

April 6, 2022

	<b>Yes</b>	<b>No</b>
<b>DOR Administrative Costs/Savings</b>	<b>X</b>	

Department of Revenue  
Analysis of S.F. 4382 (Rest)

	<b>Fund Impact</b>			
	<b><u>F.Y. 2022</u></b>	<b><u>F.Y. 2023</u></b>	<b><u>F.Y. 2024</u></b>	<b><u>F.Y. 2025</u></b>
		(000's)		
General Fund	\$0	(\$809,300)	(\$780,500)	(\$772,700)

Effective beginning tax year 2022.

**EXPLANATION OF THE BILL**

**Proposed Law:** The bill would create a refundable income tax credit of up to 25% of the amount paid for residential heating fuels and residential water services, including the costs of any applicable taxes. The maximum credit is \$2,000 for married taxpayers filing jointly and \$1,000 for all other filers.

Residential heating fuels include fuel oil, coal, steam, hot water, propane gas, and liquefied petroleum gas. Heating fuels also include natural gas and electricity when used as the primary source of residential heat for a housing unit. Residential water services include all water services, regardless of how the services are billed.

**REVENUE ANALYSIS DETAIL**

- The estimate uses pricing and consumption data from the Energy Information Administration (EIA)'s March 2022 Short-Term Energy Outlook report and the 2020 Consumer Expenditure Survey from the Bureau of Labor Statistics to calculate the average amount spent per household on each of the qualifying heating fuels and water services in 2020 for the Midwest Census region.
- Average heating fuel expenditures for each fuel type were multiplied by the number of Minnesota households in the 2020 American Community Survey (ACS) 5-Year Sample using that fuel as the primary source of residential heat. Average water services expenditures were multiplied by the number of Minnesota households in the 2020 ACS 5-Year Sample.
- The 2020 expenditure estimates were multiplied by 25% to calculate the qualified expenditures for the purposes of the tax credit.
- The average household's qualified heating and water costs would fall below the maximum credit amount. The average household in Minnesota will pay an estimated \$1,101 in heating costs and \$689 for water services, a quarter of which would be covered by the credit.
- The heating fuel estimates for 2020 were grown to tax year 2021 using additional data from the March 2022 Short-Term Energy Outlook report. Future tax years were forecasted using data from the EIA's Annual Energy Outlook 2022 and the average annual population growth rate for Minnesota over the period 2010-2019. The water services estimate for 2020 was also grown through future years using the same population growth rate.

**REVENUE ANALYSIS DETAIL (Cont.)**

- The estimated fiscal impact was reduced by 5% to account for non-filers and otherwise eligible taxpayers who fail to claim the credit. The fiscal impact was further reduced by 15% to account for renters who do not pay their own utility bills. The fiscal impact was increased by 10% to account for taxes and other fees not included in EIA data that would be eligible expenditures under the tax credit.
- Tax year impacts are allocated for the following fiscal year.

**Number of Taxpayers:** About 1,808,360 households would be affected in tax year 2022. The average decrease in tax per household would be \$448. The average benefit for fuel costs would be \$275. The average benefit for water services would be \$172. Some households may have more than one income tax filer claiming the credit. It is assumed that eligible expenses would be divided between members of the household.

Minnesota Department of Revenue  
Tax Research Division  
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