



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

TO: Members of the Senate Budget and Taxation Committee
FROM: Mary Beth Tung, PhD. Esq. – Director, MEA
SUBJECT: SB 215 - Income Tax – Energy Storage Tax Credit – Alterations and Extension
DATE: January 18, 2022

MEA POSITION: FAVORABLE

Senate Bill 215 effectuates three changes:

1. Increases the annual limit for aggregate energy storage tax credits from \$750k to \$1 million;
2. Extends the sunset date, currently through Tax Year 2022 (TY22), through TY24; and
3. Allows the credit to be refundable for individual taxpayers who install an energy storage system on their primary residence.

The Maryland Energy Storage Income Tax Credit Program (Program) has been incentivising the adoption of energy storage systems for commercial and residential taxpayers since TY18. Localized energy storage provides owners with resiliency and continuity of service in cases of outages, including those caused by major emergencies (e.g., weather events).

Currently, this program is scheduled to operate through TY22. The bill offers a modest extension through TY24. As with any successful and popular program, it becomes necessary at times to increase the overall volume of credits available to maintain benefit levels and keep pace with demand. The program is often fully subscribed, including in TY21, and it has become necessary to expand the overall cap slightly to continue meeting demand.

One limitation of the use of non-refundable tax credits as an incentive mechanism is that in order for a taxpayer to enjoy the full benefit of the credit, they must have a tax burden equal to or greater to the total of non-refundable credits they receive. If the tax burden does not exceed the amount of the credits, a portion of the credit's value is essentially lost. Alternatively, refundable credits provide the same financial benefit to taxpayers who receive equal credit, regardless of the taxpayers' overall tax burden. MEA has limited the ability to refund the credit only for residential borrowers who install an energy storage system for the property which they own and occupy.

This small gesture is not expected to significantly affect the draw-down rate of annual aggregate credit limit, but will add an important equity mechanism to ensure that Marylanders of all socioeconomic standing may take full advantage of the program.