



# Maryland

## Energy Administration

Larry Hogan, Governor  
Boyd K. Rutherford, Lt. Governor  
Mary Beth Tung, Director

### Request for Input

In May 2017, Governor Hogan signed the *Income Tax Credit- Energy Storage Systems Act* (S.B 0758). From 2018 through 2022, this Act provides Maryland taxpayers with an opportunity to obtain an income tax credit for a portion of the costs of installing a qualifying energy storage system. This Act, which amends Section 10-719 of the General Tax Article of the Maryland Code, instructs the Maryland Energy Administration to award tax credit certificates to qualifying applications. To carry out this tax credit, the Administration is developing a new program, which will be called the Energy Storage Systems Income Tax Credit Program. Pursuant to the Act, the Maryland Energy Administration, in consultation with the Comptroller of Maryland, will develop and adopt regulations implementing this program and would like public input as a part of this process.

**The Maryland Energy Administration seeks comments from the public, including energy storage stakeholders, regarding pertinent information that MEA should consider while developing the regulations for the Energy Storage Systems Income Tax Credit Program.**

### Background

- The first year for the Energy Storage Systems Income Tax Credit Program will be tax year 2018, which begins January 1, 2018.
- The Energy Storage Systems Income Tax Credit may not be claimed for an energy storage system installed before January 1, 2018, or after December 31, 2022.
- The Maryland Energy Administration may not issue an aggregate amount of tax credit certificates exceeding \$750,000 in a taxable year.
  - Tax credit certificates may not exceed 30% of the total installed costs of the energy storage system.
  - Energy storage systems installed on a residential property are capped at a maximum of \$5,000 and energy storage systems installed on a commercial property are capped at a maximum of \$75,000.
- Applications that qualify for an Energy Storage Tax Credit Certificate shall be approved on a first-come, first-served basis.

### Topics of Interest

Considering that the authorized funding for the Energy Storage Income Tax Credit Program is capped at \$750,000 annually, the Maryland Energy Administration is seeking involvement from interested parties on how the program can be implemented in the most beneficial and equitable way, in order to maximize benefits to the State of Maryland. Relevant topics include but are not limited to:

- Availability
  - MEA anticipates that there is likely to be a high level of interest for the Energy Storage System Tax Credits. Additionally, Section 10-719 of the General Tax Article of the Maryland Code defines the maximum amount for which an Energy Storage Tax Credit certificate can be issued, with the respective amounts bifurcated by residential and commercial property types.
    - In order to encourage diverse projects under this Program, is there a need to *initially* reserve a certain dollar amount of tax credits for projects on residential properties, for a short period of time after which the tax credit certificates would become available for all property types? Is there a need to initially reserve a certain dollar amount of tax credit for projects on commercial properties, to be implemented in a similar manner?
  - Is there a need to establish a minimum of one tax credit per installation address?
  - Should income tax credits for residential properties only be available to individual taxpayers? And should commercial income tax credits only be available to business taxpayers?
- Qualified Energy Storage Systems:
  - The Maryland Code, Tax-General Article §10-719(E) states that the “The Administration shall approve all applications that qualify for a tax credit certificate...”. What criteria could be used to define an energy storage system that should “qualify” under this program?
  - Should any safety requirements, permits, or certifications be required for a project to be eligible for an Energy Storage Tax Credit, in order to ensure installations incentivized through this Program are being installed in a safe manner? Please provide a summary of each suggested prerequisite included and why you believe it should be required.
- Eligible Property
  - Maryland Code, Tax-General Article §10-719(C) of the statute states “(I) For an energy storage system installed on a residential property, \$5000; or (II) For an energy storage system installed on a commercial property, \$75000...”.
    - Residential Property is defined in the Maryland Code, Real Property Article § 7-105.1(a)(12) as real property improved by four or fewer single family dwelling units that are designed principally and intended for human habitation.
    - Similarly, Commercial Property is defined in the Real Property Article of the Maryland Code § 14-301 as “land, and any improvements on the land, used or intended to be used for a nonresidential purpose.”
  - For the purposes of the Energy Storage Tax Credit program, are there any reasons why these definitions would not be appropriate to define Residential Property and Commercial Property respectively?
- Timing
  - What is the typical timeframe required to install an energy storage project, on both a residential and commercial scale?
  - The statute specifies “SUBJECT TO THE LIMITATIONS OF THIS SECTION, A TAXPAYER THAT RECEIVES A TAX CREDIT MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX FOR THE TOTAL INSTALLED COSTS

OF AN ENERGY STORAGE SYSTEM PAID OR INCURRED DURING THE TAXABLE YEAR.” Thus, when should taxpayer applicants receive notice under the Program that they will be receiving an Energy Storage Tax Credit? *I.e.*, Is there a perceived need to receive a commitment from MEA *prior* to investing in an energy storage technology?

- If there is a need to receive a commitment from MEA prior to investing in an energy storage technology, what is a reasonable amount of time between receiving notice of a tax credit commitment and:
  - Executing the energy storage project?
  - Providing proof of completion, which would be necessary for MEA to receive prior to issuing the tax credit certificate?
- Award of tax credits
  - As mentioned earlier, MEA anticipates that there may be a high level of interest for the Energy Storage System Tax Credits. **If it is ultimately determined that Energy Storage Tax Credit commitments need to be given out in advance of the project being completed**, what information should the application require to verify that projects receiving a tax credit commitment have a high probability of being funded and constructed?
- Program metrics
  - Considering the various types of energy storage technologies currently available, what metrics should be collected from program participants to best capture the successes of the program?
    - Storage duration?
    - Energy density?
    - Power density?
    - Other?

The Maryland Energy Administration welcomes informal public input regarding the Energy Storage System Tax Credit regulations currently under development. Comments on this subject matter area will be accepted by the Maryland Energy Administration through **August 31, 2017**. Please submit comments via email to [EnergyStorageCredit.MEA@maryland.gov](mailto:EnergyStorageCredit.MEA@maryland.gov) or via postal mail at Energy Storage Tax Credit, Maryland Energy Administration, 1800 Washington Blvd, Suite 755, Baltimore, MD 21230.

Comments submitted under this informal request for input are subject to the Public Information Act.

Questions can be directed to [EnergyStorageCredit.MEA@maryland.gov](mailto:EnergyStorageCredit.MEA@maryland.gov).