# HB 1496

# Department of Legislative Services

Maryland General Assembly
2004 Session

## FISCAL AND POLICY NOTE

House Bill 1496 (Chairman, Ways and Means Committee and Chairman, Economic Matters Committee)
(By Request – Departmental – Energy Administration, Maryland)

Ways and Means and Economic Matters

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**Energy - Taxes - Extension and Expansion of Credit for Renewable Energy**

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This departmental bill makes the following changes to the existing tax credit for renewable energy program by: (1) changing the dates a facility can qualify for the credit if it is originally placed in service on or after January 1, 2004 but before January 1, 2012; (2) eliminating the restriction that a taxpayer may not claim the State credit if the taxpayer claims the federal renewable electricity production credit; (3) making the credit transferable; (4) expanding qualifying facilities to include electricity generated from any combustible gas resulting from thermal decomposition generated from an agricultural operation; and (5) clarifying that qualifying facilities include ones that generate electricity from wind, closed-loop biomass, and poultry waste.

The bill takes effect July 1, 2004.

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## Fiscal Summary

**State Effect:** The extent of the revenue loss depends on the annual amount of energy produced by qualifying facilities and cannot be reliably estimated. Under one set of assumptions, revenues could decline by approximately $2.6 million annually beginning in FY 2006.

**Local Effect:** Based on the assumptions above, local highway user revenues would decline by approximately $94,000 annually beginning in FY 2006 if half of the credits were claimed against the corporate income tax.

**Small Business Effect:** The Maryland Energy Administration has determined that this bill has minimal or impact on small business (attached). Legislative Services concurs with this assessment.

## Analysis

**Current Law:** Qualifying facilities can claim the credit if they were originally placed in service on or after January 1, 2001 but before January 1, 2005. If a facility claims the federal renewable electricity production credit they cannot claim the State credit. The federal credit terminated December 31, 2003 and has not been renewed. The credit is not transferable but can be carried forward 10 years. The amount of the credit is 0.5 cents for each kilowatt hour of electricity produced for each qualifying facility that is co-fired with coal and equal to $0.85 cents for all other facilities. Current qualified energy sources include wind, biomass, and poultry waste.

**State Revenues:** The actual cost of the bill cannot be reliably ascertained and depends on the amount of electricity produced from qualifying facilities in a given year. *For illustrative purposes only*, revenues could decline by $2.6 million annually beginning in fiscal 2006. This estimate is based on the following facts and assumptions:

- According to the Maryland Energy Administration, two wind projects have received permitting approval from the State. It is assumed the earliest start of operations for these facilities is 2005. It is estimated that these facilities would produce approximately 240,900 megawatts annually. These facilities would qualify and claim $2 million in credits annually beginning in fiscal 2006.

- The Maryland Energy Administration also estimates that qualifying agricultural operations would produce 2,000 kilowatts of energy annually beginning in 2005. These facilities would claim approximately $620,500 in credits annually beginning in fiscal 2006.

## Additional Information

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller’s Office, Maryland Energy Administration, Department of Legislative Services

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