Iowa’s Solar Energy Tax Incentive

Improving Iowa’s economy and environment

Iowa offers an upfront solar tax incentive to encourage local investment in solar energy and the benefits that go with it, including consumer savings and job creation. This tax incentive has opened access to renewable energy for businesses, farmers, and homeowners, led to significant solar growth, and helps support over 800 Iowa jobs in the solar industry. Iowa has the opportunity to build on this success and become a leader in solar by expanding this tax incentive.

Iowa’s upfront solar tax incentive background

- Iowa created an upfront solar tax incentive in 2012 with bipartisan support and has passed program expansions and improvements on a bipartisan basis three times since then.
- The solar tax incentive currently offsets up to 15% of the cost of a solar project. Combined with the federal investment tax credit, the two credits can offset up to 45% of the cost of a solar system. The credit caps of $5,000 (residential) and $20,000 (business) encourage many smaller projects across the state.

Key facts about the upfront solar tax incentive

- Between 2012 and 2018, Iowa provided solar tax incentives of $26.6M, which resulted in 4,202 solar projects and a total investment of $209.5M.\(^1\) This number will grow as more 2018 applications are processed.
- The Iowa solar tax incentive has supported solar projects in every county in Iowa through 2018.
- This program has an overall program cap of $5M annually. Demand has exceeded this cap in every year since 2013 and there is a large waitlist for the program. In 2018, 89% of the year’s cap was used by projects on the waitlist from previous years, leaving only 11% of the cap for projects installed in 2018. For 2019, $3.3M or 66% is already committed or pending for the waitlist. This number will grow until the May 1 application deadline for 2018 projects, meaning most or even all taxpayers that install solar in 2019 will go straight to the waitlist.
- This program is scheduled to phase out along with the federal solar credit: full value in 2019, reduced value in 2020 and 2021, and then zero value for residential and a much smaller credit for business solar starting in 2022.
- Rural Iowa benefits: Washington County is leading the way with livestock producers and rural business owners adding solar. Many other leading counties are rural as well.

Incentive Use Map: Business and Residential Solar Tax Incentives by County, 2012-2018 (as of 12/14/18)

\(^1\) Information from Iowa Department of Revenue’s solar tax credit annual report for 2018 at [https://tax.iowa.gov/report/Reports](https://tax.iowa.gov/report/Reports)