

# SENATE BILL 174

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By: **Senators Manno and Madaleno**

Introduced and read first time: January 18, 2017

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Credit – Clean Energy Production – Qualified Energy Resources**  
3 **(Maryland Clean Energy Incentive Act)**

4 FOR the purpose of altering the definition of “qualified energy resources” that may be used  
5 to produce energy that qualifies for the clean energy production income tax credit;  
6 and generally relating to the clean energy production income tax credit.

7 BY repealing and reenacting, with amendments,  
8 Article – Tax – General  
9 Section 10–720  
10 Annotated Code of Maryland  
11 (2010 Replacement Volume and 2016 Supplement)

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
13 That the Laws of Maryland read as follows:

### 14 **Article – Tax – General**

15 10–720.

16 (a) (1) In this section the following words have the meanings indicated.

17 (2) “Administration” means the Maryland Energy Administration.

18 [(3) (i) Except as provided in subparagraphs (ii) and (iii) of this  
19 paragraph, “qualified energy resources” has the meaning stated in § 45(c)(1) of the Internal  
20 Revenue Code.

21 (ii) “Qualified energy resources” includes any nonhazardous waste  
22 material that is segregated from other waste materials and is derived from:

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(ii) sold by the individual or corporation to a person other than a related person, within the meaning of § 45 of the Internal Revenue Code, during the taxable year.

(2) The annual tax credit under this subsection may not exceed one-fifth of the maximum amount of credit stated in the initial credit certificate.

(c) (1) Subject to the provisions of this subsection and subsection (d) of this section, on application by a taxpayer, the Administration shall issue an initial credit certificate if the taxpayer has demonstrated that the taxpayer will within the next 12 months produce electricity from qualified energy resources at a qualified Maryland facility.

(2) The initial credit certificate issued under this subsection shall:

(i) state the maximum amount of credit that may be claimed by the taxpayer for electricity produced over a 5-year period;

(ii) state the earliest tax year for which the credit may be claimed; and

(iii) state the 5-year period during which electricity produced from qualified energy resources at the qualified Maryland facility qualifies for the credit.

(3) The maximum amount of credit stated in the initial credit certificate shall, for an energy producer, be in an amount equal to the lesser of:

(i) the product of multiplying 5 times the taxpayer's estimated annual tax credit, based on estimated annual energy production, as certified by the Administration; or

(ii) \$2,500,000.

(4) The Administration shall approve all applications that qualify for an initial credit certificate under this subsection on a first-come, first-served basis.

(5) If a taxpayer over a 3-year period does not claim on average at least 10% of the maximum credit amount stated in the initial credit certificate, the Administration at its discretion may cancel an amount of the taxpayer's initial credit certificate equal to the product of multiplying:

(i) the amount of the credit on average that was not claimed over the 3-year period; and

(ii) the remaining number of tax years that the taxpayer is eligible to take the credit.

(6) An applicant for an initial credit certificate or a taxpayer whose credits have been canceled under paragraph (5) of this subsection, may appeal a decision by the Administration to the Office of Administrative Hearings in accordance with Title 10, Subtitle 2 of the State Government Article.

(7) The Administration may not issue an initial credit certificate after December 31, 2018.

(8) The Administration may not issue initial credit certificates for credit amounts less than \$1,000.

(d) (1) In this subsection, "Reserve Fund" means the Maryland Clean Energy Incentive Tax Credit Reserve Fund established under paragraph (2) of this subsection.

(2) (i) There is a Maryland Clean Energy Incentive Tax Credit Reserve Fund that is a special continuing, nonlapsing fund that is not subject to § 7–302 of the State Finance and Procurement Article.

(ii) The money in the Reserve Fund shall be invested and reinvested by the Treasurer, and interest and earnings shall be credited to the General Fund.

(3) (i) Except as otherwise provided in this paragraph, for any fiscal year, the Administration may not issue initial credit certificates for credit amounts in the aggregate totaling more than the amount appropriated to the Reserve Fund for that fiscal year in the State budget as approved by the General Assembly.

(ii) If the aggregate credit amounts under initial credit certificates issued in a fiscal year total less than the amount appropriated to the Reserve Fund for that fiscal year, any excess amount shall remain in the Reserve Fund and may be issued under initial credit certificates for the next fiscal year.

(iii) For any fiscal year, if funds are transferred from the Reserve Fund under the authority of any provision of law other than under paragraph (6) of this subsection, the maximum credit amounts in the aggregate for which the Administration may issue initial credit certificates shall be reduced by the amount transferred.

(4) For each of fiscal years 2018 and 2019, the Governor may include in the budget bill an appropriation to the Reserve Fund.

(5) Notwithstanding the provisions of § 7–213 of the State Finance and Procurement Article, the Governor may not reduce an appropriation to the Reserve Fund in the State budget as approved by the General Assembly.

(6) (i) Except as provided in this paragraph, money appropriated to the Reserve Fund shall remain in the Fund.

(ii) 1. Within 15 days after the end of each calendar quarter, the Administration shall notify the Comptroller as to each final credit certificate issued during the quarter:

1                   A.     the maximum credit amount stated in the initial tax credit  
2 certificate for the producer of electricity from qualified energy resources at a qualified  
3 Maryland facility; and

4                   B.     the final certified credit amount for the electricity  
5 producer.

6                   2.     On notification that a final credit amount has been  
7 certified, the Comptroller shall transfer an amount equal to the credit amount stated in the  
8 initial credit certificate for the electricity producer from the Reserve Fund to the General  
9 Fund.

10           (e)     If the credit allowed under this section in any taxable year exceeds the State  
11 income tax otherwise payable by the corporation or individual for that taxable year, the  
12 corporation or the individual may claim a refund in the amount of the excess.

13           (f)     (1)   On January 1, 2007, and each year thereafter, the Administration shall  
14 provide to the Comptroller a list of all taxpayers in the prior tax year that have been issued  
15 an initial credit certificate and shall specify for each taxpayer the earliest tax year for which  
16 the credit may be claimed and the maximum amount of credit allowed.

17                   (2)   (i)   On or before October 1, 2007, and each year thereafter, the  
18 Comptroller and the Administration jointly shall submit to the Governor and, subject to §  
19 2-1246 of the State Government Article, to the General Assembly a written report  
20 regarding:

21                               1.     the number of certifications and taxpayers claiming the  
22 credit under this section;

23                               2.     the name and physical location of each taxpayer issued an  
24 initial credit certificate;

25                               3.     the maximum credit amount approved for each taxpayer;

26                               4.     the geographical distribution of the credits claimed; and

27                               5.     any other available information the Administration  
28 determines to be meaningful and appropriate.

29                   (ii)   The Comptroller shall ensure that the information is presented  
30 and classified in a manner consistent with the confidentiality of tax return information.

31           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
32 1, 2017.