

HOUSE BILL 1199

Unofficial Copy
Q7

1998 Regular Session
(8r1778)

ENROLLED BILL
-- Ways and Means/Budget and Taxation --

Introduced by **Delegates Bonsack and Taylor**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this
____ day of _____ at _____ o'clock, ____ M.

Speaker.

CHAPTER _____

1 AN ACT concerning

2 **Heritage Structure Rehabilitation Credit**

3 FOR the purpose of altering the calculation of a certain credit allowed against certain
4 State taxes for certain expenses for the rehabilitation of certain structures;
5 ~~allowing a business entity or individual under certain circumstances to elect to~~
6 ~~receive in lieu of the tax credit a certain mortgage credit certificate that may be~~
7 ~~transferred to a lending institution under certain circumstances and may be~~
8 ~~used by the lending institution to claim a tax credit; authorizing the Director of~~
9 ~~the Maryland Historic Trust and the Maryland Heritage Areas Authority to~~
10 ~~adopt certain regulations; defining certain terms; providing for the application~~
11 of this Act; and generally relating to the Heritage Structure Rehabilitation
12 Credit.

13 BY repealing and reenacting, with amendments,
14 Article 83B - Department of Housing and Community Development
15 Section 5-801
16 Annotated Code of Maryland

1 (1995 Replacement Volume and 1997 Supplement)

2 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
3 MARYLAND, That the Laws of Maryland read as follows:

4 **Article 83B - Department of Housing and Community Development**

5 5-801.

6 (a) (1) In this section the following words have the meanings indicated.

7 (2) "Business entity" means a person conducting or operating a trade or
8 business in the State.

9 (3) "Certified heritage area" has the meaning stated in § 13-1101(d) of
10 the Financial Institutions Article.

11 (4) "Certified heritage structure" means a structure that is:

12 (i) Listed in the National Register of Historic Places;

13 (ii) Designated as a historic property under local law;

14 (iii) 1. Located in a historic district listed on the National
15 Register of Historic Places or in a local historic district; and

16 2. Certified by the Director of the Maryland Historical Trust
17 as contributing to the significance of the district; or

18 (iv) Located in a certified heritage area and which has been
19 certified by the Maryland Heritage Areas Authority as contributing to the
20 significance of the certified heritage area.

21 (5) "Certified rehabilitation" means rehabilitation of a certified heritage
22 structure which the Director certifies is substantial rehabilitation in conformance
23 with the rehabilitation standards of the United States Secretary of the Interior.

24 (6) "Director" means the Director of the Maryland Historical Trust.

25 (7) "Local historic district" means a district that the governing body of a
26 county or municipal corporation, or the Mayor and City Council of Baltimore, has
27 designated under local law as historic.

28 (8) "Qualified rehabilitation expenditure" means any amount expended
29 in the rehabilitation of a structure that is properly chargeable to capital account.

30 (9) "Substantial rehabilitation" means rehabilitation of a structure for
31 which the qualified rehabilitation expenditures, during the 24-month period selected
32 by the taxpayer ending with or within the taxable year, exceed:

33 (i) For owner-occupied residential property, \$5,000; or

1 (ii) For all other property, the greater of:
2 1. The adjusted basis of the structure; or
3 2. \$5,000.

4 (b) (1) Subject to subsection (c) of this section, for the taxable year in which
5 a certified rehabilitation is completed, a business entity or an individual may claim a
6 tax credit in an amount equal to [15%] 25% of the taxpayer's qualified rehabilitation
7 expenditures for the rehabilitation.

8 (2) The same tax credit may not be applied more than once against
9 different taxes.

10 (c) If the credit allowed under this section in any taxable year exceeds the
11 total tax otherwise payable by the business entity or the individual for that taxable
12 year, the business entity or individual may apply the excess as a credit for succeeding
13 years until the earlier of:

14 (1) The full amount of the excess is used; or

15 (2) The expiration of the tenth taxable year after the taxable year in
16 which the certified rehabilitation is completed.

17 (d) If a certified heritage structure for which a certified rehabilitation has
18 been completed is sold or transferred, the amount of any credit unused at the time of
19 sale or transfer may be transferred to the individual or business entity to which the
20 building is sold or transferred.

21 ~~(E) (1) (I) IN THIS SUBSECTION THE FOLLOWING WORDS HAVE THE~~
22 ~~MEANINGS INDICATED:~~

23 ~~(H) "HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE"~~
24 ~~MEANS A CERTIFICATE ISSUED UNDER THIS SUBSECTION BY THE DIRECTOR TO A~~
25 ~~BUSINESS ENTITY OR AN INDIVIDUAL THAT ELECTS TO RECEIVE THE CERTIFICATE~~
26 ~~IN LIEU OF THE CREDIT ALLOWED UNDER THIS SECTION.~~

27 ~~(HH) "QUALIFIED PURCHASED HERITAGE STRUCTURE" MEANS A~~
28 ~~CERTIFIED HERITAGE STRUCTURE:~~

29 ~~1. FOR WHICH A CERTIFIED REHABILITATION HAS BEEN~~
30 ~~COMPLETED AND AS TO WHICH UNUSED CREDIT COULD BE TRANSFERRED TO THE~~
31 ~~PURCHASER UNDER SUBSECTION (D) OF THIS SECTION;~~

32 ~~2. AS TO WHICH THE PURCHASER IS THE FIRST PURCHASER~~
33 ~~OF THE CERTIFIED HERITAGE STRUCTURE AFTER THE COMPLETION OF THE~~
34 ~~CERTIFIED REHABILITATION;~~

35 ~~3. THAT WAS PURCHASED WITHIN 5 YEARS AFTER THE~~
36 ~~COMPLETION OF THE CERTIFIED REHABILITATION; AND~~

1 ~~(6) (f) A LENDING INSTITUTION MAY CLAIM A TAX CREDIT UNDER~~
2 ~~THIS SECTION IN AN AMOUNT EQUAL TO THE FACE AMOUNT SPECIFIED IN A~~
3 ~~HISTORIC REHABILITATION MORTGAGE CREDIT CERTIFICATE.~~

4 ~~(H) IF THE CREDIT ALLOWED UNDER THIS SUBSECTION IN ANY~~
5 ~~TAXABLE YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE LENDING~~
6 ~~INSTITUTION FOR THAT TAXABLE YEAR, THE LENDING INSTITUTION MAY APPLY THE~~
7 ~~EXCESS AS A CREDIT FOR SUCCEEDING YEARS UNTIL THE EARLIER OF:~~

8 ~~1. THE FULL AMOUNT OF THE EXCESS IS USED; OR~~

9 ~~2. THE EXPIRATION OF THE TENTH TAXABLE YEAR AFTER~~
10 ~~THE TAXABLE YEAR IN WHICH THE HISTORIC REHABILITATION MORTGAGE CREDIT~~
11 ~~CERTIFICATE IS ISSUED.~~

12 ~~(7) IF THE AMOUNT OF THE DISCOUNT RETAINED BY A LENDING~~
13 ~~INSTITUTION EXCEEDS THE AMOUNT BY WHICH THE LENDING INSTITUTION'S~~
14 ~~FEDERAL INCOME TAX IS INCREASED AS A RESULT OF ITS USE OF THE HISTORIC~~
15 ~~REHABILITATION MORTGAGE CREDIT CERTIFICATE TO OFFSET STATE TAXES UNDER~~
16 ~~THIS SUBSECTION, THE LENDING INSTITUTION SHALL REFUND THE EXCESS TO THE~~
17 ~~BUSINESS ENTITY OR INDIVIDUAL WITH INTEREST AT A RATE PRESCRIBED BY THE~~
18 ~~DIRECTOR.~~

19 ~~(8) NOTWITHSTANDING ANY PROVISION IN THIS SUBSECTION, A~~
20 ~~LENDING INSTITUTION IS NOT REQUIRED TO ACCEPT A HISTORIC REHABILITATION~~
21 ~~MORTGAGE CREDIT CERTIFICATE FROM ANY BUSINESS ENTITY OR INDIVIDUAL.~~

22 ~~{(e)} (F) The Director and the Maryland Heritage Areas Authority may adopt~~
23 ~~regulations to establish procedures and standards for certifying heritage structures~~
24 ~~and rehabilitations under this section AND FOR ISSUANCE AND USE OF HISTORIC~~
25 ~~REHABILITATION MORTGAGE CREDIT CERTIFICATES UNDER SUBSECTION (E) OF~~
26 ~~THIS SECTION.~~

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
28 July 1, 1998 and shall be applicable to all taxable years beginning after December 31,
29 1998.