

**SENATE
STATE OF MINNESOTA
NINETIETH SESSION**

S.F. No. 4086

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Introduction and first reading
Referred to Energy and Utilities Finance and Policy

OFFICIAL STATUS

1.1 A bill for an act
1.2 relating to energy; providing for a revenue-neutral assessment on certain emissions;
1.3 providing for rebates; establishing an account; providing for rulemaking; requiring
1.4 a report; appropriating money; amending Minnesota Statutes 2016, section 216H.10,
1.5 subdivision 6; proposing coding for new law in Minnesota Statutes, chapter 216H.

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

1.7 Section 1. [216H.022] CITATION.

1.8 This act may be cited as the "Minnesota Carbon Assessment and Rebate Act."

1.9 Sec. 2. [216H.023] DEFINITIONS.

1.10 Subdivision 1. Scope. The definitions in this section apply to sections 216H.023 to
1.11 216H.028.

1.12 Subd. 2. Assessed fuel. "Assessed fuel" means a fuel that is subject to an assessment
1.13 under section 216H.024.

1.14 Subd. 3. Carbon-based fuel. "Carbon-based fuel" means matter, including but not
1.15 limited to coal, petroleum, natural gas, mixed municipal solid waste, and refuse-derived
1.16 fuel, that emits or is capable of emitting carbon dioxide (CO2) when burned. Carbon-based
1.17 fuel includes any solid, liquid, or gaseous fuel derived from coal, petroleum, natural gas,
1.18 mixed municipal solid waste, and refuse-derived fuel.

1.19 Subd. 4. Carbon dioxide emitted. "Carbon dioxide emitted" means the amount of
1.20 carbon dioxide equivalent emissions associated with an assessed fuel on a life-cycle basis,
1.21 including carbon dioxide emissions from extracting, processing, transporting, storing,
1.22 refining, distributing, and burning the assessed fuel to produce energy. Carbon dioxide

2.1 emitted includes methane emitted during various stages of the life-cycle of natural gas,
2.2 expressed in terms of its global warming potential.

2.3 Subd. 5. **Global warming potential.** "Global warming potential" has the meaning given
2.4 in section 216H.10.

2.5 Subd. 6. **Produced.** "Produced" means:

2.6 (1) refined from crude oil at a petroleum refinery; or

2.7 (2) processed from raw natural gas collected at a wellhead.

2.8 Subd. 7. **Program year.** "Program year" means January 1 through December 31.

2.9 Subd. 8. **Use.** "Use" means the burning of a fuel to provide energy.

2.10 Sec. 3. **[216H.024] ASSESSMENT.**

2.11 Subdivision 1. **Assessed fuels.** (a) Except as provided in paragraph (b), the production
2.12 or distribution for use of carbon-based fuels in this state, including the use of carbon-based
2.13 fuels in this state and in other states to generate electricity for consumption in this state, is
2.14 subject to a carbon assessment.

2.15 (b) The assessment does not apply to the use of petroleum as a lubricant or a product
2.16 component.

2.17 Subd. 2. **Amount of assessment.** The assessment in the first program year, beginning
2.18 January 1, 2020, is \$40 per ton of carbon dioxide emitted from the burning of each assessed
2.19 fuel. The assessment increases in each of the five succeeding program years by \$5 per ton
2.20 of carbon dioxide emitted. From the sixth through the 11th program year, the assessment
2.21 increases each year by \$10 per ton of carbon emitted. Beginning in the 12th program year
2.22 and continuing thereafter, the assessment increases each year by \$15 per ton of carbon
2.23 emitted.

2.24 Subd. 3. **Method of assessment.** (a) In consultation with the commissioner of the
2.25 Pollution Control Agency, the commissioner of revenue must, based on the best available
2.26 information:

2.27 (1) estimate the average amount of carbon dioxide emitted by burning a unit of each
2.28 assessed fuel;

2.29 (2) multiply the estimate made in clause (1) by the number of units of the assessed fuel
2.30 at the point of assessment to determine the number of tons of carbon dioxide that would be
2.31 emitted by the burning of those units; and

3.1 (3) multiply the result of clause (2) by the applicable rate per ton of carbon dioxide
3.2 emitted specified under subdivision 2.

3.3 (b) For electricity generated in another state and imported under contract by a utility for
3.4 consumption in Minnesota, the commissioner must estimate the amount of carbon dioxide
3.5 emitted in paragraph (a), clause (1), based on the proportions of the mix of assessed fuels
3.6 used to generate the electricity purchased under the contract.

3.7 (c) For electricity generated in another state and purchased by a utility in the wholesale
3.8 electricity markets operated by the Midcontinent Independent System Operator for
3.9 consumption in Minnesota, the commissioner must estimate the amount in paragraph (a),
3.10 clause (1), based on the average proportion of the mix of assessed fuels used to generate
3.11 electricity by all generators who are members of the Midcontinent Independent System
3.12 Operator.

3.13 (d) For a blend of assessed and nonassessed fuels produced or blended in another state
3.14 for use in this state, the commissioner must calculate the assessment based on the volume
3.15 of the assessed fuel in the blended fuel.

3.16 Subd. 4. **Assessment procedure.** (a) For an assessed fuel produced in another state and
3.17 used in this state, the assessment under this section applies to the first receipt of the assessed
3.18 fuel in this state. The person in this state who first receives the assessed fuel is liable for
3.19 the assessment. A person who receives an assessed fuel has the burden of proving to the
3.20 satisfaction of the commissioner of revenue that the assessed fuel was not received for use
3.21 in Minnesota.

3.22 (b) For an assessed fuel produced in this state, the assessment under this section applies
3.23 at the point of production. The person who produces the assessed fuel is liable for the
3.24 assessment.

3.25 (c) An assessment under this section is prohibited if and to the extent that the assessment
3.26 is duplicative of a charge made by (1) federal law or regulation, or (2) a multistate agreement
3.27 to which Minnesota is a signatory.

3.28 (d) If an assessed fuel is produced in or transported to Minnesota from another state that
3.29 assesses the fuel based on the amount of carbon dioxide emitted when the fuel is used, a
3.30 credit against the assessment authorized under this section is allowed in the amount of the
3.31 assessment paid to the state where the fuel is produced.

3.32 (e) A unit of an assessed fuel must not be assessed more than once under this section.

4.1 Subd. 5. **Data provision.** Upon request, a person must provide to the commissioner of
4.2 revenue in timely fashion information the commissioner of revenue determines is necessary
4.3 to accurately make the assessment required under this section.

4.4 Subd. 6. **Technical assistance.** Upon request of the commissioners of revenue and the
4.5 Pollution Control Agency, an agency, as defined in section 14.02, must provide technical
4.6 assistance to the commissioners to facilitate the administration of this section.

4.7 **Sec. 4. [216H.025] ACCOUNT ESTABLISHED; EXPENDITURES.**

4.8 Subdivision 1. **Account established.** (a) A carbon assessment rebate account is
4.9 established as a separate account in the special revenue fund in the state treasury. Any
4.10 revenue derived from the assets of the account must be credited to the account.
4.11 Appropriations and transfers to the account must be credited to the account. Funds remaining
4.12 in the account at the end of a fiscal year do not cancel to the general fund, but remain in the
4.13 account until expended. The account must be administered by the commissioner of revenue
4.14 as provided under section 216H.026.

4.15 (b) The commissioner of revenue must deposit all assessments collected under section
4.16 216H.024 into the account established under this subdivision.

4.17 Subd. 2. **Allowable expenditures.** The commissioner of revenue is authorized to expend
4.18 money from the carbon assessment rebate account only for the following purposes:

4.19 (1) to pay rebates under section 216H.026; and

4.20 (2) to reimburse the Department of Revenue and other state agencies for services provided
4.21 at the request of the commissioner of revenue to assist in the administration of sections
4.22 216H.023 to 216H.026.

4.23 **Sec. 5. [216H.026] CARBON ASSESSMENT REBATES; INDIVIDUALS.**

4.24 Subdivision 1. **Definition.** For the purposes of this section, "dependent" has the meaning
4.25 given in section 152 of the Internal Revenue Code.

4.26 Subd. 2. **Rebate amounts.** (a) The commissioner of revenue must:

4.27 (1) ensure the assessment is revenue-neutral with respect to state revenues by paying
4.28 out in rebates each year all of the funds in the carbon assessment rebate account that are
4.29 available for rebates; and

4.30 (2) pay rebates to individuals on a per capita basis.

5.1 (b) By September 1 each year, beginning in 2020, the commissioner of revenue must
5.2 annually estimate for the subsequent year:

5.3 (1) the aggregate amount of rebates available by subtracting the estimated payments
5.4 made under clause (2) from the total revenues estimated to be in the carbon assessment
5.5 rebate account at the end of the calendar year;

5.6 (2) the total number of filers, spouses, and dependents eligible for rebates; and

5.7 (3) the amount of a rebate paid to an individual.

5.8 (c) The commissioner may adjust the rebate amount as necessary to avoid overdrawing
5.9 the carbon assessment rebate account.

5.10 (d) A person is prohibited from receiving more than one rebate annually under this
5.11 section.

5.12 Subd. 3. **Credit allowed.** An individual may receive a rebate equal to the amount
5.13 determined under subdivision 2, paragraph (b), clause (3), in the form of a credit against
5.14 the tax imposed under chapter 290, for each of the following:

5.15 (1) the taxpayer;

5.16 (2) the taxpayer's spouse, if the taxpayer files a joint return; and

5.17 (3) dependents of the taxpayer.

5.18 Subd. 4. **Credit refundable.** If a taxpayer is eligible to receive a credit that exceeds the
5.19 taxpayer's tax liability under chapter 290, the commissioner must refund the excess to the
5.20 taxpayer.

5.21 Subd. 5. **Dependent barred from claiming own credit.** An individual claimed as a
5.22 dependent on the federal tax return of another individual is prohibited from being paid a
5.23 rebate under this section.

5.24 Subd. 6. **Nonfilers.** The commissioner of revenue must develop and implement methods
5.25 and procedures to identify and issue rebates to Minnesota residents, including but not limited
5.26 to low-income residents, who do not file taxes under chapter 290 by:

5.27 (1) utilizing all information sources and databases the Department of Revenue has access
5.28 to; and

5.29 (2) consulting with commissioners of other state agencies who have access to information
5.30 sources and databases that may assist to identify eligible residents.

6.1 Subd. 7. **Appropriation.** An amount sufficient to pay rebates required under this section
6.2 is annually appropriated to the commissioner of revenue from the carbon assessment rebate
6.3 account.

6.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
6.5 31, 2019.

6.6 **Sec. 6. [216H.027] RULES.**

6.7 In consultation with the commissioners of commerce and the Pollution Control Agency,
6.8 the commissioner of revenue may adopt rules and regulations necessary to carry out the
6.9 provisions of sections 216H.023 to 216H.026.

6.10 **Sec. 7. [216H.028] REPORTS.**

6.11 (a) By September 1 each year, beginning in 2021, the commissioner of revenue must,
6.12 in consultation with the commissioners of commerce and the Pollution Control Agency,
6.13 submit a written report to the chairs and ranking minority members of the senate and house
6.14 of representatives committees with primary jurisdiction over environment policy and finance
6.15 and energy policy and finance. The report must contain the following information:

6.16 (1) the total amount of assessments collected annually under section 216H.024;

6.17 (2) the total number of rebates awarded annually under section 216H.026, and the amount
6.18 of an individual rebate;

6.19 (3) the annual total amount of carbon dioxide emissions;

6.20 (4) the number of rebates paid through tax credits and the number of rebates paid directly
6.21 to individuals;

6.22 (5) an analysis regarding (i) the success of efforts to identify and provide rebates to
6.23 nonfilers under chapter 290, including recommendations regarding how additional nonfilers
6.24 may be identified, and (ii) the feasibility and efficacy of providing rebate application forms
6.25 that eligible individuals can file with the Department of Revenue;

6.26 (6) recommendations regarding the exemption of specific economic sectors that suffer
6.27 significant negative impacts as a result of the assessments imposed under section 216H.024;

6.28 (7) recommendations regarding the need to adjust the assessment level in order to meet
6.29 state or federal greenhouse gas emissions reduction goals;

6.30 (8) recommendations regarding additional fuels or gaseous emissions not subject to
6.31 assessments under section 216H.024 that may be candidates for future assessment; and

7.1 (9) any additional information the commissioners deem relevant.

7.2 (b) By January 1, 2022, the commissioner of revenue must, in consultation with the
7.3 commissioners of commerce and the Pollution Control Agency, submit a written report to
7.4 the chairs and ranking minority members of the senate and house of representatives
7.5 committees with primary jurisdiction over environment policy and finance and energy policy
7.6 and finance. The report must:

7.7 (1) describe administrative procedures that could be implemented to enable payment of
7.8 the rebates required under section 216H.026 on a quarterly or monthly basis;

7.9 (2) estimate the administrative costs of a monthly payment system; and

7.10 (3) analyze the impact on carbon-based fuel consumption resulting from monthly
7.11 payments.

7.12 Sec. 8. Minnesota Statutes 2016, section 216H.10, subdivision 6, is amended to read:

7.13 Subd. 6. **Global warming potential or GWP.** "Global warming potential" or "GWP"
7.14 means a quantitative measure of the potential of an emission of a greenhouse gas to contribute
7.15 to global warming over a 100-year period expressed in terms of the equivalent emission of
7.16 carbon dioxide needed to produce the same 100-year warming effect, as reported in ~~Fourth~~
7.17 the most recent Assessment Report: ~~Climate Change 2007~~, on climate change published by
7.18 the Intergovernmental Panel on Climate Change.