

Department of Legislative Services
 Maryland General Assembly
 2009 Session

FISCAL AND POLICY NOTE

House Bill 320 (Delegate George, *et al.*)
 Ways and Means

Voltage Regulation Technology - Income Tax Subtraction Modification

This bill creates a subtraction modification under the State income tax for 100% of the costs of purchasing and installing “voltage regulation technology.” In order to qualify, the technology must: reduce energy consumption; improve grid efficiency; or raise or lower voltage dynamically. The technology cannot consume more than 1% of the energy that it processes throughout the load curve.

The bill takes effect July 1, 2009, and applies to tax year 2009 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease significantly beginning in FY 2010 due to subtraction modifications claimed against the personal and corporate income tax. Transportation Trust Fund (TTF) revenues decrease significantly beginning in FY 2010 due to subtraction modifications claimed against the corporate income tax. General fund expenditures increase by \$20,700 in FY 2010 for one-time tax form changes and computer programming modifications at the Comptroller’s Office.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	(-)	(-)	(-)	(-)	(-)
SF Revenue	(-)	(-)	(-)	(-)	(-)
GF Expenditure	\$20,700	\$0	\$0	\$0	\$0
Net Effect	(\$20,700)	\$0	\$0	\$0	\$0

Note: (-) = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: Local income tax revenues and local highway user revenues distributed from the TTF decrease significantly beginning in FY 2010. Expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law: No similar State subtraction modification exists.

Background: The practice of voltage reduction to reduce power demand has been used by utilities for decades under the conservation voltage reduction (CVR) scheme. CVR measures have primarily been implemented during system peak hours to relieve capacity; however, more recent investigations have proposed CVR as a method of energy conservation. There are a number of technologies and devices that use the principle of voltage reduction for direct application to end-use appliances or to an aggregate load (such as the whole house) for energy conservation.

State Revenues: Subtraction modifications can be claimed beginning in tax year 2009. As a result, general fund revenues and TTF revenues will decrease significantly beginning in fiscal 2010. The bill provides that up to 100% of the purchase and installation price of qualifying voltage reduction technology can be subtracted for State income tax purposes. Voltage reduction technologies range considerably from inexpensive consumer-purchased items to large, expensive systems installed by businesses and utilities.

The Maryland Energy Administration advises that a wide range of energy efficiency products could qualify for the subtraction modification including some Energy Star products. Providing an exemption for some or all of these products will decrease revenues significantly. *For illustrative purposes*, Legislative Services estimated that providing a sales tax holiday for the purchase of specified energy products will reduce sales tax revenues (6% of the value of the products) by about \$500,000.

State Expenditures: The Comptroller's Office reports that it will incur a one-time expenditure increase of \$20,700 in fiscal 2010 to add the subtraction modification to the personal income tax form. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Prior Introductions: None.

Cross File: None.

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

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Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510