

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 2026

(SENATE AUTHORS: FRENTZ and Rest)			
DATE	D-PG		OFFICIAL STATUS
03/11/2021	843	Introduction and first reading	
		Referred to Taxes	
03/17/2021	961	Author added Rest	

1.1

A bill for an act

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relating to taxation; income; providing a temporary credit for the purchase and

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installation of solar energy systems.

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

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Section 1. **TEMPORARY SOLAR ENERGY SYSTEM CREDIT.**

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

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the meanings given.

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(b) "Business property" means class 3a property, as defined in Minnesota Statutes,

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section 273.13, subdivision 24.

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(c) "Energy storage system" means a commercially available technology capable of:

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(1) absorbing and storing electrical energy; and

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(2) dispatching stored electrical energy at a later time.

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(d) "Homestead" means class 1a and 1b residential property, as defined in Minnesota

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Statutes, section 273.13, subdivision 22, or an agricultural homestead, as defined in

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Minnesota Statutes, section 273.13, subdivision 23.

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(e) "Photovoltaic device" has the meaning given in Minnesota Statutes, section 216C.06,

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subdivision 16.

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(f) "Solar energy system" means a photovoltaic device, solar water heater, or solar

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thermal system installed alone or in combination or in conjunction with an energy storage

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system.

2.1 (g) "Solar thermal system" has the meaning given in Minnesota Statutes, section
2.2 216B.2411, subdivision 2, paragraph (e).

2.3 (h) "Solar water heater" means an active, closed-loop system that pumps a nonfreezing
2.4 heat-transfer fluid through a flat-plate collector that collects solar energy and a heat exchanger
2.5 to heat water.

2.6 Subd. 2. **Credit allowed; limitation.** (a) A taxpayer receiving electric service at retail
2.7 from a municipal utility or a cooperative electric association that meets the requirements
2.8 of paragraph (g) and who purchases and places in service in this state a solar energy system
2.9 during the taxable year is eligible for a credit against the tax due under Minnesota Statutes,
2.10 chapter 290, equal to the lesser of the applicable percentage of the solar energy system's
2.11 purchase and installation costs or the maximum allowable credit.

2.12 (b) For solar energy systems first placed into service:

2.13 (1) after December 31, 2020, and before January 1, 2022, the applicable percentage is
2.14 15 percent;

2.15 (2) after December 31, 2021, and before January 1, 2023, the applicable percentage is
2.16 13 percent; and

2.17 (3) after December 31, 2022, and before January 1, 2024, the applicable percentage is
2.18 11 percent.

2.19 (c) The maximum allowable credit is:

2.20 (1) \$5,000 for a solar energy system installed on the site of a taxpayer's homestead; and

2.21 (2) \$20,000 for a solar energy system installed on each business property.

2.22 (d) For a nonresident or part-year resident the credit must be allocated based on the
2.23 percentage calculated under Minnesota Statutes, section 290.06, subdivision 2c, paragraph
2.24 (a).

2.25 (e) If the amount of the credit under this section for any taxable year exceeds the tax
2.26 due under Minnesota Statutes, chapter 290, the excess is a credit carryover to each of the
2.27 ten succeeding taxable years. The entire amount of the excess unused credit for the taxable
2.28 year must be carried first to the earliest of the taxable years to which the credit may be
2.29 carried. The amount of the unused credit that may be added under this paragraph may not
2.30 exceed the taxpayer's liability for tax, less the credit for the taxable year.

2.31 (f) Credits granted to a partnership, a limited liability company taxed as a partnership,
2.32 an S corporation, or multiple owners of property are passed through to the partners, members,

shareholders, or owners, respectively, pro rata to each partner, member, shareholder, or owner based on their share of the entity's assets or as specially allocated in their organizational documents or any other executed agreement, as of the last day of the taxable year.

(g) A taxpayer receiving electric service at retail from a cooperative electric association is eligible to receive a tax credit under this section only if the cooperative electric association is subject to Minnesota Statutes, section 216B.164, subdivision 3, paragraph (a).

Subd. 3. **Application.** (a) A taxpayer must apply for the credit in a form and manner prescribed by the commissioner of revenue. The Department of Revenue must make available on its website an application for a credit for a solar energy system installed in 2021 no later than August 1, 2021, and for systems installed in subsequent years, no later than November 1 of the preceding year. An individual cannot file an application until the solar energy system has been installed. A business cannot file an application until the solar energy system has been placed in service.

(b) A taxpayer may apply separately to receive a credit for solar energy systems installed on the taxpayer's homestead and on one or more business properties owned by the taxpayer.

Subd. 4. **Certificates; limitations.** (a) The commissioner of revenue shall issue credit certificates on a first-come, first-served basis to taxpayers who submit applications that meet the requirements of this section.

(b) The commissioner of revenue may not issue more than \$5,000,000 in credit for any taxable year, at least \$2,500,000 of which is reserved for the installation of solar energy systems on the site of taxpayers' homesteads.

(c) If any portion of a taxable year's credits is not allocated by September 30 of the taxable year, the remaining amount is available beginning on October 1 for all claims for installations of solar energy systems.

(d) Any amount of a taxable year's credits not allocated by December 31 of the taxable year is available for the following taxable year in addition to the amount available under paragraph (b).

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2020, and before January 1, 2024.