

The appeal period has expired, pursuant to Iowa Admin. Code rule 701-7.19(8)(d) the Administrative Law Judge's proposed decision is final and the case is closed.

IN THE IOWA ADMINISTRATIVE HEARINGS DIVISION
CENTRAL PANEL BUREAU

IN THE MATTER OF

Case No. 25IDRIIT0002
IDR No. 2023-200-1-0098

Bryan and Sarah Costello
23240 230th Avenue
Eldridge, Iowa 52748

PROPOSED DECISION

INDIVIDUAL INCOME TAX.

STATEMENT OF THE CASE

Bryan and Sarah Costello filed a protest of the Department of Revenue's tax assessment dated March 1, 2023. This matter came on for telephone hearing on June 17, 2025. Bryan and Sarah Costello appeared and participated self-represented. Assistant Attorney General Job Mukkada represented the Department of Revenue (Department). Also present on behalf of the Department were Malia Kirkpatrick, Harpreet Kaur, Chris Haas, and Vassell McPherson.

THE RECORD

The record includes the Department's exhibits marked A-L and the following documents submitted by the taxpayers: an email dated March 22, 2025, an Energized verification letter, an Iowa Green solar contract, their 2020 tax return, an Eastern Iowa Light and Power letter dated March 16, 2021, the Department's letter dated July 2, 2024, a Green Solar Customer Satisfaction Survey, and a verification of taxpayer's application for tax credit dated July 8, 2024.

The record additionally includes the testimony of Bryan Costello and Malia Kirkpatrick.

FINDINGS OF FACT

The relevant facts in this case are not in dispute:

Bryan and Sarah Costello initiated the installation of solar panels to their home in Eldridge, Iowa in or around September 2020. The project was completed in March 2021. The Costellos believed the solar installation company they contracted with for the project was responsible for obtaining a solar energy tax credit with the Department on their behalf. However, said company did not. (B. Costello Testimony; M. Kirkpatrick Testimony; Department's Ex. D, F, G, J, K; Green State Solar Contract; Energized Verification Letter).

The Costellos then jointly filed their 2020 individual tax return on February 25, 2021, in which they claimed a solar energy tax credit for the project, reducing their tax liability by \$5,000. Thereafter, in 2023, the Department reviewed the Costellos' 2020 tax return and determined they

did not apply for a solar energy tax credit, and therefore were not eligible for the deduction as claimed. Accordingly, the Department issued a notice of assessment on March 1, 2023 that assessed \$5,050 in tax and \$494.90 in interest for the 2020 tax year. (M. Kirkpatrick Testimony; Department's Ex. A, B).

The Costellos timely appealed the Department's action. On appeal, the Costellos do not dispute that an application for a solar energy tax credit was not filed on their behalf in 2020 or 2021. They asserted it was the responsibility of the company they used to install the solar panels to do so. The Costellos believed at the time they filed their 2020 tax return that they were entitled to the deduction as taken. They are frustrated with the process for obtaining the credit and believe there to be a lack of information on how to do so. Paying the amount assessed by the Department is a hardship for them. (B. Costello Testimony; Appeal Request; Email dated March 22, 2025; Iowa Green Solar Contract).

CONCLUSIONS OF LAW AND ANALYSIS

The Costellos carry the burden of proof in challenging the assessment issued to them on March 1, 2023.¹ The specific issue in this case is whether the Costellos were entitled to a solar energy system tax credit that reduced their 2020 tax liability as claimed on their individual return.

For the time period at issue here, federal tax regulations allow for a solar energy tax credit that equals 26% of an individual's cost for property which uses solar energy to generate electricity for a taxpayer's residential use.² In 2012, Iowa initiated an Iowa income tax credit for solar energy systems.³ Currently, the Iowa solar tax credit equals 60% of the federal solar energy tax credit, and limits the credit to \$5,000 for residential installations and \$20,000 for business installations.⁴ Additionally, the legislature imposed a \$5 million annual cap on total allowable state solar tax credits, reserving at least \$1 million to be first available to residential installations.⁵

A taxpayer must submit an application to the Department for each separate and distinct solar panel installation.⁶ The application must be approved by the Department in order to claim the tax credit.⁷ The application must be filed by May 1st following the year of the installation of the solar energy system.⁸

As the installation of the Costellos' solar energy system was completed in 2021, the deadline to apply for the applicable tax credit was May 1, 2022. It is undisputed in this case that no such application was filed on their behalf by the stated deadline. Accordingly, while undersigned sympathizes with the Costellos' situation, they did not qualify the solar energy tax credit as

¹ Iowa Code § 421.60(6)(c).

² 26 USCA § 25D(a)(1), (d)(1), & (g)(2).

³ 2012 Iowa Acts, 84th G.A. ch. 1121, § 7.

⁴ Iowa Code § 422.11L(1).

⁵ Iowa Code § 422.11L(4).

⁶ Iowa Code § 422.11L(3)(d)(1).

⁷ *Id.*

⁸ *Id.*

claimed in their 2020 tax filing. For these reasons, the Department's notice of assessment dated May 1, 2023 must be affirmed.

ORDER

The Department's action is hereby AFFIRMED. The Department shall take any action necessary to implement this decision.

APPEAL RIGHTS

Pursuant to 701 Iowa Administrative Code 7.18(8)(d), this order becomes final and not subject to judicial review unless there is an appeal to or review on motion of the director within 30 days of the date of this order. Pursuant to 701 Iowa Administrative Code 7.3(1), an appeal to the director may be submitted in the following ways:

- online submission through GovConnectIowa (see 701 Iowa Administrative Code 7.3(1)(a) for the list of tax types for which appeals may be filed through the service)
- emailed submission to idrhearings@iowa.gov
- mailed submission to Legal Services and Appeals Division, Iowa Department of Revenue, P.O. Box 14457, Des Moines, Iowa 50306-3457
- personal delivery to Department of Revenue Customer Service Desk, Hooever State Office Building, First Floor, 1305 East Walnut Street, Des Moines, Iowa 50319

cc via mail: Sarah and Bryan Costello

cc via AEDMS: Kelsie Royster, Malia Kirkpatrick, Job Mukkada

Case Title: IOWA DEPT OF REVENUE VS COSTELLO, BRYAN & SARAH
(2023-200-1-0098)
Case Number: 25IDRIIT0002
Type: Proposed Decision

IT IS SO ORDERED.

A handwritten signature in black ink, appearing to be 'K. Dreckman', written over a horizontal line.

Kristine Dreckman, Administrative Law Judge