

House File 370 - Introduced

HOUSE FILE 370

BY GJERDE

A BILL FOR

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

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1 Section 1. NEW SECTION. **422.10C Solar installation tax**
2 **credits.**

3 1. For installations occurring on or after January 1, 2025,
4 the taxes imposed under this subchapter, less the credits allowed
5 under section 422.12, shall be reduced by a solar installation
6 tax credit equal to the sum of the following:

7 a. Fifty percent of the federal residential clean energy
8 credit related to solar energy provided in section 25D(a)(1) and
9 section 25D(a)(2) of the Internal Revenue Code, not to exceed
10 five thousand dollars.

11 b. Fifty percent of the federal energy credit related to
12 solar energy systems provided in section 48(a)(2)(A)(i)(II) and
13 section 48(a)(2)(A)(i)(III) of the Internal Revenue Code, not to
14 exceed twenty thousand dollars.

15 2. Any credit in excess of the tax liability is not
16 refundable but the excess for the tax year may be credited to
17 the tax liability for the following ten years or until depleted,
18 whichever is earlier. The director of revenue shall adopt rules
19 to implement this section.

20 3. a. An individual may claim the tax credit allowed a
21 partnership, limited liability company, S corporation, estate,
22 or trust electing to have the income taxed directly to the
23 individual. The amount claimed by the individual shall be based
24 upon the pro rata share of the individual's earnings of the
25 partnership, limited liability company, S corporation, estate, or
26 trust.

27 b. (1) A taxpayer who is eligible to claim a credit under
28 this section shall not be eligible to claim a renewable energy
29 tax credit under chapter 476C.

30 (2) A taxpayer shall not be eligible to claim both the tax
31 credit under this section and the solar energy tax credit under
32 section 422.11L for the same installation.

33 c. A taxpayer may claim more than one credit under this
34 section, but may claim only one credit per separate and distinct
35 solar installation. The department shall establish criteria, by

1 rule, for determining what constitutes a separate and distinct
2 installation.

3 d. (1) A taxpayer must submit an application to the
4 department for each separate and distinct solar installation.
5 The application must be approved by the department in order to
6 claim the tax credit. The application must be filed by May
7 1 following the year of the installation of the solar energy
8 system.

9 (2) The department shall accept and approve applications on
10 a first-come, first-served basis until the maximum amount of
11 tax credits that may be claimed pursuant to subsection 4 is
12 reached. If for a tax year the aggregate amount of tax credits
13 applied for exceeds the amount specified in subsection 4, the
14 department shall establish a wait list for tax credits. Valid
15 applications filed by the taxpayer by May 1 following the year
16 of the installation but not approved by the department shall be
17 placed on a wait list in the order the applications were received
18 and those applicants shall be given priority for having their
19 applications approved in succeeding years. Placement on a wait
20 list pursuant to this subparagraph shall not constitute a promise
21 binding the state. The availability of a tax credit and approval
22 of a tax credit application pursuant to this section in a future
23 year is contingent upon the availability of tax credits in that
24 particular year.

25 4. a. The cumulative value of tax credits claimed annually
26 by applicants pursuant to this section shall not exceed five
27 million dollars. Of this amount, at least one million dollars
28 shall be reserved for claims associated with or resulting from
29 residential solar energy system installations. In the event that
30 the total amount of claims submitted for residential solar energy
31 system installations in a tax year is an amount less than one
32 million dollars, the remaining unclaimed reserved amount shall
33 be made available for claims associated with or resulting from
34 nonresidential solar energy system installations received for the
35 tax year.

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

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

11 Sec. 2. Section 422.33, Code 2025, is amended by adding the
12 following new subsection:

13 NEW SUBSECTION. 33. The taxes imposed under this subchapter
14 shall be reduced by a solar installation tax credit allowed under
15 section 422.10C.

16 Sec. 3. Section 422.60, Code 2025, is amended by adding the
17 following new subsection:

18 NEW SUBSECTION. 16. The taxes imposed under this subchapter
19 shall be reduced by a solar installation tax credit allowed under
20 section 422.10C.

21 Sec. 4. Section 476C.2, subsection 3, Code 2025, is amended
22 to read as follows:

23 3. A taxpayer who is eligible to claim a renewable energy tax
24 credit under this chapter shall not be eligible to claim a solar
25 installation tax credit under section 422.10C, 422.33, 422.60,
26 or 533.329, or the solar energy system tax credit under section
27 422.11L, ~~or 422.33, 422.60, or 533.329.~~

28 Sec. 5. Section 533.329, subsection 2, Code 2025, is amended
29 by adding the following new paragraph:

30 NEW PARAGRAPH. n. The moneys and credits tax imposed under
31 this section shall be reduced by a solar installation tax credit
32 allowed under section 422.10C.

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

35 Sec. 7. RETROACTIVE APPLICABILITY. This Act applies

1 retroactively to January 1, 2025, for tax years beginning on or
2 after that date.

3 EXPLANATION

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

6 This bill establishes a solar installation tax credit
7 available against the individual and corporate income taxes, the
8 moneys and credits tax, and the franchise tax.

9 The solar installation credit is similar to the solar energy
10 systems tax credit in Code section 422.11L, except the solar
11 installation credit established in the bill couples with current
12 federal law.

13 The credit is equal to 50 percent of the federal clean energy
14 credit related to solar energy provided in section 25D of the
15 Internal Revenue Code, not to exceed \$5,000, and 50 percent
16 of the federal energy credit related to solar energy systems
17 provided in section 48 of the Internal Revenue Code, not to
18 exceed \$20,000. The credit is nonrefundable, but may be carried
19 forward for 10 years, or until depleted.

20 The bill provides that an individual may claim the tax credit
21 allowed a partnership, limited liability company, S corporation,
22 estate, or trust based upon the individual's pro rata share of
23 the earnings. A taxpayer who is eligible to claim a credit under
24 the bill shall not be eligible to claim a renewable energy tax
25 credit under Code chapter 476C. A taxpayer shall not be eligible
26 to both claim the tax credit under the bill and the solar energy
27 tax credit under Code section 422.11L for the same installation.

28 Further, the bill restricts the cumulative total of solar
29 energy systems tax credits issued for all taxpayers to an amount
30 not exceeding \$5 million annually. Of this amount, at least
31 \$1 million shall be reserved for claims associated with or
32 resulting from residential solar installations. In the event
33 that the total amount of claims submitted for residential solar
34 installations in a tax year is an amount less than \$1 million,
35 the remaining unclaimed reserved amount shall be made available

1 for claims associated with or resulting from nonresidential solar
2 installations received for the tax year. If an amount of tax
3 credits available for a tax year goes unclaimed, the amount
4 of the unclaimed tax credits shall be made available for the
5 following tax year in addition to, and cumulated with, the \$5
6 million amount available for the following tax year.

7 The bill contains reporting requirements regarding the number
8 and value of tax credits claimed, and any other information the
9 department may deem relevant and appropriate.

10 The bill takes effect upon enactment, and applies
11 retroactively to tax years beginning on or after January 1, 2025.

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