

**House File 221 - Introduced**

HOUSE FILE 221

BY KLEIN

**A BILL FOR**

1 An Act relating to the solar energy system tax credit available  
2 against the individual and corporate income tax, the  
3 franchise tax, the moneys and credits tax, and including  
4 effective date and retroactive applicability provisions.  
5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

DIVISION I

SOLAR ENERGY SYSTEM TAX CREDIT

1  
2  
3 Section 1. Section 422.11L, Code 2021, is amended by  
4 striking the section and inserting in lieu thereof the  
5 following:

6 **422.11L Solar energy system tax credits.**

7 1. As used in this section:

8 *a. "Commercial solar energy system"* means a solar energy  
9 system on nonresidential property.

10 *b. "Residential solar energy system"* means a solar energy  
11 system on residential property or multiresidential property.

12 *c. "Solar energy system"* means a system of equipment capable  
13 of collecting and converting incident solar radiation into  
14 thermal, mechanical, or electrical energy and transporting the  
15 energy by a separate apparatus to storage or to a point of use.

16 2. Beginning with installations completed on or after  
17 January 1, 2021, but before December 31, 2030, the taxes  
18 imposed under this subchapter, less the credits allowed under  
19 section 422.12, shall be reduced by a solar energy system tax  
20 credit equal to fifteen percent of the gross cost of the solar  
21 energy system, not to exceed the following amounts:

22 *a.* For a residential solar energy system, five thousand  
23 dollars.

24 *b.* For a commercial solar energy system, twenty thousand  
25 dollars.

26 3. Any credit in excess of the tax liability is not  
27 refundable but the excess for the tax year may be credited  
28 to the tax liability for the following ten years or until  
29 depleted, whichever is earlier.

30 4. *a.* An individual may claim the tax credit allowed a  
31 partnership, limited liability company, S corporation, estate,  
32 or trust electing to have the income taxed directly to the  
33 individual. The amount claimed by the individual shall be  
34 based upon the pro rata share of the individual's earnings of  
35 the partnership, limited liability company, S corporation,

1 estate, or trust.

2 *b.* A taxpayer who is eligible to claim a credit under this  
3 section shall not be eligible to claim a renewable energy tax  
4 credit under chapter 476C.

5 *c.* A taxpayer may claim more than one credit under this  
6 section, but may claim only one credit per separate and  
7 distinct solar energy system installation. The department  
8 shall establish criteria, by rule, for determining what  
9 constitutes a separate and distinct installation.

10 *d.* (1) A taxpayer must submit an application to the  
11 department for each separate and distinct solar energy  
12 system installation. The application must be approved by the  
13 department in order to claim the tax credit. The application  
14 must be filed by May 1 following the year of the installation  
15 of the solar energy system.

16 (2) The department shall accept and approve applications  
17 on a first-come, first-served basis until the maximum amount  
18 of tax credits that may be claimed pursuant to subsection 5  
19 is reached. If for a tax year the aggregate amount of tax  
20 credits applied for exceeds the amount specified in subsection  
21 5, the department shall establish a wait list for tax credits.  
22 Valid applications filed by the taxpayer by May 1 following the  
23 year of the installation but not approved by the department  
24 shall be placed on a wait list in the order the applications  
25 were received and those applicants shall be given priority  
26 for having their applications approved in succeeding years.  
27 Placement on a wait list pursuant to this subparagraph shall  
28 not constitute a promise binding the state. The availability  
29 of a tax credit and approval of a tax credit application  
30 pursuant to this section in a future year is contingent upon  
31 the availability of tax credits in that particular year.

32 5. *a.* The cumulative value of tax credits claimed annually  
33 by applicants pursuant to this section shall not exceed ten  
34 million dollars.

35 *b.* If an amount of tax credits available for a tax year

1 pursuant to paragraph "a" goes unclaimed, the amount of the  
2 unclaimed tax credits shall be made available for the following  
3 tax year in addition to, and cumulated with, the amount  
4 available pursuant to paragraph "a" for the following tax year.

5 6. On or before January 1, annually, the department shall  
6 submit a written report to the governor and the general  
7 assembly regarding the number and value of tax credits claimed  
8 under this section, and any other information the department  
9 may deem relevant and appropriate.

10 7. This section is repealed January 1, 2041.

11 8. The director shall adopt rules pursuant to chapter 17A to  
12 administer this section.

13 Sec. 2. Section 422.33, subsection 29, paragraph a, Code  
14 2021, is amended to read as follows:

15 a. The Beginning with installations completed on or after  
16 January 1, 2021, but before December 31, 2030, the taxes  
17 imposed under **this subchapter** shall be reduced by a solar  
18 energy system tax credit ~~equal to sixty percent of the federal~~  
19 ~~energy credit related to solar energy systems provided in~~  
20 ~~section 48(a)(2)(A)(i)(II) and section 48(a)(2)(A)(i)(III)~~  
21 ~~of the Internal Revenue Code, not to exceed twenty thousand~~  
22 ~~dollars. For installations occurring on or after January 1,~~  
23 ~~2016, the applicable percentage of the federal energy credit~~  
24 ~~related to solar energy systems shall be fifty percent~~ allowed  
25 under section 422.11L.

26 Sec. 3. Section 422.60, subsection 12, paragraph a, Code  
27 2021, is amended to read as follows:

28 a. The Beginning with the installations completed on or  
29 after January 1, 2021, but before December 31, 2030, the taxes  
30 imposed under **this subchapter** shall be reduced by a solar  
31 energy system tax credit ~~equal to sixty percent of the federal~~  
32 ~~energy credit related to solar energy systems provided in~~  
33 ~~section 48(a)(2)(A)(i)(II) and section 48(a)(2)(A)(i)(III)~~  
34 ~~of the Internal Revenue Code, not to exceed twenty thousand~~  
35 ~~dollars. For installations occurring on or after January 1,~~

1 ~~2016, the applicable percentage of the federal energy credit~~  
2 ~~related to solar energy systems shall be fifty percent~~ allowed  
3 under section 422.11L.

4 Sec. 4. Section 533.329, subsection 2, paragraph k, Code  
5 2021, is amended to read as follows:

6 k. The Beginning with the installations completed on or  
7 after January 1, 2021, but before December 31, 2030, the moneys  
8 and credits tax imposed under this section shall be reduced by  
9 a solar energy system tax credit allowed under section 422.11L.

10 Sec. 5. CUMULATIVE VALUE OF SOLAR ENERGY SYSTEM TAX CREDIT  
11 FOR YEAR 2021 — RESERVED CLAIMS. Notwithstanding section  
12 422.11L, subsection 5, as enacted by this division of this Act,  
13 the maximum cumulative value of tax credits that may be claimed  
14 during the 2021 calendar year shall not exceed seventeen  
15 million dollars. Of this amount, at least seven million  
16 dollars shall be reserved for claims placed on the wait list  
17 pursuant to section 422.11L, subsection 3, Code 2021, prior to  
18 January 1, 2021. The reserved claims shall be approved using  
19 the same priority of approval established for the wait list.  
20 In the event claims from the wait list exceed the reserved  
21 amount, an applicant from the wait list shall be given priority  
22 to make a claim for amounts not reserved for the year 2021, to  
23 the extent such claims have not been claimed. In the event the  
24 maximum cumulative amount of tax credits have been claimed for  
25 the year 2021, an applicant from the wait list shall be given  
26 priority on any wait list based upon the date the application  
27 for the credit was received by the department.

28 Sec. 6. EFFECTIVE DATE. This division of this Act, being  
29 deemed of immediate importance, takes effect upon enactment.

30 Sec. 7. RETROACTIVE APPLICABILITY. This division of this  
31 Act applies retroactively to January 1, 2021, for tax years  
32 ending on or after that date.

33 DIVISION II

34 CORRESPONDING CHANGES DUE TO FUTURE REPEAL OF SOLAR ENERGY  
35 SYSTEM TAX CREDIT

1 Sec. 8. Section 422.33, subsection 29, Code 2021, is amended  
2 by adding the following new paragraph:

3 NEW PARAGRAPH. c. This subsection is repealed on January  
4 1, 2041.

5 Sec. 9. Section 422.60, subsection 12, Code 2021, is amended  
6 by adding the following new paragraph:

7 NEW PARAGRAPH. c. This subsection is repealed on January  
8 1, 2041.

9 Sec. 10. Section 476C.2, subsection 3, Code 2021, is amended  
10 to read as follows:

11 3. a. A taxpayer who is eligible to claim a renewable  
12 energy tax credit under [this chapter](#) shall not be eligible to  
13 claim a solar energy system tax credit under [section 422.11L](#)  
14 or [422.33](#).

15 b. This subsection is repealed on January 1, 2041.

16 Sec. 11. Section 533.329, subsection 2, paragraph k, Code  
17 2021, is amended to read as follows:

18 k. (1) The moneys and credits tax imposed under this  
19 section shall be reduced by a solar energy system tax credit  
20 allowed under [section 422.11L](#).

21 (2) This paragraph is repealed on January 1, 2041.

22 EXPLANATION

23 The inclusion of this explanation does not constitute agreement with  
24 the explanation's substance by the members of the general assembly.

25 DIVISION I — SOLAR ENERGY SYSTEM TAX CREDIT — REPEAL. This  
26 bill relates to the solar energy system tax credit. Under  
27 existing law, the Iowa solar energy system tax credit available  
28 against the individual or corporate income tax, the franchise  
29 tax, or the moneys and credits tax equals the sum of 50 percent  
30 of the federal residential energy efficient property credit,  
31 not to exceed \$5,000, plus 50 percent of the federal energy  
32 credit related to solar energy systems, not to exceed \$20,000.

33 The bill strikes provisions basing the Iowa solar energy  
34 system tax credit as a percentage of federal energy tax credits  
35 and creates a new Iowa solar energy system tax credit for

1 installations completed on or after January 1, 2021, but before  
2 December 31, 2030. The bill creates a residential solar energy  
3 system tax credit equal to 15 percent of the gross cost of the  
4 system, up to \$5,000. The bill creates a separate commercial  
5 solar energy system tax credit not to exceed 15 percent of the  
6 gross cost of the system, up to \$20,000. The tax credit is  
7 available against the individual and corporate income taxes,  
8 the franchise tax, and the moneys and credits tax.

9 The bill defines "residential solar energy system" to  
10 mean a solar energy project on residential property or  
11 multiresidential property. The bill defines "commercial  
12 solar energy system" to mean a solar energy system on a  
13 nonresidential property.

14 Any tax credit approved under the bill is not refundable  
15 but the excess for the tax year may be credited to the tax  
16 liability for the following 10 years or until depleted,  
17 whichever is earlier.

18 A taxpayer eligible to claim a credit under the bill is not  
19 eligible to claim a renewable energy tax credit under Code  
20 chapter 476C.

21 The bill provides that a taxpayer may claim more than one tax  
22 credit, but may claim only one credit per separate and distinct  
23 solar energy system installation.

24 For the 2021 calendar year, the bill increases the maximum  
25 cumulative value of tax credits that may be claimed during  
26 the calendar year from \$4 million to \$17 million. Of this  
27 increased maximum tax credit amount for the 2021 calendar year,  
28 \$7 million is reserved for claims placed on the wait list prior  
29 to January 1, 2021. The reserved claims shall be approved  
30 using the same priority of approval established for the wait  
31 list. An applicant placed on the wait list prior to January  
32 2021 shall be given priority to make a claim for amounts not  
33 reserved for the year 2021, to the extent such claims have not  
34 been claimed. In the event the maximum cumulative amount of  
35 tax credits have been claimed for the year 2021 under the bill,

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1 the applicant shall have priority on any wait list based upon  
2 the date the application for the credit was received by the  
3 department of revenue.

4 Beginning in the 2022 calendar year through the 2030  
5 calendar year, the bill establishes the maximum cumulative  
6 value of tax credits that may be claimed during the year at \$10  
7 million.

8 The bill repeals the solar energy tax credit on January  
9 1, 2041, which is 10 years after the tax year the credit may  
10 be claimed for completed installations in order to allow any  
11 credit in excess of tax liability for installations completed  
12 prior to December 31, 2030, to be credited to future tax  
13 liability for up to 10 years.

14 Division I takes effect upon enactment and applies  
15 retroactively to January 1, 2021, for tax years ending on or  
16 after that date.

17 DIVISION II — CORRESPONDING CHANGES DUE TO REPEAL OF THE  
18 SOLAR ENERGY SYSTEM TAX CREDIT. The bill makes corresponding  
19 changes in the Code due to the repeal of the solar energy  
20 system tax credit on January 1, 2041.