



Committee: Ways and Means

Testimony on: HB405 - Income Tax – Mechanical Insulation Installation Tax Credit

Organization: Climate Justice Wing of the Maryland Legislative Coalition

Submitting: Laurie McGilvray, Co-Chair

Position: Favorable

Hearing Date: February 9, 2022

Dear Mr. Chairman and Committee Members:

Thank you for allowing our testimony today in support of HB405. The Maryland Legislative Coalition (MLC) Climate Justice Wing, a statewide coalition of over 50 grassroots and professional organizations, urges you to vote favorably on HB405.

HB405 creates an income tax credit for up to 30% of the allowable costs for installing mechanical insulation on a commercial or industrial building. Mechanical insulation is materials, facings, and accessory products used for thermal insulation for mechanical piping and equipment, hot and cold applications, and heating, ventilation, and air-conditioning. The Maryland Energy Administration will administer the tax credit and may award a maximum of \$5 million in credits each year for qualified expenses. Qualified expenses are a capital investment of at least \$10,000 for the installation of mechanical insulation on a commercial or industrial building consistent with the minimum American Society of Heating, Refrigerating, and Air-conditioning Engineers standards.

Buildings emit 40% of Maryland's greenhouse gases (13% of which are direct emissions) and account for 90% of Maryland's electricity use. Reducing climate pollution from buildings is key to reaching the state's climate goals. Improved energy efficiency is an essential part of the solution. Inadequate insulation in buildings causes tremendous energy loss. This bill will incentivize the installation of insulation around piping and HVAC systems.

This is the opportune time to enact this tax incentive, because commercial building owners may be able to combine it with the time-limited federal bonus depreciation included in the CARES Act. The CARES Act provides bonus depreciation for a qualified improvement made by the taxpayer to an interior portion of a nonresidential building. This bonus depreciation starts at 100% in 2022 and phases down each year until it ends in 2026 with a 20% bonus depreciation.

HB405 will incentivize mechanical insulation projects that will reduce climate pollution, lower building owners' operating costs, and provide good jobs for Marylanders. We support this bill and recommend a **FAVORABLE** report in committee.