
FISCAL TOPICS

Fiscal Services Division

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Tax Credit: Solar Energy System Tax Credit

The Solar Energy System Tax Credit is available for qualified installations at businesses located in Iowa. Prior to January 1, 2022, the credit was also available for residential installations. The Iowa credit is currently equal to 50.0% of the federal credit for qualified solar installations. The federal credit is equal to 30.0% of the installation cost of the solar energy system. The federal credit is available through 2032. A scheduled phaseout of the federal credit was repealed in August 2022. However, Iowa law is currently coupled to the earlier version of the federal credit, which contains the phaseout of the credit.

Per-installation State tax credit maximums apply. Taxpayers may receive tax credits for more than one installation, but the installations must be separate and distinct. The total amount of State tax credits approved in a year for all taxpayers combined is limited to \$5.0 million. Taxpayers must submit applications to the Iowa Department of Revenue (IDR) and receive a tax credit certificate before a tax credit may be claimed. Any application in excess of the \$5.0 million cap is placed on a wait list for the next year's annual allocation. The tax credit is not refundable or transferable, but unused credits may be carried forward.

Tax Credit Background

- Enabling Legislation: 2012 Iowa Acts, chapter [1121](#) (Tax Credits and Exemptions Act)
- Iowa Code Citations:
 - Section [422.11L](#) — Individual Income Tax
 - Section [422.33](#)(29) — Corporate Income Tax
 - Section [422.60](#)(12)(a) — Bank Franchise Tax
 - Section [533.329](#)(2)(I) — Credit Union Moneys and Credits Tax
- Administrative State Agency: IDR
- Sunset Date: December 31, 2021 (former federal tax credit sunset date)
- Transferable: No
- Refundable: No
- Carryforward: Up to 10 years
- Legislative Tax Expenditure Committee Review Years: None

Legislative History

As originally enacted, the Solar Energy System Tax Credit was equal to 50.0% of the federal credit, and the total amount of tax credits issued in a year could not exceed \$1.5 million. The annual cap was increased to \$4.5 million for calendar year 2014 and to \$5.0 million for calendar year 2015 and after. The tax credit percentage was raised to 60.0% for calendar years 2014 and 2015 before returning to 50.0% for calendar year 2016 and after. As originally enacted, the credit could only be used by individual and corporate income tax filers. Banks (franchise tax) and credit unions (moneys and credits tax) were added beginning with calendar years 2014 and 2015, respectively.

More Information

Department of Revenue Contingent Liabilities Report: revenue.iowa.gov/media

Department of Revenue Tax Credits Users' Manual: revenue.iowa.gov/resources/reports

Legislative Services Agency Individual Income Tax Guide: www.legis.iowa.gov/docs/publications/LG/711304.pdf

Solar Energy System Tax Credit Annual Report: revenue.iowa.gov/media

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In December 2015, the U.S. Congress revised and extended the federal solar energy credit. The 2016 Legislature coupled Iowa's tax code with the federal change (2016 Iowa Acts, chapter [1128](#) (Revenue Department Miscellaneous Changes Act), section 4). The combined State and federal action extended the availability of the Iowa tax credit through calendar year 2021. Congress enacted additional extensions in 2020 and 2022 before ending the program after 2025.

Tax Credit Review, Usage, and Future Liability

The Solar Energy System Tax Credit is not included on the list of tax credits to be reviewed under Iowa Code section [2.48](#). However, the IDR is required to file an annual report with the Governor and General Assembly.

The Solar Energy System Tax Credit was first available for 2012 installations. The 2024 annual report filed by the IDR covered installations and tax credits earned from 2012 through December 10, 2024 (see **Figure 1**). A total of 9,829 projects were awarded \$53.0 million in State tax credits. Residential installations accounted for 65.7% of the projects and 39.2% of the awarded tax credits. Using the \$450.1 million in reported qualified project costs and the State tax credit award amount, and assuming federal tax credits totaling \$126.5 million (28.1% of \$450.1 million), the combined federal-State tax credit amount of \$179.4 million represents 39.9% of installation costs across the 9,829 solar projects benefiting from the State tax credit. In FY 2025, there was an increase of 10 solar projects awarded tax credits through December 10, 2024.

Figure 1 — Solar Energy System Tax Credit Statistics
Through December 10, 2024

	# of Projects	% of Total	Tax Credit Amount Awarded	% of Total	Total Installation Cost	% of Total	Kilowatts Installed — 2014 through 2024 *	% of Total
Residential	6,456	65.7%	\$ 20,760,536	39.2%	\$170,851,670	38.0%	57,127	34.0%
Commercial	3,373	34.3%	32,193,667	60.8%	279,259,640	62.0%	110,686	66.0%
Total	9,829	100.0%	\$ 52,954,203	100.0%	\$450,111,310	100.0%	167,813	100.0%

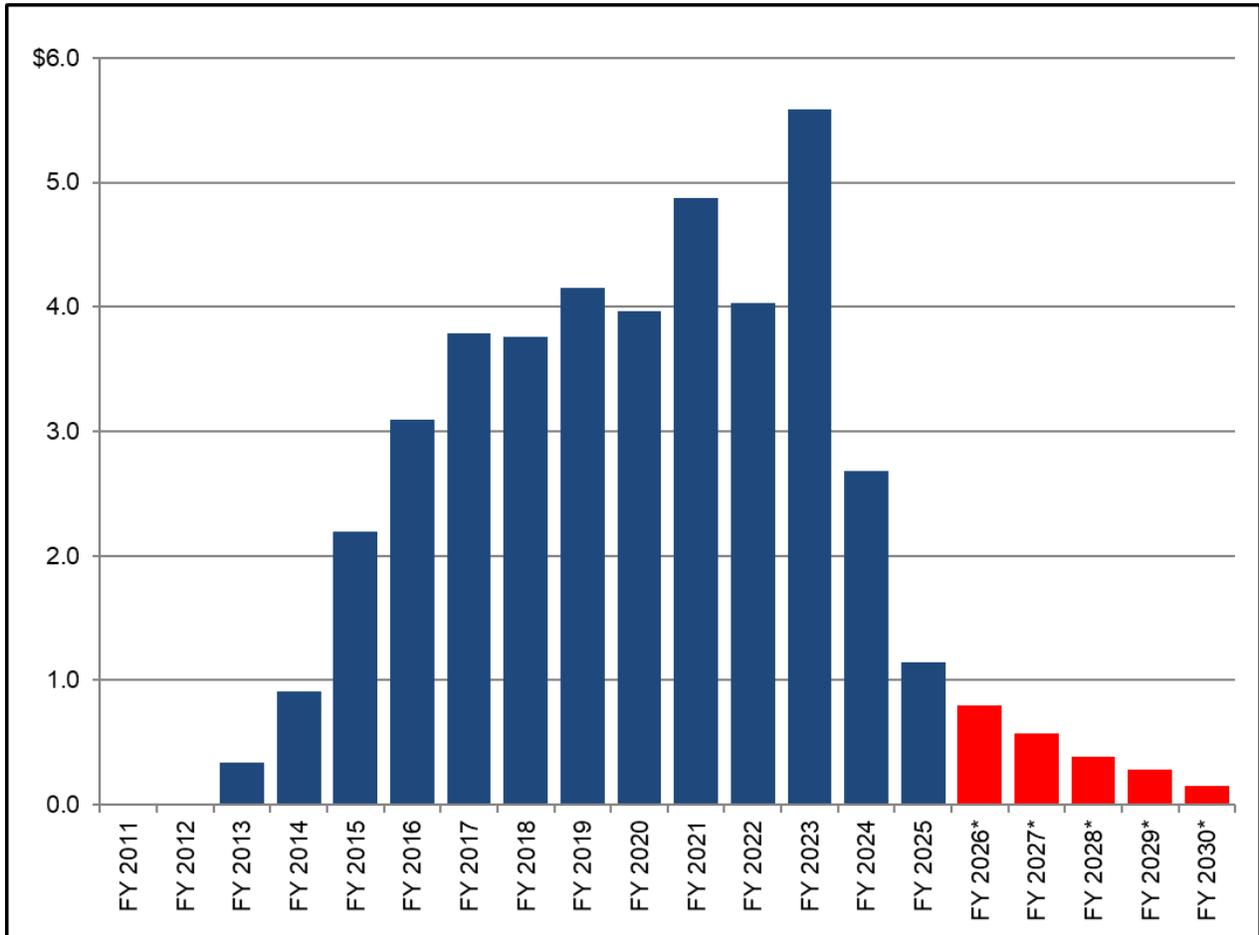
*8,825 projects (89.8%) reported the amount of kilowatts installed.

The IDR reports on the annual credit usage for the Solar Energy System Tax Credit in its periodic [Contingent Liabilities Report](#). Based on Table 8 of that report, the following table (see **Figure 2**) and graph (see **Figure 3**) provide credit redemption history and projections for the Solar Energy System Tax Credit on a fiscal year basis. The blue bars of the graph indicate actual credit redemptions, while the red bars are IDR projections of future redemptions.

Figure 2 — Solar Energy System Tax Credit History
* Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2011	\$ 0	FY 2021	\$ 4,871,091
FY 2012	0	FY 2022	4,031,791
FY 2013	338,028	FY 2023	5,586,535
FY 2014	910,359	FY 2024	2,679,766
FY 2015	2,198,566	FY 2025	1,142,937
FY 2016	3,097,823	FY 2026*	796,603
FY 2017	3,787,993	FY 2027*	574,581
FY 2018	3,759,747	FY 2028*	387,311
FY 2019	4,156,242	FY 2029*	284,956
FY 2020	3,965,114	FY 2030*	151,355

Figure 3 — Solar Energy System Tax Credit Redemptions
* Projected
(in Millions)



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