

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 158
Ways and Means

(Delegate Beidle, *et al.*)

Budget and Taxation

Property Tax - High Performance Building Tax Credit - National Green Building Standards

This bill expands the definition of “high performance building” for purposes of the local option property tax credit for high performance buildings to include a residential building that achieves at least a silver rating according to the International Code Council’s 700 National Green Building Standards.

The bill takes effect June 1, 2012.

Fiscal Summary

State Effect: None.

Local Effect: Potential decrease in county and municipal property tax revenues to the extent the property tax credit is granted, the number of residential buildings eligible for the property tax credit, and the amount of the property tax credit. Currently Howard and Montgomery counties have authorized a similar optional property tax credit. Local expenditures are not affected.

Small Business Effect: None.

Analysis

Current Law: Chapter 519 of 2004 authorized a county or municipality to provide, by law, a property tax credit against the local property tax for high performance buildings. Counties and municipalities may provide for the amount of the credit, the duration of the

credit, the criteria and qualifications necessary to receive the credit, and any other necessary provisions.

A high performance building is defined as a building that (1) achieves at least a silver rating according to the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Green Building Rating System as adopted by the Maryland Green Building Council; (2) achieves at least a comparable rating according to any other appropriate rating system; or (3) meets comparable green building guidelines or standards approved by the State.

Chapter 519 also specified that under LEED credit MR7 or a similar criterion in a comparable rating system, credit may be awarded for the use of wood-based materials derived from all credible sources, including the sustainable forestry initiative program, the Canadian Standards Association, the American Tree Farm System, and other credible certified sources programs.

Background: The National Green Building Standard, known as ICC-700, was approved in January 2009. The standard was developed by the International Code Council and National Association of Home Builders with input from stakeholders, ranging from code officials and other building professionals to representatives of the green building community. According to the International Code Council, this building standard provides a practical route to green, sustainable, and high performance construction, particularly in areas with little if any green/sustainable buildings or guidelines to build green. The standard also promotes homeowner education for the maintenance and operation of green residential buildings in order to ensure long-term benefits. The standard's rating system allows builders, designers, and communities to choose the levels of high performance green buildings that best suit their needs.

Local Fiscal Effect: The bill expands the definition of a current local option property tax credit for high performance buildings. To the extent the definitional changes make more residential buildings eligible for a property tax credit, local property tax revenues will be affected. However, any reduction in local government revenues would vary by jurisdiction and depends on the number of high performance residential buildings located in a jurisdiction and the amount of any authorized credit.

Both Montgomery and Howard counties have authorized a local property tax credit for high performance buildings. Montgomery County advises that its high performance building tax credit went into effect in 2007. Howard County has recently modified its high performance building property tax credit, effective February 5, 2012, to include similar requirements as proposed by the bill. **Exhibit 1** shows the credit amount and number of recipients issued by Howard and Montgomery counties since fiscal 2009.

Exhibit 1
High Performance Building Tax Credits

<u>Fiscal Year</u>	<u>Howard County</u>		<u>Montgomery County</u>	
	<u>Recipients</u>	<u>Amount</u>	<u>Recipients</u>	<u>Amount</u>
2009	1	\$15,440	0	\$0
2010	3	146,974	8	1,295,677
2011	3	211,187	11	1,507,567
2012	6	228,191	n/a	n/a
Total	13	\$601,792	19	\$2,803,244

Source: Howard and Montgomery counties

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Howard and Montgomery counties, State Department of Assessments and Taxation, Department of General Services, International Code Council, Department of Legislative Services

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