

**House File 323 - Introduced**

HOUSE FILE 323

BY STAED

**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:

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

4 **422.11L Solar energy system tax credits.**

5 1. As used in this section:

6 a. "*Commercial solar energy system*" means a solar energy  
7 system on property that is not residential or multiresidential.

8 b. "*Residential solar energy system*" means a solar energy  
9 system on residential property or multiresidential property.

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

14 2. Beginning with installations completed on or after  
15 January 1, 2021, the taxes imposed under this subchapter, less  
16 the credits allowed under section 422.12, shall be reduced by a  
17 solar energy system tax credit equal to an amount calculated  
18 using only one of the following methods:

19 a. Fifteen percent of the gross cost of the solar energy  
20 system, not to exceed the following amounts:

21 (1) For a residential solar energy system, five thousand  
22 dollars.

23 (2) For a commercial solar energy system, twenty thousand  
24 dollars.

25 b. The sum of the following:

26 (1) Fifty percent of the federal residential energy  
27 efficient property credit related to solar energy provided in  
28 section 25D(a)(1) and section 25D(a)(2) of the Internal Revenue  
29 Code, not to exceed five thousand dollars.

30 (2) Fifty percent of the federal energy credit related to  
31 solar energy systems provided in section 48(a)(2)(A)(i)(II) and  
32 section 48(a)(2)(A)(i)(III) of the Internal Revenue Code, not  
33 to exceed twenty thousand dollars.

34 3. Any credit in excess of the tax liability is not  
35 refundable but the excess for the tax year may be credited

1 to the tax liability for the following ten years or until  
2 depleted, whichever is earlier.

3 4. *a.* An individual may claim the tax credit allowed a  
4 partnership, limited liability company, S corporation, estate,  
5 or trust electing to have the income taxed directly to the  
6 individual. The amount claimed by the individual shall be  
7 based upon the pro rata share of the individual's earnings of  
8 the partnership, limited liability company, S corporation,  
9 estate, or trust.

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

13 *c.* A taxpayer may claim more than one credit under this  
14 section, but may claim only one credit per separate and  
15 distinct solar energy system installation. The department  
16 shall establish criteria, by rule, for determining what  
17 constitutes a separate and distinct installation.

18 *d.* (1) A taxpayer must submit an application to the  
19 department for each separate and distinct solar energy  
20 system installation. The application must be approved by the  
21 department in order to claim the tax credit. The application  
22 must be filed by May 1 following the year of the installation  
23 of the solar energy system.

24 (2) The department shall accept and approve applications  
25 on a first-come, first-served basis until the maximum amount  
26 of tax credits that may be claimed pursuant to subsection 5  
27 is reached. If for a tax year the aggregate amount of tax  
28 credits applied for exceeds the amount specified in subsection  
29 5, the department shall establish a wait list for tax credits.  
30 Valid applications filed by the taxpayer by May 1 following the  
31 year of the installation but not approved by the department  
32 shall be placed on a wait list in the order the applications  
33 were received and those applicants shall be given priority  
34 for having their applications approved in succeeding years.  
35 Placement on a wait list pursuant to this subparagraph shall

1 not constitute a promise binding the state. The availability  
2 of a tax credit and approval of a tax credit application  
3 pursuant to this section in a future year is contingent upon  
4 the availability of tax credits in that particular year.

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

8 *b.* If an amount of tax credits available for a tax year  
9 pursuant to paragraph "a" goes unclaimed, the amount of the  
10 unclaimed tax credits shall be made available for the following  
11 tax year in addition to, and cumulated with, the amount  
12 available pursuant to paragraph "a" for the following tax year.

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

18 7. The director shall adopt rules pursuant to chapter 17A to  
19 administer this section.

20 Sec. 2. Section 422.33, subsection 29, paragraph a, Code  
21 2021, is amended to read as follows:

22 *a.* The Beginning with installations completed on or after  
23 January 1, 2021, the taxes imposed under this subchapter shall  
24 be reduced by a solar energy system tax credit ~~equal to sixty~~  
25 ~~percent of the federal energy credit related to solar energy~~  
26 ~~systems provided in section 48(a)(2)(A)(i)(II) and section~~  
27 ~~48(a)(2)(A)(i)(III) of the Internal Revenue Code, not to exceed~~  
28 ~~twenty thousand dollars. For installations occurring on or~~  
29 ~~after January 1, 2016, the applicable percentage of the federal~~  
30 ~~energy credit related to solar energy systems shall be fifty~~  
31 percent allowed under section 422.11L.

32 Sec. 3. Section 422.60, subsection 12, paragraph a, Code  
33 2021, is amended to read as follows:

34 *a.* The Beginning with the installations completed on or  
35 after January 1, 2021, the taxes imposed under this subchapter

1 shall be reduced by a solar energy system tax credit equal to  
2 ~~sixty percent of the federal energy credit related to solar~~  
3 ~~energy systems provided in section 48(a)(2)(A)(i)(II) and~~  
4 ~~section 48(a)(2)(A)(i)(III) of the Internal Revenue Code, not~~  
5 ~~to exceed twenty thousand dollars. For installations occurring~~  
6 ~~on or after January 1, 2016, the applicable percentage of the~~  
7 ~~federal energy credit related to solar energy systems shall be~~  
8 ~~fifty percent~~ allowed under section 422.11L.

9 Sec. 4. Section 533.329, subsection 2, paragraph k, Code  
10 2021, is amended to read as follows:

11 k. The Beginning with the installations completed on or  
12 after January 1, 2021, the moneys and credits tax imposed under  
13 this section shall be reduced by a solar energy system tax  
14 credit allowed under section 422.11L.

15 Sec. 5. CUMULATIVE VALUE OF SOLAR ENERGY SYSTEM TAX CREDIT  
16 FOR YEAR 2021 — WAIT LIST. Notwithstanding section 422.11L,  
17 subsection 5, as enacted by this Act, there shall be no maximum  
18 cumulative value of tax credits that may be claimed during the  
19 2021 calendar year until such time as the wait list pursuant to  
20 section 422.11L, subsection 3, Code 2021, has been eliminated.  
21 If the wait list has been eliminated during the 2021 calendar  
22 year, the maximum cumulative value of tax credits during  
23 calendar year 2021 shall not exceed the maximum cumulative  
24 value of tax credits specified in section 422.11L, subsection  
25 5, as enacted by this Act.

26 Sec. 6. EFFECTIVE DATE. This Act, being deemed of immediate  
27 importance, takes effect upon enactment.

28 Sec. 7. RETROACTIVE APPLICABILITY. This Act applies  
29 retroactively to January 1, 2021, for tax years ending on or  
30 after that date.

31 EXPLANATION

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

34 This bill relates to the solar energy system tax credit.  
35 Under existing law, the Iowa solar energy system tax credit

1 available against the individual or corporate income tax, the  
2 franchise tax, or the moneys and credits tax equals the sum of  
3 50 percent of the federal residential energy efficient property  
4 credit, not to exceed \$5,000, plus 50 percent of the federal  
5 energy credit related to solar energy systems, not to exceed  
6 \$20,000.

7 The bill maintains the existing framework of the solar  
8 energy system tax credit as a percentage of the federal energy  
9 credit but creates a new Iowa solar energy system tax credit  
10 for installations completed on or after January 1, 2021. For  
11 solar energy systems completed on or after January 1, 2021, the  
12 bill allows a taxpayer to calculate the solar energy system tax  
13 credit amount as a percentage of the federal energy credit or  
14 calculate the solar energy system tax credit amount pursuant  
15 to the new Iowa solar energy system tax credit created in the  
16 bill. The bill creates a residential solar energy system tax  
17 credit equal to 15 percent of the gross cost of the system, up  
18 to \$5,000. The bill creates a separate commercial solar energy  
19 system tax credit not to exceed 15 percent of the gross cost of  
20 the system, up to \$20,000. The bill defines "residential solar  
21 energy system" to mean a solar energy project on residential  
22 property or multiresidential property. The bill defines  
23 "commercial solar energy system" to mean a solar energy system  
24 on a property that is not residential or multiresidential.

25 Any tax credit approved under the bill is not refundable  
26 but the excess for the tax year may be credited to the tax  
27 liability for the following 10 years or until depleted,  
28 whichever is earlier.

29 The tax credit is available against the individual and  
30 corporate income taxes, the franchise tax, and the moneys and  
31 credits tax.

32 A taxpayer eligible to claim a credit under the bill is not  
33 eligible to claim a renewable energy tax credit under Code  
34 chapter 476C.

35 The bill provides that a taxpayer may claim more than one tax

1 credit, but may claim only one credit per separate and distinct  
2 solar energy system installation.

3 The bill permanently increases the maximum cumulative value  
4 of tax credits that may be claimed during the year from \$4  
5 million to \$10 million.

6 The bill eliminates the wait list for the tax credit by  
7 removing the maximum cumulative value of tax credits that may  
8 be claimed in a year for calendar year 2021 until the wait list  
9 is eliminated. If the wait list is eliminated during calendar  
10 year 2021, the maximum cumulative value of tax credits that  
11 may be claimed during calendar year 2021 shall not exceed the  
12 maximum cumulative value established in the bill, \$10 million.

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