

SOLAR ENERGY SYSTEM TAX CREDIT CHANGES

Prior Law

The Iowa Solar Energy Income Tax Credit for residential properties was equal to 50% of the value of the federal tax credit provided in section 25D of the Internal Revenue Code, not to exceed \$3,000. The Iowa Solar Energy Income Tax Credit for commercial properties was equal to 50% of the value of the federal solar energy systems tax credit provided in section 48 of the Internal Revenue Code, not to exceed \$15,000. It was not clear whether a taxpayer could claim more than one solar energy system tax credit in a year.

No more than \$1.5 million was available per year for all claims applied for under this credit.

New Provisions

The Iowa Solar Energy Income Tax Credit for residential properties is now 60% of the federal residential energy credit and is limited to \$5,000 dollars. The Iowa Solar Energy Income Tax Credit for commercial properties is now 60% of the federal solar energy systems credit and is limited to \$20,000. Taxpayers can claim more than one solar energy system tax credit in a year, but can only claim one credit per separate and distinct installation. The Department will establish rules to define “separate and distinct installation.”

The limit on Solar Energy System Tax Credits was raised from \$1.5 to \$4.5 million per year. Of that amount, \$1 million must be reserved for residential solar energy system claims. If less than \$1 million is claimed for residential installations in a year the unclaimed portion of the \$1 million may be used for other claims received that year. If a part of the available \$4.5 million goes unclaimed in a year, the unclaimed part will carry over and be added to the amount of credits available for the next year.

Taxpayers are required to submit an application to the Department for each separate installation in order to receive a credit for that installation. Applications must be submitted by May 1 of the year following the year the solar energy system was installed.

Sections Amended

Section 1 of 2014 Iowa Acts Senate File 2340 amends Section 422.11L, subsection 1, paragraphs a and b, Code 2014. Section 2 of SF 2340 amends Section 422.11L, subsection 3, Code 2014. Section 3 of SF 2340 amends Section 422.11L, subsection 4, Code 2014.

Effective Date

Retroactive to January 1, 2014 for tax years beginning, and solar energy system installations occurring on or after that date.