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## FISCAL TOPICS

Fiscal Services Division

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## Tax Credit: Wind Energy Production Tax Credit

The Wind Energy Production Tax Credit may be earned by an owner of a qualified wind energy production facility. To qualify, a facility must be located in Iowa, must produce electricity from wind, and must have been originally placed in service on or after July 1, 2005, but before July 1, 2012. The facility must also have received approval from the local board of supervisors and the Iowa Utilities Board (IUB). In addition, the turbine or turbines of a single facility must have a combined nameplate capacity of at least 2.0 megawatts and no more than 30.0 megawatts.

The tax credit is equal to \$0.01 per kilowatt-hour sold or generated for on-site consumption. Tax credits are earned for a 10-year period beginning on the facility's original in-service date. The total amount of wind energy capacity allowed to qualify for tax credits is 50.0 megawatts.

Projects approved for the Wind Energy Production Tax Credit are not allowed to benefit from Iowa's [Renewable Energy Tax Credit](#), a program that also provides tax credits for electricity produced through wind power.

### Tax Credit Background

- Enabling Legislation: 2004 Iowa Acts, chapter [1175](#) (Appropriations and Miscellaneous Changes Act of 2004)
- Iowa Code Citations:
  - Chapter [476B](#) — Program Description
  - Section [422.11J](#) — Individual Income Tax
  - Section [422.33\(16\)](#) — Corporate Income Tax
  - Section [422.60\(7\)](#) — Franchise (Bank) Tax
  - Section [423.4\(4\)](#) — Sales and Use Tax Refund
  - Section [432.12E](#) — Insurance Premium Tax
- Administrative State Agencies: IUB and Iowa Department of Revenue
- Sunset Date: July 1, 2012 (credits may be earned for up to 10 years after the sunset date)
- Transferable: Yes
- Refundable: No
- Carryforward: Unused credits may be carried forward for up to seven tax years
- Tax Review Committee Review Year: 2019

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### More Information

Department of Revenue Contingent Liabilities Report: [tax.iowa.gov/report-category/contingent-liabilities](http://tax.iowa.gov/report-category/contingent-liabilities)

Department of Revenue Tax Credit Review:

[tax.iowa.gov/sites/default/files/2020-01/RE\\_and\\_WEP\\_Tax\\_Credit\\_Evaluation\\_Study.pdf](http://tax.iowa.gov/sites/default/files/2020-01/RE_and_WEP_Tax_Credit_Evaluation_Study.pdf)

Department of Revenue Tax Credits Users' Manual:

[tax.iowa.gov/reports/tax-credits-users-manual](http://tax.iowa.gov/reports/tax-credits-users-manual)

Legislative Services Agency State Taxation Guide: [www.legis.iowa.gov/docs/publications/LG/1062336.pdf](http://www.legis.iowa.gov/docs/publications/LG/1062336.pdf)

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## Legislative History

As originally enacted in 2004, the \$0.01 per kilowatt-hour production tax credit was available for projects placed in service between July 1, 2004, and June 30, 2007. Also as originally enacted, there was no limit on the total megawatts of installed capacity that could qualify for the production tax credit. In subsequent years, the placed-in-service deadline was extended several times until it reached the final date of June 30, 2012. Over the years, a maximum megawatt capacity that could qualify for the credit was established, initially at 450.0 megawatts. By the conclusion of the placed-in-service period, the total allowed capacity was reduced to 50.0 megawatts. The establishment of a total megawatt limit and the limit's subsequent reduction coincided with the creation of a separate Renewable Energy Tax Credit for wind energy and the expansion of that tax credit over time.

## Tax Credit Review, Usage, and Future Liability

According to the April 2021 update from the IUB on [approved tax credit projects](#), over the course of the program, four projects located in northwest and northeast Iowa were approved for the Wind Energy Production Tax Credit. Combined, the projects were approved for the entire 50.0 megawatts of available tax credit capacity. The four projects were placed in service in 2009 and 2011. With the 10-year tax credit window, two projects ceased earning Iowa tax credits in 2019 and two projects ceased earning credits at the end of 2021. Due to credit carryforward provisions, actual redemption of the tax credits could continue for up to seven additional tax years. With two of the four projects no longer able to receive tax credits in 2019, redemptions increased to \$3.7 million in FY 2019 from \$948,000 in FY 2018 as these companies redeemed eligible tax credits within the seven-year carry-forward window. Redemptions decreased beginning in FY 2022 and were \$0 in FY 2023 as the four main projects were no longer eligible for tax credit certificates and applied for no carry-forward redemptions.

The following is based on a Department of Revenue review of the Wind Energy Production Tax Credit released December 2019, information as of April 2021 from the IUB on approved tax credit projects, and on 2021 U.S. Energy Information Administration (USEIA) wind energy data ([Form EIA-860](#)):

- Four projects were approved for the Wind Energy Production Tax Credit, totaling 50.0 megawatts of nameplate capacity. The projects are located in Dickinson, Kossuth, Crawford, and Delaware counties. The first project became operational in March 2009 and the final project in December 2011. With expiration of the placed-in-service deadline of June 30, 2012, no unused capacity remained within the program.
- For reporting years 2009 through 2018, \$12.0 million in Wind Energy Production Tax Credit certificates was issued, representing credits earned on 1,199.2 million kilowatt-hours of wind-produced electricity.
- The tax credits are not refundable, but can be transferred to another taxpayer. Just under 100.0% of all Wind Energy Production Tax Credits awarded from 2009 through 2018 were transferred to other taxpayers. For 2007 through 2018 and across the two wind and renewable energy tax credit programs, production tax credits were claimed through a variety of tax types, including:
  - Corporate Income Tax — 29.1%
  - Insurance Premium Tax — 27.4%
  - Utility Property Tax Replacement Tax — 14.2%
  - Individual Income Tax — 12.5%
  - Franchise (Bank) Tax — 11.9%
  - Sales/Use Tax — 4.9%
- According to USEIA 2022 [data](#), there are 12,542.8 megawatts of operating nameplate wind energy capacity in Iowa, installed as 6,757 turbines. According to the IUB tax credit project list, 178.1 megawatts of nameplate wind energy capacity qualified for State production tax credits for the two wind energy tax credit programs. This represents 1.4% of the installed wind energy capacity in Iowa.

The Department of Revenue reports on the annual credit usage for the Wind Energy Production Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 9 of that report, the following table (see **Figure 1**) and graph (see **Figure 2**) provide credit redemption history and projections for the Wind Energy Production Tax Credit on a fiscal year basis. The blue bars of the graph indicate actual credit redemptions, while the red bars are Department of Revenue projections of future redemptions.

**Figure 1 — Wind Energy Production Tax Credit History**

\*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2008	\$ 0	FY 2019	\$ 3,716,701
FY 2009	0	FY 2020	892,507
FY 2010	516,821	FY 2021	850,658
FY 2011	726,025	FY 2022	137,741
FY 2012	763,797	FY 2023	0
FY 2013	847,409	*FY 2024	500,099
FY 2014	1,075,193	*FY 2025	391,320
FY 2015	1,223,907	*FY 2026	248,717
FY 2016	1,062,804	*FY 2027	0
FY 2017	1,206,421	*FY 2028	0
FY 2018	947,746		

**Figure 2 — Wind Energy Production Tax Credit Redemptions**

\*Projected

