



Minnesota Solar Energy Industries Association
We Move Minnesota Solar + Storage Forward

Uncapped State Tax Credits for Solar Energy

Fast Facts:

- 11 states have a personal income tax credit for solar energy, each vary in qualifications and maximum values.
- The Minnesota solar tax credit bill should be introduced without an annual budget cap so that a full uncapped budget appropriation may be scored.
- To manage the program budget, implementing credit cap mechanisms will limit the maximum credit available to each individual taxpayer.
- Other states, like New York and Arizona, have been successful in this model. The majority of states do not have an annual budget for the credit.

Annual Budget Cap:

Only two states have implemented a statutory cap on the annual budget for the tax credit.

New Mexico has an annual budget cap of \$12M, increased from \$8M in 2020. ¹

Iowa had an annual budget cap of \$5M in place before the program ended in 2022. When the programs ended in 2022 a backlog of an estimated \$8M in applications remained waitlisted.²

Individual Credit Cap: All 11 states cap the total maximum credit available to each individual taxpayer in a given tax year.

\$500	<ul style="list-style-type: none"> • <u>Montana</u>: \$500 for individuals and \$1000 for married taxpayers filing jointly.^{3*}
\$1000 - \$3500	<ul style="list-style-type: none"> • <u>Arizona</u>: 25% of the cost, up to \$1000.⁴ • <u>Massachusetts</u>: 15% of net price (after other incentives applied) - up to \$1,000.⁵ • <u>New Hampshire</u>: \$0.20 per watt, up to a maximum of \$1,000 or 30% of the total system cost.⁷ • <u>South Carolina</u>: 25% of net installed costs up to \$3500.⁸
\$5000 - \$6000	<ul style="list-style-type: none"> • <u>Hawaii</u>: 35 % of installed cost up to \$5000.⁹ • <u>Iowa</u>: 5% of project price up to a maximum of \$5000. ^{10*} • <u>New Mexico</u>: 10% of system costs up to \$6,000 per taxpayer.¹¹ • <u>New York</u>: 25% of net installed cost (cost after additional up front incentives) up to a maximum of \$5000. ¹²

Carry forward vs. refundable provision: States can choose between two provisions for the remaining tax credits. Most states use a carry forward provision, which allows a person paying little in income taxes to claim the entire credit over a period of years.

New Mexico uses the refundable provision, the more equitable option, which allows the taxpayer to receive the full tax credit in one year. Either provision is supported by the solar industry.

Learning from other states, Minnesota should pass a state solar tax credit without an annual cap to promote industry growth: creating jobs, tax revenue, and local economic benefits.

² energynews.us/2021/02/03/as-interest-in-solar-grows-in-iowa-so-does-the-waitlist-for-state-tax-credit

³ programs.dsireusa.org/system/program/detail/366/residential-alternative-energy-system-tax-credit

⁴ programs.dsireusa.org/system/program/detail/118/residential-solar-and-wind-energy-systems-tax-credit

⁶ programs.dsireusa.org/system/program/detail/144/residential-renewable-energy-income-tax-credit

⁷ pv-magazine-usa.com/2022/04/15/50-states-of-solar-incentives-new-hampshire

⁸ programs.dsireusa.org/system/program/detail/1803/solar-energy-small-hydropower-and-geothermal-tax-credit-personal

⁹ programs.dsireusa.org/system/program/detail/50/solar-and-wind-energy-credit-personal

¹⁰ programs.dsireusa.org/system/program/detail/5191/solar-energy-systems-tax-credit-personal

¹¹ programs.dsireusa.org/system/program/detail/22472/new-solar-market-development-tax-credit

¹² programs.dsireusa.org/system/program/detail/80/residential-solar-tax-credit

* Montana and Iowa both lost their credits to non renewal in 2021.