HB 1263

Department of Fiscal Services

Maryland General Assembly

FISCAL NOTE
Revised

House Bill 1263 (Delegate Bonsack, *et al.*)
Ways and Means — Referred to Budget and Taxation

Heritage Structure Rehabilitation Tax Credit

This amended bill increases the heritage structure rehabilitation tax credit from 10% of qualified rehabilitation expenditures to 15%.

This bill is effective October 1, 1997, and applies to all taxable years beginning after December 31, 1997.

Fiscal Summary

State Effect: General and Transportation Trust Fund revenues could decline by an estimated $375,000 annually beginning in FY 1999. Expenditures would not be affected.

Local Effect: Indeterminate effect on revenues, as discussed below. Expenditures would not be affected.

Small Business Effect: Potential meaningful impact on small businesses as discussed below.

Fiscal Analysis

State Revenues: Under current law, the heritage structure rehabilitation tax credit is 10% of qualified rehabilitation expenditures. The current cost of this program is not known, since the credit was enacted for tax year 1997. Based on a subtraction allowed in prior years for historic preservation expenses, it is estimated that about $7.5 million is spent annually on rehabilitation expenditures. The current credit of 10% would result in a revenue loss of $750,000 annually; a 15% credit would result in a revenue loss of $1,125,000 annually. Thus, this bill could result in a revenue loss of $375,000 annually beginning fiscal 1999, since the subtraction could be taken in tax year 1998. Any credits claimed against the individual income tax, the public service company franchise tax, the financial institution franchise tax, or the insurance premium tax would result in a general fund revenue loss; any credits claimed against the corporate income tax would result in a general fund and Transportation Trust Fund revenue loss, since a portion of corporate income tax revenues are distributed to both funds.

Any increase in State property tax revenues due to an increase in property values cannot be reliably estimated at this time but is expected to be minimal.

State Expenditures: Any workload increase due to more applications for certification of rehabilitation projects resulting from the increased credit could be absorbed within existing resources.

Local Revenues: Local revenues would decrease for any credits claimed against the corporate income tax, since a portion of that tax is distributed to local governments through the Transportation Trust Fund. Any increase in property tax revenues due to an increase in property values cannot be reliably estimated at this time but is expected to be minimal.

Small Business Effect: To the extent that this bill causes an increase in rehabilitation activities, small businesses, including construction, design, and historic preservation-related businesses, could realize increased revenue. An estimated $7.5 million annually is spent on rehabilitation. This bill would reduce the cost of rehabilitation by about 6%; assuming a 6% increase in rehabilitation activity, an additional $450,000 could be spent each year. The portion of the total increase in revenue which would be received by small businesses cannot be reliably estimated.

Information Source(s): Office of the Comptroller (Revenue Administration Division), Department of Housing and Community Development (Division of Historical and Cultural Programs), Department of Fiscal Services

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