Department of Legislative Services

2012 Session

FISCAL AND POLICY NOTE

House Bill 1152 (Delegate Haynes)
Ways and Means

Sustainable Communities Tax Credit - Residential Units for Lower-Income Individuals

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This bill requires that, in order to be eligible to claim the Sustainable Communities Tax Credit, a proposed commercial rehabilitation that includes at least 30 residential rental units must set aside at least 10% of the total number of residential rental units for individuals whose median income does not exceed 60% of the area median income.

The bill takes effect July 1, 2012, and applies to all initial tax credit certificates issued on or after July 1, 2012.

Fiscal Summary

State Effect: Imposing an additional tax credit eligibility standard will not alter the fiscal impact of the credit beyond that provided under current law.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Any applicant seeking to claim the Sustainable Communities Tax Credit for the rehabilitation of a commercial property is required to submit an application to the Maryland Historical Trust (MHT) for an initial tax credit certificate. Except under certain circumstances, the total amount of initial tax credit certificates issued by MHT in each fiscal year cannot exceed the amount appropriated to the tax credit reserve fund in the State budget.

If approved, an applicant can claim a credit equal to (1) 20% for the rehabilitation of a certified historic structure (25% if certain energy efficiency standards are met); and

(2) 10% for the rehabilitation of a qualified rehabilitated (nonhistoric) structure. The proposed rehabilitation must meet all program requirements; have been awarded an initial tax credit certificate by MHT; and receive final certification by MHT.

Background: Chapter 487 of 2010 reestablished the Heritage Structure Rehabilitation Tax Credit as the Sustainable Communities Tax Credit and extended the termination date of the credit through fiscal 2014. Chapter 487 also expanded and altered eligibility requirements for the program, including allowing certain nonhistoric properties to qualify for the credit. In fiscal 2012, MHT received 45 commercial applications which applied for $29.8 million in tax credits. The fiscal 2012 appropriation of $9 million for the commercial credit was reduced by $2 million due to budget bill language contingent on the enactment of a film production tax credit. As a result, MHT awarded a little less than $7.0 million in initial tax credit certificates for fiscal 2012. The proposed fiscal 2013 State budget includes $7.0 million for commercial rehabilitation tax credits.

State Fiscal Effect: The bill requires that, in order to claim the Sustainable Communities Tax Credit, a proposed rehabilitation of a building with at least 30 residential rental units is required to set aside at least 10% of all rental units for lower-income individuals.

The bill will not alter the overall fiscal impact of the Sustainable Communities Tax Credit. MHT awarded the maximum amount of commercial credits in fiscal 2012, and it is expected that MHT will award the maximum amount of any commercial credits available in fiscal 2013. Further, any amount that is not awarded in a fiscal year can be awarded in the next fiscal year.

Additional Information

Prior Introductions: HB 785 of 2011 received a hearing in the House Ways and Means Committee, but no further action was taken. Legislation introduced in 2009 proposed to require the same low-income residential set asides under the Heritage Structure Rehabilitation Tax Credit. HB 1230 of 2009 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Maryland Department of Planning, Department of Housing and Community Development, Comptroller’s Office, Department of Legislative Services

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