

SENATE BILL 317

Q3
SB 45/22 – B&T

3lr1147

By: **Senators Brooks, West, and Sydnor**
Introduced and read first time: January 27, 2023
Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Credit for Energy Efficiency Upgrades – Passive Houses**

3 FOR the purpose of allowing a credit against the State income tax for certain costs, paid or
4 incurred after a certain date, by an owner of certain residential property for certain
5 energy efficiency upgrades; prohibiting a taxpayer from claiming the tax credit for a
6 taxable year during which the Governor declares a state of emergency; and generally
7 relating to an income tax credit for energy efficiency upgrades.

8 BY adding to

9 Article – Tax – General

10 Section 10–757

11 Annotated Code of Maryland

12 (2022 Replacement Volume)

13 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
14 That the Laws of Maryland read as follows:

15 **Article – Tax – General**

16 **10–757.**

17 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
18 INDICATED.

19 (2) “ADMINISTRATION” MEANS THE MARYLAND ENERGY
20 ADMINISTRATION.

21 (3) (I) “ENERGY EFFICIENCY UPGRADE” MEANS AN
22 IMPROVEMENT, MADE ON OR AFTER JULY 1, 2023, TO A COMPONENT OF THE DUCT
23 SYSTEM OR ENVELOPE OF A BUILDING.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (II) "ENERGY EFFICIENCY UPGRADE" INCLUDES:

2 1. ADDITIONAL INSULATION;

3 2. REPLACEMENT OF WINDOWS WITH
4 ENERGY-EFFICIENT WINDOWS;

5 3. STORM WINDOWS;

6 4. WEATHER STRIPPING AND CAULKING; AND

7 5. DUCT SEALING AND INSULATION.

8 (4) "PASSIVE HOUSE" MEANS A BUILDING THAT IS CONSTRUCTED OR
9 UPGRADED USING THE PASSIVE HOUSE INSTITUTE METHODOLOGY AND MEETS THE
10 PASSIVE HOUSE STANDARD CRITERIA.

11 (5) "PASSIVE HOUSE STANDARD" MEANS AN INTERNATIONAL
12 BUILDING STANDARD DEVELOPED BY THE PASSIVE HOUSE INSTITUTE.

13 (B) SUBJECT TO THE LIMITATIONS OF THIS SECTION, THE OWNER OF A
14 SINGLE-FAMILY RESIDENTIAL PROPERTY OR A MULTIFAMILY RESIDENTIAL RENTAL
15 PROPERTY THAT RECEIVES A TAX CREDIT CERTIFICATE UNDER THIS SECTION MAY
16 CLAIM A CREDIT AGAINST THE STATE INCOME TAX FOR THE TOTAL COSTS PAID OR
17 INCURRED BY THE OWNER DURING THE TAXABLE YEAR FOR AN ENERGY EFFICIENCY
18 UPGRADE THAT:

19 (1) USES COMPONENTS CERTIFIED BY THE PASSIVE HOUSE
20 INSTITUTE; AND

21 (2) BRINGS THE BUILDING INTO COMPLIANCE WITH THE CRITERIA
22 FOR PASSIVE HOUSES, AS ESTABLISHED BY THE PASSIVE HOUSE INSTITUTE.

23 (C) ON APPLICATION BY A TAXPAYER, THE ADMINISTRATION SHALL ISSUE
24 A TAX CREDIT CERTIFICATE THAT MAY NOT EXCEED THE LESSER OF:

25 (1) 10% OF THE TOTAL COSTS PAID OR INCURRED BY THE OWNER FOR
26 AN ENERGY EFFICIENCY UPGRADE; OR

27 (2) \$2,000.

28 (D) THE ADMINISTRATION SHALL APPROVE ALL APPLICATIONS THAT

1 QUALIFY FOR A TAX CREDIT CERTIFICATE UNDER THIS SECTION IN A TIMELY
2 MANNER.

3 (E) (1) THE TOTAL AMOUNT OF THE CREDIT ALLOWED UNDER THIS
4 SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED THE STATE INCOME TAX FOR
5 THAT TAXABLE YEAR, CALCULATED BEFORE THE APPLICATION OF THE CREDITS
6 UNDER THIS SECTION AND §§ 10-701 AND 10-701.1 OF THIS SUBTITLE, BUT AFTER
7 THE APPLICATION OF OTHER CREDITS ALLOWABLE UNDER THIS SUBTITLE.

8 (2) EXCEPT AS PROVIDED IN PARAGRAPH (3) OF THIS SUBSECTION,
9 THE UNUSED AMOUNT OF CREDIT FOR ANY TAXABLE YEAR MAY NOT BE CARRIED
10 OVER TO ANY OTHER TAXABLE YEAR.

11 (3) (I) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT BE
12 CLAIMED FOR A TAXABLE YEAR DURING WHICH THE GOVERNOR DECLARES A STATE
13 OF EMERGENCY AND:

14 1. STATES IN THE DECLARATION THAT ECONOMIC
15 DISRUPTION IS EXPECTED OR IS THE CAUSE OF THE EMERGENCY; OR

16 2. ORDERS THE GENERAL CESSATION OF BUSINESS
17 OPERATIONS IN ONE OR MORE POLITICAL SUBDIVISIONS.

18 (II) THE TOTAL AMOUNT OF THE CREDIT THAT COULD NOT BE
19 CLAIMED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH MAY BE CARRIED OVER
20 TO THE NEXT TAXABLE YEAR NOTWITHSTANDING A RENEWAL OF THE STATE OF
21 EMERGENCY OR A DECLARATION OF A STATE OF EMERGENCY IN THE NEXT TAXABLE
22 YEAR.

23 (F) ON OR BEFORE JANUARY 31 EACH TAXABLE YEAR, THE
24 ADMINISTRATION SHALL REPORT TO THE COMPTROLLER ON THE TAX CREDIT
25 CERTIFICATES ISSUED UNDER THIS SECTION DURING THE PRIOR TAXABLE YEAR.

26 (G) THE ADMINISTRATION, IN CONSULTATION WITH THE COMPTROLLER,
27 SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION.

28 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
29 1, 2023, and shall be applicable to all taxable years beginning after December 31, 2022.