

SOLAR ENERGY SYSTEM TAX CREDIT

Prior Law

The Code required that applications be filed by May 1 of the year following the year in which the solar energy system was installed. However, the Code did not address the order in which applications for the credit should be reviewed, or how timely applications should be handled if the amount of credits applied for exceeded the annual program cap.

By rule, the Department provided that if the applications for credits received in a year exceeded the cap for that year, the applications would be prioritized by the date on which they were received, and that those who did not receive credits for one year would be placed on a wait list for the next year's allocations. Only timely applications were placed on the waitlist.

References to the Internal Revenue Code referred to the Internal Revenue Code as defined in Iowa code § 422.3(5).

New Provisions

All applications must still be filed by May 1 of the year after the solar energy system is installed. The Code now provides that applications for the credit must be reviewed on a first-come, first-served basis until the cap for the year is reached. Once the cap is reached, other applications that are timely filed will be placed on a wait list in the order in which the applications are received. Applicants on the waitlist will be given priority for having their applications approved in future years. However, being placed on the wait list is not a guarantee that an applicant will receive the credit in the future. Receipt of a tax credit in future years is dependent upon the availability of the credit in that year.

While the May 1 deadline remains in place, a short-term, retroactive exception has been codified. Applications for solar energy systems installed in 2014 that are received after May 1, 2015 and applications for systems installed in 2015 that are received after May 1, 2016 are still eligible for the credit. Such applications must be accepted and approved on a first-come, first-served basis and are eligible for approval during the tax year in which the application is received. However, applications filed after May 1, 2015 for systems installed in 2014 shall not be eligible for the credit before the tax year beginning January 1, 2016, and applications for systems installed in 2015 that are filed after May 1, 2016 shall not be eligible for the credit before the tax year beginning January 1, 2017. Systems installed in 2016 or later, must comply with the May 1 application deadline.

References to the Internal Revenue Code refer to the Internal Revenue Code as amended up to and including January 1, 2016.

Section Amended _____

This bill amends multiple sections of 2016 Iowa Code Chapter 422.11L

Effective Date _____

May 27, 2016

The new section updating references to the Internal Revenue Code applies retroactively to January 1, 2015, for tax years beginning on or after that date.

16 HF 2468C; 16 HF 2459