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**Committee: Budget and Taxation**

**Testimony on: SB103 Income Tax – Maryland Residential Solar Investment Tax Credit**

**Position: Support**

**Hearing Date: January 19, 2023**

The Maryland Chapter of the Sierra Club supports SB103, Maryland Residential Solar Investment Tax Credit. If enacted, SB103 will allow credit against the state income tax for the costs of rooftop solar panel installation on residential property and provide for the carryover of unused credits.

Maryland's climate goals are aggressive. The 2019 Clean Energy Jobs Act set a 14% carveout for solar but we are lagging behind significantly in the growth necessary to reach that goal. In Maryland and nationwide, a top reason cited as a hurdle to rooftop solar adoption is cost. Maryland currently has a sales tax exemption, property tax exemption, net metering and SRECs that help to offset the lifetime cost of the system. However, Maryland's current \$1000 rebate program does not provide sufficient incentive to encourage widespread adoption because it does not do enough to offset the upfront costs. The flat rate does not account for the fluctuating costs of purchase and installation of various sized systems, nor does it adjust for inflation and supply chain induced price changes. SB 103 would address a current driving need in solar incentives.

The proposed Maryland tax credit will function similarly to the 2006 federal solar tax credit which was recently renewed at the 30% level in the Inflation Reduction Act until 2032.<sup>1</sup> This program has shown that income tax credits are effective in stimulating the growth of residential rooftop solar around the country. SB103, like the federal credit, is a simple and straightforward means of reducing a significant portion of upfront costs incurred during solar installation. This would bring net rooftop solar prices into a much more affordable range for thousands of Maryland homeowners. In 2023 it is estimated that 70% of residential solar installation in the country will be financed.<sup>2</sup> With a five year carry forward, Marylanders would be able to expect to continue to receive tax benefit over a substantial period of their loan, lessening the overall financial burden.

By comparison, New York allows for residents to credit 25% of costs of a purchased or leased solar system to their state income tax capped at \$5000 and are currently rated as #1 state for solar incentives in the nation.<sup>3</sup> Implementing the tax incentive outlined in SB103 would make Maryland the clear best state in the nation for rooftop solar incentives. As solar installation is a hands-on trade and highly localized job market this can help stimulate the growth of the local sustainable economy.

SB 103 also helps address the land use issue as we try to balance energy development with the preservation of our open spaces, forests, waters, and working farmland, all while providing affordable and equitable access to environmentally responsible energy sources. Incentives that

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<sup>1</sup> The Inflation Reduction Act tax credit continues through 2033 at 26% and through 2034 at 22%.

<sup>2</sup> Wood Mackenzie | *Energy Research & Consultancy*, <http://woodmac.com>. Accessed 15 January 2023.

<sup>3</sup> (Jaynes et al.) *EcoWatch - For a Healthier Planet and Life*, <http://ecowatch.org>. Accessed 15 January 2023.

promote solar on rooftops and other hard surfaces are a valuable complement to programs that offer renters and low and moderate income households energy affordability. Every homeowner or renter with a solar rooftop, or access to community solar, is an increase in not only the energy independence, but of the economic independence and health of all Marylanders.

The Sierra Club supports SB103, as it takes an important step to increasing the rate of renewable energy adoption and help Maryland meet its energy goals, while advancing a policy that would support conservation goals and promote job growth across the state. Climate change is a critically important, existential problem that is essential for policy makers to address with a range of strategic, cross-cutting policies. We welcome the opportunity to work with stakeholders to address any reasonable concerns and work towards additional fiscally responsible means to drive smart growth and increase incentives for Maryland residents to swiftly adopt clean energy.

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