shareholder, or
2.13 owner's tax liability consistent with paragraph (e).

2.14 (e) Credits claimed by a partnership, a limited liability company taxed as a partnership,
2.15 S corporation, or multiple owners of property are passed through to the partners, members,
2.16 shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or
2.17 owner based on the partner's, member's, shareholder's, or owner's share of the entity's assets
2.18 or as specially allocated in the organizational documents as of the last day of the taxable
2.19 year in which the eligibility statement was issued.

2.20 (f) If the taxpayer is a cooperative, the credit must be allocated between the patrons and
2.21 the cooperative as declared by the cooperative. This declaration is due to the patrons of the
2.22 cooperative by the 15th day of the ninth month following the close of the cooperative's
2.23 taxable year. If no such allocation is made for any taxable year, the credit shall be allocated
2.24 100 percent to the cooperative for that year. The limitation in paragraph (d) is applied at
2.25 each of the credit recipient's level for their allocated credit.

2.26 Subd. 2. **Certification.** A taxpayer claiming the credit under this section must certify
2.27 to the commissioner the installation date, total installed cost, and nameplate output of the
2.28 eligible combined heat and power system or eligible expander generator system.

2.29 Subd. 3. **Carryover.** If the amount of the credit determined under this section for any
2.30 taxable year exceeds the taxpayer's liability for tax under this chapter, the excess shall be
2.31 a credit carryover to each of the ten succeeding taxable years. In no case may the credit
2.32 carryover exceed the taxpayer's liability for tax in any taxable year. The entire amount of
2.33 the excess unused credit for the taxable year shall be carried first to the earliest of the taxable

3.1 years to which the credit may be carried and then to each successive year to which the credit
3.2 may be carried. Taxpayers with credit carryover must certify to the commissioner the ongoing
3.3 operation of the eligible combined heat and power system to be eligible to claim a credit
3.4 carryover.

3.5 **EFFECTIVE DATE.** This section is effective retroactively for taxable years beginning
3.6 after December 31, 2016, and before January 1, 2026.