

SENATE BILL 670

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2000 Regular Session
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By: **Senators Van Hollen, Madden, Lawlah, Munson, Colburn, Pinsky, Frosh,
and ~~Mooney~~ Mooney, and Middleton**

Introduced and read first time: February 4, 2000

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted with floor amendments

Read second time: March 31, 2000

CHAPTER _____

1 AN ACT concerning

2 **Maryland Clean Energy Incentive Act**

3 FOR the purpose of providing an exemption from the sales and use tax for certain
4 appliances that meet or exceed certain applicable energy efficiency guidelines;
5 providing an exemption from the sales and use tax for certain energy efficient
6 heating and cooling equipment and fuel cell electric generating equipment;
7 allowing a credit against the motor vehicle excise tax for certain qualified
8 electric vehicles and certain vehicles having an on-board rechargeable energy
9 storage system; providing for the distribution of certain sales and use tax
10 revenue to the Transportation Trust Fund of the State; allowing a credit against
11 the State income tax for certain costs of certain equipment that uses solar
12 energy to generate electricity or to heat or cool a structure or provide hot water
13 for use in a structure; allowing a credit against the State income tax for certain
14 electricity produced from certain qualified resources; providing for the carryover
15 of certain unused credit to certain taxable years; requiring the Motor Vehicle
16 Administration and the Maryland Energy Administration jointly to adopt
17 certain regulations; requiring the Maryland Energy Administration, in
18 consultation with certain persons, to develop certain voluntary labeling and
19 public information materials; defining certain terms; providing for the
20 application of this Act; and generally relating to certain State tax incentives for
21 certain energy-efficient property and for certain electricity produced from
22 certain qualified resources.

23 BY repealing and reenacting, with amendments,

24 Article - Tax - General

25 Section 2-1302.1

26 Annotated Code of Maryland

1 (1997 Replacement Volume and 1999 Supplement)

2 BY adding to

3 Article - Tax - General

4 Section 11-226

5 Annotated Code of Maryland

6 (1997 Replacement Volume and 1999 Supplement)

7 BY repealing and reenacting, with amendments,

8 Article - Transportation

9 Section 3-215(b)(4) and 8-402(b)(5)

10 Annotated Code of Maryland

11 (1993 Replacement Volume and 1999 Supplement)

12 BY adding to

13 Article - Transportation

14 Section 13-815

15 Annotated Code of Maryland

16 (1999 Replacement Volume and 1999 Supplement)

17 BY adding to

18 Article - Tax - General

19 Section 10-718 and 10-719

20 Annotated Code of Maryland

21 (1997 Replacement Volume and 1999 Supplement)

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

24 **Article - Tax - General**

25 2-1302.1.

26 (A) After making the distributions required under §§ 2-1301 and 2-1302 of
27 this subtitle, the Comptroller monthly shall distribute 45% of the sales and use tax
28 collected on short-term vehicle rentals under § 11-104(c) of this article to the
29 Transportation Trust Fund established under § 3-216 of the Transportation Article.

30 (B) ON RECEIPT OF THE MOTOR VEHICLE ADMINISTRATION'S CERTIFICATION
31 UNDER § 13-815(F) OF THE TRANSPORTATION ARTICLE, FROM THE REMAINING SALES
32 AND USE TAX REVENUE THE COMPTROLLER SHALL DISTRIBUTE TO THE
33 TRANSPORTATION TRUST FUND AN AMOUNT EQUAL TO THE TOTAL AMOUNT OF
34 CREDITS ALLOWED AGAINST THE MOTOR VEHICLE EXCISE TAX UNDER § 13-815 OF
35 THE TRANSPORTATION ARTICLE FOR THE PRECEDING FISCAL YEAR.

1 11-226.

2 (A) THE SALES AND USE TAX DOES NOT APPLY TO THE SALE OF THE
3 FOLLOWING ELECTRIC APPLIANCES THAT MEET OR EXCEED THE APPLICABLE
4 ENERGY STAR EFFICIENCY REQUIREMENTS DEVELOPED BY THE UNITED STATES
5 ENVIRONMENTAL PROTECTION AGENCY AND THE UNITED STATES DEPARTMENT OF
6 ENERGY:

7 (1) A CLOTHES WASHER PURCHASED ON OR AFTER JULY 1, 2000, BUT
8 BEFORE JULY 1, 2003;

9 (2) A ROOM AIR CONDITIONER PURCHASED ON OR AFTER JANUARY 1,
10 2001, BUT BEFORE JULY 1, 2004; OR

11 (3) A STANDARD SIZE REFRIGERATOR PURCHASED ON OR AFTER JULY 1,
12 2001, BUT BEFORE JULY 1, 2004.

13 (B) THE SALES AND USE TAX DOES NOT APPLY TO THE SALE, ON OR BEFORE
14 JULY 1, 2004, OF:

15 (1) A FUEL CELL THAT:

16 (I) GENERATES ELECTRICITY AND HEAT USING AN
17 ELECTROCHEMICAL PROCESS;

18 (II) HAS AN ELECTRICITY-ONLY GENERATION EFFICIENCY
19 GREATER THAN 35%; AND

20 (III) HAS A GENERATING CAPACITY OF AT LEAST 2 KILOWATTS;

21 (2) A NATURAL GAS HEAT PUMP THAT HAS A COEFFICIENT OF
22 PERFORMANCE OF AT LEAST 1.25 FOR HEATING AND AT LEAST 0.70 FOR COOLING;

23 (3) AN ELECTRIC HEAT PUMP HOT WATER HEATER THAT YIELDS AN
24 ENERGY FACTOR OF AT LEAST 1.7;

25 (4) AN ELECTRIC HEAT PUMP THAT HAS A HEATING SYSTEM
26 PERFORMANCE FACTOR OF AT LEAST 7.5 AND A COOLING SEASONAL ENERGY
27 EFFICIENCY RATIO OF AT LEAST 13.5;

28 (5) A CENTRAL AIR CONDITIONER THAT HAS A COOLING SEASONAL
29 ENERGY EFFICIENCY RATIO OF AT LEAST 13.5; OR

30 (6) AN ADVANCED NATURAL GAS WATER HEATER THAT HAS AN ENERGY
31 FACTOR OF AT LEAST 0.65.

Article - Transportation

1 3-215.

2 (b) The tax levied and imposed by this section consists of that part of the
3 following taxes that are retained to the credit of the Department after distributions to
4 the political subdivisions:

5 (4) The sales and use tax revenues [on short-term rental vehicles]
6 distributed under § 2-1302.1 of the Tax - General Article.

7 8-402.

8 (b) All revenues collected from the following, after deductions provided by law,
9 shall be credited to the Gasoline and Motor Vehicle Revenue Account:

10 (5) 80 percent of the funds distributed under § 2-1302.1 of the Tax -
11 General Article to the Transportation Trust Fund from the sales and use tax
12 [collected on short-term vehicle rentals under § 11-104 of the Tax - General Article].
13 13-815.

14 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
15 INDICATED.

16 (2) "AUTOMOBILE" MEANS A 4-WHEELED VEHICLE PROPELLED BY FUEL
17 THAT:

18 (I) IS MANUFACTURED PRIMARILY FOR USE ON PUBLIC STREETS,
19 ROADS, AND HIGHWAYS, OTHER THAN FOR USE EXCLUSIVELY ON A RAIL OR RAILS;
20 AND

21 (II) IS RATED AT NOT MORE THAN 8,500 POUNDS UNLOADED GROSS
22 VEHICLE WEIGHT.

23 (3) "EXCISE TAX" MEANS THE TAX IMPOSED UNDER § 13-809 OF THIS
24 SUBTITLE.

25 (4) "MAXIMUM AVAILABLE POWER" MEANS THE MAXIMUM VALUE OF
26 THE SUM OF THE HEAT ENGINE AND ELECTRIC DRIVE SYSTEM POWER OR OTHER
27 NON-HEAT ENERGY CONVERSION DEVICES AVAILABLE FOR A DRIVER'S COMMAND
28 FOR MAXIMUM ACCELERATION AT VEHICLE SPEEDS UNDER 75 MILES PER HOUR.

29 (5) "QUALIFIED ELECTRIC VEHICLE" HAS THE MEANING STATED IN § 30
30 OF THE INTERNAL REVENUE CODE.

31 (6) "QUALIFIED HYBRID VEHICLE" MEANS AN AUTOMOBILE THAT:

32 (I) MEETS ALL APPLICABLE REGULATORY REQUIREMENTS;

1 (II) MEETS THE CURRENT VEHICLE EXHAUST STANDARD SET
2 UNDER THE NATIONAL LOW-EMISSION VEHICLE PROGRAM FOR
3 GASOLINE-POWERED PASSENGER CARS; AND

4 (III) CAN DRAW PROPULSION ENERGY FROM BOTH OF THE
5 FOLLOWING ON-BOARD SOURCES OF STORED ENERGY:

6 1. ~~A CONSUMABLE~~ GASOLINE OR DIESEL FUEL; AND

7 2. A RECHARGEABLE ENERGY STORAGE SYSTEM.

8 (B) (1) EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION, A
9 CREDIT IS ALLOWED AGAINST THE EXCISE TAX IMPOSED FOR A QUALIFIED
10 ELECTRIC VEHICLE OR A QUALIFIED HYBRID VEHICLE.

11 (2) SUBJECT TO THE LIMITATIONS UNDER SUBSECTIONS (C) AND (D) OF
12 THIS SECTION, THE CREDIT ALLOWED UNDER THIS SECTION EQUALS 100% OF THE
13 EXCISE TAX IMPOSED FOR A VEHICLE.

14 (3) THE CREDIT ALLOWED UNDER THIS SECTION DOES NOT APPLY TO A
15 VEHICLE TITLED ON OR AFTER JULY 1, 2004.

16 (C) FOR A QUALIFIED ELECTRIC VEHICLE, THE CREDIT ALLOWED UNDER
17 THIS SECTION MAY NOT EXCEED \$2,000.

18 (D) (1) FOR A QUALIFIED HYBRID VEHICLE THAT HAS A RECHARGEABLE
19 ENERGY STORAGE SYSTEM THAT PROVIDES AT LEAST 5% OF THE VEHICLE'S
20 MAXIMUM AVAILABLE POWER, SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION,
21 THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED:

22 (I) \$250 IF THE VEHICLE'S RECHARGEABLE ENERGY STORAGE
23 SYSTEM PROVIDES AT LEAST 5% BUT LESS THAN 10% OF THE MAXIMUM AVAILABLE
24 POWER;

25 (II) \$500 IF THE VEHICLE'S RECHARGEABLE ENERGY STORAGE
26 SYSTEM PROVIDES AT LEAST 10% BUT LESS THAN 20% OF THE MAXIMUM AVAILABLE
27 POWER;

28 (III) \$750 IF THE VEHICLE'S RECHARGEABLE ENERGY STORAGE
29 SYSTEM PROVIDES AT LEAST 20% BUT LESS THAN 30% OF THE MAXIMUM AVAILABLE
30 POWER; OR

31 (IV) \$1,000 IF THE VEHICLE'S RECHARGEABLE ENERGY STORAGE
32 SYSTEM PROVIDES AT LEAST 30% OF THE MAXIMUM AVAILABLE POWER.

33 (2) IF A QUALIFIED HYBRID VEHICLE ACTIVELY EMPLOYS A
34 REGENERATIVE BRAKING SYSTEM THAT SUPPLIES TO THE RECHARGEABLE ENERGY
35 STORAGE SYSTEM AT LEAST 20% OF THE ENERGY AVAILABLE FROM BRAKING IN A
36 TYPICAL 60 MILES PER HOUR TO 0 MILES PER HOUR BRAKING EVENT, THE MAXIMUM

1 CREDIT AMOUNT DETERMINED UNDER PARAGRAPH (1) OF THIS SUBSECTION SHALL
2 BE INCREASED BY:

3 (I) \$125 IF THE VEHICLE'S REGENERATIVE BRAKING SYSTEM
4 SUPPLIES TO THE RECHARGEABLE ENERGY STORAGE SYSTEM AT LEAST 20% BUT
5 LESS THAN 40% OF THE ENERGY AVAILABLE FROM BRAKING IN A TYPICAL 60 MILES
6 PER HOUR TO 0 MILES PER HOUR BRAKING EVENT;

7 (II) \$250 IF THE VEHICLE'S REGENERATIVE BRAKING SYSTEM
8 SUPPLIES TO THE RECHARGEABLE ENERGY STORAGE SYSTEM AT LEAST 40% BUT
9 LESS THAN 60% OF THE ENERGY AVAILABLE FROM BRAKING IN A TYPICAL 60 MILES
10 PER HOUR TO 0 MILES PER HOUR BRAKING EVENT; OR

11 (III) \$500 IF THE VEHICLE'S REGENERATIVE BRAKING SYSTEM
12 SUPPLIES TO THE RECHARGEABLE ENERGY STORAGE SYSTEM AT LEAST 60% OF THE
13 ENERGY AVAILABLE FROM BRAKING IN A TYPICAL 60 MILES PER HOUR TO 0 MILES
14 PER HOUR BRAKING EVENT.

15 ~~(E)~~ (A CREDIT MAY NOT BE CLAIMED UNDER THIS SECTION:

16 (1) FOR A VEHICLE UNLESS THE VEHICLE IS REGISTERED IN THE STATE;
17 OR

18 (2) FOR A QUALIFIED ELECTRIC VEHICLE UNLESS THE OWNER HAS
19 ALREADY MET ANY STATE OR FEDERAL LAWS OR REGULATIONS GOVERNING
20 CLEAN-FUEL VEHICLE OR ELECTRIC VEHICLE PURCHASES APPLICABLE DURING
21 THE CALENDAR YEAR IN WHICH THE VEHICLE IS TITLED.

22 ~~(E)~~ (F) (1) THE MOTOR VEHICLE ADMINISTRATION AND THE MARYLAND
23 ENERGY ADMINISTRATION JOINTLY SHALL ADOPT REGULATIONS TO ADMINISTER
24 THE CREDIT UNDER THIS SECTION.

25 (2) THE REGULATIONS ADOPTED UNDER THIS SECTION SHALL SPECIFY
26 THE TESTING AND CALCULATION PROCEDURES TO BE USED TO DETERMINE
27 WHETHER A VEHICLE MEETS THE QUALIFICATIONS FOR A CREDIT UNDER THIS
28 SECTION.

29 ~~(F)~~ (G) ON OR BEFORE OCTOBER 1 OF EACH YEAR, THE MOTOR VEHICLE
30 ADMINISTRATION SHALL CERTIFY TO THE COMPTROLLER THE TOTAL AMOUNT OF
31 CREDITS ALLOWED UNDER THIS SECTION AGAINST THE EXCISE TAX FOR THE
32 PRECEDING FISCAL YEAR.

33 SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland
34 read as follows:

Article - Tax - General

10-718.

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

(2) "PHOTOVOLTAIC PROPERTY" MEANS SOLAR ENERGY PROPERTY THAT USES A SOLAR PHOTOVOLTAIC PROCESS TO GENERATE ELECTRICITY AND THAT MEETS APPLICABLE PERFORMANCE AND QUALITY STANDARDS AND CERTIFICATION REQUIREMENTS IN EFFECT AT THE TIME OF ACQUISITION OF THE PROPERTY, AS SPECIFIED BY THE MARYLAND ENERGY ADMINISTRATION.

(3) (I) "SOLAR ENERGY PROPERTY" MEANS EQUIPMENT THAT USES SOLAR ENERGY:

1. TO GENERATE ELECTRICITY;
2. TO HEAT OR COOL A STRUCTURE OR PROVIDE HOT WATER FOR USE IN A STRUCTURE; OR
3. TO PROVIDE SOLAR PROCESS HEAT.

(II) "SOLAR ENERGY PROPERTY" DOES NOT INCLUDE A SWIMMING POOL, HOT TUB, OR ANY OTHER ENERGY STORAGE MEDIUM THAT HAS A FUNCTION OTHER THAN STORAGE.

(4) "SOLAR WATER HEATING PROPERTY" MEANS SOLAR ENERGY PROPERTY THAT:

(I) WHEN INSTALLED IN CONNECTION WITH A STRUCTURE, USES SOLAR ENERGY FOR THE PURPOSE OF PROVIDING HOT WATER FOR USE WITHIN THE STRUCTURE; AND

(II) MEETS APPLICABLE PERFORMANCE AND QUALITY STANDARDS AND CERTIFICATION REQUIREMENTS IN EFFECT AT THE TIME OF ACQUISITION OF THE PROPERTY, AS SPECIFIED BY THE MARYLAND ENERGY ADMINISTRATION.

(B) AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX FOR A TAXABLE YEAR AS PROVIDED IN THIS SECTION FOR THE COSTS OF SOLAR WATER HEATING PROPERTY OR PHOTOVOLTAIC PROPERTY PLACED IN SERVICE DURING THE TAXABLE YEAR.

(C) (1) SUBJECT TO THE LIMITATIONS UNDER PARAGRAPH (2) OF THIS SUBSECTION, THE CREDIT ALLOWED UNDER THIS SECTION INCLUDES 15% OF THE TOTAL INSTALLED COST OF PHOTOVOLTAIC PROPERTY OR SOLAR WATER HEATING PROPERTY.

(2) THE CREDIT ALLOWED UNDER THIS SUBSECTION MAY NOT EXCEED:

(I) \$2,000 FOR EACH SYSTEM FOR PHOTOVOLTAIC PROPERTY; AND

1 (II) \$1,000 FOR EACH SYSTEM FOR SOLAR WATER HEATING
2 PROPERTY.

3 (D) (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 APPLICATION OF THE CREDITS UNDER
6 THIS SECTION AND §§ 10-701 AND 10-701.1 OF THIS SUBTITLE, BUT AFTER
7 APPLICATION OF THE OTHER CREDITS ALLOWABLE UNDER THIS SUBTITLE.

8 (2) THE UNUSED AMOUNT OF THE CREDIT FOR ANY TAXABLE YEAR MAY
9 NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.

10 (E) EXCEPT AS OTHERWISE PROVIDED IN THIS TITLE, FOR PURPOSES OF
11 DETERMINING MARYLAND TAXABLE INCOME, THE BASIS OF PROPERTY WITH
12 RESPECT TO WHICH THE CREDIT UNDER THIS SECTION IS ALLOWED SHALL BE ITS
13 BASIS FOR FEDERAL INCOME TAX PURPOSES.

14 (F) THE CREDIT UNDER THIS SECTION MAY NOT BE CLAIMED FOR PROPERTY
15 PLACED IN SERVICE:

16 (1) BEFORE JULY 1, 2000; OR

17 (2) AFTER DECEMBER 31, 2004.

18 SECTION 3. AND BE IT FURTHER ENACTED, That the Laws of Maryland
19 read as follows:

20 **Article - Tax - General**

21 10-719.

22 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
23 INDICATED.

24 (2) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPHS (II) AND (III) OF THIS
25 PARAGRAPH, "QUALIFIED ENERGY RESOURCES" HAS THE MEANING STATED IN § 45
26 OF THE INTERNAL REVENUE CODE.

27 (II) "QUALIFIED ENERGY RESOURCES" INCLUDES ANY SOLID,
28 NONHAZARDOUS, CELLULOSIC WASTE MATERIAL THAT IS SEGREGATED FROM
29 OTHER WASTE MATERIALS AND IS DERIVED FROM:

30 1. ANY OF THE FOLLOWING FOREST-RELATED RESOURCES,
31 NOT INCLUDING OLD-GROWTH TIMBER:

32 A. MILL RESIDUES;

33 B. PRE-COMMERCIAL THINNINGS;

34 C. SLASH; OR

1 D. BRUSH;

2 2. WASTE PALLETS, CRATES, AND DUNNAGE AND
3 LANDSCAPE OR RIGHT-OF-WAY TRIMMINGS, NOT INCLUDING UNSEGREGATED
4 MUNICIPAL SOLID WASTE AND POST-CONSUMER WASTE PAPER; OR

5 3. AGRICULTURAL SOURCES, INCLUDING ORCHARD TREE
6 CROPS, VINEYARD, GRAIN, LEGUMES, SUGAR, AND OTHER CROP BY-PRODUCTS OR
7 RESIDUES.

8 (III) "QUALIFIED ENERGY RESOURCES" INCLUDES METHANE GAS
9 RESULTING FROM THE ANAEROBIC DECOMPOSITION OF ORGANIC MATERIALS IN A
10 LANDFILL OR WASTEWATER TREATMENT PLANT.

11 (3) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS
12 PARAGRAPH, "QUALIFIED MARYLAND FACILITY" MEANS A FACILITY LOCATED IN THE
13 STATE THAT:

14 1. PRIMARILY USES QUALIFIED ENERGY RESOURCES TO
15 PRODUCE ELECTRICITY AND IS ORIGINALLY PLACED IN SERVICE ON OR AFTER
16 JANUARY 1, 2001, BUT BEFORE JANUARY 1, 2005; OR

17 2. PRODUCES ELECTRICITY ~~FROM COAL IF ELECTRICITY IS~~
18 ~~CONCURRENTLY PRODUCED~~ FROM A QUALIFIED ENERGY RESOURCE THAT IS
19 ~~CO-FIRED AT THE FACILITY WITH COAL~~ AND INITIALLY BEGINS CO-FIRING A
20 QUALIFIED ENERGY RESOURCE ON OR AFTER JANUARY 1, 2001 BUT BEFORE
21 JANUARY 1, 2005, REGARDLESS OF WHEN THE ORIGINAL FACILITY WAS ~~ORIGINALLY~~
22 PLACED IN SERVICE.

23 (II) "QUALIFIED MARYLAND FACILITY" DOES NOT INCLUDE A
24 QUALIFIED FACILITY ~~ELIGIBLE FOR THE~~ THAT CLAIMS A TAX CREDIT UNDER § 45 OF
25 THE INTERNAL REVENUE CODE:

26 1. THAT IS ORIGINALLY PLACED IN SERVICE BEFORE
27 JANUARY 1, 2002; OR

28 2. IF § 45 OF THE INTERNAL REVENUE CODE IS AMENDED TO
29 EXTEND THE APPLICABILITY OF THE CREDIT UNDER THAT SECTION, THAT IS
30 ORIGINALLY PLACED IN SERVICE DURING THE TIME PERIOD SPECIFIED IN § 45 OF
31 THE INTERNAL REVENUE CODE FOR ELIGIBILITY FOR THE CREDIT UNDER THAT
32 SECTION.

33 (B) (1) EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION, A AN
34 ~~TAXPAYER~~ INDIVIDUAL OR CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE
35 INCOME TAX FOR A TAXABLE YEAR IN AN AMOUNT EQUAL TO 0.85 CENTS FOR EACH
36 KILOWATT HOUR OF ELECTRICITY:

37 (I) PRODUCED BY THE TAXPAYER INDIVIDUAL OR CORPORATION
38 FROM QUALIFIED ENERGY RESOURCES AT A QUALIFIED MARYLAND FACILITY
39 DURING THE 10-YEAR PERIOD BEGINNING ON:

