

Testimony of the Advocates for Herring Bay
Regarding SB 469: Task Force to Study Solar Tax Incentives
Submitted by Stephen Marley, March 28, 2023

Favorable, with comments on clarifying amendments

The Advocates for Herring Bay commend the sponsors of SB 469 for creating a Task Force to advise lawmakers on tax policies that will help Maryland retain forests and farmland by encouraging the installation of large solar arrays on rooftops.¹ We respectfully offer four recommendations aimed at facilitating the panel's work.

Learn from the experience of other states. Several states have designed incentives for different types of solar installations. Reviewing their economic analyses would jumpstart the panel's research and offer insights into the practical implications of various approaches. For example:

- Massachusetts tailors the size of incentives to project costs. As of 2022, large rooftop systems received premiums of 1.9 cents per kilowatt-hour, brownfields 3 cents, landfills 4 cents, and canopies 6 cents. The state also has a pollinator adder of two-tenths of a cent.²
- New Jersey varies SREC payments by the size and location of the project, with different incentives for grid-connected and net-metered solar projects.³
- New York is in the process of updating its incentives for community solar systems to account for the effects of the federal tax incentives enacted in the Inflation Reduction Act of 2022.⁴
- Researchers in California have studied the socioeconomic impacts of solar incentives, finding that some approaches may pose higher burdens on low-income households than others.⁵

Give the Maryland Energy Administration (MEA) enough time to study optimal incentives.

Key takeaways from other states are that financial incentives should reflect the costs of each type of project; be adjusted for the effects of new federal tax benefits; and consider the impacts on household budgets. Otherwise, Maryland runs the risk of providing incentives that are lower than needed to support some projects and higher than needed for others, which could distort private investment decisions and misallocate taxpayer funds. Even if MEA only studies rooftop systems, identifying optimal incentives by the bill's December 2023 deadline will be challenging given the varied size and market prices of grid-connected and community solar projects.⁶ If the scope of work is expanded to include other types of surfaces, the deadline needs to be extended correspondingly.

Choose members with expertise in tax and financial analysis. Given the complexity of solar markets, we believe lawmakers will be best served if the recommendations are crafted by recognized experts on tax policy and the financing of solar generation facilities.

Clarify the scope of new incentives for community solar systems. SB 469 as amended directs the Task Force to recommend tax incentives for community solar projects. As written, those recommendations would be for all types of community solar projects, including those built on forested and agricultural land. We ask that the text be revised to narrow the scope to community solar projects installed on surfaces like rooftops, which do not impact ecologically valuable lands.

¹ The Advocates for Herring Bay, Inc. is a community-based environmental group in Anne Arundel County that since 2019 has [testified in favor of financial incentives](#) for solar installed on previously developed surfaces.

² See Massachusetts SMART program, [Compensation Adder Guidelines](#), extracted March 26, 2023.

³ See [New Jersey solar incentive programs](#), extracted March 26, 2023.

⁴ See notice of New York's [temporary suspension of adders pending updates](#), extracted March 26, 2023.

⁵ See [Haas Energy Institute 2022 study on the impacts of rate design on equity and electrification](#).

⁶ The prices paid for grid-connected generation are largely determined in competitive markets. Community solar projects are guaranteed a fixed price through net energy metering payments, regardless of their costs.