



Larry Hogan, Governor  
Boyd K. Rutherford, Lt. Governor  
Mary Beth Tung, Director

**TO:** Members, House Ways & Means Committee  
**FROM:** Mary Beth Tung – Director, MEA  
**SUBJECT:** HB0074 – Income Tax - Credit for Energy Efficiency Upgrades - Passive Houses  
**DATE:** January 12, 2021

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**MEA POSITION: Letter of Information**

MEA appreciates the Delegate's approach that preserves existing, tried and true, programs by leaving the Strategic Energy Investment Fund (SEIF) unmolested. SB74 instead offers a tax benefit for the installation of energy efficiency upgrades in residential structures. MEA offers the following information on the bill.

MEA takes no issue with providing a tax credit of 10% of the total cost of energy efficiency upgrades to a home. However, it may be advantageous to adopt a level greater than 10% for low-to-moderate income (LMI) housing, as these houses are more likely to require costly building envelope work.

The bill limits the application of the credit to a single year, and the tax credit is non-refundable. Both of these limitations may mitigate the benefit to applicants with lower comparative incomes. Generally speaking, those with lower incomes owe a lesser amount in taxes to being with. This means that it is likely that some lower income applicants will not be able to realize the full benefit of the tax credit in a single year.

Passive House has been around for a while, and is well respected. However, it is not a US organization nor is it focused on US buildings. An alternative would seek similar guidance from the Green Building Council that is tailored to the US or Maryland market.

Lastly, MEA notes that eligible energy efficiency upgrades include weatherstripping, that has a very quick cost payback period, but also replacement windows, that have an extremely long payback period. Potentially the bill could limit window replacements to broken windows or single pane windows that are not historic. This would likely increase the efficiency of the program.