

FEB 21 2001

ENVIRONMENTAL PROTECTION

HOUSE FILE 329
BY JOCHUM

Passed House, Date _____ Passed Senate, Date _____

Vote: Ayes _____ Nays _____ Vote: Ayes _____ Nays _____

Approved _____

A BILL FOR

1 An Act creating an energy conservation program, tax credits, and
2 an energy conservation program revolving fund.

3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

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HF 329

1 Section 1. NEW SECTION. 422.11C ENERGY CONSERVATION TAX
2 CREDIT.

3 The taxes imposed under this division, less the credits
4 allowed under sections 422.12 and 422.12B, shall be reduced by
5 an energy conservation tax credit provided for in section
6 473.41, subsection 3.

7 Sec. 2. Section 422.33, Code 2001, is amended by adding
8 the following new subsection:

9 NEW SUBSECTION. 11. The taxes imposed under this division
10 shall be reduced by an energy conservation tax credit as
11 provided for in section 473.41, subsection 3.

12 Sec. 3. NEW SECTION. 473.41 ENERGY CONSERVATION PROGRAM.

13 1. For purposes of this section, unless the context
14 otherwise suggests, "solar, wind, geothermal, or other
15 renewable energy system" means a system of equipment capable
16 of collecting and converting solar, wind, geothermal, or other
17 renewable energy into thermal, mechanical, or electrical
18 energy and transforming these forms of energy to storage or to
19 a point of use.

20 2. The department shall establish and administer an energy
21 conservation and weatherization program designed to reduce
22 dependency on fossil fuels through energy conservation
23 measures and the expanded development and use of renewable
24 energy. The department shall adopt rules pursuant to chapter
25 17A for purposes of administering the energy conservation
26 program.

27 3. a. For tax years beginning on or after January 1,
28 2001, there shall be allowed a tax credit against the taxes
29 imposed in chapter 422, divisions II and III, for costs
30 associated with energy conservation measures as provided in
31 this subsection. An individual may claim the credit of a
32 partnership, limited liability company, S corporation, estate,
33 or trust electing to have the income taxed directly to the
34 individual. The amount claimed by the individual shall be
35 based upon the pro rata share of the individual's earnings

1 from the partnership, limited liability company, S
2 corporation, estate, or trust. Any tax credit in excess of
3 the taxpayer's liability for the tax year shall not be carried
4 forward or back. A tax credit shall not be refunded.

5 b. In order to be eligible for the tax credit, the
6 taxpayer must be a residential or commercial property owner
7 that installs a new or replacement energy conservation
8 measure. Eligible energy conservation materials shall meet
9 energy efficiency standards established by the United States
10 environmental protection agency or the utility company of the
11 taxpayer. Eligible energy-efficiency measures shall include
12 all of the following:

13 (1) Insulation for windows and doors.

14 (2) Energy-efficient furnaces, air conditioning units, and
15 water heaters.

16 (3) Installation of a solar, wind, geothermal, or other
17 renewable energy system.

18 c. The tax credit claimed under this section shall be
19 equivalent to costs of the energy conservation measure
20 described in paragraph "b", up to a maximum of five hundred
21 dollars during any one tax year.

22 4. a. An energy conservation program revolving fund is
23 created in the state treasury under the control of the
24 department consisting of any money appropriated by the general
25 assembly for that purpose and any other moneys available to
26 and obtained or accepted by the department from the federal
27 government or private sources for placement in the fund.
28 Payments of interest, repayments of moneys loaned pursuant to
29 the energy conservation program, and recaptures of grants or
30 loans shall be deposited in the fund. Moneys in the fund are
31 not subject to section 8.33.

32 b. Moneys in the fund are subject to appropriation by the
33 general assembly to the department for purposes of providing
34 zero-interest loans under the energy conservation program.
35 The assistance shall be available only to low-income persons,

1 as defined by the department, and shall be for purposes of
2 weatherization of a residential home or for installation of a
3 solar, wind, geothermal, or other renewable energy system.

4 5. Low interest loans offered by financial institutions to
5 low-income homeowners, as defined by the department, or small
6 businesses located in a low-income neighborhood, as defined by
7 the department, for purposes of installing approved
8 weatherization measures or for the installation of approved
9 solar, wind, geothermal, or other renewable energy systems
10 shall qualify as community reinvestment as described in
11 section 12C.6A, subsection 2.

12 EXPLANATION

13 This bill creates an energy conservation program, an energy
14 conservation program revolving fund, and provides energy
15 conservation related tax credits.

16 The bill provides that the department of natural resources
17 shall establish and administer an energy conservation and
18 weatherization program designed to reduce dependency on fossil
19 fuels through energy conservation measures and the expanded
20 development and use of renewable energy.

21 The bill provides for a personal or business income tax
22 credit for costs associated with energy conservation measures.
23 The bill provides that in order to be eligible for the tax
24 credit, the taxpayer must be a residential or commercial
25 property owner that installs a new or replacement energy
26 conservation measure. The bill provides that eligible energy-
27 efficiency measures shall include insulation for windows and
28 doors, energy-efficient furnaces, air conditioning units, and
29 water heaters, and installation of a solar, wind, geothermal,
30 or other renewable energy system. The bill provides that the
31 tax credit claimed shall be equivalent to costs of the energy
32 conservation measure, up to a maximum of \$500 during any one
33 tax year.

34 The bill establishes an energy conservation program
35 revolving fund under the control of the department. The bill

1 provides that moneys in the fund are subject to appropriation
2 to the department for purposes of providing zero-interest
3 loans under the energy conservation program. The assistance
4 shall be available only to low-income persons, as defined by
5 the department, and shall be for purposes of weatherization of
6 a residential home or for installation of a solar, wind,
7 geothermal, or other renewable energy system.

8 The bill provides that low interest loans offered by
9 financial institutions to low-income homeowners or small
10 businesses located in a low-income neighborhood for purposes
11 of installing approved weatherization measures or for the
12 installation of approved solar, wind, geothermal, or other
13 renewable energy systems shall qualify as community
14 reinvestment.

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HOUSE FILE 329

FISCAL NOTE

A fiscal note for **House File 329** is hereby submitted pursuant to Joint Rule 17. Data used in developing this fiscal note is available from the Legislative Fiscal Bureau to members of the Legislature upon request.

SUMMARY

House File 329 creates the Energy Conservation Program, that allows tax credits to residential, commercial, or industrial property owners for energy conservation measures. The overall goal of the Program is to reduce the dependency on fossil fuels. The tax credit equals the amount of the improvement with a maximum credit of \$500. The Bill creates an Energy Conservation Revolving Fund with funding appropriated by the General Assembly. The Fund will be used to provide low-cost or zero-interest loans for low-income persons. The Department of Natural Resources will administer the Program.

ASSUMPTIONS

1. The estimated number of Iowa households is 1,064,325. Approximately 6.0% of these households or 63,400 will make energy efficiency improvements in FY 2002 and in FY 2003. Approximately one-third will receive a \$500 credit, one-third will receive a \$250 credit, and one-third will receive a \$100 credit.
2. The estimated number of taxable commercial and industrial buildings in Iowa is 75,205. Approximately 25.0% or 19,000 will make energy efficiency improvements in FY 2002 and in FY 2003. These businesses will receive a \$500 tax credit.
3. The estimated amount of residential tax credits is \$18.1 million for FY 2002 and \$18.3 million for FY 2003 and subsequent years. The estimated amount of commercial tax credits is \$9.4 million for FY 2002 and \$9.5 million for FY 2003 and subsequent years.
4. The estimated amount to fund the Energy Conservation Program Revolving Fund is \$1.5 million for FY 2002 and subsequent years.
5. The estimated cost for a Program staff person is \$75,000 for FY 2002 and \$79,000 for FY 2003 and subsequent years.
6. The estimated cost to promote the Program is \$8,000 for FY 2002 and subsequent years.

FISCAL IMPACT

House File 329 will result in a decrease in General Fund revenues of \$29.1 million in FY 2002 and \$29.4 million in FY 2003 and subsequent years. General Fund expenditures will increase by \$1.6 million for FY 2002 and subsequent

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years.

SOURCE

Department of Natural Resources

(LSB 1571hh, DFK)