

**Department of Legislative Services**  
 Maryland General Assembly  
 2018 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 1021 (Delegate Tarlau, *et al.*)  
 Ways and Means

**Heritage Structure Rehabilitation Tax Credit - Single-Family, Owner-Occupied Residence - Income Limitation**

This bill prohibits an individual from claiming the residential heritage structure rehabilitation tax credit if the individual’s federal adjusted gross income (FAGI) exceeds \$500,000 (\$1.0 million if married filing jointly). The value of the credit begins to phase out once the individual’s FAGI exceeds \$491,000 (\$991,000 if married filing jointly). **The bill takes effect July 1, 2018, and applies to all initial certificates issued after June 30, 2018.**

**Fiscal Summary**

**State Effect:** General fund revenues may increase by \$50,000 annually beginning in FY 2019 as a result of a reduction in tax credits claimed against the personal income tax. Expenditures are not affected.

(in dollars)	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
GF Revenue	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Expenditure	0	0	0	0	0
Net Effect	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000

*Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease*

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Current Law/Background:** The Heritage Structure Rehabilitation Tax Credit Program provides tax credits for commercial, small commercial, and owner-occupied residential property rehabilitations. The value of the refundable credit is based on the type of rehabilitation undertaken and up to a percentage of qualified rehabilitation expenditures, as follows:

- 20% for the rehabilitation of a single-family, owner-occupied residence or a small commercial project; and
- 20% for the commercial rehabilitation of a certified historic structure, or 25% if certain energy efficiency standards are met.

The value of the tax credit may not exceed (1) for a commercial rehabilitation (any building that is not a single-family, owner-occupied residence or small commercial project), \$3 million or the maximum amount specified under the initial credit certificate or (2) for all other rehabilitations, \$50,000. Applying for the credit is a three-part process that is administered by the Maryland Historical Trust (MHT) within the Maryland Department of Planning.

### *Commercial Program*

The commercial program includes the rehabilitation of certified historic structures and is the largest component of the program. The commercial credit is a budgeted tax credit and the Governor must appropriate funds to the program annually through fiscal 2022. The Governor is not required to appropriate an amount to the reserve fund in each year. MHT awards credits through a competitive process, with the amount awarded each year generally limited to the amount appropriated to the program.

### *Small Commercial Project Program*

Chapter 601 of 2014 established credit eligibility for certain small commercial projects. Applicants must apply to MHT in order to qualify and receive an initial credit certificate. MHT may award tax credits through June 30, 2022. There is no reserve fund to offset the cost of small commercial credits.

### *Residential Program*

MHT can award an unlimited amount of residential credits for applications received through June 30, 2022. A single-family, owner-occupied residence is a structure or a portion of a structure occupied by the owner and the owner's immediate family as their primary or secondary residence. A single-family, owner-occupied residence also includes

a residential unit in a cooperative project owned or leased to a cooperative housing corporation and leased for exclusive occupancy to, and occupied by, a member of the corporation and the member's immediate family.

There is no limitation on the credit based on the taxpayer's income.

**State Revenues:** Beginning in 2018, the bill phases out the value of the residential heritage structure rehabilitation tax credit for taxpayers whose income exceeds specified thresholds. Based on information on recent tax credit claims, it is estimated that State revenues will increase by \$50,000 annually beginning in fiscal 2019.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Comptroller's Office; Maryland Department of Planning; Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2018  
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Analysis by: Robert J. Rehrmann

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510