

Smart investments in clean energy: home and business tax credits

HF 221 would meet the promise of a successful program

For decades, Iowa has promoted energy policy to benefit ratepayers and the environment. Iowa passed the first renewable energy mandate for investor-owned utilities in 1983. Advocates helped to pass a strong energy efficiency utility bill in 1990, and in 2012 Iowa established its own **investment tax credit for solar energy** for residences and businesses, tied to a federal investment tax credit.

▶ The program is a proven benefit to Iowa

The 2012 law has been a great success in encouraging local investment in clean solar energy. The Iowa Department of Revenue reports \$36.6 million in tax credits between 2012 and 2020. There have been 6,213 solar projects during that time with a total investment of \$291 million — a significant return on investment — supporting local economies and driving solar job growth in every Iowa county.

▶ It is time for an update

Because of its success, the law needs a few changes. The number of credits allowed each year now exceeds the yearly cap of \$5 million. The strong demand for local solar power has led to a backlog, with homeowners and businesses waiting longer for what they were promised.

▶ Pandemic recovery is an opportune time

This is a good time, when the economy is suffering from the effects of the pandemic, to fully fund the backlog and increase the amount available each year for this popular credit. HF221 aims to do this, temporarily raising the cap to \$17 million in 2021 — \$7 million of it to deal with the large backlog — and placing the annual cap at \$10 million in 2022 through 2030.

There have been 6,213 solar projects during that time with a total investment of \$291 million — a significant return on investment — supporting local economies and driving solar job growth in every Iowa county.

▶ The proposal is Iowa focused

By decoupling from the federal investment tax credit law, HF221 focuses on Iowa's needs, restoring the credit to 15 percent of the cost of a system, as originally set. While California and Hawaii, for example, may be beyond infant status in solar energy and need fewer incentives, Iowa's situation is different. Iowa solar development should not be tied to situations elsewhere.

▶ Responsible use of tax credits

Another section of the bill calls for a 10-year sunset for the law. Sunsets on such programs make fiscal sense as some tax credits have no such limit, and go on indefinitely whether needed or not, and whether successful or not at achieving a public purpose. A 2010 report by a special Tax Credit Review Panel recommended five-year sunsets on all tax credits. This proposal, absent the stronger 2010 recommendation, is a good step toward accountability and toward the broader need for comprehensive tax credit reform in Iowa.