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## FISCAL TOPICS

Fiscal Services Division

November 19, 2020



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Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

## Tax Credit: Geothermal Tax Credit

The Geothermal Tax Credit equaled 10.0% of qualified residential geothermal system installation costs. The Credit was available during calendar years (CY) 2017 and CY 2018 and was repealed January 1, 2019. Oversight of this tax credit was a function of Department of Revenue tax return auditing.

### Tax Credit Background

- Enabling Legislation: 2016 Iowa Acts, chapter [1128](#) (Miscellaneous Tax Changes Act) and 2018 Iowa Acts, chapter [1161](#) (State and Local Taxation Act)
- Code Citations: Iowa Code section [422.10A](#) (repealed)
- Administrative State Agency: None
- Sunset Date: Repealed
- Transferable: No
- Refundable: No
- Carryforward: Up to 10 years
- Legislative Tax Expenditure Committee Review Years: None

### Legislative History

When the Geothermal Tax Credit was enacted in 2016, an Iowa income tax credit for residential geothermal installations already existed (the Geothermal Heat Pump Tax Credit). However, the existing credit was based on a federal tax credit, and the federal credit was allowed to sunset. The Geothermal Tax Credit did not require a federal credit and therefore was available during years when there was no federal geothermal credit. The federal credit was later reinstated, and the Geothermal Heat Pump Tax Credit was available to Iowa taxpayers again beginning with tax year 2019. The Geothermal Tax Credit was repealed in 2018 ([SF 2417](#)).

### Tax Credit Review, Usage, and Future Liability

The Geothermal Tax Credit is not included on the list of tax credits to be reviewed by the Tax Expenditure Committee, so the Department of Revenue has not completed a thorough review of the tax credit usage and benefits. Based on factors used for the fiscal estimate when the tax credit was created, residential geothermal installations earned an average of \$1,750 in State tax credits. From FY 2018 through FY 2020, an estimated \$1.7 million in tax credits was redeemed. While this translates to 984 residential geothermal installations, the actual number of installations is higher because as a nonrefundable tax credit where unused credits may carry forward to the next tax year, a portion of the tax redemptions for existing installations will occur in future tax years.

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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 Credits Users' Manual:

[tax.iowa.gov/sites/default/files/2019-09/TaxCreditsUsersManual2019.pdf](http://tax.iowa.gov/sites/default/files/2019-09/TaxCreditsUsersManual2019.pdf)

Legislative Services Agency Individual Income Tax Guide: [www.legis.iowa.gov/docs/publications/LG/711304.pdf](http://www.legis.iowa.gov/docs/publications/LG/711304.pdf)

LSA Staff Contact: Jeff W. Robinson (515.281.4614) [jeff.robinson@legis.iowa.gov](mailto:jeff.robinson@legis.iowa.gov)

### Geothermal Tax Credit History

\*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2006	\$ 0	FY 2016	\$ 0
FY 2007	0	FY 2017	0
FY 2008	0	FY 2018	313,195
FY 2009	0	FY 2019	1,159,339
FY 2010	0	FY 2020	250,193
FY 2011	0	*FY 2021	50,276
FY 2012	0	*FY 2022	30,396
FY 2013	0	*FY 2023	30,396
FY 2014	0	*FY 2024	30,396
FY 2015	0	*FY 2025	30,396

### Geothermal Tax Credit Redemptions

\*Projected

