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DEPARTMENT OF BUDGET AND MANAGEMENT

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SENATE BILL 952 HISTORIC REVITALIZATION TAX CREDIT – CREDIT AMOUNTS AND FUNDING - ALTERATIONS

STATEMENT OF INFORMATION

DATE: March 15, 2023

COMMITTEE: Senate Budget and Taxation

SUMMARY OF BILL: SB 952 increases the amount an entity can claim as a tax credit under the Historic Revitalization Tax Credit program for a commercial rehabilitation project and increases the amount required to be appropriated to the Historic Revitalization Tax Credit Reserve Fund and the Small Commercial Project Trust Account within the Reserve Fund.

EXPLANATION: The Historic Revitalization Tax Credit program aims to encourage investment in the rehabilitation and re-use of historic buildings and to promote investment in local economies through tax credits for commercial, small commercial, and owner-occupied residential property rehabilitations.

Under current law, the tax credit for a commercial rehabilitation project may not exceed $5.5 million, and $60,000 for non-commercial rehabilitation projects. SB 952 would double the maximum tax credit for all projects to $11 million for commercial rehabilitation and $120,000 for non-commercial rehabilitation. The bill also increases the mandated appropriation to the Historic Revitalization Tax Credit Reserve Fund from $20 million to $50 million from FY 2025 to FY 2031 to support the proposed increases to the maximum tax credit. Additionally, the bill increases the mandated appropriation for the Small Commercial Project Trust Account, a sub-account specifically for smaller commercial rehabilitation projects, from $2 million to $20 million. **SB 952's combined fiscal impact from the proposed mandate increases is $48 million.** These mandates would decrease general funds available for other purposes by $48 million from FY 2025 to FY 2031. Just last year, Chapter 450 of 2022 increased the mandate to the Reserve Fund by $8 million, from $12 million to $20 million, and established Small Commercial Projects program and trust account with the $2 million mandate.

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and strives to create a structurally balanced budget, in which the growth in spending is less than the growth in revenues. In light of current economic uncertainty and the potential for a downturn, the Department urges caution in passing legislation significantly expanding State required expenditures. In addition, the increasing number of general fund mandates can have the effect of crowding out the State's ability to fund staffing, salary adjustments, and in general invest strategically and holistically in human capital. State government must be intentional, disciplined, and strategic with its allocation of State funding to ensure maximum impact toward priority outcomes.

General Fund Structural Budget Outlook, Fiscal 2024 – 2028 ($ millions)

	Est. 2024	**Est. 20235**	**Est. 2026**	**Est. 2027**	**Est. 2028**
Structural Balance	$337	$232	$263	$529	$1,113
Adjusted for Blueprint				-$963	-$1,207

Department of Legislative Services, January 2023 Fiscal Briefing

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