



TO: Members, Senate Budget and Taxation Committee
FROM: Mary Beth Tung – Director, MEA
SUBJECT: SB0045 (HB0058) – Income Tax - Credit for Energy Efficiency Upgrades - Passive Houses
DATE: January 18, 2021

MEA POSITION: Letter of Information

Senate Bill 45 offers a tax benefit for the installation of energy efficiency upgrades in residential structures. 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; a program manager with knowledge of the relevant subject matter, and an administrative position to assist in the processing of applications. MEA already administers a bevy of proven and successful programs. However, MEA would be unable to adopt a new, legislatively-mandated program without additional human resources.

MEA takes no issue with providing a tax credit for a percentage of the total cost of energy efficiency upgrades to a home. It may even be advantageous to adopt a level greater than 10% for low-to-moderate income (LMI) housing, as these houses are more likely to require costly work.

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.

“Passive House” is well established and respected. However, it is *not* a U.S. organization nor is it focused on American buildings. An alternative would seek similar guidance from the Green Building Council that is tailored to the U.S. or Maryland market.

Lastly, MEA notes that eligible energy efficiency upgrades include weatherstripping, that has a very quick cost payback period, but also replacement windows, that have an extremely long payback period. Potentially the bill could limit window replacements to broken windows or single pane windows that are not historic. This would likely increase the efficiency of the program.