

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 975

(Delegate Rosenberg, *et al.*)

Ways and Means

Budget and Taxation

Income Tax Credit for Green Buildings

This bill expands the existing State income tax credit for Green Buildings by allowing buildings with at least 10,000 square feet of interior space to qualify for the tax credit.

The bill takes effect July 1, 2005 and applies to tax year 2005 and beyond.

Fiscal Summary

State Effect: Expanding the eligibility of the credit would not increase revenue losses beyond that which is provided under current law. No effect on expenditures.

Local Effect: None.

Small Business Effect: Small businesses would benefit to the extent that the change in eligibility allows small businesses to qualify for the tax credit.

Analysis

Current Law: Buildings must have at least 20,000 feet of interior space in order to qualify for the credit.

Businesses that construct or rehabilitate a building that conforms to specific standards intended to save energy and to mitigate environmental impact may take a credit for a portion of the cost. The building must be located in either a priority funding area or a qualified brownfields site and cannot be located in a wetlands area. Credits are allowed for amounts spent on or after July 1, 2001. Allowable costs may not exceed in the

aggregate: \$120 per square foot for that portion of the building that is owner occupied; and \$60 per square foot for that portion of the building that comprises the tenant space. The credit is the sum of four credit components.

Building Credit Component: A percentage of the allowable costs paid by the owner or tenant to make some portion of the building “green.” Each credit is limited by a dollar amount per square foot. For a whole building, 8% of the allowable costs paid for or incurred by the owner or tenant, as outlined: base building (areas not intended to be occupied) – 6% of the allowable costs; allowable costs may not exceed \$120 per square foot; the maximum credit amount is \$7.20 per square foot for the area that comprises the base building; tenant space – 6% of the allowable costs; allowable costs may not exceed \$60 per square foot; the credit cannot be claimed by the owner if the owner occupies less than 10,000 square feet of the building or by the tenant if the tenant occupies less than 5,000 square feet; the maximum credit amount is \$3.60 per square foot.

Fuel Cell Credit Component: 30% of the costs paid by the owner or tenant to purchase and install a fuel cell in a green whole building, base building, or tenant space. The credit cannot exceed \$1,000 per kilowatt hour of capacity and is reduced by nontaxable government grants used to purchase and install the fuel cell.

Photovoltaic Module Credit Component: 25% (20% if building-integrated) of the cost paid by an owner or tenant to purchase and install a photovoltaic module in a green whole building, base building, or tenant space. The costs used to determine the credit amount cannot exceed \$3 per watt of capacity and are reduced by nontaxable government grants used to purchase and install the modules. The credit cannot be taken if the Clean Energy Incentive Credit has been claimed for the installation of the photovoltaic modules.

Wind Turbine Component: 25% of the cost to purchase and install wind turbines that qualify as alternative energy sources and will serve a green whole building, base building, or tenant space.

State Revenues: The Maryland Energy Administration (MEA) is authorized to award a total of \$25 million in tax credits in tax year 2003 through 2011. Although the bill expands the number of buildings that could qualify for the tax credit, State revenues would not be affected. According to MEA, the credit is currently oversubscribed. Approximately \$6.1 million in credits have been awarded, which represents all of tax year 2003, 2004, 2005, and part of tax year 2006. Applications that are not approved are eligible for the next tax year. MEA advises that applications are currently under review through tax year 2009.

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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