



SF 459 – Geothermal Energy Units, Property Tax Abatement (LSB2239SZ)
Analyst: Jeff Robinson (Phone: 515-281-4614) (jeff.robinson@legis.state.ia.us)
Fiscal Note Version – As amended by **S-3152**

Description

Senate File 459, as amended by **S-3152**, exempts the value added through the installation of a geothermal heating and/or cooling system installed on residential property for property tax assessment purposes. The exemption applies to new construction and retrofitted installations. The exemption lasts 10 years. The Bill applies to assessment years beginning on or after January 1, 2010 (FY 2012).

Chapter 25B (State Mandates – Funding Requirements), Code of Iowa, may apply to Senate File 459. The Bill as amended makes Section 25B.7, Code of Iowa not applicable. That Section allows local governments to not extend new property tax benefits to taxpayers if the General Assembly does not provide replacement funding for the benefit.

Assumptions

1. The exemption only applies to installations first assessed for property tax purposes in assessment year 2010 and after.
2. The number of installations each year is assumed to be 750.
3. The cost of installation will average \$11,000 per installation.
4. The value added will be determined through the property assessment process but is assumed for the fiscal note to be the cost of installation.
5. The residential rollback will average 48.0% over the next several years.
6. The average residential tax rate is assumed to be \$38.00 per thousand dollars of taxable valuation for FY 2012 and will increase 1.5% per year.
7. The school foundation levy rate is \$5.40 per thousand dollars of taxable valuation.
8. Ninety-five percent of all eligible installations will apply for and receive the exemption.

Fiscal Impact

Exempting the value added by the installation of a residential geothermal heating/cooling system will impact local property tax revenue and the State General Fund through the school aid formula. The projected reduction in property taxes paid is presented in the left-hand column of the following table. The impact on local revenue and the State General Fund is shown in the right two columns.

Impact of Exempting Residential Geothermal Valuation
From Property Tax

	Property Tax Reduction	Local Tax Revenue Reduction	State School Aid Appropriation Increase
FY 2012	\$143,000	\$123,000	\$20,000
FY 2013	288,000	248,000	40,000
FY 2014	435,000	375,000	60,000
FY 2015	584,000	505,000	79,000
FY 2016	737,000	638,000	99,000
FY 2017	890,000	773,000	117,000
FY 2018	1,047,000	911,000	136,000
FY 2019	1,205,000	1,051,000	154,000
FY 2020	1,366,000	1,194,000	172,000
FY 2021	1,530,000	1,340,000	190,000

In future fiscal years, the impact is projected to be similar to FY 2021.

Sources

Legislative Services Agency Analysis
Iowa Heat Pump Association

/s/ Holly M. Lyons

March 30, 2009

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the correctional and minority impact statements were prepared pursuant to [Section 2.56](#), Code of Iowa. Data used in developing this fiscal note, including correctional and minority impact information, is available from the Fiscal Services Division of the Legislative Services Agency upon request.
