



SF 2340 – Solar Energy Tax Credits (LSB 6111SV.1)
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Fiscal Note Version – As amended and passed the Senate

Description

Senate File 2340, as amended and passed by the Senate, increases the annual limit for the existing Solar Energy System Tax Credit from \$1.5 million to \$4.5 million, retroactive to January 1, 2014. In addition, this Bill provides that if the annual credit cap is not fully utilized in one year, the unused credits remain available in a future year.

This Bill allows a taxpayer to claim an Iowa credit equal to 60.0% of the federal solar energy tax credit instead of the 50.0% currently allowed. This Bill also increases the credit cap available for individual taxpayers from \$3,000 to \$5,000 and the credit cap available to business taxpayers from \$15,000 to \$20,000.

Background

Under current law, the federal credit expires January 1, 2017, so only installations prior to that date are eligible for the Iowa credit. However, should Congress extend the credit past the current sunset, the Iowa tax credit will be extended automatically.

Assumptions

- Of the total 2012 Solar Energy System Tax Credit awards, 40.0% of the total amount of applications was received after February 2013. It is assumed that beginning in March 2014 the Department will receive additional applications for 2013 awards equal to 40.0% of applications received by the end of February 2014.
- The 2013 award applications currently total \$2.1 million. Under the current cap and annual limit, \$1.5 million in awards have been issued as tax year 2013 awards and \$602,908 have been issued as 2014 awards. Total estimated applications for credits for systems installed in tax year 2013 are \$2.9 million.
- Under current law, \$1.5 million of 2013 installations will be awarded as 2014 credits.
- This Bill would raise the tax credit rates and caps retroactive to 2014, thus raising the awarded credit amounts for installations in tax year 2014 and later.
- It is estimated that credit applications for 2014 installations will equal \$4.3 million under the proposed higher caps and rates.
- With the estimated \$1.5 in 2013 installations awarded 2014 credits and \$4.3 in applications for 2014, it is assumed the full annual cap of \$4.5 million will be issued for 2014 with applications above the cap pushed into 2015 awards.
- For calendar year 2015, a credit award level of \$4.3 million is assumed, and for calendar year 2016, \$3.7 million.
- It is assumed the awards will be claimed within the first five years of the carryforward period.
- Timing of the tax credit claims is assumed to be similar to other nonrefundable tax credits with a five-year carryforward period such as the Endow Iowa Tax Credit, the School Tuition Organization Tax Credit, and the Agricultural Assets Transfer Tax Credit. For those programs, tax credits earned in one year are redeemed 56.6% in the first year, 24.5% in the second year, and 18.9% is spread over the next four tax years.

Fiscal Impact

The proposed changes to the Solar Energy System Tax Credit are projected to reduce net General Fund revenue by the amounts in the following table.

Solar Energy Tax Credit	
Net General Fund Impact, in Millions	
	Solar Energy Tax Credit
FY 2015	\$ -1.7
FY 2016	-2.3
FY 2017	-2.1
FY 2018	-0.9
FY 2019	-0.4
FY 2020	-0.3
FY 2021	-0.2
FY 2022	-0.1
	<u>\$ -8.0</u>

Under current federal law, the fiscal impact does not continue past FY 2022. However, if the federal solar tax credit is extended, the Iowa tax credit is also extended.

Source

Department of Revenue

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
