



TO: Members, House Ways & Means Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: HB0085 – Income Tax - Credit for Energy Efficiency Upgrades - Passive Houses
DATE: January 13, 2021

MEA POSITION: Letter of Information

House Bill 85 offers a tax benefit for the installation of air quality equipment upgrades in residential structures and small businesses. The Maryland Energy Administration (MEA) offers the following information on the bill.

MEA estimates that the bill will require two (2) new employees to administer this program. As MEA does not administer any indoor air quality programs, a new program manager with knowledge of the relevant subject matter would be required. Additionally, an administrative position to assist in the maintenance of the approved indoor air quality equipment list would be needed. MEA already administers a bevy of proven and successful programs, and would therefore be unable to absorb the workload of this new program without additional staff.

MEA has no conceptual objection to a tax credit for a percentage of the total cost of air quality upgrades to a home or small business, but we must note that MEA does not typically deal with indoor air quality issues. The Maryland Department of Health may be the more appropriate agency to administer the program. Also of interest is that "enhanced ventilation and filtration" will very likely have a negative energy impact; increasing energy demand and usage.

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 begin 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.

Thank you for keeping these thoughts in mind as you consider this legislation.