HB 888

Department of Legislative Services

Maryland General Assembly
2001 Session

FISCAL NOTE

House Bill 888 (Delegate Shriver, *et al.*)
Ways and Means

Qualified Maryland Housing Tax Credit

This bill allows an individual or corporation a credit against the State income tax or the insurance premium tax for a qualified Maryland housing project, and provides for the allocation of the aggregate available credit among qualified Maryland housing projects by the Secretary of Housing and Community Development. The bill limits the aggregate credit that may be authorized for any calendar year to that of the federal low-income housing credit that is based on Maryland's population. Any unallocated or unused portion of the aggregate credit may be carried forward or backward to other taxable years. The Department of Housing and Community Development (DHCD) is authorized to adopt regulations to carry out the provisions of the bill.

The bill takes effect October 1, 2000, and applies to all taxable years beginning after December 31, 2000.

Fiscal Summary

State Effect: Total annual revenue loss of at least $9.2 million beginning in FY 2003. Future year losses are based upon population projections and inflation. The distribution of the loss between the general fund and the Transportation Trust Fund (TTF) depends upon the number of claims against the corporate income tax and the number of claims against the personal income tax. A portion of the loss to the TTF will be passed through to local jurisdictions.

(in dollars)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
GF/SF Rev.	($9,210,900)	($9,568,800)	$9,933,000	($10,303,500)	($10,680,300)
Expenditure	$0	$0	$0	$0	$0
Net Effect	($9,210,900)	($9,568,800)	$9,933,000	($10,303,500)	($10,680,300)

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

Local Effect: To the extent that credits are taken by corporations, local revenues would decline as a portion of the corporate income tax is distributed to the TTF, from which a distribution to local governments is made.

Small Business Effect: Potential meaningful. Small businesses claiming the credit would reduce their State income tax liability. In addition, if the credit increases the construction of low-income housing, then small construction or related businesses could realize increased business.

Analysis

Current Law: No State income tax credit of this type exists. However, there is a federal low-income housing tax credit available for low-income housing units in qualified low-income buildings in qualified low-income housing projects. A project must continue to meet the requirements for 15 years or the credit is subject to recapture.

The federal Consolidated Appropriations Act of 2001 increased the low-income housing cap under the federal Low-Income Housing Tax Credit program from $1.25 to $1.50 per capita in calendar 2001 and to $1.75 in calendar 2002. Beginning in calendar 2003, the cap will be adjusted for inflation.

State Fiscal Effect: The aggregate amount of credit under the bill for a given tax year is equal to the state housing credit ceiling applicable to the state for the calendar year under the Internal Revenue Code (IRC). Under the IRC, the state housing credit ceiling is based upon state population. This amount can be increased by any unused credit from the year before.

The following table illustrates Maryland population estimates provided by the Maryland Department of Planning, the per capita credit amount, and the resulting maximum aggregate credit for tax years 2002 through 2006, assuming that no amount is carried forward or recaptured.

Year	Maryland Population	Federal Per-Capita Credit Amount[1]	Maximum Aggregate Credit
2002	5,263,383	$1.75	$9,210,920
2003	5,316,017	$1.80	$9,568,830
2004	5,369,177	$1.85	$9,932,977
2005	5,422,869	$1.90	$10,303,451
2006	5,477,097	$1.95	$10,680,340

[1]Assumes a 2.5% adjustment for inflation and a 1% increase in population.

As a result, revenues would decrease by up to $9.2 million in fiscal 2003 and by up to $10.7 million in fiscal 2007.

Credits taken on personal income tax returns will reduce general fund revenues in the amount of the credits. Because 75% of all corporate income tax revenues are distributed to the general fund and 25% are distributed to the TTF, credits taken on corporate income tax returns will reduce general fund revenues by 75% of the amount of the credits taken, and TTF revenues will be reduced by 25% of the credits taken. In addition, 30% of the 25% of revenue distributed to the TTF is distributed to local governments. Credits taken against the insurance premiums tax will reduce general fund revenues. At this time, the number of credits expected to be claimed on personal or corporate income tax returns cannot be reliably estimated.

Local Fiscal Effect: Local government revenues would decline as a result of corporate taxpayers claiming the credits proposed in the bill. As mentioned above, 75% of corporate tax revenues are distributed to the general fund, and 25% are distributed to the TTF. Of the 25% distributed to the TTF, approximately 30% are distributed to local jurisdictions.

Additional Information

Prior Introductions: A similar bill was introduced as HB 1014 in the 2000 session. It received an unfavorable report by the House Ways and Means Committee.

Cross File: None.

Information Source(s): Office of the Comptroller (Bureau of Revenue Estimates), Department of Housing and Community Development, Department of Legislative Services

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