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## S.F. No. 3397 – Climate action tax credit (as proposed to be amended by the A-3 amendment)

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### Section 1. Climate action tax credit.

**Subdivisions 1 to 17** provide definitions applicable to the credit. In pertinent part:

**“Climate action expenditure”** means the sum of qualifying appliance expenditures, qualifying energy efficiency measures expenditures, and qualifying large improvement expenditures. The amount of expenditure eligible for the credit in each category is limited to \$1,000. Qualifying appliance expenditures are limited by specific amounts for each type of appliance.

**Qualifying appliance expenditures** mean the sum of expenditures for the following appliances: electric vehicle residential charger; heat pump water heater; induction range; and smart thermostat.

**Qualifying energy efficiency measure expenditures** means the sum of amounts of expenditures for energy efficiency thermal measures, which means any insulation material, system, or component that is specifically and primarily designed to reduce the heat loss or gain of a residence in which it is installed.

**Qualifying large improvement expenditures** means the sum of the amount of the expenditures for the following large improvements: air-source heat pump; ductless mini-split heat pump; electrical service panel upgrade; energy storage system; ground-source heat pump; photovoltaic device; and solar water heater.

**Subdivision 18** allows an income tax credit equal to one-half the amount of climate action expenditures, with a maximum credit of \$1,500. The amount of each category of expenditure may only be included once in the calculation of the credit. A married separate filer may not use amounts claimed by the other spouse to claim that spouse’s credit.

**Subdivision 19** provides that the credit is refundable for residents.

**Subdivision 20** provides the phaseout schedule for the credit. The maximum credit would phase out for married joint filers when adjusted gross income equals \$175,000, and for all other filers when adjusted gross income equals \$87,500.

**Subdivision 21** appropriates sufficient funds to pay refunds of the credit.

**Subdivision 22** provides that the credit expires after tax year 2026.

Effective beginning in tax year 2022.