



**TO:** Members - House Ways and Means Committee  
**FROM:** Mary Beth Tung – Director, MEA  
**SUBJECT:** HB1364 - Income Tax - Credit for Energy Efficiency Upgrades - Passive Houses  
**DATE:** March 5, 2020

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### **MEA POSITION: FWA**

House Bill 1364 would allow a credit against the state income tax for a residential property owner that performs certain energy efficiency measures or upgrades. The Maryland Energy Administration (MEA) would be required to review applications and issue tax credit certificates.

MEA has operated similar tax credits in the past, and currently operates a Energy Storage Tax Credit. MEA believes that the immediate subscription level for this program would be fairly low, and could begin the program as a pilot without the need for additional resources.

Energy efficiency measures have benefits beyond the immediate homeowner, reducing the overall demand for electricity, reducing congestion, and mitigating the need for investments in transmission and distribution infrastructure. The MEA energy storage tax credit has been highly successful, and it is anticipated to be fully subscribed year over year for the foreseeable future. This program may similarly provide the necessary incentive to expand adoption of some specific energy efficiency measures.

However, MEA does request four changes to strengthen the bill and the associated tax credit program:

- The bill does not include any sort of annual limit on the total number of credits that can be issued. Based on the Passive House Institute website, there are only six of these homes to date in the State, so the demand for this tax credit is likely to be limited. MEA recommends the initial limit be set at \$75,000 per tax year.
- “Passive House Standard” should be defined in the bill as the three Passive House Project Certifications put forth by the institute rather than “standards”. MEA recommends conforming changes.
- Strike lines 26 and 27 on page 2. This would result in the State not having to verify individual component compliance when the entire home has already been certified, adding efficiency to the process and easing implementation.
- Create a sunset date after tax year 2022, to allow for a reevaluation of the program by this very body.