A BILL ENTITLED

AN ACT concerning

Income Tax – Credit for Energy Efficiency Upgrades – Passive Houses

FOR the purpose of allowing a credit against the State income tax for certain costs, paid or incurred after a certain date, by an owner of certain residential property for certain energy efficiency upgrades; prohibiting a taxpayer from claiming the tax credit for a taxable year during which the Governor declares a state of emergency; and generally relating to an income tax credit for energy efficiency upgrades.

BY adding to

Article – Tax – General
Section 10–754
Annotated Code of Maryland
(2016 Replacement Volume and 2021 Supplement)

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

Article – Tax – General

10–754.

(A) (1) In this section the following words have the meanings indicated.

(2) “Administration” means the Maryland Energy Administration.

(3) (i) “Energy efficiency upgrade” means an improvement, made on or after July 1, 2022, to a component of the duct
SYSTEM OR ENVELOPE OF A BUILDING.

(II) “ENERGY EFFICIENCY UPGRADE” INCLUDES:

1. ADDITIONAL INSULATION;
2. REPLACEMENT OF WINDOWS WITH ENERGY–EFFICIENT WINDOWS;
3. STORM WINDOWS;
4. WEATHER STRIPPING AND CAULKING; AND
5. DUCT SEALING AND INSULATION.

(4) “PASSIVE HOUSE” MEANS A BUILDING THAT IS CONSTRUCTED OR UPGRADED USING THE PASSIVE HOUSE INSTITUTE METHODOLOGY AND MEETS THE PASSIVE HOUSE STANDARD CRITERIA.

(5) “PASSIVE HOUSE STANDARD” MEANS AN INTERNATIONAL BUILDING STANDARD DEVELOPED BY THE PASSIVE HOUSE INSTITUTE.

(B) SUBJECT TO THE LIMITATIONS OF THIS SECTION, THE OWNER OF A SINGLE–FAMILY RESIDENTIAL PROPERTY OR A MULTIFAMILY RESIDENTIAL RENTAL PROPERTY THAT RECEIVES A TAX CREDIT CERTIFICATE UNDER THIS SECTION MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX FOR THE TOTAL COSTS PAID OR INCURRED BY THE OWNER DURING THE TAXABLE YEAR FOR AN ENERGY EFFICIENCY UPGRADE THAT:

(1) USES COMPONENTS CERTIFIED BY THE PASSIVE HOUSE INSTITUTE; AND

(2) BRINGS THE BUILDING INTO COMPLIANCE WITH THE CRITERIA FOR PASSIVE HOUSES, AS ESTABLISHED BY THE PASSIVE HOUSE INSTITUTE.

(C) ON APPLICATION BY A TAXPAYER, THE ADMINISTRATION SHALL ISSUE A TAX CREDIT CERTIFICATE THAT MAY NOT EXCEED THE LESSER OF:

(1) 10% OF THE TOTAL COSTS PAID OR INCURRED BY THE OWNER FOR AN ENERGY EFFICIENCY UPGRADE; OR

(2) $2,000.
(D) The Administration shall approve all applications that qualify for a tax credit certificate under this section in a timely manner.

(E) (1) The total amount of the credit allowed under this section for any taxable year may not exceed 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) Except as provided in paragraph (3) of this subsection, the unused amount of credit for any taxable year may not be carried over to any other taxable year.

(3) (I) The credit allowed under this section may not be claimed for a taxable year during which the Governor declares a state of emergency and:

1. States in the declaration that economic disruption is expected or is the cause of the emergency; or

2. Orders the general cessation of business operations in one or more political subdivisions.

(II) The total amount of the credit that could not be claimed under subparagraph (I) of this paragraph may be carried over to the next taxable year notwithstanding a renewal of the state of emergency or a declaration of a state of emergency in the next taxable year.

(F) 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.

(G) 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, 2022, and shall be applicable to all taxable years beginning after December 31, 2021.