

Department of Legislative Services
 Maryland General Assembly
 2021 Session

FISCAL AND POLICY NOTE
 Third Reader

Senate Bill 659

(Senator Guzzone)

Budget and Taxation

Ways and Means

Historic Revitalization Tax Credit - Small Commercial Projects - Alterations

The bill increases to \$5.0 million the total small commercial historic revitalization tax credits the Maryland Historical Trust (MHT) may award, thereby increasing small commercial credit funding by a total of \$1.0 million. **The bill takes effect July 1, 2021.**

Fiscal Summary

State Effect: General fund revenues will decrease by \$300,000 in FY 2022 and \$700,000 in FY 2023 due to additional small commercial tax credits claimed against the income tax. Transportation Trust Fund (TTF) and Higher Education Investment Fund (HEIF) revenues will decrease in FY 2022 and FY 2023 to the extent tax credits are claimed against the corporate income tax. Special fund revenues increase minimally in FY 2022 and FY 2023 due to additional administrative fees at MHT. Expenditures are not affected.

(in dollars)	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GF Revenue	(\$300,000)	(\$700,000)	\$0	\$0	\$0
SF Revenue	-	-	\$0	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	(\$300,000)	(\$700,000)	\$0	\$0	\$0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local highway user revenues will decrease in FY 2022 and FY 2023 to the extent tax credits are claimed against the corporate income tax. Local expenditures are not affected.

Small Business Effect: Small businesses claiming the tax credit will benefit from additional tax credit funding.

Analysis

Current Law: The Historic Revitalization Tax Credit Program provides tax credits for commercial, small commercial, and owner-occupied residential property rehabilitations. The value of the refundable credit is based on the type of rehabilitation undertaken and up to a percentage of qualified rehabilitation expenditures. Applying for the credit is a three-part process administered by MHT within the Maryland Department of Planning. MHT must charge certification fees that are sufficient to pay the cost of administering the State and federal historic tax credit.

Chapter 601 of 2014 established credit eligibility for certain small commercial projects. A small commercial project is the rehabilitation of a structure primarily used for commercial, income-producing purposes if the qualified rehabilitation expenditures do not exceed \$500,000 and the structure is a (1) residential unit in a consecutive series of similar residential units that are arranged in a row, side by side, and is sold as part of a specified development project; (2) agricultural and post-World War II structure that meet certain requirements; or (3) condominium or cooperative project and the rehabilitation targets only the common elements of the condominium or cooperative project.

MHT may award a maximum of \$4.0 million in credits between January 1, 2015, and June 30, 2024. MHT annual reports indicate that an annual average of about \$700,000 in tax credits were awarded in fiscal 2015 through 2020.

State Revenues: The bill increases small commercial credit funding by a total of \$1.0 million. As a result, general fund revenues will decrease by \$300,000 in fiscal 2022 and by \$700,000 in fiscal 2023. TTF and HEIF revenues will decrease to the extent tax credits are claimed against the corporate income tax.

Special fund revenues increase minimally in fiscal 2022 and 2023 due to additional certification fee revenue at MHT.

Additional Information

Prior Introductions: None.

Designated Cross File: HB 865 (Delegate Smith) - Ways and Means.

Information Source(s): Maryland Historical Trust; Department of Legislative Services

Fiscal Note History: First Reader - February 15, 2021
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