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## FISCAL TOPICS

Fiscal Services Division

December 28, 2022



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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 The State credit was repealed in the 2018 Legislative Session, effective January 1, 2018.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 The 2022 General Assembly repealed the Iowa credit effective for installations occurring after December 31, 2023.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.

Oversight of this tax credit is a function of Department of Revenue tax return auditing.

### 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)
- Code Citations: Iowa Code sections [422.111](#) (repealed) and [422.12N](#)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The Geothermal Heat Pump Tax Credit was originally enacted in 2012, was repealed for CY 2018, and was reinstated beginning with CY 2019. The 2022 General Assembly repealed the credit for installations occurring after December 31, 2023.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. During 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 2022, an estimated \$13.4 million in tax credits was redeemed.

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

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)

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## Geothermal Heat Pump Tax Credit History

\*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2008	\$ 0	FY 2018	\$ 495,540
FY 2009	0	FY 2019	121,342
FY 2010	0	FY 2020	541,583
FY 2011	0	FY 2021	640,234
FY 2012	0	FY 2022	490,729
FY 2013	1,510,935	*FY 2023	580,804
FY 2014	1,858,211	*FY 2024	643,517
FY 2015	2,200,336	*FY 2025	233,032
FY 2016	1,895,682	*FY 2026	35,903
FY 2017	2,185,938	*FY 2027	12,916

### Geothermal Heat Pump Tax Credit Redemptions

\*Projected

