

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 329 (Senator Benson)
 Budget and Taxation

Income Tax – Credit for the Purchase and Installation of Indoor Air Quality Equipment

This bill creates a nonrefundable credit against the State income tax for 50% of the costs incurred to purchase and install indoor air quality equipment for use in a home or commercial building. The Maryland Energy Administration (MEA) is required to administer the credit and may, in consultation with the Maryland Department of Health, adopt regulations establishing tax certification criteria. **The bill takes effect July 1, 2021, and applies to tax year 2021 and beyond.**

Fiscal Summary

State Effect: General fund revenues may decrease significantly beginning in FY 2022 due to credits claimed against the personal income tax. Administrative costs at MEA and the Comptroller’s Office may increase by \$143,700 in FY 2022. Future administrative costs reflect ongoing expenditures.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(-)	(-)	(-)	(-)	(-)
GF Expenditure	\$143,700	\$75,000	\$77,300	\$80,000	\$82,900
Net Effect	(\$143,700)	(\$75,000)	(\$77,300)	(\$80,000)	(\$82,900)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: Indoor air quality equipment is equipment installed in a home or commercial building by an individual that (1) detects and monitors the presence of airborne pollutants or harmful microorganisms or (2) improves air quality, including ventilation and filtration systems, ionization technologies, evaporative coolers or whole house fans, or air purifiers or cleaners; and (3) is certified as indoor air quality equipment by MEA.

An applicant is required to submit an application containing specified information and obtain from MEA certification of the air quality equipment.

The credit is equal to the lesser of \$1,000 or the State income tax imposed in the year, and any unused amount of the credit may not be carried forward to any other tax years.

Current Law: No similar State tax credit exists.

State Revenues: Tax credits may be claimed beginning in tax year 2021. As a result, general fund revenues will decrease beginning in fiscal 2022 due to credits claimed against the personal income tax. However, the amount of the revenue loss cannot be reliably estimated and depends on the type and amount of eligible expenses claimed by individuals.

Based on the estimated costs of equipment that may qualify for the tax credit and the number of commercial and residential buildings in the State, the Comptroller's Office estimates that revenues will decrease by \$27.0 million in fiscal 2022 and \$20.0 million annually beginning in fiscal 2023.

State Expenditures: Administrative costs at MEA and the Comptroller's Office may increase by \$143,700 in fiscal 2022 and by \$82,900 in fiscal 2026.

Maryland Energy Administration

MEA requires one program administrator to process and approve the tax credit applications each year. Therefore, general fund expenditures increase by \$83,700 in fiscal 2022. This estimate reflects the cost of hiring the administrator to certify tax credits and perform related tasks beginning July 1, 2021. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1
Salary and Fringe Benefits	\$77,911
Other Operating Expenses	5,745
Total FY 2022 Expenditures	\$83,656

Future year expenditures reflect a salary with annual increases and employee turnover as well as ongoing operating expenses.

Comptroller's Office

The Comptroller's Office reports that it will incur a one-time general fund expenditure increase of \$60,000 in fiscal 2022 to add the tax credit to the personal income tax forms. This includes data processing changes to the income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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