

FACT SHEET: MINNESOTA SOLAR ENERGY TAX REVENUE



Solar energy development brings numerous economic benefits to the counties and local communities in which it occurs. This includes direct payments to landowners who host solar arrays and new employment opportunities during the construction and operation of a project.

In addition, installations provide new tax revenue streams to rural communities, which help to pay for local emergency services and infrastructure improvements. This fact sheet provides a breakdown of the Solar Energy Production Tax paid by owners of solar energy installations in Minnesota.

SOLAR ENERGY IN MINNESOTA

In 2013, Minnesota set a goal of increasing the percentage of electricity retail sales from solar to 10% by 2030. Since then, solar electricity generation in the state has noticeably increased. In 2021, Minnesota had 1,235.6 megawatts (MW) of installed solar capacity, providing 3.66% of the state's electricity.^{1, 2, 3}

Solar Energy Production Tax

The Solar Energy Production Tax is set at a rate of \$1.20 per megawatt hour (MWh) produced. It applies to generating systems with a nameplate capacity greater than 1 MW. Nameplate capacity refers to the intended full-load sustained output of a system. Systems with nameplate capacities of 1 MW or less are exempt from this tax.

Solar energy system owners must file an annual solar energy production report with the Department of Revenue by Jan. 15. If this report is not filed, the department will determine the system's yearly production by applying a production rate of 30% to the combined nameplate capacity of the system.

The Minnesota Department of Revenue determines the tax due and notifies the owner and the county in which the system is located by Feb. 28. The county then bills the owner and collects the Solar Energy Production Tax, which must be paid to the county treasurer by May 15.

Similar to property tax, revenues from the Solar Energy Production Tax are part of the settlement between the county auditor and county treasurer. Eighty percent of the taxes paid goes to the county and 20% goes to the city or township in which the systems are located.⁴



Sources

1 "Minnesota State Profile and Energy Estimates. Profile Analysis." U.S. Energy Information Administration, June 17, 2021, [eia.gov/state/analysis.php?sid=MN](https://www.eia.gov/state/analysis.php?sid=MN). Accessed March 2022.

2 "State Solar Spotlight: Minnesota." Solar Energy Industries Association, March 10, 2022, seia.org/sites/default/files/2022-03/Minnesota%20Solar-Factsheet-2021-YearinReview.pdf. Accessed May 2022.

3 "Electric Power Monthly - Table 6.2.B." U.S. Energy Information Administration, February 2022. <https://www.eia.gov/electricity/monthly/>. Accessed May 2022.

4 "Solar Energy Production Tax." Minnesota Department of Revenue, Jan. 29, 2021, revenue.state.mn.us/solar-energy-production-tax. Accessed May 2022.



Combining Systems

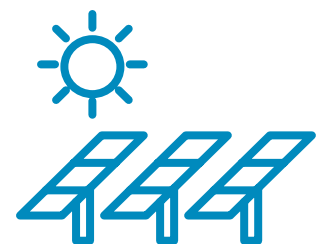
Unless the systems are interconnected with different distribution systems, the nameplate capacities of two solar energy systems will be combined if they meet both of the following criteria:

- Constructed within the same 12-month period.
- Exhibit characteristics of being a single development.

Replacing, repairing, or otherwise maintaining or altering an existing solar energy system does not change the original date. The Department of Commerce determines the combined nameplate capacity of a system if there is a disagreement with the Department of Revenue.⁵

County revenue

In 2022, 38 counties in Minnesota will receive almost \$2 million in combined revenue from the solar energy production tax. Table 1 shows the 10 counties that received the most revenue from the tax.⁷ Due to smaller population sizes, rural counties see a higher per capita impact from the tax revenue than more heavily populated urban counties.⁸



Example

A fixed array **100 MW** solar facility near Minneapolis could generate **134,348.928 MWh/year**, according to the National Renewable Energy Laboratory's PV Watts calculator.

Multiply this by the tax rate of **\$1.20/MWh**, and the resulting production tax burden is **\$161,218.71**.⁶

TABLE 1. TOP 10 MINNESOTA COUNTIES—SOLAR ENERGY PRODUCTION TAX

County	FY 2022 Tax Revenue (Dollars)	FY 2022 Solar Energy Production (MWh)
Chisago	\$366,872.70	305,727.26
Stearns	\$179,026.54	149,188.79
Wright	\$144,784.34	120,653.60
Lyon	\$122,925.32	102,437.77
Dakota	\$119,108.08	99,256.72
Sherburne	\$107,896.98	89,914.15
Rice	\$90,472.32	75,393.60
Washington	\$86,732.59	72,277.17
Carver	\$86,718.54	72,265.46
Goodhue	\$65,396.78	54,497.33

Sources, continued

⁵ Ibid.

⁶ "PV Watts Calculator." National Renewable Energy Laboratory, pvwatts.nrel.gov/pvwatts.php. Accessed March 2022.

⁷ "County Energy Production." Minnesota Department of Revenue, mndor.state.mn.us/ReportServer/Pages/ReportViewer.aspx?/Property%20Tax/Property_Tax_Energy_County. Accessed April 2022.

⁸ Ibid.

