

Subject Temporary solar energy system credit

Authors Bierman

Analyst Sean Williams

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## Overview

H.F. 2311 allows a temporary refundable income tax credit equal to a percentage of the cost of a solar energy system. Only the customers of municipal utilities or cooperative electric associations are eligible for the credit.

The credit would be available to both businesses and homeowners—the maximum credit for homeowners is \$2,500 and the maximum credit for businesses is \$15,000. The credit percentage would phase down from 15% in tax year 2023 to 11% in tax year 2025. The credit would expire after tax year 2025.

## Summary

Section	Description
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1	<b>Temporary solar energy system credit.</b>
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Establishes a temporary refundable credit for solar energy systems.

**Subd. 1. Definitions.** Defines the following terms, as follows:

- “Business property” is defined as class 3a property.
- “Energy storage system” means a commercially available product capable of storing and discharging electrical energy.
- “Homestead” is defined as class 1a and 1b residential property or agricultural homestead property.
- “Photovoltaic device” means a device that generates energy from sunlight by means of the photovoltaic effect, regardless of whether the device stores energy.
- “Solar energy system” means a photovoltaic device with a capacity no greater than 40 kilowatts, a solar water system, or a solar thermal system installed alone or in conjunction with energy storage.
- “Solar thermal system” means a flat plate or evacuated tube 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.

Section	Description
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- “Solar water heater” means an active, closed-loop system that collects solar energy and heats water.

**Subd. 2. Credit allowed; limitation.** Allows a tax credit to a taxpayer receiving service from a municipal utility or cooperative electric association. The credit is allowed the year the taxpayer places a solar energy system into service. The credit equals a percentage of the cost of the system, up to \$2,500 for systems installed on the taxpayer’s homestead and \$15,000 for a system installed on business property.

The credit percentage varies by year:

- 15% in tax year 2023.
- 13% in tax year 2024.
- 11% in tax year 2025.

Credits granted to nonresidents and part-year residents are allocated based on the taxpayer’s Minnesota percentage. Credits granted to pass-through businesses pass through pro rata to their owners, members, or shareholders.

**Subd. 3. Credit refundable; appropriation.** Makes the credit refundable; appropriates funds to DOR to pay the refunds.

**Subd. 4. Expiration.** Expires the credit on January 1, 2027.

The bill is effective for tax years 2023 to 2025.



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