Department of Fiscal Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 820 (Delegate Rosenberg, et al.)
Ways and Means Referred to Budget and Taxation

Neighborhood and Community Assistance Program - Tax Credits

This enrolled bill establishes a Neighborhood and Community Assistance Program in the Department of Housing and Community Development (DHCD). A business may claim a tax credit for contributions to an approved project run by a nonprofit organization; this tax credit may not be applied more than once against different taxes by the same taxpayer. The credit allowed equals 50% of the value of contributions to approved projects. These credits may not exceed $125,000 per tax year for any business; remaining credits may be carried forward for up to five years.

Nonprofit organizations may apply to DHCD with proposals for projects to provide services to "designated revitalization areas"; DHCD may not approve a proposal unless it is first approved by the county and municipal corporation. For each approved project, DHCD must set a maximum number of available tax credits according to specified criteria. The sum of contributions eligible for the tax credit each fiscal year may not exceed $2 million, for a maximum of $1 million in credits in any fiscal year. DHCD and the Department of Budget and Fiscal Planning (DBFP) must study the effectiveness of the tax credit program and report by October 1, 2000.

Fiscal Summary

State Effect: Revenues would decrease by approximately $250,000 in FY 1997 due to the tax credit; this revenue loss would increase to approximately $1 million in the out-years. Other tax revenues could potentially increase due to economic development. Administrative expenditure increase of $8,400 in FY 1997; potential indeterminate decrease in expenditures on public assistance programs.

Local Effect: Potential indeterminate effect on revenues; expenditures would not be affected.

Fiscal Analysis

State Effect:

Maryland Major Facility Job Tax Credit

The maximum amount of tax credits that can be approved in any fiscal year is $1 million. Due to the bill's October 1, 1996 effective date it is unlikely that tax credits will be approved until calender 1997. Therefore, it is assumed that only one-quarter of this amount ($250,000) will actually be allocated for fiscal 1997. In the out-years, the amount of credits allocated depends upon the number of nonprofits providing services to designated revitalization areas, the number of such projects approved by DHCD, and the amount of assistance provided by businesses in these efforts. However, it is likely that once targeted nonprofits are made aware of this program, that the full $1 million in credits will be allocated in the out-years.

State revenues will decrease by the amount of the tax credits awarded. While this program will result in contributions to nonprofits providing services to targeted communities, a certain portion of these contributions would have been made anyway (especially with the incentive of existing tax deductions). However, to the extent that this program provides services that would not otherwise be provided thereby revitalizing neighborhoods, revenue losses could be offset if additional tax revenues result.

Any credits applied to corporate income taxes will affect both general and special fund revenues, since approximately 23% of this tax is allocated to the Gasoline and Motor Vehicle Revenue Account (GMVRA); these special funds are then distributed 70/30 to the Transportation Trust Fund and to the local governments. The credit could be applied against the financial institution franchise tax, the public service company franchise tax, or the insurance premium tax rather than the income tax. The credit amount allowed would be the same.

Administrative Costs

There will be no additional expenditures by the Comptroller, as the current credit form for businesses could be expanded to incorporate this credit. DHCD could handle the requirements of this bill with existing staff. However, DHCD reports that printing and communications costs could increase by $8,400 in fiscal 1997 (increasing to $11,400 in fiscal 1998) to make nonprofits and corporations aware of this program. The Department of Fiscal Services advises that this number could decrease somewhat once nonprofits are aware of the program, as many would be likely to include this information in their solicitations to corporations. Any expenditures associated with the study requirements could be absorbed by existing resources at DHCD and DBFP.

State Expenditures on Assistance Programs

To the extent that this program results in the revitalization of neighborhoods and provides services to these neighborhoods through nonprofits, expenditures on State assistance programs would decrease.

Local Revenues: To the extent that this legislation spurs economic development, tax revenues could increase. However, local revenues that result from the distribution of GMVRA funds would decrease.

Information Source(s): Department of Housing and Community Development, Office of the Comptroller, Department of Assessments and Taxation, Public Service Commission, Department of Fiscal Services

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