

Department of Legislative Services  
Maryland General Assembly  
2014 Session

FISCAL AND POLICY NOTE

House Bill 691 (Allegany County Delegation)  
Ways and Means

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**Property Tax Credit - Upper Stories of Commercial Structures - Rehabilitation**

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This bill authorizes county and municipal governments to grant, by law, a property tax credit against the county or municipal property tax imposed on an existing commercial structure in which a qualifying investment is made for the purpose of allowing for adaptive reuse of the upper stories of the structure.

County and municipal governments may provide, by law, for (1) the sale of the tax credit by the original recipient of the credit to another person making a qualifying investment in an existing commercial structure in the same county or municipality; (2) the maximum amount of the tax credit that may be provided to a single recipient or all recipients in a taxable year; (3) additional eligibility criteria for the tax credit; (4) regulations and procedures for the application and uniform processing of requests for the tax credit; and (5) any other provision necessary to carry out the tax credit.

The bill takes effect June 1, 2014, and applies to taxable years beginning after June 30, 2014.

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**Fiscal Summary**

**State Effect:** None.

**Local Effect:** Local property tax revenues may decrease by a significant amount beginning in FY 2015, to the extent the property tax credit is granted. The amount of any local revenue decrease depends on the number and amount of qualifying investments made in a given jurisdiction.

**Small Business Effect:** Potential meaningful. Small businesses that make qualifying investments will realize reduced property taxes for the 10-year life of the property tax credit.

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## Analysis

**Bill Summary:** The property tax credit authorized by the bill must be equal to 50% of the amount of qualifying investment in a structure and must be granted for a 10-year period in an equal amount each year.

A “qualifying investment” means the cost of installation or rehabilitation of building features for the purpose of bringing an upper story of an existing commercial structure into compliance with current building codes relating to safety or accessibility. Qualifying investment includes costs incurred for (1) elevators; (2) fire suppression systems; (3) means of ingress or egress; or (4) architectural or engineering services related to installation or rehabilitation of these or similar building features.

**Current Law/Background:** Local governments are subject to statewide mandatory tax credit programs and have general authority to grant tax credits for certain types of property. They also are subject to mandatory and optional tax credits specific to individual counties and municipalities. Tax credits that may be authorized by local governments, against local property taxes only, are specified by law for various types of property, including cemetery property; structures utilizing solar or geothermal energy saving devices; historic property undergoing restoration or preservation; manufacturing, fabricating, and assembling facilities; agricultural land subject to Maryland agricultural land preservation easements; newly constructed dwellings that are unsold or unrented; open space; tobacco barns; and other specified property.

**Local Fiscal Effect:** Local property tax revenues may decrease by a significant amount beginning in fiscal 2015, to the extent the property tax credit is granted. The amount of any local revenue decrease depends on the number and amount of qualifying investments made in a given jurisdiction.

There is no data available on the number of commercial properties that have upper stories that may be eligible for the property tax credit proposed by the bill; however, as a point of reference, **Exhibit 1** shows the number of commercial properties in each county and the taxable assessable base for these properties for fiscal 2014.

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**Exhibit 1**  
**Number and Assessed Value of Commercial Properties in Maryland**  
**Fiscal 2014**

<b>County</b>	<b>Improved Commercial Properties</b>	<b>Commercial Assessable Base</b>
Allegany	1,934	\$635,555,070
Anne Arundel	4,064	9,566,885,927
Baltimore City	8,174	9,386,986,434
Baltimore	6,284	10,397,407,369
Calvert	555	736,085,967
Caroline	538	261,573,098
Carroll	1,712	1,469,923,505
Cecil	1,276	1,028,010,302
Charles	949	1,665,113,030
Dorchester	758	408,414,402
Frederick	2,032	2,897,704,112
Garrett	799	356,675,134
Harford	2,102	2,788,742,024
Howard	1,167	3,330,559,563
Kent	506	335,526,567
Montgomery	2,991	17,054,199,106
Prince George's	3,530	9,109,899,310
Queen Anne's	655	631,472,036
St. Mary's	1,137	1,049,353,136
Somerset	667	194,240,600
Talbot	908	752,563,431
Washington	1,908	1,989,803,668
Wicomico	1,692	1,010,830,067
Worcester	1,551	1,854,833,039
<b>Total</b>	<b>47,889</b>	<b>\$78,912,356,897</b>

Source: State Department of Assessments and Taxation

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## Additional Information

**Prior Introductions:** None.

**Cross File:** SB 605 (Senator Edwards) - Budget and Taxation.

**Information Source(s):** Allegany, Garrett, Montgomery, Talbot, and Wicomico counties; Maryland Association of Counties; Maryland Municipal League; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 17, 2014  
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