

SENATE BILL 738

Q3

11r2071
CF HB 982

By: **Senator Rosapepe**

Introduced and read first time: February 5, 2021

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Mechanical Insulation Installation Tax Credit**

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

18 BY adding to

19 Article – Tax – General

20 Section 10–751

21 Annotated Code of Maryland

22 (2016 Replacement Volume and 2020 Supplement)

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

25 **Article – Tax – General**

26 **10–751.**

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 MEANINGS
2 INDICATED.

3 (2) "ADMINISTRATION" MEANS THE MARYLAND ENERGY
4 ADMINISTRATION.

5 (3) "MECHANICAL INSULATION" MEANS INSULATION MATERIALS,
6 FACINGS, AND ACCESSORY PRODUCTS USED FOR THERMAL REQUIREMENTS FOR
7 MECHANICAL PIPING AND EQUIPMENT, HOT AND COLD APPLICATIONS, AND
8 HEATING, VENTILATION, AND AIR-CONDITIONING APPLICATIONS.

9 (4) "MINIMUM ASHRAE STANDARD" MEANS THE MINIMUM
10 AMERICAN SOCIETY OF HEATING, REFRIGERATING, AND AIR-CONDITIONING
11 ENGINEERS (ASHRAE) STANDARD 90.1-2007 (ENERGY STANDARD FOR
12 BUILDINGS EXCEPT LOW-RISE RESIDENTIAL BUILDINGS).

13 (5) (I) "QUALIFIED EXPENSES" MEANS A CAPITAL INVESTMENT OF
14 AT LEAST \$10,000 FOR THE INSTALLATION OF MECHANICAL INSULATION, IN A
15 MANNER THAT COMPLIES WITH THE MINIMUM ASHRAE STANDARD IN EFFECT AT
16 THE TIME OF THE INVESTMENT, ON A COMMERCIAL OR INDUSTRIAL PROPERTY IN
17 THE STATE.

18 (II) "QUALIFIED EXPENSES" INCLUDES:

19 1. AMOUNTS PAID FOR THE PURCHASE OF MECHANICAL
20 INSULATION INSTALLED ON THE PROPERTY; AND

21 2. LABOR COSTS PAID FOR THE PREPARATION,
22 ASSEMBLY, AND INSTALLATION OF MECHANICAL INSULATION ON THE PROPERTY.

23 (B) SUBJECT TO THE LIMITATIONS OF THIS SECTION, A TAXPAYER THAT
24 RECEIVES A TAX CREDIT CERTIFICATE MAY CLAIM A CREDIT AGAINST THE STATE
25 INCOME TAX FOR THE TOTAL AMOUNT OF QUALIFIED EXPENSES PAID OR INCURRED
26 BY THE TAXPAYER DURING THE TAXABLE YEAR.

27 (C) ON APPLICATION BY A TAXPAYER, THE ADMINISTRATION SHALL ISSUE
28 A TAX CREDIT CERTIFICATE THAT MAY NOT EXCEED 30% OF THE TOTAL AMOUNT OF
29 QUALIFIED EXPENSES PAID OR INCURRED BY THE TAXPAYER DURING THE TAXABLE
30 YEAR.

1 (D) FOR ANY TAXABLE YEAR, THE ADMINISTRATION MAY NOT ISSUE TAX
2 CREDIT CERTIFICATES FOR CREDIT AMOUNTS IN THE AGGREGATE TOTALING MORE
3 THAN \$5,000,000.

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

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

7 (2) IN A TIMELY MANNER.

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

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

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

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

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
21 1, 2021, and shall be applicable to all taxable years beginning after December 31, 2020.