

Chapter 577

(Senate Bill 314)

AN ACT concerning

**Income Tax Maryland Energy Administration – Mechanical Insulation Installation Tax Credit Grant Program**

FOR the purpose of ~~allowing a credit against the State income tax for~~ *establishing the Mechanical Insulation Installation Grant Program in the Maryland Energy Administration to provide grants to individuals, nonprofit organizations, and business entities for a portion of certain qualified expenses paid or incurred by a taxpayer for the installation of certain mechanical insulation in a certain manner on certain types of property; establishing the Mechanical Insulation Installation Grant Fund as a special, nonlapsing fund;* and generally relating to ~~an income tax credit~~ *the Maryland Energy Administration and a grant program* for the installation of certain mechanical insulation.

~~BY adding to~~  
~~Article – Tax – General~~  
~~Section 10-754~~  
~~Annotated Code of Maryland~~  
~~(2016 Replacement Volume and 2021 Supplement)~~

BY adding to  
Article – State Government  
Section 9-2010  
Annotated Code of Maryland  
(2021 Replacement Volume)

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

~~Article – Tax – General~~

~~10-754.~~

Article – State Government

9-2010.

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

~~(2) “ADMINISTRATION” MEANS THE MARYLAND ENERGY ADMINISTRATION.~~

**(2) “FUND” MEANS THE MECHANICAL INSULATION INSTALLATION GRANT FUND.**

**(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~~ 90.1-2019 (ENERGY STANDARD FOR BUILDINGS EXCEPT LOW-RISE RESIDENTIAL BUILDINGS).**

**(5) “PROGRAM” MEANS THE MECHANICAL INSULATION INSTALLATION GRANT PROGRAM.**

~~(5)~~ **(6)** **(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.**

**(III) “QUALIFIED EXPENSES” DOES NOT INCLUDE CAPITAL INVESTMENTS FOR THE INSTALLATION OF MECHANICAL INSULATION THAT ARE REQUIRED BY STATUTE, REGULATION, OR CODE.**

**(B) THERE IS A MECHANICAL INSULATION INSTALLATION GRANT PROGRAM IN THE ADMINISTRATION.**

**(C) THE PURPOSE OF THE PROGRAM IS TO PROVIDE GRANTS TO INDIVIDUALS, NONPROFIT ORGANIZATIONS, AND BUSINESS ENTITIES FOR A**

PORTION OF THE QUALIFIED EXPENSES PAID OR INCURRED TO INSTALL MECHANICAL INSULATION ON A COMMERCIAL OR INDUSTRIAL PROPERTY.

(D) THE ADMINISTRATION SHALL:

- (1) ADMINISTER THE PROGRAM;
- (2) ESTABLISH APPLICATION PROCEDURES FOR THE PROGRAM; AND
- (3) AWARD GRANTS FROM THE PROGRAM.

(E) SUBJECT TO THE AVAILABILITY OF MONEY IN THE FUND, AN INDIVIDUAL, A NONPROFIT ORGANIZATION, OR A BUSINESS ENTITY MAY APPLY FOR A GRANT UNDER THE PROGRAM FOR QUALIFIED EXPENSES PAID OR INCURRED TO INSTALL MECHANICAL INSULATION ON A COMMERCIAL OR INDUSTRIAL PROPERTY.

(F) A GRANT AWARDED UNDER THE PROGRAM MAY NOT EXCEED THE LESSER OF:

- (1) 30% OF THE TOTAL AMOUNT OF QUALIFIED EXPENSES PAID OR INCURRED BY THE APPLICANT; OR
- (2) \$20,000.

(G) (1) THERE IS A MECHANICAL INSULATION INSTALLATION GRANT FUND.

(2) THE ADMINISTRATION SHALL ADMINISTER THE FUND.

(3) (I) THE FUND IS A SPECIAL, NONLAPSING FUND THAT IS NOT SUBJECT TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

(II) THE STATE TREASURER SHALL HOLD THE FUND SEPARATELY, AND THE COMPTROLLER SHALL ACCOUNT FOR THE FUND.

(4) THE FUND CONSISTS OF:

(I) MONEY APPROPRIATED IN THE STATE BUDGET TO THE FUND; AND

(II) ANY OTHER MONEY FROM ANY OTHER SOURCE ACCEPTED FOR THE BENEFIT OF THE FUND.

(5) THE FUND MAY BE USED ONLY FOR:

(I) PROVIDING GRANTS UNDER THE PROGRAM TO ELIGIBLE APPLICANTS; AND

(II) ADMINISTRATIVE COSTS OF THE PROGRAM.

(6) (I) THE STATE TREASURER SHALL INVEST THE MONEY OF THE FUND IN THE SAME MANNER AS OTHER STATE MONEY MAY BE INVESTED.

(II) ANY INTEREST EARNINGS OF THE FUND SHALL BE CREDITED TO THE GENERAL FUND OF THE STATE.

~~(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 \$1,000,000.~~

~~(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, 2022, ~~and shall be applicable to all taxable years beginning after December 31, 2021, but before January 1, 2027.~~ It shall remain effective for a period of 5 years and, at the end of June 30, 2027, this Act, with no further action required by the General Assembly, shall be abrogated and of no further force and effect.

Enacted under Article II, § 17(c) of the Maryland Constitution, May 29, 2022.