
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Geothermal Heat Pump Tax Credit

The Geothermal Heat Pump Tax Credit is available for qualified installations on residential property located in Iowa. The State credit equals 20.0% of the federal [Residential Clean Energy Credit](#). The federal credit currently equals 30.0% of installation costs and is available through calendar year (CY) 2032. The State credit was repealed in the 2018 Legislative Session, effective January 1, 2018. The 2019 Legislature enacted the same tax credit, effective for geothermal property placed in service on or after January 1, 2019. The 2022 General Assembly repealed the Iowa credit effective for installations occurring after December 31, 2023.

For the original State credit, the total amount of tax credits available in a year for a single taxpayer and for all taxpayers combined was not limited. Under the Geothermal Heat Pump Tax Credit that became available January 1, 2019, no more than \$1.0 million per calendar year may be awarded in aggregate, with any valid credit applications beyond that amount placed on a wait list for the next year's allocation.

The Department of Revenue administers the tax credit and audits tax returns.

Tax Credit Background

- Enabling Legislation: 2012 Iowa Acts, chapter [1121](#) (Tax Credits and Exemptions Act), and 2019 Iowa Acts, chapter [152](#) (Miscellaneous Tax Changes Act)
- Iowa Code Citations: sections [422.11I](#) (repealed) and [422.12N](#)
- Administrative State Agency: None
- Sunset Date: December 31, 2023
- Transferable: No
- Refundable: No
- Carryforward: Up to 10 years
- Legislative Tax Expenditure Committee Review Years: None

Legislative History

The Geothermal Heat Pump Tax Credit was originally enacted in 2012, was repealed for CY 2018, and was reinstated beginning with CY 2019. The 2022 General Assembly repealed the credit for installations occurring after December 31, 2023. The federal credit ended at the close of CY 2016 but was later reauthorized through CY 2021. In 2022, the federal credit was extended through tax year 2023.

Tax Credit Review, Usage, and Future Liability

The Geothermal Heat Pump Tax Credit is not included on the list of tax credits to be reviewed under Iowa Code section [2.48](#), so the Department of Revenue has not completed a thorough review of the tax credit usage and benefits. From FY 2013 through FY 2023, an estimated \$12.5 million in tax credits was redeemed.

More Information

Department of Revenue Contingent Liabilities Report: tax.iowa.gov/report-category/contingent-liabilities

Department of Revenue Tax Credits Users' Manual:

tax.iowa.gov/reports/tax-credits-users-manual

Legislative Services Agency Individual Income Tax Guide:

www.legis.iowa.gov/docs/publications/LG/711304.pdf

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Figure 1 — Geothermal Heat Pump Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2008	\$ 0	FY 2019	\$ 121,342
FY 2009	0	FY 2020	541,583
FY 2010	0	FY 2021	640,634
FY 2011	0	FY 2022	497,283
FY 2012	0	FY 2023	576,860
FY 2013	1,510,935	*FY 2024	621,168
FY 2014	1,858,211	*FY 2025	212,960
FY 2015	2,200,336	*FY 2026	31,240
FY 2016	1,895,682	*FY 2027	17,365
FY 2017	2,185,938	*FY 2028	10,830
FY 2018	495,540		

Figure 2 — Geothermal Heat Pump Tax Credit Redemptions

*Projected

