



**INDIVIDUAL INCOME TAX
CORPORATE FRANCHISE TAX
Solar Energy Installation Credit**

February 26, 2019

	Yes	No
DOR Administrative Costs/Savings	X	

Department of Revenue
Analysis of H.F. 1317 (Bierman)

	Fund Impact			
	<u>F.Y. 2020</u>	<u>F.Y. 2021</u>	<u>F.Y. 2022</u>	<u>F.Y. 2023</u>
			(000's)	
General Fund	(\$5,000)	(\$5,000)	(\$5,000)	(\$5,000)

Effective for tax years 2019 through 2022.

EXPLANATION OF THE BILL

The bill allows a credit against the individual income tax and corporate franchise tax for taxpayers who purchase and install solar energy systems. To be eligible for the credit, a taxpayer must receive retail electric service from a municipal utility or a qualified cooperative electric association and must purchase and place a solar energy system in service in the state during the tax year. The credit is nonrefundable but may be carried forward for up to ten years.

The credit is equal to an applicable percentage of the solar energy system's purchase and installation costs, up to \$5,000 for a homestead or \$20,000 for business property. The applicable percentage depends on when the solar energy system is first placed in service. For systems placed in service during tax year 2019, the applicable percentage is 15%. During tax year 2020, the applicable percentage is 13%. During tax years 2021 and 2022 the applicable percentage is 11%.

Credits granted to partnerships, S corporations, or multiple owners of property are proportionally passed through to each partner, member, shareholder, or owner respectively.

A taxpayer must apply for the credit through the Department of Revenue's website as prescribed by the Commissioner of Revenue. 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.

The Commissioner may not issue more than \$5 million in credits for any taxable year, at least \$2.5 million of which is reserved for the installation of solar energy systems on the site of taxpayers' homesteads. The Commissioner must issue credit certificates on a first-come, first-served basis to taxpayers who submit applications that meet the requirements.

REVENUE ANALYSIS DETAIL

- It is assumed that the maximum credits of \$5 million will be claimed in each year.
- Tax year impacts are allocated to the following fiscal year.
- For tax year 2023 and beyond, there would be no allocations.

Number of Taxpayers: It is estimated that between 600 and 2,000 taxpayers would benefit from this credit in tax year 2019, depending on the amount of applications from homesteads and businesses. This estimate is based on average solar panel costs in Minnesota for 5 kilowatt to 50 kilowatt systems.

Minnesota Department of Revenue
Tax Research Division
www.revenue.state.mn.us/research/stats/Pages/Revenue-Analyses.aspx