

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 980
Ways and Means

(Delegate Reznik, *et al.*)

Budget and Taxation

Income Tax - Energy Storage Tax Credit - Alterations

This bill alters the energy storage system tax credit by (1) increasing to \$150,000 the maximum tax credit that may be claimed for a system installed on commercial property and (2) specifying that a person that owns or pays for the installation of a system that supplies electrical energy intended for use on a residential or commercial property may claim the tax credit. **The bill takes effect July 1, 2020, and applies beginning with tax year 2020.**

Fiscal Summary

State Effect: Increasing the maximum commercial tax credit and expanding its eligibility is not expected to alter the fiscal impact of the program beyond that provided under current law.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: A taxpayer is defined as (1) the owner of a residential property who purchases and installs an energy storage system on the residential property; (2) the owner of a commercial property who purchases and installs an energy storage system on the commercial property; or (3) an individual or corporation that owns or pays for the installation of an energy storage system that supplies electrical energy intended for use on the residential or commercial property on which the energy storage system is installed.

Current Law: Chapter 389 of 2017 created a credit against the State income tax for the costs of installing an energy storage system. The value of the credit is equal to 30% of the costs, not to exceed \$5,000 for a residential system or \$75,000 for a commercial system. The Maryland Energy Administration (MEA) may award a total of \$750,000 in credits in each tax year.

An energy storage system is a system used to store electrical energy, or mechanical, chemical, or thermal energy that was once electrical energy, for use as electrical energy at a later time or in a process that offsets electricity use at peak times. The amount of the tax credit may not exceed the tax liability imposed in the year, and any unused credit amount may not be carried forward to any other tax year.

The credit may be claimed in tax years 2018 through 2022 for qualified systems installed between January 1, 2018, and December 31, 2022.

Background: MEA advises that the agency issued 63 tax credits totaling \$224,419 in tax year 2018. In tax year 2019, MEA issued the maximum \$750,000 in tax credits to 175 taxpayers. Of the tax credits awarded in these years, 3 were issued for the installation of commercial systems and 235 were issued for the installation of residential systems. In tax year 2020, MEA is initially reserving \$300,000 for residential systems and \$450,000 for commercial systems.

State Revenues: Additional tax credits may be claimed beginning with tax year 2020. MEA awarded the maximum amount of tax credits in tax year 2019, and it is expected that the maximum amount will be awarded in tax years 2020 through 2022. For these tax years, allowing additional tax credit claims and increasing the maximum credit amount for commercial systems may decrease the amount of tax credits awarded for individuals who own their residences and claim the credit, but it will not alter the fiscal impact of the program beyond that provided under current law.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 775 (Senator Guzzone) - Budget and Taxation.

Information Source(s): Maryland Energy Administration; Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2020
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