

**DEPARTMENT OF TAXATION
2018 Fiscal Impact Statement**

1. **Patron** David J. Toscano

2. **Bill Number** HB 1018

3. **Committee** House Finance

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

4. **Title** Energy Storage System Tax Credit

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide an individual and corporate income tax credit for the total installed costs of an energy storage system paid or incurred during the taxable year. The amount of the credit would not be permitted to exceed the lesser of (i) \$5,000 for an energy storage system installed on residential property or \$75,000 for an energy storage system installed on commercial property, (ii) 30 percent of the total installed cost of the energy storage system, or (iii) the taxpayer's individual or corporate income tax liability for the taxable year. The credit would be subject to an annual credit cap of \$750,000.

The effective date of this bill is not specified.

6. **Budget amendment necessary:** No.

7. **Fiscal Impact Estimates are:** Not available. (See Line 8.)

8. Fiscal implications:

Administrative Costs

The Department of Taxation ("the Department") has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, the Department considers implementation of this bill as "routine," and does not require additional funding.

The Department will provide specific administrative costs on any legislation that is not "routine." Additionally, the Department will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, the Department will identify the costs at that time.

The Department of Mines, Minerals, and Energy ("DMME") considers implementation of this bill as routine, and does not require any funding.

Revenue Impact

This bill would have an unknown negative General Fund revenue impact beginning in Fiscal Year 2019. It is uncertain how many taxpayers would install qualifying energy storage systems and claim this credit. However, the negative revenue impact would not exceed the \$750,000 annual credit cap.

9. Specific agency or political subdivisions affected:

Department of Taxation
Department of Mines, Minerals, and Energy

10. Technical amendment necessary: No.

11. Other comments:

Maryland's Energy Storage Systems Tax Credit

Maryland provides an income tax credit equal to the total installed costs of an energy storage system. The amount of the credit may not exceed the lesser of (i) \$5,000 for systems installed on residential property or \$75,000 for systems installed on commercial property, (ii) 30 percent of the total installed costs of the energy storage system, or (iii) the taxpayer's income tax liability for that taxable year. The credit is subject to an annual credit cap of \$750,000.

Sunset Dates for Income Tax Credits and Sales Tax Exemptions

Item 3-5.14 of the 2016-2018 Appropriation Act provides that the General Assembly may not advance the sunset date for any existing income tax credit or sales tax exemption beyond June 30, 2022. Any new income tax credit or sales tax exemption enacted by the General Assembly prior to the 2021 Session must have a sunset date not later than June 30, 2022. This requirement does not apply to sales tax exemptions related to nonprofit entities or to income tax credits or sales tax exemptions with sunset dates after June 30, 2022 that were enacted or advanced during the 2016 Session.

Proposed Legislation

This bill would provide an individual and corporate income tax credit for the total installed costs of an energy storage system paid or incurred during the taxable year. The amount of the credit would not be permitted to exceed the lesser of:

- \$5,000 for an energy storage system installed on residential property or \$75,000 for an energy storage system installed on commercial property;
- 30 percent of the total installed cost of the energy storage system; or
- The taxpayer's individual or corporate income tax liability for the taxable year.

The credit would be subject to an annual credit cap of \$750,000.

This bill would define “energy storage system” as a system used to store electrical energy, or mechanical, chemical, or thermal energy that was once electrical energy, for use as electrical energy at a later date or in a process that offsets electricity use at peak times.

This bill would require a taxpayer to apply to DMME for a certificate that the taxpayer’s expenditure is eligible for credit and to attach such certificate to the tax return on which the credit is claimed. DMME would:

- Be required to approve properly filed applications in the order received;
- Not be permitted to allow taxpayers to carry forward unused credit to a later taxable year; and
- Be permitted to issue credits only for energy storage systems installed on and after January 1, 2018, but before January 1, 2023.

This bill would require DMME to promulgate regulations implementing the provisions of this bill.

The effective date of this bill is not specified.

Similar Bills

House Bill 54 would create a tax credit against the corporate income tax, the insurance premiums license tax, and the tax on public service corporations for the cost of installing renewable energy property.

House Bill 256 would provide an individual income tax credit and property tax exemption for substantial-capacity solar equipment.

House Bill 469 would allow an income tax credit for the purchase or lease of an electric vehicle.

House Bill 1372 and **Senate Bill 573** would extend the sunset date for the Green Job Creation Tax Credit.

cc: Secretary of Finance

Date: 1/23/2018 JLOF
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