



Heat and Frost Insulators Labor Management Cooperative Trust

9602 Martin Luther King Jr Hwy Lanham, MD 20706

Executive Director Pete Jelmini

Dear Maryland State Senator(s)

I wish to offer the opportunity to submit favorable testimony for the Senate Bill0314 **Mechanical Insulation Installation Tax Credit** on February 9, 2022. As the Executive Director of the Insulators Labor Management Cooperative Trust (LMCT), I have a particular interest with Maryland’s various insulation businesses and contractors that offers a fiscal impact on the state’s economy. The benefits of energy conservation and reduction of pollution will remain dormant unless there are realistic responsible fiscal rewards to drive this technology forward.

This tax credit will offer our contractors the ability to introduce this absolutely necessary technology that will save money with reduced spending in residential, commercial, and industrial markets. The taxpayer would clearly realize the additional, and larger, costs saving concepts by utilizing energy efficient technologies. Currently Labor-Management efforts are implemented to educate building owners about the benefits, which has offered some results but far from the potential. This tax credit would offer a tangible incentive to capture more opportunities. The tax savings would pale in comparison to reduced future cost of energy usage. Additionally, the state will exceed the lost revenue of the tax credit, by having increased employment of Maryland residents and increased commerce. Keep in mind, this work may not be performed if it was not otherwise for the initial monetary attraction of a tax credit.

Recently, Insulators Local 24 and their contractors promoted mechanical insulation with many building and business owners. They were successful in securing seven jobs which was far less than half of their efforts. This tax credit could be that game changer. Let us use the actual data from those jobs to illustrate how the tax incentive could benefit Maryland.

This is data was is combined of 7 jobs that were actually performed								
	Total Cost (60/30/10)*				Full MD Tax	Proposed MD		MD Sales
					% per hour	Tax Incentive		Tax
Hours	total cost	Labor	Material	overhead	\$ 0.0795 Hr	70%	30%	6%
1100	\$168,000	\$100,800	\$50,400	\$16,800	\$8,014	\$5,610	\$2,404	\$3,024
24500	\$2,979,000	\$1,787,400	\$893,700	\$297,900	\$142,098	\$99,469	\$42,629	\$53,622
2158	\$345,000	\$207,000	\$103,500	\$34,500	\$16,457	\$11,520	\$4,937	\$6,210
7351	\$876,000	\$525,600	\$262,800	\$87,600	\$41,785	\$29,250	\$12,536	\$15,768
2963	\$303,600	\$182,160	\$91,080	\$30,360	\$14,482	\$10,137	\$4,345	\$5,465
26875	\$2,860,000	\$1,716,000	\$858,000	\$286,000	\$136,422	\$95,495	\$40,927	\$51,480
4620	\$630,000	\$378,000	\$189,000	\$63,000	\$30,051	\$21,036	\$9,015	\$11,340
69567	\$8,161,600	\$4,896,960	\$2,448,480	\$816,160	\$389,308	\$272,516	\$116,792	\$146,909

Maryland 70% Tax & Sales Tax received	\$419,425
Traditional Maryland State Tax	\$389,308

Difference of	
Maryland Tax Revenue Net Gain	\$30,116

Table 1 * - Total cost breakdown will vary, this breakdown is for comparison only

As you can see, table #1 breaks down the amount of state revenue that would be received with and without the proposed tax incentive bill. It initially appears that the state lost \$116,792 with the 30% reduction of revenue. However, it would gain an additional \$146,900 in sales tax revenue from the purchase of material. Remember this example of projects would not exist if the tax incentive were not implemented. The state of Maryland would receive a gain revenue above the traditional state tax of \$30,108.

The Maryland benefits do not stop there. Mechanical insulation rate of return is rather quick. A very conservative estimate would be 3 years, usually less but we will use 3 years. The first 3 years the cost of energy savings would return the amount of the original \$8.1 million installation. That means there is a savings of \$19 million over the next 10 years. Just imagine if those projects were state owned buildings, producing even more revenue for Maryland with only an investment of \$117,000. The respective energy savings could be verified under various guidelines as established by the applicable documents and utilizing a program that was developed by the US Department of Energy known as the 3E Plus.

Let us now address employment creation. The typical mechanical insulator completes approximately 1800 hours a year. Using figure 1 as the example and considering these projects would not exist prior to the tax incentive was implemented. It would take about thirty-five workers to complete 69,500 hours of work. This just created 35 Maryland mechanical insulation careers, not just jobs, but good high paying careers that pay into Maryland's health and medical benefit programs and into a Maryland registered apprentice insulators program.

The Maryland mechanical insulation installation tax credit provides facility owners an incentive to increase new installations or maintenance of existing mechanical insulation systems by lowering their tax expense in the fiscal year. The proposed bill is no risk to Maryland tax revenue base as for the tax credit, it is more than compensated with the increased revenue of sale tax of the material. The additional net results for facility owners are provided a tax incentive to immediately create jobs to stimulate the economy while reducing energy consumption and carbon emissions. Mechanical insulation is a proven technology. It does not require research and development or engineering or design processes. The costs of implementing this tax credit bill other than normal administrative tasks is basically nil. The industry incurs the cost of construction or maintenance and is rewarded by tax incentive after completing the work.

Additionally, I have attached an example of a statewide survey that was conducted in Montana that you may find interesting. I also included a link that explains what a Mechanical Insulation Energy Audit is, with examples of such. [Mechanical Insulation Energy Audits](#)

Thank you again for your time, please do not hesitate to contact me with any concerns or questions.

Sincerely

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