

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
 Third Reader

Senate Bill 970

(Senator Guzzone)

Budget and Taxation

Economic Matters

Energy Storage Systems – Income Tax Credit and Grant Program – Sunset
 Extension

This bill extends the energy storage system income tax credit for two additional tax years through tax year 2026 and delays the start of the energy storage system grant program within the Maryland Energy Administration (MEA) by two years to January 1, 2027. **The bill takes effect June 1, 2024.**

Fiscal Summary

State Effect: General fund revenues decrease by \$750,000 annually in FY 2025 and 2026 due to credits claimed against the income tax. Expenditures are likely unaffected from delaying the grant program as discussed below.

(in dollars)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$750,000)	(\$750,000)	\$0	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	(\$750,000)	(\$750,000)	\$0	\$0	\$0

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

Local Effect: Local highway user revenues decrease in FY 2025 and 2026 to the extent credits are claimed against the corporate income tax. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law:

Tax Credit

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 installation costs, not to exceed \$5,000 for a residential system or \$150,000 for a commercial system. MEA may award a total of \$750,000 in credits in each tax year. 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.

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 tax credit can be claimed by a person who has either purchased or leased an energy storage system on a residential or commercial property.

The credit may be claimed in tax year 2018 through 2024 for qualified systems installed between January 1, 2018, and December 31, 2024.

Grant Program

Chapter 246 of 2022 established the energy storage system grant program within MEA beginning with fiscal 2025. MEA must administer the grant program and (1) adopt regulations implementing the program; (2) establish program application procedures; and (3) award grants on a first-come, first-served basis.

A grant may not be awarded for an energy storage system installed before January 1, 2025. The value of the grant may not exceed the lesser of 30% of the installation costs or \$5,000 for a residential system or \$150,000 for a commercial system.

The energy storage system grant fund is a special, nonlapsing fund that consists of money appropriated in the State budget to the fund and any other money from any other source accepted for the benefit of the fund. Money expended from the fund may only be used to provide grants and pay for program administrative expenses.

Strategic Energy Investment Fund

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing Strategic Energy Investment Fund (SEIF) to decrease energy

demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is funded through the proceeds from the auction of carbon allowances to power plants under the Regional Greenhouse Gas Initiative, and the fund also receives solar alternative compliance payment revenues generated under Maryland's Renewable Energy Portfolio Standard.

State Fiscal Effect:

Tax Credit

The bill extends the termination date of the energy storage system income tax credit to December 31, 2026. MEA advises that the program has been fully subscribed for the past three years. As a result, general fund revenues decrease by up to \$750,000 annually in fiscal 2025 and 2026 due to tax credits claimed against the income tax.

This estimate assumes that MEA awards the maximum authorized amount of credits in each tax year and tax credits are claimed against the personal income tax. To the extent tax credits are claimed against the corporate income tax, a portion of tax credits claimed will decrease Higher Education Investment Fund revenues and Transportation Trust Fund revenues and expenditures.

The Comptroller's Office advises that it needs one additional employee within its revenue accounting division to assist with reviewing tax credits, but the Department of Legislative Services notes that the tax credit is not a new program and existing staff can continue to assist with the review process.

Grant Program

The bill delays the start of the grant program by two years. Funding for the program depends on appropriations to the energy storage system grant fund, if any, and statute does not require or suggest a minimum appropriation amount for the fund. The fiscal 2025 budget as introduced does not contain funding for the program, so there is no fiscal effect from delaying the program in fiscal 2025. Special fund expenditures may decrease in fiscal 2026 due to the delay, but MEA advises that the grant program will be funded by SEIF. The bill does not affect overall revenues to SEIF, and special fund expenditures for SEIF will likely just be reallocated to other allowable uses of SEIF. Thus, overall special fund expenditures remain unchanged. However, the bill creates operational efficiencies from MEA not having to administer a grant program until fiscal 2027.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1214 (Delegate Fraser-Hidalgo) - Economic Matters.

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

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