



Peter Franchot
Comptroller

David F. Roose
*Director, Bureau of Revenue
Estimates*

October 1, 2010

Honorable Martin O'Malley
Governor of Maryland
State House
Annapolis, Maryland 21404

Honorable Thomas V. Miller, Jr.
President of the Senate
State House
Annapolis, Maryland 21404

Honorable Michael E. Busch
Speaker of the House
State House
Annapolis, Maryland 21404

Dear Governor, President and Speaker,

As required by § 10-720 of the Tax-General Article (Clean Energy Act of 2006), I submit to you and the General Assembly detailed information about the Clean Energy Incentive Tax Credit. This is the second annual report on the aforementioned credit; no credits had been certified prior to the due date of the first two years' reports. This law requires that I, in conjunction with the Maryland Energy Administration (MEA), report on the following items:

- The number of certifications and taxpayers claiming the credit;
- The name and physical location of each taxpayer issued an initial credit certificate;
- The maximum credit amount approved for each taxpayer;
- The geographical distribution of the credits claimed; and
- Any other available information that the MEA determines to be meaningful and appropriate

Background

The Clean Energy Incentive Tax Credit was created as part of the Maryland Clean Energy Incentive Act of 2000 (Chapter 296). This initial credit allowed a taxpayer to claim a credit against the State income tax for 15 percent of the costs of solar water heating property or photovoltaic property placed in service during a taxable year. The credit was limited to \$2,000 for each system for photovoltaic property and \$1,000 for each system for solar water heating property, and could not be carried forward to future tax years. In addition, individuals or businesses that produced electricity from certain alternative resources could claim a credit of 0.85 cents per kilowatt hour of electricity; for electricity produced from an energy resource that is co-fired with coal, taxpayers could claim a credit of 0.5 cents for each kilowatt hour of electricity produced over a ten-year period. The credit sunset on January 1, 2005.

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The Solar Energy Grant Program of 2004 (Chapter 128) allowed credits for solar water heating and photovoltaic property provisions to expire after December 31, 2004; these were made grants rather than income tax credits.

The Maryland Clean Energy Incentive Act of 2006 (Chapter 129) essentially resurrected, for five years, the original credit for electricity produced from certain alternative resources; it allowed a credit for property placed in service on or after January 1, 2006 but before January 1, 2011. Taxpayers must apply with the Maryland Energy Administration (MEA) for an initial credit certificate. The initial certificate must specify the amount of electricity the taxpayer expects to produce in a qualified Maryland facility over the 5-year period specified in the initial certificate. The total amount of the credit stated in the initial certificate cannot exceed \$2,500,000, and the total credit claimed each year cannot exceed one-fifth of this amount. Any unused portion of the credit may be carried forward for up to ten years, or until fully used. The MEA may not issue initial credits of more than a total of \$25 million between 2006 through 2010.

The Maryland Clean Energy Incentive Act of 2010 (Chapter 493) extended the credit established by Chapter 129 for an additional five years, to include qualified energy resources placed in service on or after January 1, 2006 but before January 1, 2016; thus, it allows the MEA to issue credits through December 31, 2015. Under the 2010 Act, the MEA may not issue initial credit certificates in an amount less than \$1,000. Finally, the Clean Energy Incentive credit is refundable beginning in 2010; a taxpayer may claim a refund for the amount of the credit that exceeds tax liability in the year the credit is claimed.

The initial credit certificates shown on Attachment 1 are those certificates that have been issued to date, according to the MEA. It should be noted that there are a number of certificates pending for significant dollar amounts. These certificates are expected to be issued in the coming year as the regulations relating to the recent law change are clarified. Thus far for tax years 2007 through 2008, fewer than three tax credits have been claimed. However, for some taxpayers, the filing deadline has yet to pass for these tax years, and it is possible that additional credits may be claimed for these years. Disclosure provisions prevent us from providing additional information regarding the credits actually claimed.

If you have any questions about the above information, please contact David Roose, Director of the Bureau of Revenue Estimates, under whose direction this report was prepared. The Bureau can be reached at (410) 260-7450.

Sincerely,



David F. Roose

Attachment 1
Initial Credit Certificates Issued
(2006 to date)

| Name of Taxpayer | Location | Amount of initial credit certificate | KWh Certified |
|--|---------------------|---|----------------------|
| Eastern Landfill Gas, LLC | White Marsh, MD | \$770,661.00 | 90,666,000 |
| Worcester County Renewable Energy, LLC | Newark, MD | \$1,005,210.00 | 118,260,000 |
| Brick Ridge (Small wind) | Mount Airy, MD | \$255.00 | 30,000 |
| Franco Primavesi (Small wind) | East New Market, MD | \$255.00 | 30,000 |
| Ingenco, Landfill Gas | Salisbury, MD | \$850,000.00 | 100,000,000 |
| Dudley Chase (Small solar) | Saint Inigoes, MD | \$165.84 | 19,510 |
| Colleen Hazel (Small wind) | Parsonburg, MD | \$770.10 | 96,600 |
| Michael Albrecht (Small solar) | Randallstown, MD | \$190.91 | 22,460 |
| Fred Gasper (Small solar) | Greenbelt, MD | \$133.88 | 15,750 |
| David Williams (Small solar) | Kingsville, MD | \$212.50 | 25,000 |
| Steve Dubrosky (Small solar) | Elkridge, MD | \$283.14 | 33,310 |
| Jerry Klinken (Small solar) | Davidsonville, MD | \$390.83 | 45,980 |
| Daniel Josell (Small solar) | North Potomac, MD | \$468.65 | 55,135 |
| David Devan (Small solar) | White Marsh, MD | \$246.97 | 29,055 |
| Henry Maier (Small wind) | Oldtown, MD | \$819.06 | 96,360 |

Source: Maryland Energy Administration