

Department of Legislative Services  
Maryland General Assembly  
2016 Session

FISCAL AND POLICY NOTE  
Enrolled - Revised

Senate Bill 936 (Senator Manno)

Budget and Taxation

Ways and Means

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Maryland Clean Energy Incentive Act of 2016

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This bill extends the termination date of the clean energy incentive tax credit from December 31, 2015, to December 31, 2018. The amount of credits that the Maryland Energy Administration (MEA) can award in fiscal 2018 and 2019 cannot exceed the amount of money appropriated to a reserve fund established by the bill. The bill also removes eligibility for facilities that produce electricity from a qualified energy resource that is co-fired with coal.

The bill takes effect July 1, 2016.

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Fiscal Summary

**State Effect:** Potential significant general fund expenditure increase in FY 2018 and 2019. The amount of the expenditure increase depends on the amount of money, if any, appropriated to the reserve fund each year. Revenues are not materially affected.

**Local Effect:** Local highway user revenues distributed from the Transportation Trust Fund will decrease in FY 2018 and 2019 as a result of credits claimed against the corporate income tax. Local expenditures are not affected.

**Small Business Effect:** Minimal.

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Analysis

**Bill Summary:** The bill establishes a Maryland Clean Energy Incentive Tax Credit Reserve Fund. The Governor may appropriate money to the reserve fund in fiscal 2018 and 2019, but the bill does not require an amount. The total amount of initial tax credit

certificates issued by MEA in each fiscal year cannot exceed the amount appropriated to the reserve fund in the State budget. Any amount of money in the fund that is not expended in the fiscal year remains in the fund and must be rolled over into the next fiscal year.

**Current Law/Background:** The Maryland Energy Administration (MEA) may issue a total of \$25 million in credits to qualified energy facilities on a first-come, first-served basis through December 31, 2015. A facility can qualify for the credit if it is originally placed in service or begins co-firing a qualified energy resource on or after January 1, 2006, but before January 1, 2016. The maximum total value of an initial credit certificate for an energy producer cannot exceed \$2.5 million. The amount of an initial credit certificate issued by MEA is based on the estimated amount of energy produced or purchased annually by the applicant.

**State Expenditures:** The bill provides that the Governor may appropriate funds to the reserve fund but does not require an amount that should be appropriated. In tax year 2013, the latest year for which data is available, 58 tax returns claimed a total of \$1.6 million in clean energy incentive tax credits. To the extent that the Governor provides less or no money to the reserve fund in any year, the increase in general fund expenditures will be less. However, there is no limit on the amount that can be appropriated to the reserve fund.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** HB 1145 (Delegate Turner, *et al.*) - Ways and Means.

**Information Source(s):** Comptroller's Office, Maryland Energy Administration, Department of Legislative Services

**Fiscal Note History:** First Reader - March 7, 2016  
min/jrb Revised - Senate Third Reader - April 4, 2016  
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