
By: **Delegates Finifter, Bartlett, Bohanan, Cadden, Conroy, Cryor, C. Davis,
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Introduced and read first time: February 4, 2002

Assigned to: Ways and Means

Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 23, 2002

CHAPTER _____

1 AN ACT concerning

2 **Income Tax Credit - Ground Source Heat Pumps**

3 FOR the purpose of allowing a credit against the State income tax for certain costs of
4 a ground source heat pump placed in service during the taxable year, subject to
5 a certain limitation; limiting the credit to the State income tax for the taxable
6 year; defining a certain term; providing for the application of this Act; and
7 generally relating to a State income tax credit for certain costs of a ground
8 source heat pump placed in service during the taxable year.

9 BY adding to
10 Article - Tax - General
11 Section 10-724
12 Annotated Code of Maryland
13 (1997 Replacement Volume and 2001 Supplement)

14 **Preamble**

15 ~~WHEREAS, Ground source heat pump (GSHP) systems are methods of heating~~
16 ~~and cooling buildings using the ground as the energy source; and~~

17 ~~WHEREAS, GSHP systems have been used for years, but recent advances have~~
18 ~~made these systems viable alternatives to conventional heating and cooling systems;~~
19 ~~and~~

20 ~~WHEREAS, GSHPs are more environmentally friendly because they can reduce~~
21 ~~the consumption of fossil fuels, such as oil and natural gas, and the potentially~~
22 ~~harmful by-products associated with their use; and~~

1 WHEREAS, The United States Environmental Protection Agency has concluded
2 that GSHP systems are the most energy efficient and environmentally clean of all the
3 heating and cooling options; and

4 WHEREAS, The primary disadvantage of ground source heat pumps is their
5 higher installation costs; and

6 WHEREAS, It is the intent of the Maryland General Assembly to encourage the
7 citizens of the State of Maryland to use the most energy efficient and environmentally
8 clean of all the heating and cooling options; now, therefore;

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

11 **Article - Tax - General**

12 10-724.

13 (A) IN THIS SECTION, "GROUND SOURCE HEAT PUMP" MEANS A HEATING AND
14 COOLING SYSTEM THAT EXCHANGES HEAT WITH THE GROUND TO PROVIDE
15 HEATING, COOLING, OR HOT WATER HEATING.

16 (B) AN INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE
17 STATE INCOME TAX FOR A TAXABLE YEAR AS PROVIDED IN THIS SECTION FOR THE
18 COSTS OF A GROUND SOURCE HEAT PUMP PLACED IN SERVICE DURING THE
19 TAXABLE YEAR.

20 (C) (1) SUBJECT TO THE LIMITATION UNDER PARAGRAPH (2) OF THIS
21 SUBSECTION, THE CREDIT ALLOWED UNDER THIS SECTION EQUALS 10% OF THE
22 TOTAL INSTALLED COSTS OF A GROUND SOURCE HEAT PUMP.

23 (2) THE CREDIT ALLOWED UNDER THIS SUBSECTION MAY NOT EXCEED
24 ~~\$1,000~~ \$500 FOR EACH GROUND SOURCE HEAT PUMP UNIT.

25 (D) (1) THE TOTAL AMOUNT OF THE CREDIT ALLOWED UNDER THIS
26 SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED THE STATE INCOME TAX FOR
27 THAT TAXABLE YEAR, CALCULATED BEFORE APPLICATION OF THE CREDITS UNDER
28 THIS SECTION AND §§ 10-701 AND 10-701.1 OF THIS SUBTITLE, BUT AFTER
29 APPLICATION OF THE OTHER CREDITS ALLOWABLE UNDER THIS SUBTITLE.

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

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

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
2 July 1, 2002 and shall be applicable to all taxable years beginning after December 31,
3 2001.