

SENATE

STATE OF MINNESOTA

EIGHTY-NINTH SESSION

S.F. No. 1657

(SENATE AUTHORS: DAHLE)

DATE	D-PG	OFFICIAL STATUS
03/12/2015	774	Introduction and first reading Referred to Taxes

A bill for an act
relating to taxation; income and corporate franchise; providing a tax credit for
certain energy improvements; allowing cooperative and municipal utilities to
recover certain expenses; proposing coding for new law in Minnesota Statutes,
chapter 290.
BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. **[290.0682] RENEWABLE DISTRIBUTED GENERATION SYSTEM
TAX CREDIT.**

Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms
have the meanings given them.

(b) "Family farm business entity" means a family farm, as defined in section 500.24,
subdivision 2, or any business entity permitted to own farmland under section 500.24.

(c) "Geothermal heat exchanger" means an earth-coupled heating or cooling device
that is trenched, bored, buried underground or looped in a body of water, or used in a way
that captures the earth's natural heat in a loop system.

(d) "Liability for tax" means the sum of the tax imposed under sections 290.06,
subdivisions 1 and 2c; 290.091; 290.0921; and 290.0922, for the taxable year reduced by
the sum of the nonrefundable credits allowed under this chapter.

(e) "Project cost" means the amounts expended during the taxable year
for the following items, less any commercial discounts, commercial rebates,
installation-assistance credits, or other similar reductions, comprising components of
or related to qualifying systems:

(1) equipment, components, towers, wires, conduits, anchors, and associated design;
and

(2) labor and other direct costs properly allocable to the on-site preparation, assembly, and original installation of the property, including piping or wiring to interconnect the property to the dwelling unit or commercial property.

(f) "Qualifying systems" means any of the following systems, or combination of systems, placed in service in this state by a family farm business entity or by a small business in a rural area of this state:

(1) geothermal heat exchangers;

(2) small wind turbines or farm scale wind turbines;

(3) solar thermal arrays; or

(4) storage systems.

(g) "Rural area" means rural or rural area as defined by Code of Federal Regulations, title 7, section 4288.2. In addition, for areas not designated as rural by the federal under secretary for rural development under Code of Federal Regulations, title 7, section 4288.2, or as otherwise identified in the definition in Code of Federal Regulations, title 7, section 4288.2, a city or town may petition the commissioner of commerce for designation as a rural area in character under the standards and procedures provided in Code of Federal Regulations, title 7, section 4288.2.

(h) "Small business" means a small business that meets the definition of a small business for purposes of business loans under the size standards in the Small Business Administration's regulations as provided by Code of Federal Regulations, title 13, part 121.

(i) "Small wind turbine" or "farm-scale wind turbine" means a turbine or machine used for generating electricity that:

(1) produces a peak output of at least three kilowatts and less than 40 kilowatts to the distribution grid;

(2) is certified as meeting the American Wind Energy Association Standard 9.1-2009 developed by the American Wind Energy Association in partnership with the United States Department of Energy and current as of the date when the turbine is placed in service; and

(3) operates within the cogeneration and small power production provisions in section 216B.164.

(j) "Solar thermal array" means a flat plate, evacuated tube, transpired air collector, recirculation air heating device, or similar device with a fixed orientation that collects the sun's radiant energy and transfers it to a storage medium for distribution as energy to heat or cool air or water.

(k) "Storage system" means a lead-acid battery, lithium-ion battery, fly-wheel, or other energy storage system that:

(1) has energy storage capacity equal to or greater than 25 kilowatt hours;

3.1 (2) has a charge controller or other control system;
3.2 (3) complies with the applicable Underwriters Laboratories listings and National
3.3 Electric Code provisions; and
3.4 (4) includes software components that dispatch battery-stored energy on demand to
3.5 a public utility providing electrical service.

3.6 Subd. 2. **Credit allowed.** A credit is allowed against the tax imposed by this chapter
3.7 on a family farm business entity or small business. The amount of the credit equals 30
3.8 percent of the project cost per system for qualifying systems that are installed and placed
3.9 in service by the family farm business entity or small business during the taxable year.

3.10 Subd. 3. **Partnerships and S corporations.** (a) For shareholders in S corporations,
3.11 the credit must be allocated to each shareholder in the manner provided by section 1366(a)
3.12 of the Internal Revenue Code for income.

3.13 (b) For partners in a partnership, including members of a limited liability company,
3.14 the credit must be allocated to each partner as provided by written agreement of the partners
3.15 or members. If no allocation is provided by written agreement, the credit must be allocated
3.16 in proportion to the partner's share of the entity's net income or loss for the taxable year.

3.17 Subd. 4. **Limitation; carryover credit.** (a) The credit must not exceed the liability
3.18 for tax.

3.19 (b) For a corporation that is a partner in a partnership, the credit allowed for the
3.20 taxable year must not exceed the lesser of the amount determined under paragraph (a) for
3.21 the taxable year or an amount, separately computed with respect to the corporation's
3.22 interest in the trade or business or entity, equal to the liability for tax attributable to that
3.23 portion of taxable income that is allocable or apportionable to the corporation's interest
3.24 in the trade or business or entity.

3.25 (c) If the amount of the credit determined under this section for any taxable year
3.26 exceeds the limitation under paragraph (a) or (b), the excess is a credit carryover to each
3.27 of the three succeeding taxable years. The entire amount of the excess unused credit for
3.28 the taxable year must be carried first to the earliest of the taxable years to which the credit
3.29 may be carried and then to each successive year to which the credit may be carried. The
3.30 amount of the unused credit which may be added under this paragraph must not exceed
3.31 the taxpayer's liability for tax less the credit for the taxable year.

3.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after
3.33 December 31, 2014.