

Department of Legislative Services
 Maryland General Assembly
 2018 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1301 (Delegate Anderton, *et al.*)
 Ways and Means

Income Tax Credits – Poultry Houses – LED Lighting

This bill creates a nonrefundable credit against the State income tax for 100% of the expenses paid or incurred by the individual during the taxable year to purchase and install a light-emitting diode (LED) lighting and solar panel system on a poultry house. A poultry house is a facility that is located on a poultry farm in the State, is used to raise domesticated birds for their meat or eggs, and was in operation on or before June 30, 2018. The amount of the tax credit may not exceed \$5,000 in the taxable year. The credit may not be carried over to any other taxable year. **The bill takes effect July 1, 2018, and applies to tax year 2018 through 2022.**

Fiscal Summary

State Effect: General fund revenues decrease beginning in FY 2019 due to eligible expenses being claimed against the State income tax. Under one set of assumptions, general fund revenues may decrease by \$2.5 million annually in FY 2019 through 2023. General fund expenditures increase by \$54,000 in FY 2019 due to one-time implementation costs at the Comptroller’s Office.

(\$ in millions)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	(\$2.5)	(\$2.5)	(\$2.5)	(\$2.5)	(\$2.5)
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$2.6)	(\$2.5)	(\$2.5)	(\$2.5)	(\$2.5)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Numerous federal, State, and local provisions provide renewable energy incentives, several of which are discussed below.

Clean Energy Incentive Tax Credit

A qualified facility that is located in the State and primarily uses qualified energy resources, including specified combustible sources, may qualify for the clean energy incentive tax credit. The credit is subject to an annual aggregate limit equal to the amount appropriated in the State budget to a reserve fund; there is no funding for the credit in the Governor's proposed fiscal 2019 budget. No new projects are eligible for the credit after December 31, 2018.

Community Solar Energy Generating Systems Pilot Program

Chapters 346 and 347 of 2015 established the three-year Community Solar Energy Generating Systems Pilot Program within the Public Service Commission. Under the program, a single community solar energy generating system can have multiple "subscribers." Then, rather than the generated electricity offsetting just a single electric bill, the generated electricity is credited to the subscribers through "virtual net energy metering." There are specified eligibility criteria.

Federal Renewable Energy Credits

Federal energy investment tax credits, authorized under Section 48 of the Internal Revenue Code, encourage the use of renewable energy. The credit is generally equal to 30% of the qualified costs of renewable energy property. Solar energy property has comprised about 90% of the qualified renewable energy property costs claimed as a credit.

The Rural Energy for America Program

The federal Rural Energy for America Program provides financial assistance to agricultural producers and rural small businesses in the United States to purchase, install, and construct renewable energy systems, make energy efficiency improvements to nonresidential buildings and facilities, use renewable technologies that reduce energy consumption, and participate in energy audits and renewable energy development assistance. Renewable energy projects for the Renewable Energy Systems and Energy Efficiency Improvement Guaranteed Loan and Grant Program include wind, solar, biomass and geothermal, and hydrogen derived from biomass or water using wind, solar, or geothermal energy sources. These grants are limited to 25% of a proposed project's cost, and a loan guarantee may not exceed \$25 million. The combined amount of a grant and loan guarantee must be at least

\$5,000 (with the grant portion at least \$1,500) and may not exceed 75% of the project's cost. In general, a minimum of 20% of the funds available for these incentives will be dedicated to grants of \$20,000 or less.

Background: In 2015, Maryland ranked ninth among states in the number of broilers, or chickens raised for their meat, with 303 million birds produced. Their production value was \$930 million and 1.7 billion pounds. This amount accounted for 41% of Maryland's total cash farm income.

The U.S. Department of Agriculture reports there are 1,544 poultry farms in Maryland in 2012. The Delmarva Poultry Industry, Inc., reports there are 719 chicken growers on the Eastern Shore of Maryland owning 2,394 chicken houses in 2017. Many chicken growers already use LED lights but do not have solar panels on the chicken houses.

State Revenues: Tax credits may be claimed in tax years 2018 through 2022. As a result, general fund revenues may decrease beginning in fiscal 2019. The amount of the revenue loss depends on the number of individuals who purchase and install an LED lighting and solar panel system on a poultry house, and the amount of eligible expenses claimed against the State income tax.

Assuming 500 individuals pay at least \$5,000 to purchase and install an LED lighting and solar panel system on a poultry house, and these individuals have a tax liability of at least \$5,000, general fund revenues decrease by \$2.5 million annually in fiscal 2019 through 2023.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$54,000 in fiscal 2019 to add the tax credit to the personal income tax form. This includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; Maryland Department of Agriculture; U.S. Department of Agriculture; Delmarva Poultry Industry, Inc.; Department of Legislative Services

Fiscal Note History: First Reader - March 5, 2018
mag/hlb

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