

---

By: **The President (By Request - Administration) and Senators Brinkley,  
Colburn, Forehand, Haines, Hooper, Jacobs, Kittleman, Mooney,  
Schrader, Stoltzfus, and Teitelbaum**

Introduced and read first time: January 23, 2006

Rules suspended

Assigned to: Budget and Taxation

---

A BILL ENTITLED

1 AN ACT concerning

2 **Tax General - Income Tax Credit - Energy Efficient Residential Heating**  
3 **Systems**

4 FOR the purpose of providing for certain credits against the State income tax on  
5 individuals for certain costs for the purchase and installation of certain energy  
6 efficient home heating systems for a certain period of time; specifying certain  
7 standards for certain systems to qualify for the credit; limiting the total credits  
8 that may be allowed for any taxable year; authorizing the Maryland Energy  
9 Administration to adopt certain regulations to establish and implement the  
10 program; providing for the application of this Act; and generally relating to  
11 creation and administration of a tax credit for the purchase and installation of  
12 energy efficient residential heating systems.

13 BY adding to  
14 Article - Tax - General  
15 Section 10-726  
16 Annotated Code of Maryland  
17 (2004 Replacement Volume and 2005 Supplement)

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

20 **Article - Tax - General**

21 10-726.

22 (A) IN THIS SECTION, "ENERGY EFFICIENT HEATING SYSTEM" MEANS AN AIR  
23 SOURCE HEAT PUMP, A GEOTHERMAL HEAT PUMP, OR A GAS, OIL, OR PROPANE  
24 HEATING SYSTEM THAT:

25 (1) MEETS THE ENERGY EFFICIENCY STANDARDS OF TITLE XIII OF THE  
26 ENERGY POLICY ACT OF 2005; OR

1 (2) MEETS ENERGY STAR STANDARDS DESCRIBED IN SUBSECTION (E) OF  
2 THIS SECTION.

3 (B) IN ADDITION TO ANY APPLICABLE FEDERAL TAX CREDIT, THERE IS A  
4 RESIDENTIAL ENERGY EFFICIENCY TAX CREDIT PROGRAM IN MARYLAND.

5 (C) FOR A TAXABLE YEAR BEGINNING AFTER DECEMBER 31, 2005, BUT  
6 BEFORE JANUARY 1, 2012, AN INDIVIDUAL MAY CLAIM A CREDIT AGAINST THE STATE  
7 INCOME TAX AS PROVIDED IN THIS SECTION FOR THE COST OF THE EQUIPMENT AND  
8 INSTALLATION OF AN ENERGY EFFICIENT HEATING SYSTEM FOR THE TAX YEAR  
9 DURING WHICH THE SYSTEM WAS PLACED IN OPERATION IF:

10 (1) THE SYSTEM IS INSTALLED IN THE INDIVIDUAL'S PRINCIPAL PLACE  
11 OF RESIDENCE;

12 (2) THE RESIDENCE IS LOCATED IN MARYLAND;

13 (3) THE SYSTEM MEETS OR EXCEEDS THE ENERGY EFFICIENCY  
14 STANDARDS SET FORTH IN SUBSECTION (E) OF THIS SECTION; AND

15 (4) THE SYSTEM IS IN OPERATION BY DECEMBER 31 OF THE YEAR FOR  
16 WHICH THE CREDIT IS CLAIMED.

17 (D) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED \$500 PER  
18 HOUSEHOLD.

19 (E) THE FOLLOWING ENERGY EFFICIENT HEATING SYSTEMS ARE ELIGIBLE  
20 FOR THIS CREDIT:

21 (1) AN AIR SOURCE HEAT PUMP THAT MEETS OR EXCEEDS A HEATING  
22 SEASONAL PERFORMANCE FACTOR OF AT LEAST 8.2, AN ENERGY EFFICIENCY RATIO  
23 OF AT LEAST 14, AND A SEASONAL ENERGY EFFICIENCY RATIO OF AT LEAST 14;

24 (2) A CLOSED LOOP GEOTHERMAL HEAT PUMP THAT MEETS OR  
25 EXCEEDS AN ENERGY EFFICIENCY RATIO OF AT LEAST 14.1 AND A HEATING  
26 COEFFICIENT OF PERFORMANCE OF 3.3;

27 (3) AN OPEN LOOP GEOTHERMAL HEAT PUMP WITH AN ENERGY  
28 EFFICIENCY RATIO OF AT LEAST 16.2 AND A HEATING COEFFICIENT OF  
29 PERFORMANCE OF AT LEAST 3.6;

30 (4) A DIRECT EXPANSION GEOTHERMAL HEAT PUMP WITH AN ENERGY  
31 EFFICIENCY RATIO OF AT LEAST 15 AND A HEATING COEFFICIENT OF PERFORMANCE  
32 OF AT LEAST 3.5; OR

33 (5) A GAS, OIL, OR PROPANE FURNACE OR HOT WATER BOILER UNIT  
34 THAT HAS AN ANNUAL FUEL UTILIZATION EFFICIENCY RATING OF 90.

35 (F) (1) THE CREDIT UNDER THIS SECTION MAY NOT BE CLAIMED MORE  
36 THAN ONE TIME PER HOUSEHOLD.

1 (2) IF MORE THAN ONE INDIVIDUAL OWNS A RESIDENCE IN MARYLAND  
2 ELIGIBLE FOR THE CREDIT UNDER THIS SECTION, THE CREDIT MAY BE PRORATED  
3 BETWEEN THEM BUT MAY NOT EXCEED THE MAXIMUM OF \$500 PER HOUSEHOLD.

4 (G) (1) THE TOTAL AMOUNT OF CREDITS ALLOWED UNDER THIS SECTION  
5 MAY NOT EXCEED \$5,000,000 IN ANY ONE TAXABLE YEAR.

6 (2) IN CONSULTATION WITH THE COMPTROLLER, THE MARYLAND  
7 ENERGY ADMINISTRATION SHALL ADOPT REGULATIONS TO IMPLEMENT A PROGRAM  
8 THAT:

9 (I) AWARDS THE CREDITS ON A FIRST-COME, FIRST-SERVED  
10 BASIS; AND

11 (II) LIMITS THE NUMBER OF ELIGIBLE RECIPIENTS SO AS NOT TO  
12 EXCEED THE CAP ON THE CREDIT PROGRAM.

13 (H) AS PROVIDED FOR IN ITS BUDGET, THE MARYLAND ENERGY  
14 ADMINISTRATION SHALL DEVELOP A CONSUMER AWARENESS PROGRAM TO  
15 PROMOTE THE AVAILABILITY OF THIS TAX CREDIT PROGRAM.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
17 July 1, 2006, and shall apply to all taxable years beginning after December 31, 2005.