

## THE MARYLAND CLEAN ENERGY INCENTIVE ACT

**GOVERNOR PARRIS GLENDENING:** "Today, Maryland is continuing our national leadership on environmental protection by launching a new program that will cut the use of fuel, use fewer natural resources, and put money back into the pockets of our citizens. *The Clean Energy Incentives Program* provides significant tax breaks for Marylanders who make a conscious choice to buy the most energy-efficient appliances, cars, and other products on the market..."



**The Maryland Clean Energy Incentive Act**, which went into effect on July 1, 2000, provides *Maryland sales tax exemptions or income tax credits* when purchasing certain qualifying high efficiency Energy Star appliances, electric and hybrid-electric vehicles, and certain renewable resource energy systems. *Energy Star is a program of the U.S. Environmental Protection Agency (EPA)* which the State of Maryland is supporting through this Clean Energy Incentive Act. Although high energy efficient appliances cost a little more than less efficient models, the new sales tax exemption reduces the initial cost and the savings in energy costs over the life of the product is more than the additional cost of purchase. The important environmental benefits also add positively to the equation. This Maryland law *becomes effective for specific products on certain dates*. See the following information:

### **APPLIANCES - Sales tax is not paid at time of purchase on the following:**

- **Energy Star Qualified Clothes Washers ( in effect from July 1, 2000 to July 1, 2003).**  
Energy Star models are designed to use less water while cleaning clothes thoroughly without wear and tear. They also can save 30-40% less energy per load. You will find complete information, including how to choose one and where to find them, on the U.S. Environmental Protection Agency's website at [www.energystar.gov/products/clotheswashers/](http://www.energystar.gov/products/clotheswashers/)
- **Room Air Conditioners (in effect from January 1, 2001 to July 1, 2004).**  
Energy Star room air conditioners differ from conventional models by transferring more heat from the air to the unit's coils which saves the amount of energy required to compress the refrigerant. Energy consumption is reduced by at least 15% of the minimum federal standards. It is important to purchase a unit appropriately sized for the space to be cooled. For specific guidelines in sizing and other important considerations, see the U.S. EPA's web site: [www.energystar.gov/products/roomac/](http://www.energystar.gov/products/roomac/)
- **Standard-size Energy Star Refrigerators (in effect from July 1, 2001 to July 1, 2004).**  
Because refrigerators are the largest power consumers in most homes, the purchase of an energy efficient model makes good economic and environmental sense. Energy Star qualified refrigerators *exceed the July 1, 2001 minimum federal energy consumption standards by 10% or more*. They have better insulation so that the compressor runs less frequently, very efficient compressors, and improved heat transfer surfaces. They also require very precise temperature and defrost mechanisms. For models exempt from Maryland State sales tax, see [www.energystar.gov/products/refrigerators/](http://www.energystar.gov/products/refrigerators/)

**CENTRAL HEATING and COOLING EQUIPMENT (in effect from July 1, 2000 to July 1, 2004).**

**The sales tax exemption applies to two system parts: the Condenser and the Blower Coil.** Under Maryland law, sales tax for many of these heating, ventilation, and air conditioning items is charged at the wholesale level and not to the consumer directly. *In other words, the contractor who installs your heating or cooling system is the one who would pay the sales tax and, therefore, will receive the tax exemption. Advise the contractor that you expect this savings to be reflected in any submitted bid before signing a contract.*

The process for obtaining the tax exemption requires the contractor to take a list of any installed equipment to the point where the tax was levied. The wholesaler then must check the list to determine its applicability to the tax exemption. The wholesaler can then issue a credit for the amount of the sales tax to the contractor. The following systems are eligible:

- **Electric heat pumps** which have a Seasonal Energy Efficiency Ratio (SEER) of 7.5 and a Cooling Season Energy Efficiency Ratio of at least 13.5. *Includes Ground Source Units.*
- **Central air conditioners** with a cooling Seasonal Energy Efficiency Rating of at least 13.5
- **Natural gas heat pumps** with a performance coefficient of at least 1.25 for heating and 0.70 for cooling.
- **Advanced natural gas hot water heaters** with an Energy Factor of at least 0.65.
- **Electric heat pump hot water heaters** which yield an Energy Factor of at least 1.7.
- **Electricity-generating fuel cell systems** with a generation efficiency greater than 35%.

**PHOTOVOLTAIC or SOLAR SYSTEMS (in effect from July 1, 2000 to July 1, 2004).**

The solar photovoltaic system generates electricity to heat or cool a structure or to provide hot water use within the structure (NOTE: this Act excludes swimming pools and hot tubs). A **State income tax credit of 15%** is available on the installed cost up to \$2,000 for photovoltaic (PV) systems that generate electricity, and \$1,000 for solar hot water heating systems that meet performance and quality standards, and certification requirements specified by the Maryland Energy Administration .

**Additionally, there are grants available from the Maryland Energy Administration** for up to \$3,600, making a substantial reduction for installation cost. Tim LaRonde, Program Manager for this program, will answer your questions; 800-723-6374 or e-mail [tlaronde@energy.state.md.us](mailto:tlaronde@energy.state.md.us) .

(For related tax information on the Comptroller of Maryland web site, see <http://business.marylandtaxes.com/taxinfo/salesanduse/taxcredit/cleanenergy.asp>)

**ELECTRIC AND HYBRID-ELECTRIC VEHICLES (in effect from July 1, 2000 to July 1, 2004).**

**Excise tax** credits of up to \$2,000 for electric vehicles and \$1,500 for qualifying hybrid vehicles will be given for model year 2000 cars or later. They must be four-wheeled, registered in Maryland, Original Equipment Manufactured (OEM) vehicles of not more than 8,500 pounds unloaded gross vehicle weight. Presently, the qualifying *electric vehicles* are:

- Chevrolet S-10
- Dodge Epic
- Dodge Caravan Epic
- Ford Ranger EV
- General Motors EV1
- Honda EV Plus
- Nissan Altra EV
- Solectria Flash
- Solectria Force
- Toyota RAV-4EV

The qualifying *electric-hybrid vehicles* are:

- Honda [\*Insight\*](#)
- Toyota [\*Prius\*](#)

The complete legislative history of the Maryland Clean Energy Incentive Act (HB20) can be found at <http://mlis.state.md.us/2000rs/billfile/HB0020.htm> . At the bottom of this page, you will see under "Documents" a link to the "Enrolled" bill which can be downloaded for your perusal.

#### **CONTACTS FOR THE MARYLAND CLEAN ENERGY INCENTIVE ACT**

**General Information on the Act:** Susanne Sullivan, MEA staff, [ssullivan@energy.state.md.us](mailto:ssullivan@energy.state.md.us), or call 410-260-7752 or 1-800-723-6374.

**Procedural Questions on Tax Issues:** James Dawson, Maryland Comptroller's Office, [jdawson@comp.state.md.us](mailto:jdawson@comp.state.md.us) , or 410-260-7645.

**Procedural Questions on Alternative Fuel Vehicles:** Eltra Nelson, Motor Vehicle Administration, [enelson@mva.state.md.us](mailto:enelson@mva.state.md.us) or 410-787-2983.