

Tax Expenditure Review Commission Member Evaluation Summary

4.1.27 Solar Energy Systems

Name of Expenditure: Solar Energy Systems
Estimate of Annual Revenue Lost: \$10,000,000*
Year of Adoption: 2005
Sunset Date: None

Tax Type:

- | | |
|---|---|
| <input type="checkbox"/> Individual Income Tax | <input type="checkbox"/> Mortgage Registry Tax |
| <input type="checkbox"/> Corporate Franchise Tax | <input type="checkbox"/> Deed Transfer Tax |
| <input type="checkbox"/> Estate Tax | <input type="checkbox"/> Lawful Gambling Tax |
| <input checked="" type="checkbox"/> General Sales and Use Tax | <input type="checkbox"/> Insurance Premiums Tax |
| <input type="checkbox"/> Motor Vehicle Sales Tax | <input type="checkbox"/> Property Tax |
| <input type="checkbox"/> Highway Fuels Excise Tax | <input type="checkbox"/> Motor Vehicle Registration Tax |
| <input type="checkbox"/> Alcoholic Beverage Tax | <input type="checkbox"/> Aircraft Registry Tax |
| <input type="checkbox"/> Cigarette and Tobacco Tax | <input type="checkbox"/> Cannabis Gross Receipts Tax |

This expenditure is the result of state conformity to the Federal Code:

- ☐ Yes
☒ No

Commission Approved Objective:

The objective of the Solar Energy Systems general sales and use tax exemption is to incentivize and promote the implementation and utilization of solar energy systems in Minnesota. The exemption is meant to achieve a greater percentage of renewable energy contributions to the state's electricity fuel generation mix.

Business (check all that apply):

- ☐ Job Creation & Maintenance
☐ Investment
☐ Competitiveness/Strategic
☐ Health/Environmental/Social Justice
☐ Other

Individual (check all that apply):

- ☐ Relief of Poverty
☐ Progressivity/Assistance to Low Earners
☐ Access to Opportunity
☐ Health/Environment/Social Justice
☐ Other

* The estimate is from the 2024 Tax Expenditure Budget published by the Department of Revenue for Fiscal Year 2026.

Measurement and Effectiveness Ratings Summary:

Statement	Strongly Disagree	Somewhat Disagree	Somewhat Agree	Strongly Agree	Total
We can measure the overall benefit towards achieving the objective(s).	0	0	2	2	4
The expenditure's benefit justifies its fiscal cost.	2	0	2	1	5
The expenditure is claimed by its intended beneficiaries.	0	0	3	2	5
The expenditure is claimed by a broad group of taxpayers.	2	1	1	1	5
The expenditure amount claimed per taxpayer is meaningful as an incentive/benefit.	2	0	2	1	5
The expenditure is relevant today.	0	0	0	3	3
Business Only: The expenditure is primarily beneficial to smaller businesses.	2	1	0	1	4
Individuals Only: The expenditure is primarily beneficial to lower income taxpayers.	0	0	0	0	0

Summary of tax expenditure is flagged for legislative review:

Continue	Repeal	Modify	Total
3	2	0	5

Comments:

"Program should be repealed, waste of taxpayer money"

"It is unclear to me if smaller businesses are able to access this tax expenditure. Being able to compete against larger utilities may be a barrier to access for smaller businesses. This might be one area to modify the expenditure to ensure that smaller solar energy businesses can better use this expenditure, particularly if they are trying to get into building solar generation farms."

"Somewhat concerned about "leakage" since most of these systems are manufactured out of state, but the incentive is still important in an effort at green energy enhancement in MN."