



BILL SUMMARY

HF 627 Geothermal Property Tax Credit

Status of Bill: Floor
Committee: Ways & Means Committee (20-3)
Lead Democrats: Rep. Jacoby
Floor Manager: Rep. Hein
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Background

The legislature created a geothermal tax credit in 2012. The credit applied to persons who install a geothermal heat pump on their residential property. The first is an income tax credit which is equal to 20% of the federal residential energy efficiency tax credit. The federal credit is equal to 30% of qualified installation expenditures. The credit is nonrefundable, but unused credits can be carried forward and utilized by the taxpayer in future fiscal years. The bill also does not allow the assessment value of that residential property to increase for ten assessment years due to the installation of the geothermal unit.

Summary

The bill makes no changes to the income tax credit portion of the geothermal tax credits program. The bill does make 2 major changes to the property tax exemption portion of the geothermal tax credits:

- Extends the property tax exemption to construction or installation of a geothermal unit on multiresidential, commercial, industrial, or agricultural property.
- Removes the 10 year limitation on the exemption

The bill also makes the requirement that if the state does not fully fund a property tax credit that a political subdivision is only required to extend the tax credit in a pro-rated portion.

Fiscal Impact

Geothermal Installation Property Tax Exemption			
	State General Fund Est. Appropriation Increase	Est. Local Government Revenue Decrease	Estimated Total Property Tax Reduction
FY 2018	\$ 7,000	\$ 36,000	\$ 43,000
FY 2019	22,000	110,000	132,000
FY 2020	37,000	185,000	222,000
FY 2021	52,000	261,000	313,000
FY 2022	67,000	339,000	406,000
FY 2023	82,000	417,000	499,000
FY 2024	98,000	497,000	595,000

In addition, since the 10 year limitation is removed by the bill these annual costs would continue into the future. Further, since the 10 year limitation is also removed on installations that would have no longer received the exemption, there is an additional cost after approximately FY 2025 of \$115,000 for local governments in each year and \$21,000 to the state for state school aid.