

CHAPTER 1121

TAX CREDITS AND EXEMPTIONS — SOLAR ENERGY SYSTEMS, GEOTHERMAL HEAT PUMPS, AND AUTO BODY REPAIR AND WASH AND WAX SERVICES

S.F. 2342

AN ACT relating to state taxation by providing specified tax credits for the construction and installation of solar energy systems and geothermal heat pumps, modifying sales and use tax provisions related to property purchased for resale, and creating a sales tax exemption for certain items purchased for use in providing vehicle wash and wax services and including effective date and retroactive and other applicability provisions.

Be It Enacted by the General Assembly of the State of Iowa:

DIVISION I GEOTHERMAL HEAT PUMP TAX CREDITS

Section 1. NEW SECTION. **422.11I Geothermal heat pump tax credit.**

The taxes imposed under this division, less the credits allowed under section 422.12, shall be reduced by a geothermal heat pump tax credit equal to twenty percent of the federal residential energy efficient property tax credit allowed for geothermal heat pumps provided in section 25(D)(a)(5) of the Internal Revenue Code for residential property located in Iowa. Any credit in excess of the tax liability is not refundable but the excess for the tax year may be credited to the tax liability for the following ten years or until depleted, whichever is earlier. The director of revenue shall adopt rules to implement this section.

Sec. 2. Section 427.1, Code Supplement 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 38. *Geothermal heating and cooling system.*

a. The value added by any new or refitted construction or installation of a geothermal heating or cooling system on or after July 1, 2012, on property classified as residential. The exemption shall be allowed for ten consecutive years. The exemption shall apply to any value added by the addition of mechanical, electrical, plumbing, ductwork, or other equipment, labor, and expenses included in or required for the construction or installation of the geothermal system, as well as the proportionate value of any well field associated with the system and attributable to the owner.

b. A person claiming an exemption under this subsection shall obtain the appropriate forms from the assessor. The forms shall be prescribed by the director of revenue. The claim shall be filed no later than February 1 of the first assessment year the exemption is requested and shall contain information pertaining to all costs and other information associated with construction and installation of the system. Once the exemption is allowed, the exemption shall continue to be allowed for ten consecutive years without further filing as long as the property continues to be classified as residential property.

c. The director shall adopt rules to implement this subsection.

Sec. 3. IMPLEMENTATION. Section 25B.7 does not apply to the property tax exemption enacted in this division of this Act.

Sec. 4. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 5. RETROACTIVE APPLICABILITY. The following provision or provisions of this division of this Act apply retroactively to January 1, 2012, for tax years beginning on or after that date:

1. The section of this division of this Act enacting section 422.11I.

Sec. 6. APPLICABILITY. The following provision or provisions of this division of this Act apply to assessment years beginning on or after January 1, 2013:

1. The section of this division of this Act enacting section 427.1, subsection 38.

DIVISION II
SOLAR ENERGY SYSTEM TAX CREDITS

Sec. 7. **NEW SECTION. 422.11L Solar energy system tax credits.**

1. The taxes imposed under this division, less the credits allowed under section 422.12, shall be reduced by a solar energy system tax credit equal to the sum of the following:

a. Fifty percent of the federal residential energy efficient property credit related to solar energy provided in section 25D of the Internal Revenue Code, not to exceed three thousand dollars.

b. Fifty percent of the federal energy credit related to solar energy systems provided in section 48 of the Internal Revenue Code, not to exceed fifteen thousand dollars.

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

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

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

4. The cumulative value of tax credits claimed annually by applicants pursuant to this section shall not exceed one million five hundred thousand dollars.

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

Sec. 8. Section 422.33, Code 2011,¹ is amended by adding the following new subsection:

NEW SUBSECTION. 29. a. The taxes imposed under this division shall be reduced by a solar energy system tax credit equal to fifty percent of the federal energy credit related to solar energy systems provided in section 48 of the Internal Revenue Code, not to exceed fifteen thousand dollars.

b. The taxpayer may claim the credit pursuant to this subsection according to the same requirements, conditions, and limitations as provided pursuant to section 422.11L.

Sec. 9. Section 476C.2, Code Supplement 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 3. A taxpayer who is eligible to claim a renewable energy tax credit under this chapter shall not be eligible to claim a solar energy system tax credit under section 422.11L or 422.33.

Sec. 10. **EFFECTIVE UPON ENACTMENT.** This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Sec. 11. **RETROACTIVE APPLICABILITY.** This division of this Act applies retroactively to tax years beginning on or after January 1, 2012.

DIVISION III
SALES TAX EXEMPTIONS

Sec. 12. Section 423.1, subsection 39, paragraphs b and c, Code Supplement 2011, are amended to read as follows:

b. The property is transferred to the user of the service in connection with the performance of the service in a form or quantity capable of a fixed or definite price value, or the property

¹ According to enrolled Act; the phrase "Code Supplement 2011" probably intended

is entirely consumed in connection with the performance of an auto body repair service purchased by the ultimate user.

c. The sale is evidenced by a separate charge for the identifiable piece of property unless the property is entirely consumed in connection with the performance of an auto body repair service purchased by the ultimate user.

Sec. 13. Section 423.3, Code Supplement 2011, is amended by adding the following new subsection:

NEW SUBSECTION. 96. The sales price from the sale of water, electricity, chemicals, solvents, sorbents, or reagents to a retailer to be used in providing a service that includes a vehicle wash and wax, which vehicle wash and wax service is subject to section 423.2, subsection 6.

Sec. 14. EFFECTIVE UPON ENACTMENT. This division of this Act, being deemed of immediate importance, takes effect upon enactment.

Approved May 25, 2012