

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 804
Ways and Means

(Delegate Cardin, *et al.*)

Budget and Taxation

Property Tax Credit - High Performance Buildings

This bill authorizes a county or municipal corporation to provide, by law, a property tax credit against the local property tax for specified high performance buildings. The county or municipal corporation may provide for the amount of the credit, the duration of the credit, the criteria and qualifications necessary to receive the credit, and any other necessary provisions.

The bill takes effect June 1, 2004 and applies to all taxable years beginning after June 30, 2004.

Fiscal Summary

State Effect: None.

Local Effect: Potential reduction in local property tax revenues. The amount of any reduction would vary by jurisdiction and depends on the number of high performance buildings located in a jurisdiction and the amount of any credit authorized.

Small Business Effect: Potential meaningful. To the extent that a small business builds a high performance building in a county that provides a local property tax credit, the small business would realize a reduction in property tax liability.

Analysis

Bill Summary: A high performance building is defined as a building that: (1) achieves at least a silver rating according to the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) Green Building Rating System as adopted by

the Maryland Green Building Council; (2) achieves at least a comparable rating according to any other appropriate rating system; or (3) meets comparable green building guidelines or standards approved by the State.

The bill also provides that under LEED credit MR7 or a similar criterion in a comparable rating system, credit may be awarded for the use of wood-based materials derived from all credible sources, including the sustainable forestry initiative program, the Canadian Standards Association, the American Tree Farm System, and other credible certified sources programs.

Current Law: Counties and municipal corporations are not authorized to grant a property tax credit for specified high performance buildings.

Chapter 621 of 2001 provides for several income tax credits for specified construction or rehabilitation costs of green buildings and green tenant space.

Background: The LEED Green Building Rating System is a voluntary, consensus-based national standard for developing high-performance, sustainable buildings. Members of the U.S. Green Building Council representing all segments of the building industry developed LEED and continue to contribute to its evolution. LEED standards are currently available for: new construction and major renovation projects; existing building operations; commercial interiors projects; and core and shell projects.

The Maryland Energy Administration (MEA) advises that there are about five existing high performance buildings in the State, including the Chesapeake Bay Foundation Headquarters located in Anne Arundel County and the Montgomery Park Complex in Baltimore City. The Maryland Department of Transportation's new headquarters will be a high performance building as well.

Local Fiscal Effect: Any reduction in local government revenues would vary by jurisdiction and depends on the number of high performance buildings located in a jurisdiction and the amount of any authorized credit.

MEA indicates that five or six high performance buildings are expected to be constructed in the next couple of years.

The extent of the revenue loss would also depend on the ownership of the building. Privately-owned buildings would be subject to property tax, while buildings owned by qualified nonprofit organizations or units of government are exempt from the property tax.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): State Department of Assessments and Taxation, Maryland Energy Administration, Somerset County, Montgomery County, Prince George's County, Charles County, Baltimore County, Frederick County, U. S. Green Buildings Council, Department of Legislative Services

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