

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 862
Ways and Means

(Delegate Smith, *et al.*)

Historic Revitalization Tax Credit – Transferability (Historic Revitalization Tax Credit Improvement Act of 2020)

This bill allows, subject to specified requirements, the commercial tax credit under the Historic Revitalization Tax Credit Program to be transferable. **The bill takes effect July 1, 2020, and applies to tax year 2020 and beyond.**

Fiscal Summary

State Effect: Allowing the commercial tax credit to be transferable is not expected to alter the fiscal impact of the program beyond that provided under current law.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law/Background: The Historic Revitalization 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. These maximum values are increased if a project meets certain requirements and is located within a federal opportunity zone.

Applying for the credit is a three-part process 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 2024. 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 a maximum of \$4.0 million in credits between January 1, 2015, and June 30, 2024.

State Fiscal Effect: The bill allows the commercial tax credit to be transferable beginning with tax year 2020. The bill will not alter the overall fiscal impact of the tax credit program. MHT typically awards the maximum amount of commercial credits each year, and any amount that is not awarded in a fiscal year can be awarded in the next fiscal year.

Additional Information

Prior Introductions: None.

Designated Cross File: SB 978 (Senator Hester, *et al.*) - Budget and Taxation.

Information Source(s): Maryland Department of Planning; Department of Legislative Services

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