

Senate File 516 - Introduced

SENATE FILE 516

BY COMMITTEE ON WAYS AND MEANS

(SUCCESSOR TO SSB 1196)

A BILL FOR

1 An Act providing income tax credits for the construction
2 and installation of solar energy systems and wind energy
3 systems, and including effective date and retroactive
4 applicability provisions.

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

1 Section 1. NEW SECTION. **422.11Y Energy system tax credits.**

2 The taxes imposed under this division, less the credits
3 allowed under sections 422.12 and 422.12B, shall be reduced by
4 a solar energy system tax credit and a wind energy system tax
5 credit under section 473B.2.

6 Sec. 2. Section 422.33, Code 2011, is amended by adding the
7 following new subsection:

8 NEW SUBSECTION. 29. The taxes imposed under this division
9 shall be reduced by a solar energy system tax credit and a wind
10 energy system tax credit under section 473B.2.

11 Sec. 3. NEW SECTION. **473B.1 Definitions.**

12 As used in this chapter, unless the context otherwise
13 requires:

14 1. "*Allowable costs*" means amounts incurred in the
15 construction or installation of a solar energy system or a wind
16 energy system which are determined by the department by rule to
17 qualify for the tax credit issued pursuant to section 473B.2.

18 2. "*Department*" means the department of revenue.

19 3. "*Solar energy system*" means a solar energy facility which
20 collects and converts incident solar radiation into energy to
21 generate electricity, or a solar thermal system.

22 4. "*Wind energy system*" means a wind energy conversion
23 system that collects and converts wind into energy to generate
24 electricity, with a nameplate generating capacity of less than
25 or equal to five hundred kilowatts.

26 Sec. 4. NEW SECTION. **473B.2 Tax credits.**

27 1. A solar energy system tax credit or a wind energy system
28 tax credit shall be issued for the allowable costs incurred in
29 the construction or installation of a solar energy system or
30 a wind energy system equal to thirty percent of the cost of
31 the construction or installation, subject to a maximum credit
32 of fifteen thousand dollars for commercial or agricultural
33 construction or installation, or three thousand dollars for
34 residential construction or installation. Any credit in excess
35 of the tax liability is refundable. In lieu of claiming a

1 refund, the taxpayer may elect to have the overpayment shown
2 on the taxpayer's final, completed return credited to the tax
3 liability for the following tax year.

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

11 b. A taxpayer who is eligible to claim a solar energy
12 system tax credit or a wind energy system tax credit under this
13 chapter shall not be eligible to claim a wind energy production
14 tax credit under chapter 476B or a renewable energy tax credit
15 under chapter 476C.

16 3. The cumulative value of tax credit certificates issued
17 annually by the department to applicants pursuant to this
18 chapter shall not exceed ten million dollars.

19 4. For purposes of this section, "residential" means a
20 primary or vacation residence, and excludes rental property.

21 **Sec. 5. NEW SECTION. 473B.3 Tax credit certificate —**
22 **application and issuance.**

23 1. a. To receive a tax credit as described in section
24 473B.2, a taxpayer shall file an application with the
25 department, the form and content of which shall be determined
26 by the department by rule. If upon receipt of a completed
27 application, the department finds that the person is qualified
28 for a solar energy system tax credit or a wind energy system
29 tax credit, the department shall calculate the amount of the
30 tax credit for which the person is eligible and shall issue
31 the applicable tax credit certificate to the person or notify
32 the person in writing of its refusal to do so. The tax credit
33 certificate may be applied against tax owned pursuant to
34 chapter 422, division II and III for the year in which the
35 allowable costs were incurred.

1 *b.* At a minimum, qualification criteria for issuance of
2 a certificate pursuant to paragraph "a" shall include the
3 following:

4 (1) An applicant shall complete and submit an energy audit
5 conducted either by or on behalf of the applicant's electric
6 utility or through a private energy audit service. The level
7 of energy audit to be conducted shall be determined under rules
8 adopted by the department in consultation with the utilities
9 board of the utilities division of the department of commerce.

10 (2) The solar energy system or wind energy system must
11 qualify for the energy star efficiency rating developed by the
12 United States environmental protection agency, or a similar
13 certification program or status designated by the department
14 by rule, if available.

15 (3) The installation must be performed by a licensed or
16 certified installer qualified to install solar energy systems
17 or wind energy systems and related equipment, and must meet or
18 exceed all requirements of applicable local building codes and
19 ordinances.

20 2. A person whose application for a solar energy system
21 tax credit certificate or a wind energy system tax credit
22 certificate is denied may file an appeal with the department
23 within sixty days from the date of denial pursuant to the
24 provisions of chapter 17A.

25 3. If a solar energy system tax credit certificate or a wind
26 energy system tax credit certificate is allowed with respect
27 to residential, commercial, or agricultural property and such
28 property is sold, the credit for the period after the sale
29 which would have been allowable under this chapter to the prior
30 owner had the property not been sold shall be allowable to the
31 new owner. A tax credit for the year of sale shall be allocated
32 between the parties on the basis of the number of days during
33 such year that the property was owned by each.

34 Sec. 6. NEW SECTION. **473B.4 Reporting.**

35 On or before January 1, annually, the department shall

1 submit a written report to the governor and the general
2 assembly regarding the number and value of tax credit
3 certificates issued under this chapter, and any other
4 information the department may deem meaningful and appropriate.

5 Sec. 7. Section 476B.4, Code 2011, is amended to read as
6 follows:

7 **476B.4 Limitation.**

8 1. The wind energy production tax credit shall not be
9 allowed for any kilowatt-hour of electricity that is sold to a
10 related person. For purposes of this section, persons shall
11 be treated as related to each other if such persons would be
12 treated as a single employer under the regulations prescribed
13 under section 52(b) of the Internal Revenue Code. In the case
14 of a corporation that is a member of an affiliated group of
15 corporations filing a consolidated return, such corporation
16 shall be treated as selling electricity to an unrelated person
17 if such electricity is sold to such a person by another member
18 of such group.

19 2. A taxpayer who is eligible to claim a wind energy
20 production tax credit under this chapter shall not be eligible
21 to claim a solar energy system tax credit or a wind energy
22 system tax credit under chapter 473B.

23 Sec. 8. Section 476C.2, Code 2011, is amended by adding the
24 following new subsection:

25 NEW SUBSECTION. 3. A taxpayer who is eligible to claim a
26 renewable energy tax credit under this chapter shall not be
27 eligible to claim a solar energy system tax credit or a wind
28 energy system tax credit under chapter 473B.

29 Sec. 9. EFFECTIVE UPON ENACTMENT. This Act, being deemed of
30 immediate importance, takes effect upon enactment.

31 Sec. 10. RETROACTIVE APPLICABILITY. This Act applies
32 retroactively to tax years beginning on or after January 1,
33 2011.

34 EXPLANATION

35 This bill provides tax credits for the construction and

1 installation of solar energy systems and wind energy systems,
2 as defined in the bill.

3 The bill provides that a solar energy system tax credit and a
4 wind energy system tax credit shall be issued for the allowable
5 costs, as determined by the department of revenue, incurred in
6 the construction or installation of a solar energy system or a
7 wind energy system. The credits shall be equal to 30 percent
8 of the cost of the construction or installation, subject to
9 a maximum credit of \$15,000 for commercial or agricultural
10 construction or installation or \$3,000 for residential
11 construction or installation. The bill specifies that the
12 credits shall be refundable, or alternatively applied against
13 tax liability for the following tax year, and clarifies that
14 "residential" means a primary or vacation residence, excluding
15 rental property.

16 The bill provides that an individual may claim the tax
17 credit allowed a partnership, limited liability company, S
18 corporation, estate, or trust electing to have the income
19 taxed directly to the individual, with the amount claimed
20 based upon the pro rata share of the individual's earnings of
21 the partnership, limited liability company, S corporation,
22 estate, or trust. The bill also provides that a taxpayer who
23 is eligible to claim a solar energy system tax credit or a wind
24 energy system tax credit is not eligible to claim the wind
25 energy production tax credit provided in Code chapter 476B or
26 the renewable energy tax credit provided in Code chapter 476C,
27 and places corresponding restrictions in both Code chapters.
28 Further, the bill restricts the cumulative total of solar
29 energy system or wind energy system tax credits issued for all
30 applicants to an amount not exceeding \$10 million annually.

31 The bill sets forth application and issuance procedures
32 in relation to obtaining a tax credit certificate, to be
33 developed by the department by rule. The bill provides that,
34 at a minimum, qualification criteria shall include submission
35 of an energy audit at a level determined by rule conducted

1 either by or on behalf of the applicant's electric utility or
2 through a private energy audit service, qualification of the
3 system for the energy star efficiency rating developed by the
4 United States environmental protection agency or a similar
5 certification program or status designated by the department
6 by rule, if available, installation by a licensed or certified
7 installer qualified to install solar energy or wind energy
8 systems and equipment, and meeting or exceeding all applicable
9 local building code and ordinance requirements.

10 The bill states that if the department finds that a person
11 is qualified for a solar energy system tax credit or a wind
12 energy system tax credit, the department shall calculate the
13 amount of the tax credit for which the person is eligible and
14 either issue the applicable tax credit certificate to the
15 person or notify the person in writing of its refusal to do so.
16 The tax credit certificate may be applied against individual
17 or corporate tax owed pursuant to Code chapter 422, division
18 II and III for the year in which the allowable costs were
19 incurred.

20 The bill authorizes a person whose application is denied to
21 file an appeal with the department within 60 days from the date
22 of denial, and provides for the proration or allocation of a
23 credit in the event property subject to a tax credit is sold.
24 The bill contains reporting requirements regarding the number
25 and value of tax credit certificates issued, and any other
26 information the department deems meaningful and appropriate.

27 The bill takes effect upon enactment, and applies
28 retroactively to tax years beginning on or after January 1,
29 2011.