



February 14, 2007

To: The Senate Budget and Taxation Committee

From: Henry Bogdan, Public Policy Director

Re: Senate Bill 298 - Income Tax Credit for Green Buildings - Additional Credits Authorized

Position: **SUPPORT**

The Maryland Association of Nonprofit Organizations is a statewide organization comprised of over 1600 member nonprofit agencies, associations and institutions, and our purpose is to support and enhance the effectiveness of the State's more than 24,000 nonprofit groups in carrying out their missions of public and community service.

Senate Bill 298 would allow organizations exempt from taxation under Section 501c3 of the Internal Revenue Code to participate in the state's incentive program for upgrading buildings to meet specified energy efficiency "green building" standards. Nonprofits' utilization of the program would be facilitated by a new provision allowing the transfer of the tax credits, under specified conditions,

The legislation also increases the aggregate amount of credits allowed under the program by an additional \$5 million for each of the next five years, through tax year 2012. This also extends the program by one year beyond its present scheduled termination after 2011.

SB 298 also makes the program more flexible by reducing the minimum required square footage, from 20,000 to 10,000, for buildings to be eligible under the program.

Maryland Nonprofits strongly supports allowing participation of charitable and educational institutions in this program. The state's public purpose in creating the financial incentives in this program was (and is) to promote energy efficiency and thereby conservation of resources and protection of the environment. Clearly that purpose is served equally as well by energy efficiency in buildings owned or developed by 501c3 organizations.

The amount of the financial incentive under the program has always been based on approved expenditures for the program's purpose, and not tax liability. It is only the mechanism used to provide the incentive, income tax credits, which has barred participation by organizations that employ more than 11% of the private workforce in Maryland.

In the case of buildings owned by charitable and educational groups and institutions, the 'value added' to the property with this incentive is enhancing what is in effect a public asset – since the assets of 501c3 organizations must remain committed to a charitable or educational purpose for the community in perpetuity.

While they receive the benefit of favorable tax treatment, these organizations must commit the proceeds of their operations to maintaining or expanding service to the public, often supplementing or replacing services otherwise provided by the public sector.

We also agree that extending the program and increasing the allowed credits, which otherwise rapidly phase-out, is important to achieve the purpose of this program, particularly in view of the reality of global warming and the need to reduce energy consumption.

For these reasons we respectfully urge you to give Senate Bill 298 a favorable report.