A BILL ENTITLED

AN ACT concerning

Income Tax – Mechanical Insulation Installation Tax Credit

FOR the purpose of allowing a credit against the State income tax for certain qualified expenses paid or incurred by a taxpayer for the installation of certain mechanical insulation in a certain manner on a certain property and for which the taxpayer obtains a tax credit certificate from the Maryland Energy Administration; requiring the Administration to issue, on a first–come, first–served basis and in a timely manner, tax credit certificates not exceeding a certain amount; prohibiting the Administration from issuing tax credit certificates for credit amounts in the aggregate totaling more than a certain amount in a taxable year; providing that the credit may not exceed a certain percentage of the State income tax for the taxable year and may not be carried forward to another taxable year; requiring the Administration to report certain information to the Comptroller on or before a certain date each year; requiring the Administration, in consultation with the Comptroller, to adopt regulations to carry out the tax credit; defining certain terms; providing for the application of this Act; and generally relating to an income tax credit for the installation of certain mechanical insulation.

BY adding to

Article – Tax – General
Section 10–751
Annotated Code of Maryland
(2016 Replacement Volume and 2020 Supplement)

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

Article – Tax – General

10–751.
(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) “ADMINISTRATION” means the MARYLAND ENERGY ADMINISTRATION.

(3) “MECHANICAL INSULATION” means insulation materials, facings, and accessory products used for thermal requirements for mechanical piping and equipment, hot and cold applications, and heating, ventilation, and air-conditioning applications.

(4) “MINIMUM ASHRAE STANDARD” means the minimum AMERICAN SOCIETY OF HEATING, REFRIGERATING, AND AIR–CONDITIONING ENGINEERS (ASHRAE) standard 90.1–2007 (ENERGY STANDARD FOR BUILDINGS EXCEPT LOW–RISE RESIDENTIAL BUILDINGS).

(5) (I) “QUALIFIED EXPENSES” means a capital investment of at least $10,000 for the installation of mechanical insulation, in a manner that complies with the minimum ASHRAE standard in effect at the time of the investment, on a commercial or industrial property in the State.

   (II) “QUALIFIED EXPENSES” includes:

   1. Amounts paid for the purchase of mechanical insulation installed on the property; and

   2. Labor costs paid for the preparation, assembly, and installation of mechanical insulation on the property.

(B) Subject to the limitations of this section, a taxpayer that receives a tax credit certificate may claim a credit against the State income tax for the total amount of qualified expenses paid or incurred by the taxpayer during the taxable year.

(C) On application by a taxpayer, the Administration shall issue a tax credit certificate that may not exceed 30% of the total amount of qualified expenses paid or incurred by the taxpayer during the taxable year.

(D) For any taxable year, the Administration may not issue tax credit certificates for credit amounts in the aggregate totaling more
THAN $5,000,000.

(E) THE ADMINISTRATION SHALL APPROVE ALL APPLICATIONS THAT QUALIFY FOR A TAX CREDIT CERTIFICATE:

(1) ON A FIRST-COME, FIRST-SERVED BASIS; AND

(2) IN A TIMELY MANNER.

(F) (1) THE TOTAL AMOUNT OF THE CREDIT ALLOWED UNDER THIS SECTION FOR ANY TAXABLE YEAR MAY NOT EXCEED 50% OF THE STATE INCOME TAX FOR THAT TAXABLE YEAR, CALCULATED BEFORE THE APPLICATION OF THE CREDITS UNDER THIS SECTION AND §§ 10–701 AND 10–701.1 OF THIS SUBTITLE, BUT AFTER THE APPLICATION OF OTHER CREDITS ALLOWABLE UNDER THIS SUBTITLE.

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

(G) ON OR BEFORE JANUARY 31 EACH TAXABLE YEAR, THE ADMINISTRATION SHALL REPORT TO THE COMPTROLLER ON THE TAX CREDIT CERTIFICATES ISSUED UNDER THIS SECTION DURING THE PRIOR TAXABLE YEAR.

(H) THE ADMINISTRATION, IN CONSULTATION WITH THE COMPTROLLER, SHALL ADOPT REGULATIONS TO CARRY OUT THIS SECTION.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2021, and shall be applicable to all taxable years beginning after December 31, 2020.