

SENATE BILL 314

Q3
SB 738/21 – B&T

2lr0693
CF HB 405

By: **Senator Rosapepe**

Introduced and read first time: January 20, 2022

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 4, 2022

CHAPTER _____

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 certain types of property; and generally relating
6 to an income tax credit for the installation of certain mechanical insulation.

7 BY adding to

8 Article – Tax – General

9 Section 10–754

10 Annotated Code of Maryland

11 (2016 Replacement Volume and 2021 Supplement)

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

14 **Article – Tax – General**

15 **10–754.**

16 **(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS**
17 **INDICATED.**

18 **(2) “ADMINISTRATION” MEANS THE MARYLAND ENERGY**
19 **ADMINISTRATION.**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 (3) “MECHANICAL INSULATION” MEANS INSULATION MATERIALS,
2 FACINGS, AND ACCESSORY PRODUCTS USED FOR THERMAL REQUIREMENTS FOR
3 MECHANICAL PIPING AND EQUIPMENT, HOT AND COLD APPLICATIONS, AND
4 HEATING, VENTILATION, AND AIR-CONDITIONING APPLICATIONS.

5 (4) “MINIMUM ASHRAE STANDARD” MEANS THE MINIMUM
6 AMERICAN SOCIETY OF HEATING, REFRIGERATING, AND AIR-CONDITIONING
7 ENGINEERS (ASHRAE) STANDARD 90.1-2007 (ENERGY STANDARD FOR
8 BUILDINGS EXCEPT LOW-RISE RESIDENTIAL BUILDINGS).

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

14 (II) “QUALIFIED EXPENSES” INCLUDES:

15 1. AMOUNTS PAID FOR THE PURCHASE OF MECHANICAL
16 INSULATION INSTALLED ON THE PROPERTY; AND

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

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

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

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

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

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

1 **(2) IN A TIMELY MANNER.**

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

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

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

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

14 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
 15 1, 2022, and shall be applicable to all taxable years beginning after December 31, 2021, but
 16 before January 1, 2027. It shall remain effective for a period of 5 years and, at the end of
 17 June 30, 2027, this Act, with no further action required by the General Assembly, shall be
 18 abrogated and of no further force and effect.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.