

SENATE FILE 2077

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Passed Senate, Date \_\_\_\_\_ Passed House, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

A BILL FOR

1 An Act providing a sales tax exemption for purchases of solar  
2 energy equipment.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
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WAYS & MEANS

SC 2077

1 Section 1. Section 423.3, Code Supplement 2005, is amended  
2 by adding the following new subsection:

3 NEW SUBSECTION. 89. The sales price from the sale of  
4 solar energy equipment. For purposes of this subsection,  
5 "solar energy equipment" means equipment capable of collecting  
6 and converting incident solar radiation into thermal,  
7 mechanical, or electrical energy or equipment that transforms  
8 such converted solar energy to a storage point or to a point  
9 of use.

10 EXPLANATION

11 This bill exempts from the sales tax the sale of equipment  
12 that is capable of collecting and converting solar energy into  
13 another form of energy or equipment that transforms this  
14 converted solar energy to a storage point or a point of use.

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**Fiscal Services Division**  
**Legislative Services Agency**  
**Fiscal Note**

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SF 2077 - Solar Energy Equipment Sales Tax Exemption (LSB 5730 XS)  
Analyst: Jeff Robinson (Phone: [515] 281-4614) ([jeff.robinson@legis.state.ia.us](mailto:jeff.robinson@legis.state.ia.us))  
Fiscal Note Version - New  
Requested by Senator Jeff Danielson

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**Description**

Senate File 2077 exempts solar energy equipment from State and local option sales taxes. The Bill is effective July 1, 2006.

**Assumptions**

The two primary types of solar energy systems are photovoltaic and solar thermal. Photovoltaic converts solar energy into electricity and solar thermal stores solar energy primarily for heating purposes.

**Photovoltaic:**

1. The average size of new photovoltaic system will be two kilowatts and will cost \$20,000.
2. Recently enacted federal tax credit legislation related to alternative energy will spur growth in installations.
3. Fifteen systems will be installed in calendar year 2006 and thirty systems in calendar year 2007. After that, installation will grow 10.0% per year.
4. The State sales tax rate is 5.0% and the average local option sales tax rate is 1.2%.

**Solar Thermal:**

1. The average cost of a new solar thermal system will be \$6,000.
2. Recently enacted federal tax credit legislation related to alternative energy will spur growth in installations.
3. Ten systems will be installed in calendar year 2006 and fifteen in 2007. After that, installations will grow 10.0% per year.
4. The State sales tax rate is 5.0% and the average local option sales tax rate is 1.2%.

**Fiscal Impact**

The sales tax exemption contained in SF 2077 will reduce FY 2007 net General Fund receipts by approximately \$18,000 and \$34,500 in FY 2008. The reduction grows 10.0% per year thereafter.

The exemption will also reduce local option sales tax revenue less than \$10,000 per year.

**Sources**

Department of Revenue  
Department of Natural Resources  
Minnesota Department of Revenue

/s/ Holly M. Lyons

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March 9, 2006

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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