

Department of Legislative Services
 Maryland General Assembly
 2001 Session

FISCAL NOTE
 Revised

House Bill 668 Delegate Marriott, et al.)
 Ways and Means and Environmental Matters

**Income Tax Credit for Electricity Produced from Qualified Energy Resources -
 Waste-to-Energy Facilities**

This bill extends the State income tax credit for electricity produced by qualified energy resources to waste-to-energy facilities that use municipal solid waste. The bill also allows a qualified waste-to-energy facility to claim the credit for electricity produced from qualified energy resources to the extent of increased electricity production resulting from an expansion of the facility, provided that the expansion occurs on or after July 1, 2001 but before January 1, 2005.

The bill takes effect July 1, 2001 and applies to all taxable years beginning after December 31, 2000.

Fiscal Summary

State Effect: Potential general fund and Transportation Trust Fund (TTF) revenue decrease. The extent of any decrease depends on the number of waste-to-energy facilities that are approved by local governments, the number of these facilities that expand, and the amount of additional electricity generated from any expansion. *For example*, general fund revenues could decrease by as much as \$1.5 million, assuming that an eligible facility in Baltimore City expands to generate an additional 20 megawatts of electricity, and increase by \$25,000 due to an increased operating permit fee.

Local Effect: Local government revenues would decline as a result of corporate taxpayers claiming the credits proposed in the bill. Local revenues could increase to the extent that local governments are able to sell municipal solid waste to waste-to-energy facilities. Baltimore City revenues could increase by approximately \$1,217,000 annually as a result of facility expansion.

Small Business Effect: Potential meaningful. To the extent that waste-to-energy facilities are small businesses and qualify for the credit proposed by the bill, these businesses would have reduced income tax liabilities. Also, businesses involved in the collection and transportation of solid waste could benefit. Finally, construction businesses could benefit to the extent that they are involved in any expansion projects.

Analysis

Current Law: Chapters 295 and 296 of 2000 provide for a production credit against the State income tax to an individual or corporation that produces and sells electricity that is generated from specified qualified energy resources, including wind, biomass, poultry waste, and methane gas.

State Fiscal Effect: The actual cost of the bill cannot be reliably estimated and depends on the number of waste-to-energy facilities that are approved by local governments, the number of these facilities that expand and the amount of additional electricity that each facility generates resulting from any expansion.

There are only a couple of waste-to-energy facilities currently operating in the State, one of which is located in Baltimore City. This facility disposes of municipal solid waste and converts it to 56 megawatts of electricity which is then sold to BGE's power grid.

For illustrative purposes, if this facility expands and is able to generate an additional 20 megawatt hours of electricity, it would be eligible for a credit of approximately \$1,489,200 annually based on the following:

- there are 8,760 hours in a year;
- there are 1,000 kilowatts in a megawatt; and
- the .85 cent per kilowatt hour credit is equivalent to a credit of \$8.50 per megawatt hour.

Credits taken on personal income tax returns would reduce general fund revenues in the amount of the credits. Because 75% of all corporate income tax revenues are distributed to the general fund and 25% are distributed to the TTF, credits taken on corporate income tax returns will reduce general fund revenues by 75% of the amount of the credits taken, and TTF revenues will be reduced by 25% of the credits taken. In addition, 30% of the 25% of revenue distributed to the TTF is distributed to local governments. At this time, the number of credits expected to be claimed on personal or corporate income tax returns cannot be reliably estimated.

However, should this facility expand, it would be required to pay an increased operating permit fee of \$25,000. As a result, general fund revenues would increase by \$25,000.

It is not known how many, if any, waste-to-energy facilities have plans for expansion. At this time, there are no expansion permits filed with the Department of Natural Resources.

Local Fiscal Effect: Local government revenues would decline as a result of corporate taxpayers claiming the credits proposed in the bill. Seventy-five percent of corporate tax revenues are distributed to the general fund and 25% are distributed to the TTF. Of the 25% distributed to the TTF, approximately 30% is distributed to local jurisdictions.

Local revenues could increase to the extent that local governments are able to sell municipal solid waste to waste-to-energy facilities.

Finally, if the facility located in Baltimore City expands to generate an additional 20 megawatts of electricity, city revenues would increase by approximately \$1,217,000 annually as a result of the facility paying an increased host city fee of \$252,000 annually and an increased ash disposal fee of \$965,000 annually.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates), Maryland Association of Counties, Maryland Municipal League, Department of Legislative Services

Fiscal Note History: First Reader – March 5, 2001
cm/jr Revised – Updated Information – March 15, 2001

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