

# HOUSE BILL 595

Q3

71r1942  
CF SB 615

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By: **Delegates Cardin, Morhaim, and Schuler**

Introduced and read first time: February 8, 2007

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

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

4 FOR the purpose of allowing individuals and corporations certain credits against the  
5 State income tax for certain costs associated with the purchase and installation  
6 of certain energy-efficient residential heating and cooling systems for a certain  
7 period of time; specifying certain standards for certain systems to qualify for the  
8 credit; authorizing the Maryland Energy Administration to adopt certain  
9 regulations to establish and implement the program; providing for the  
10 application of this Act; and generally relating to the creation and administration  
11 of a tax credit for the purchase and installation of energy efficient residential  
12 heating and cooling systems.

13 BY adding to

14 Article – Tax – General

15 Section 10–726

16 Annotated Code of Maryland

17 (2004 Replacement Volume and 2006 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.**

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1           (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE  
2 MEANINGS INDICATED.

3                   (2) “ENERGY-EFFICIENT RESIDENTIAL HEATING OR COOLING  
4 SYSTEM” MEANS A CENTRAL AIR CONDITIONER, AN AIR SOURCE HEAT PUMP, A  
5 GEOTHERMAL HEAT PUMP, OR A GAS, OIL, OR PROPANE RESIDENTIAL FURNACE  
6 OR BOILER THAT:

7                           (I) MEETS U.S. ENVIRONMENTAL PROTECTION AGENCY  
8 ENERGY STAR ELIGIBILITY CRITERIA IN EFFECT AT THE TIME OF EQUIPMENT  
9 INSTALLATION; OR

10                           (II) MEETS THE ENERGY EFFICIENCY STANDARDS OF TITLE  
11 XIII OF THE FEDERAL ENERGY POLICY ACT OF 2005.

12                   (3) (I) “NEW HOME” MEANS A SINGLE-FAMILY RESIDENTIAL  
13 BUILDING LOCATED IN THE STATE THAT:

14                                   1. CONTAINS NOT MORE THAN 3,500 SQUARE FEET  
15 OF LIVING SPACE;

16                                   2. IS LOCATED IN A PRIORITY FUNDING AREA UNDER  
17 § 5-7B-02 OF THE STATE FINANCE AND PROCUREMENT ARTICLE; AND

18                                   3. FOR WHICH A CERTIFICATE OF OCCUPANCY IS  
19 ISSUED ON OR AFTER JANUARY 1, 2008.

20                           (II) “NEW HOME” INCLUDES:

21                                   1. A DETACHED, SEMI-DETACHED, OR TOWN HOME  
22 TYPE RESIDENTIAL BUILDING; OR

23                                   2. A MANUFACTURED HOME THAT CONFORMS TO  
24 THE FEDERAL MANUFACTURED HOME CONSTRUCTION AND SAFETY  
25 STANDARDS IN 24 C.F.R. § 3280.

26           (B) IN ADDITION TO ANY APPLICABLE FEDERAL TAX CREDIT, THERE IS  
27 A RESIDENTIAL ENERGY EFFICIENCY TAX CREDIT PROGRAM IN THE STATE.

1           **(C) FOR A TAXABLE YEAR BEGINNING ON OR AFTER JANUARY 1, 2008,**  
2 **BUT BEFORE JANUARY 1, 2013, AN INDIVIDUAL OR A CORPORATION MAY CLAIM**  
3 **A CREDIT AGAINST THE STATE INCOME TAX AS PROVIDED IN THIS SECTION FOR**  
4 **THE COST OF BUYING AND INSTALLING AN ENERGY-EFFICIENT RESIDENTIAL**  
5 **HEATING OR COOLING SYSTEM IF:**

6           **(1) THE RESIDENCE IS LOCATED IN THE STATE;**

7           **(2) THE SYSTEM IS IN OPERATION ON OR BEFORE DECEMBER 31**  
8 **OF THE YEAR FOR WHICH THE CREDIT IS CLAIMED; AND**

9           **(3) THE SYSTEM:**

10           **(I) IS INSTALLED IN RESIDENTIAL RENTAL PROPERTY;**

11           **(II) IS INSTALLED IN A NEW HOME PRIOR TO OCCUPANCY;**

12 **OR**

13           **(III) MEETS THE PERFORMANCE CRITERIA SPECIFIED IN**  
14 **SUBSECTION (A)(2)(II) OF THIS SECTION AND IS INSTALLED BY AN INDIVIDUAL**  
15 **IN THE INDIVIDUAL'S PRINCIPAL PLACE OF RESIDENCE.**

16           **(D) THE CREDIT ALLOWED UNDER THIS SECTION MAY NOT EXCEED:**

17           **(1) \$150 FOR A SYSTEM QUALIFYING UNDER SUBSECTION**  
18 **(A)(2)(I) OF THIS SECTION;**

19           **(2) EXCEPT AS PROVIDED IN ITEM (3) OF THIS SUBSECTION, \$250**  
20 **FOR A SYSTEM QUALIFYING UNDER SUBSECTION (A)(2)(II) OF THIS SECTION;**  
21 **AND**

22           **(3) \$50 FOR AN ADVANCED MAIN AIR CIRCULATING FAN**  
23 **QUALIFYING UNDER SUBSECTION (A)(2)(II) OF THIS SECTION.**

24           **(E) (1) (I) THE CREDIT ALLOWED UNDER THIS SECTION FOR ANY**  
25 **TAXABLE YEAR MAY NOT EXCEED THE STATE INCOME TAX IMPOSED FOR THE**  
26 **TAXABLE YEAR CALCULATED BEFORE THE APPLICATION OF THE CREDITS**  
27 **ALLOWED UNDER THIS SECTION AND UNDER §§ 10-701 AND 10-701.1 OF THIS**

1 **SUBTITLE BUT AFTER THE APPLICATION OF ANY OTHER CREDIT ALLOWED**  
2 **UNDER THIS SUBTITLE.**

3 **(II) 1. FOR SYSTEMS INSTALLED BY AN INDIVIDUAL IN**  
4 **THE INDIVIDUAL'S PRINCIPAL PLACE OF RESIDENCE, THE CREDIT ALLOWED**  
5 **UNDER THIS SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED \$500.**

6 **2. IF MORE THAN ONE INDIVIDUAL OWNS A**  
7 **RESIDENCE ELIGIBLE FOR THE CREDIT UNDER THIS SECTION, THE CREDIT MAY**  
8 **BE PRORATED BETWEEN THEM BUT MAY NOT EXCEED THE MAXIMUM OF \$500**  
9 **FOR THE RESIDENCE.**

10 **(2) IF THE CREDIT OTHERWISE ALLOWABLE UNDER THIS**  
11 **SECTION EXCEEDS THE LIMIT UNDER PARAGRAPH (1) OF THIS SUBSECTION, AN**  
12 **INDIVIDUAL MAY APPLY THE EXCESS AS A CREDIT AGAINST THE STATE INCOME**  
13 **TAX FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:**

14 **(I) THE FULL AMOUNT OF THE EXCESS IS USED; OR**

15 **(II) THE 3RD TAXABLE YEAR AFTER THE TAXABLE YEAR IN**  
16 **WHICH THE CREDIT WAS FIRST CLAIMED.**

17 **(F) AN INDIVIDUAL OR CORPORATION CLAIMING A CREDIT UNDER THIS**  
18 **SECTION FOR A CENTRAL AIR CONDITIONER, AIR SOURCE HEAT PUMP, OR**  
19 **GEOHERMAL HEAT PUMP SHALL RECEIVE AND RETAIN DOCUMENTATION OF**  
20 **CALCULATIONS BY THE INSTALLER THAT THE SYSTEM WAS SIZED IN**  
21 **ACCORDANCE WITH "MANUAL J" PUBLISHED BY THE AIR CONDITIONING**  
22 **CONTRACTORS OF AMERICA.**

23 **(G) EXCEPT AS OTHERWISE PROVIDED IN THIS TITLE, FOR PURPOSES**  
24 **OF DETERMINING MARYLAND TAXABLE INCOME, THE BASIS OF PROPERTY WITH**  
25 **RESPECT TO WHICH THE CREDIT UNDER THIS SECTION IS ALLOWED SHALL BE**  
26 **ITS BASIS FOR FEDERAL INCOME TAX PURPOSES.**

27 **(H) (1) IF THE TOTAL AMOUNT OF CREDITS CLAIMED BY ELIGIBLE**  
28 **RECIPIENTS FOR ANY TAXABLE YEAR EXCEEDS \$8,000,000, THE MARYLAND**  
29 **ENERGY ADMINISTRATION, FOLLOWING NOTICE AND COMMENT, SHALL ISSUE A**  
30 **REGULATION TO REVISE THE PERFORMANCE CRITERIA FOR CREDIT**

1 ELIGIBILITY FOR ONE OR MORE SYSTEMS IDENTIFIED IN SUBSECTION (A) OF  
2 THIS SECTION TO A HIGHER LEVEL OF ENERGY EFFICIENCY.

3 (2) A REGULATION ISSUED UNDER THIS SUBSECTION SHALL  
4 APPLY TO SYSTEMS INSTALLED 60 OR MORE DAYS AFTER THE ISSUANCE OF THE  
5 REGULATION.

6 (I) AS PROVIDED FOR IN ITS BUDGET, THE MARYLAND ENERGY  
7 ADMINISTRATION SHALL DEVELOP A PROGRAM TO PROMOTE THE AVAILABILITY  
8 OF THIS TAX CREDIT PROGRAM TO RENTAL PROPERTY OWNERS, HOME  
9 BUILDERS, AND INSTALLERS AND MANUFACTURERS OF RESIDENTIAL HEATING  
10 AND COOLING EQUIPMENT.

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
12 July 1, 2007, and shall apply to all taxable years beginning after December 31, 2006.