

**SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION**

S.F. No. 3397

(SENATE AUTHORS: SENJEM)

DATE
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Introduction and first reading
Referred to Taxes

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to taxation; individual income; providing a refundable credit for investments
1.3 in energy efficient home improvements, electric vehicles, and renewable energy;
1.4 appropriating money; proposing coding for new law in Minnesota Statutes, chapter
1.5 290.

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

1.7 Section 1. 290.0687 CLIMATE ACTION TAX CREDIT.

1.8 Subdivision 1. Definitions. For the purposes of this section, the terms in subdivisions
1.9 2 through 19 have the meanings given.

1.10 Subd. 2. Adjusted gross income. "Adjusted gross income" has the meaning given in
1.11 section 62 of the Internal Revenue Code.

1.12 Subd. 3. Air-source heat pump. "Air-source heat pump" means an Energy Star certified
1.13 mechanism that heats and cools indoor air by transferring heat from outdoors or indoors
1.14 using a fan, a refrigerant-filled heat exchanger, and an inverter-driven compressor that varies
1.15 the pressure of the refrigerant to warm or cool the refrigerant vapor.

1.16 Subd. 4. Climate action expenditure. "Climate action expenditure" means the sum of
1.17 the amount of qualifying appliance expenditures, qualifying energy efficiency measure
1.18 expenditures, and qualifying large improvement expenditures. When calculating this sum:

1.19 (1) only amounts not exceeding \$1,000 in the aggregate for each expenditure category
1.20 are included; and

1.21 (2) only amounts for qualifying appliance expenditures not exceeding the following
1.22 limits are included:

2.1 (i) for an electric vehicle residential charger, the limit is \$100;

2.2 (ii) for a heat pump water heater, the limit is \$250;

2.3 (iii) for an induction range, the limit is \$200; and

2.4 (iv) for a smart thermostat, the limit is \$100.

2.5 Subd. 5. **Ductless mini-split heat pump.** "Ductless mini-split heat pump" means an
2.6 electric-powered Energy Star certified mechanism that provides space heating and cooling
2.7 to non-ducted residences and consists of: (1) an indoor unit containing an air handler that
2.8 circulates room air across refrigerant coils; and (2) an outdoor unit containing a compressor
2.9 that keeps coils hot or cold.

2.10 Subd. 6. **Electric vehicle.** "Electric vehicle" has the meaning given in section 169.011,
2.11 subdivision 26a, paragraph (a), and is also a passenger vehicle, as defined in section 169.011,
2.12 subdivision 52.

2.13 Subd. 7. **Electric vehicle residential charger.** "Electric vehicle residential charger"
2.14 means a Level 2 charger certified by Underwriters Laboratory that is installed in a residence
2.15 and that uses alternating current of at least 30 amps to transfer electricity to an electric
2.16 vehicle battery.

2.17 Subd. 8. **Electrical service panel upgrade.** "Electrical service panel upgrade" means
2.18 the installation of devices that increase the capacity of the electrical service panel in a
2.19 residence to 200 amps. For purposes of this subdivision, "electrical service panel" means
2.20 the central distribution point connecting the electric wires outside a residence and the internal
2.21 wires of the residence's electric network, consisting of a box containing electrical breaker
2.22 switches that distribute power throughout the residence.

2.23 Subd. 9. **Energy efficiency measure.** "Energy efficiency measure" means any insulation
2.24 material, system, or component that is specifically and primarily designed to reduce the
2.25 heat loss or gain of a residence in which it is installed.

2.26 Subd. 10. **Energy storage system.** "Energy storage system" has the meaning given in
2.27 section 216B.2422, subdivision 1, paragraph (f), clauses (1) and (2).

2.28 Subd. 11. **Ground-source heat pump.** "Ground-source heat pump" means an Energy
2.29 Star certified mechanism that provides space heating and cooling by means of: (1) a heat
2.30 exchanger composed of underground pipes containing a fluid; and (2) a heat pump that
2.31 transfers heat between the heat exchanger and the interior of a residence through ductwork.

3.1 Subd. 12. **Heat pump water heater.** "Heat pump water heater" means an Energy Star
3.2 certified water heater that uses a heat pump to transfer heat from surrounding air to water.

3.3 Subd. 13. **Induction range.** "Induction range" means a cooking surface that heats by
3.4 transferring currents from an electromagnetic field located below the glass surface directly
3.5 to the magnetic induction cookware placed above it.

3.6 Subd. 14. **Photovoltaic device.** "Photovoltaic device" has the meaning given in section
3.7 216C.06, subdivision 16.

3.8 Subd. 15. **Qualifying appliance expenditures.** "Qualifying appliance expenditures"
3.9 means the sum of the amounts of the expenditures for the following appliances:

3.10 (1) electric vehicle residential charger;

3.11 (2) heat pump water heater;

3.12 (3) induction range; and

3.13 (4) smart thermostat.

3.14 Subd. 16. **Qualifying energy efficiency measure expenditures.** "Qualifying energy
3.15 efficiency measure expenditures" means the sum of the amounts of the expenditures for
3.16 energy efficiency measures.

3.17 Subd. 17. **Qualifying large improvement expenditures.** "Qualifying large improvement
3.18 expenditures" means the sum of the amount of the expenditures for the following large
3.19 improvements:

3.20 (1) air-source heat pump;

3.21 (2) ductless mini-split heat pump;

3.22 (3) electrical service panel upgrade;

3.23 (4) electric vehicle;

3.24 (5) energy storage system;

3.25 (6) ground-source heat pump;

3.26 (7) photovoltaic device; and

3.27 (8) solar water heater.

3.28 Subd. 18. **Smart thermostat.** "Smart thermostat" means an Energy Star certified
3.29 Wi-Fi-enabled device with connected sensors that adjusts space heating and cooling
3.30 temperature settings in a residence for optimal performance.

4.1 Subd. 19. **Solar water heater.** "Solar water heater" means a device that collects the
4.2 sun's radiant energy, converts it to heat, and uses circulating pumps to pass the heat to a
4.3 water tank.

4.4 Subd. 20. **Credit allowed; limitations.** (a) An individual is allowed a credit against the
4.5 tax computed under this chapter for the taxable year equal to one-half of the amount of the
4.6 individual's climate action expenditure for an individual's residence, but not to exceed
4.7 \$2,000.

4.8 (b) For a nonresident or a part-year resident, the credit must be allocated based on the
4.9 percentage calculated under section 290.06, subdivision 2c, paragraph (e).

4.10 (c) A taxpayer may claim any or all qualifying small appliance expenditures, qualifying
4.11 energy efficiency measure expenditures, or qualifying large improvement expenditures,
4.12 provided that the amount of each expenditure is only included once for purposes of
4.13 calculating the climate action expenditure.

4.14 (d) For a married individual filing a separate return, the calculation of the individual's
4.15 climate action expenditure under subdivision 4 does not include any expenditure used to
4.16 calculate the climate action expenditure for the individual's spouse.

4.17 Subd. 21. **Credit to be refundable.** If the amount of credit which a taxpayer who is a
4.18 resident or part-year resident of Minnesota is eligible to receive under this section exceeds
4.19 the taxpayer's tax liability under this chapter, the commissioner shall refund the excess to
4.20 the taxpayer. For nonresident taxpayers, the credit may not exceed the taxpayer's liability
4.21 for tax under this chapter.

4.22 Subd. 22. **Phaseout.** For married couples filing joint returns, the maximum credit is
4.23 reduced by \$1 for every \$30 of adjusted gross income in excess of \$130,000. For all other
4.24 filers, the maximum credit is reduced by \$1 for every \$15 of adjusted gross income in excess
4.25 of \$65,000. In no case is the maximum credit less than zero.

4.26 Subd. 23. **Appropriation.** An amount sufficient to pay the refunds required by this
4.27 section is appropriated to the commissioner from the general fund.

4.28 Subd. 24. **Sunset.** This section expires January 1, 2027, for taxable years beginning after
4.29 December 31, 2026, except that the expiration of this section does not affect the commissioner
4.30 of revenue's authority to audit or power of examination and assessment for credits claimed
4.31 under this subdivision.

4.32 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
4.33 31, 2021.