Legislative Services Agency
State Capitol, 1007 E. Grand Avenue, Des Moines, Iowa 50319, 515.281.3566

Fiscal Services Division

Fiscal Topic

Tax Credit: Geothermal Heat Pump Tax Credit

November 9, 2026

Purpose and History

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 will be available for installations made through calendar year (CY) 2032 before being phased out through CY 2034. The State credit was repealed in the 2018 Legislative Session, effective January 1, 2018. The 2019 General Assembly 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 The 2022 General Assembly repealed the Iowa credit effective for installations occurring after December 31, 2023.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 value 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.

The Department of Revenue administers the tax credit and audits tax returns.

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)
- Iowa Code Citations: Sections 422.11I (repealed) and 422.12N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The Geothermal Heat Pump Tax Credit was originally enacted in CY 2012, was repealed for CY 2018, and was reinstated beginning with CY 2019. 2022 Iowa Acts, chapter 1002 (Income Tax Rate Reduction and Exemptions Act), repealed the credit for installations occurring after December 31, 2023.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. In 2022, the federal credit was extended through tax year 2034.

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 review of the tax credit usage and benefits. From FY 2013 through FY 2026, an estimated $13.2 million in tax credits were redeemed.

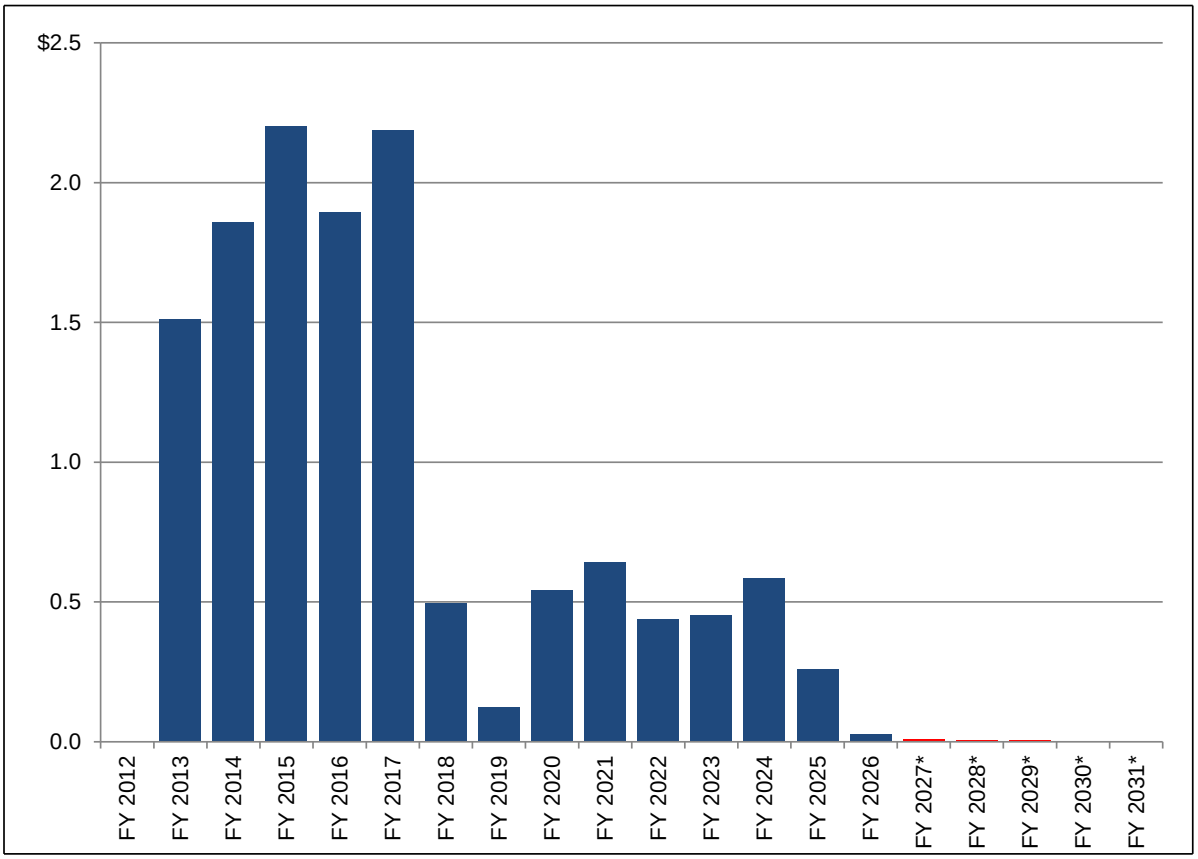
Figure 1 — Geothermal Heat Pump Tax Credit History

*Projected

Fiscal Year	Tax Credit Redemptions	Fiscal Year	Tax Credit Redemptions
FY 2012	$ 0	FY 2022	$ 439,440
FY 2013	1,510,935	FY 2023	453,827
FY 2014	1,858,211	FY 2024	585,558
FY 2015	2,200,336	FY 2025	257,438
FY 2016	1,895,682	FY 2026	28,362
FY 2017	2,185,938	FY 2027*	9,792
FY 2018	495,540	FY 2028*	3,353
FY 2019	121,342	FY 2029*	3,407
FY 2020	541,583	FY 2030*	2,405
FY 2021	640,634	FY 2031*	825

Figure 2 — Geothermal Heat Pump Tax Credit Redemptions

*Projected (in Millions)



Additional Information

For additional information, visit:

- Iowa Department of Revenue Contingent Liabilities Report
- Iowa Department of Revenue Tax Credit Users' Manual
- Legislative Services Agency Individual Income Tax Guide

LSA Staff Contact

Eric Richardson
(515.281.6767)
eric.richardson@legis.iowa.gov

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