

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1199 (Delegates Bonsack and Taylor)
Ways and Means

Heritage Structure Rehabilitation Credit

This bill increases the heritage structure rehabilitation tax credit from 15% to 25% of qualified rehabilitation expenditures.

This bill is effective July 1, 1998 and applies to all taxable years beginning after December 31, 1998.

Fiscal Summary

State Effect: General fund and Transportation Trust Fund (TTF) revenues could decline by at least \$750,000 annually beginning in FY 2000. Expenditures would not be affected.

Local Effect: Indeterminate effect on revenues. Expenditures would not be affected.

Small Business Effect: Potential meaningful.

Fiscal Analysis

State Revenues: Under current law, the heritage structure rehabilitation tax credit is 15% of qualified rehabilitation expenditures. The current cost of this program is not yet known, since the credit was enacted for tax year 1998. Based on a subtraction allowed in prior years for historic preservation expenses, it is estimated that about \$7.5 million is spent annually on rehabilitation. The current credit of 15% would result in a revenue loss of \$1.125 million; a 25% credit would result in a revenue loss of \$1.875 million annually. Thus, the bill could result in a revenue loss of \$750,000 annually. Any credits claimed against the individual income tax, the public service company franchise tax, the financial institution franchise tax, or the insurance premium tax would result in a general fund revenue loss; any credits claimed against the corporate income tax would result in a general fund and TTF revenue loss, since a

portion of corporate income tax revenue is distributed to both funds.

Any increase in State property tax revenues due to an increase in property values cannot be reliably estimated at this time, but is expected to be minimal.

State Expenditures: The Department of Housing and Community Development (DHCD) advises that one Research and Preservation Specialist, at an annual cost of \$37,700, would be required to certify additional rehabilitation projects which would occur because of the incentive effect of this bill. Legislative Services advises that staffing is adequate for the initial implementation of the increased credit; after an accurate assessment is made of increased program demand, DHCD can determine future staffing needs.

Local Revenues: Local revenues would decrease for any credits claimed against the corporate income tax, since a portion of that tax is distributed to local governments through the TTF. Any increase in property tax revenues due to an increase in property values cannot be reliably estimated at this time, but is expected to be minimal.

Small Business Effect: To the extent that this bill causes an increase in rehabilitation activities, small businesses, including construction, design, and historic preservation-related businesses, could realize increased revenue.

Information Source(s): Comptroller of the Treasury (Bureau of Revenue Estimates), Department of Housing and Community Development, Department of Legislative Services

Fiscal Note History: First Reader - March 9, 1998
Inc Revised - House Third Reader - March 27, 1998
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