

# HOUSE BILL 1180

Q3

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By: **Delegates Hixson, Luedtke, A. Miller, Serafini, and A. Washington**

Introduced and read first time: February 7, 2014

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Credit – Environmental Improvement Equipment**

3 FOR the purpose of allowing a credit against the State income tax for certain  
4 manufacturing expenses incurred for certain environmental improvement  
5 equipment; providing that the credit may not exceed a certain amount;  
6 providing that the credit may not be carried forward; requiring the Department  
7 of the Environment to consult with the Maryland Energy Administration and to  
8 provide certain information on its Web site; requiring the Department and the  
9 Comptroller to provide certain reports and to adopt certain regulations; defining  
10 certain terms; providing for the application of this Act; and generally relating to  
11 an income tax credit for certain manufacturing expenses.

12 BY adding to

13 Article – Tax – General

14 Section 10–736

15 Annotated Code of Maryland

16 (2010 Replacement Volume and 2013 Supplement)

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

19 **Article – Tax – General**

20 **10–736.**

21 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE**  
22 **MEANINGS INDICATED.**

23 **(2) “DEPARTMENT” MEANS THE DEPARTMENT OF THE**  
24 **ENVIRONMENT.**

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1           **(3) (I) “ENVIRONMENTAL IMPROVEMENT EQUIPMENT” MEANS**  
2 **A MANUFACTURED PRODUCT OR A COMPONENT OF A MANUFACTURED PRODUCT**  
3 **THAT HAS A PRIMARY END USE OF DIRECTLY REDUCING OR AVOIDING:**

4                           **1. AIR POLLUTION, AS DEFINED IN § 2-101 OF THE**  
5 **ENVIRONMENT ARTICLE;**

6                           **2. EMISSIONS OF GREENHOUSE GAS, AS DEFINED IN**  
7 **§ 2-1202 OF THE ENVIRONMENT ARTICLE; OR**

8                           **3. POLLUTION IN WATERS OF THE STATE, AS**  
9 **DEFINED IN § 4-101.1 OF THE ENVIRONMENT ARTICLE.**

10                   **(II) “ENVIRONMENTAL IMPROVEMENT EQUIPMENT”**  
11 **INCLUDES ONLY A PRODUCT IDENTIFIED BY THE DEPARTMENT AS MEETING**  
12 **THE OBJECTIVES OF THIS SECTION.**

13           **(B) (1) SUBJECT TO THE LIMITATIONS OF THIS SECTION, AN**  
14 **INDIVIDUAL OR A CORPORATION MAY CLAIM A CREDIT AGAINST THE STATE**  
15 **INCOME TAX IN AN AMOUNT EQUAL TO 20% OF THE COSTS INCURRED DURING**  
16 **THE TAXABLE YEAR TO MANUFACTURE ENVIRONMENTAL IMPROVEMENT**  
17 **EQUIPMENT.**

18                   **(2) THE CREDIT ALLOWED UNDER THIS SUBSECTION MAY NOT**  
19 **EXCEED:**

20                           **(I) \$5,000 FOR A TAXPAYER WITH EXISTING**  
21 **ENVIRONMENTAL IMPROVEMENT EQUIPMENT MANUFACTURING OPERATIONS IN**  
22 **THE STATE; OR**

23                           **(II) \$15,000 FOR A TAXPAYER THAT BEGINS**  
24 **ENVIRONMENTAL IMPROVEMENT EQUIPMENT MANUFACTURING OPERATIONS IN**  
25 **THE STATE AFTER DECEMBER 31, 2014.**

26           **(C) (1) THE TOTAL AMOUNT OF THE CREDIT ALLOWED UNDER THIS**  
27 **SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED THE STATE INCOME TAX**  
28 **FOR THAT TAXABLE YEAR, CALCULATED BEFORE APPLICATION OF THE CREDITS**  
29 **UNDER THIS SECTION AND §§ 10-701 AND 10-701.1 OF THIS SUBTITLE, BUT**  
30 **AFTER APPLICATION OF THE OTHER CREDITS ALLOWABLE UNDER THIS**  
31 **SUBTITLE.**

1           **(2) THE UNUSED AMOUNT OF THE CREDIT FOR ANY TAXABLE**  
2 **YEAR MAY NOT BE CARRIED OVER TO ANY OTHER TAXABLE YEAR.**

3           **(D) AN ORGANIZATION THAT IS EXEMPT FROM TAXATION UNDER §**  
4 **501(C)(3) OR (4) OF THE INTERNAL REVENUE CODE MAY APPLY THE CREDIT**  
5 **UNDER THIS SECTION AGAINST STATE INCOME TAX DUE ON UNRELATED**  
6 **BUSINESS TAXABLE INCOME AS PROVIDED UNDER §§ 10-304 AND 10-812 OF**  
7 **THIS TITLE.**

8           **(E) THE DEPARTMENT, IN CONSULTATION WITH THE MARYLAND**  
9 **ENERGY ADMINISTRATION, SHALL IDENTIFY AND MAINTAIN ON THE**  
10 **DEPARTMENT'S WEB SITE A LIST OF PRODUCTS THAT QUALIFY AS**  
11 **ENVIRONMENTAL IMPROVEMENT EQUIPMENT UNDER THIS SECTION.**

12           **(F) ON OR BEFORE DECEMBER 1, 2015, AND EACH DECEMBER 1**  
13 **THEREAFTER, THE DEPARTMENT AND THE COMPTROLLER JOINTLY SHALL**  
14 **REPORT TO THE GOVERNOR AND, SUBJECT TO § 2-1246 OF THE STATE**  
15 **GOVERNMENT ARTICLE, THE GENERAL ASSEMBLY REGARDING THE CREDIT**  
16 **ALLOWED UNDER THIS SECTION, INCLUDING:**

17                   **(1) THE NUMBER OF INDIVIDUALS AND CORPORATIONS THAT**  
18 **HAVE CLAIMED THE CREDIT;**

19                   **(2) THE TOTAL AMOUNT ALLOWED AS CREDITS; AND**

20                   **(3) THE AMOUNT OF POLLUTION AND EMISSION REDUCTIONS**  
21 **RESULTING FROM THE IMPLEMENTATION OF THIS SECTION.**

22           **(G) THE DEPARTMENT AND THE COMPTROLLER JOINTLY SHALL ADOPT**  
23 **REGULATIONS TO IMPLEMENT THE PROVISIONS OF THIS SECTION.**

24           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
25 July 1, 2014, and shall be applicable to all taxable years beginning after December 31,  
26 2013.