HB 679

Department of Legislative Services

Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 679 (Delegate Hixson, *et al.*)

Ways and Means Budget and Taxation

Maryland Heritage Structure Rehabilitation Tax Credit Program

This bill reestablishes the Maryland Heritage Structure Rehabilitation Tax Credit and creates a competitive process, with an aggregate limit, for the awarding of commercial credits.

The bill takes effect June 1, 2004 and terminates July 1, 2008.

Fiscal Summary

State Effect: General fund expenditure increase of $20 million in FY 2006 and $30 million annually in FY 2007 and FY 2008 due to appropriations to the reserve fund to offset losses to the general fund resulting from commercial tax credits. General fund revenue increase and Transportation Trust Fund (TTF) decrease of approximately $1.6 million in FY 2006, and $2.4 million annually in FY 2007 and FY 2008 due to money being transferred back to the general fund for tax credits claimed against the corporate tax income. General fund and TTF revenue decrease of approximately $7.2 million in FY 2005, $2.6 million in FY 2006 and $200,000 in FY 2007 due to increasing the aggregate commercial cap in tax year 2004. General fund revenue decrease of approximately $190,500 in FY 2005, $6.8 million in FY 2006, $8.9 million in FY 2007, and $10.8 million in FY 2008 due to credits earned for residential rehabilitations. For a breakdown of these effects, see **Exhibit 6**.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
GF Revenue	($6,820,500)	($7,558,600)	($6,738,500)	($8,452,600)	$0
SF Revenue	(570,000)	(1,794,000)	(2,396,000)	(2,376,000)	0
GF Expenditure	178,000	20,182,400	30,192,900	30,204,100	0
Net Effect	($7,568,500)	($29,535,000)	($39,327,400)	($41,032,700)	$0

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

Local Effect: Local revenues would decline as a result of tax credits being claimed against the corporate income tax. Local revenues would decline by approximately $41,000 in FY 2005, $129,000 in FY 2006, and $172,000 in each of FY 2007 and FY 2008.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Commercial Credit Application Process

The bill increases the existing total commercial credit cap for the existing tax credit in year 2004 to $25 million, of which $10 million must be awarded on a competitive basis by the Maryland Historical Trust (MHT). In order to qualify for a tax credit for tax year 2004, a commercial rehabilitation project must have received approval from MHT of its proposed rehabilitation plan by June 30, 2004. The bill creates a reserve fund that is to receive at least $20 million in fiscal 2006 and $30 million in each of fiscal 2007 and 2008 for commercial credits. The amount of commercial credits approved in each fiscal year cannot exceed the amount of money budgeted to the reserve fund for that fiscal year. There is no aggregate cap or reserve fund for residential tax credits.

The value of the credit is equal to 20% of the qualified rehabilitation expenditures expended in the rehabilitation of a certified historic structure. The maximum amount of credits earned for an individual rehabilitation project cannot exceed (1) $50,000 for noncommercial projects; and (2) the lesser of $3 million or the maximum amount stated on an initial credit certificate for commercial projects.

Taxpayers seeking the tax credit in each year for the rehabilitation of a commercial property beginning after June 1, 2005 must submit an application to MHT between January 1 and March 31. MHT will award an initial credit certificate to each approved commercial rehabilitation plan based on the amount of estimated rehabilitation expenditures.

The bill creates a certified heritage structure rehabilitation tax credit reserve fund. The total amount of initial credit certificates issued by MHT in each fiscal year cannot exceed the amount appropriated to the reserve fund in the State budget. The bill requires the Governor to appropriate to the reserve fund at least $20 million in fiscal 2006, and $30 million annually in fiscal 2007 and 2008. The Governor may not reduce an appropriation to the reserve fund that is approved by the General Assembly. For each fiscal year, if funds are transferred from the reserve fund as a result of any law, the amount of total credits that can be approved by MHT is reduced by the amount of money transferred.

A maximum of 50% of the total initial credit certificates issued in a fiscal year can be allocated for projects located in one county or Baltimore City. At least 10% of the total initial credit certificates issued are required to be allocated to commercial rehabilitations proposed by nonprofit organizations.

Within 15 days of each calendar quarter, MHT is required to notify the Comptroller the total number of commercial rehabilitations that were certified as being completed during the quarter and the total amounts of the maximum credit amount stated in the initial credit certificates and the total amounts of final certified credit amount for these completed projects. Upon this notification from MHT, the Comptroller is required to transfer from the reserve fund to the general fund the total amounts stated in initial credit certificates for each rehabilitation project completed during that quarter.

Initial credit certificates expire and the credit may not be claimed if a commercial rehabilitation is not completed by the end of the fiscal year following the fiscal year in which the certificate was issued. MHT may postpone the expiration date of a certificate indefinitely for "reasonable cause." By October 1 of each year, MHT must notify the Comptroller the maximum amounts stated on the initial credit certificate for each commercial rehabilitation project for which the certificate has expired as of the prior fiscal year. Upon this notification, the Comptroller is required to transfer from the reserve fund to the general fund the amount of expired initial certificate credit amounts.

The qualified rehabilitation expenditures expended in the rehabilitation of a certified historic structure qualify for the tax credit provided by the bill. Certified historic structures must meet one of the following requirements: (1) is listed on the national register of historic places; (2) is designated as a historic property under local law and determined by MHT to be eligible for listing on the national register of historic places; (3) is located in a historic district listed on the national register of historic places or in a local historic district that MHT determines is eligible for listing on the national historic register of historic places and is certified by MHT as contributing to the significance of the district; or (4) is located in a certified heritage area and is certified by Maryland Heritage Areas Authority as contributing to the significance of the certified heritage area. Structures owned by a unit of federal, State, or local government are not eligible for the tax credit.

MHT must adopt regulations to establish (1) the procedures and standards for certifying heritage structures and rehabilitations; and (2) a competitive award process for the award of initial credit certificates for heritage structure rehabilitation tax credits. The competitive process must ensure that credits are awarded in a manner that reflects the geographic diversity of the State and favors the award of tax credits: (1) that are consistent with current State development and growth programs; and (2) for the rehabilitation of structures that meet one of the following requirements: (1) are either listed on the national register of historic places or designated as historic property under local law and determined by MHT to be eligible for listing in the national register of historic places; or (2) is a building with historic significance that is located in a historic district listed in the national registry of historic places. Rehabilitation expenditures may not be certified unless the entity seeking the tax credit states under oath the amount of qualified rehabilitation expenditures. By December 15 of each fiscal year, MHT is required to report to the Governor and the General Assembly information about the credit including: (1) the amount of initial credit certificates awarded in the fiscal year; (2) the tax credits awarded for rehabilitations completed in the prior fiscal year; and (3) certain information about the rehabilitations for which credits were claimed.

A qualified expenditure is an amount that is expended by the end of the calendar year in which the rehabilitation is certified as being completed and in compliance with a plan of proposed expenditures that has been approved by the Director of the Maryland Historic Trust and is not funded, financed, or otherwise reimbursed by any:

- State or local grant;
- grant made from proceeds of tax-exempt bonds issued by the State, a political subdivision of the State, or an instrumentality of the State or of a political subdivision of the State;
- State or local tax credit other than the Heritage Rehabilitation Tax Credit;
- other financial assistance from the State or a political subdivision except for a loan that must be repaid at an interest rate that is greater than the interest rate on general obligation bonds issued by the State at the most recent bond sale prior to the time the loan is made; or
- any other State tax credit.

The bill defines a commercial rehabilitation as the rehabilitation of a structure other than a single-family, owner-occupied residence. Business entities, individuals, and tax-exempt organizations are eligible to claim the credit. Commercial applications cannot be accepted if: (1) any part of the proposed rehabilitation work has begun; or (2) the applicant has previously submitted three or more applications in that year and the proposed commercial rehabilitations exceed $500,000. In order to qualify, within a two-year period the rehabilitation expenditures must exceed: (1) $5,000 for owner-occupied residential property; or (2) the greater of $5,000 or the adjusted basis of the structure for commercial property. The following rehabilitations qualify as a single commercial rehabilitation: (1) the phased rehabilitation of the same structure; (2) the separate rehabilitation of different components of the same structure; or (3) the rehabilitation of multiple structures that are functionally related.

The tax credit can be recaptured by the State if the rehabilitator performs disqualifying work within four years of the close of the tax year when the grant was approved. The State can recapture: (1) 100% in the same year; (2) 80% one year after; (3) 60% two years after; (4) 40% three years after; and (5) 20% four years after.

The bill authorizes the Comptroller's Office to examine and audit returns claiming the tax credit to verify: (1) the amount of rehabilitation expenditures; (2) whether the rehabilitations qualify; and (3) whether the credit is allowable as claimed. The Comptroller may adopt regulations to require that taxpayers other than corporations claim the credit on the tax return filed by the entity or individual.

Current Law: The tax credit program terminates June 1, 2004. Under the current program a person may claim a tax credit in an amount equal to 20% of the taxpayer's qualified rehabilitation expenditures for the rehabilitation of a certified heritage structure, for the taxable year in which a certified rehabilitation is completed. A certified heritage structure is defined as a structure that is either listed on the National Register of Historic Places, designated as a historic property under local law, or a nonhistoric building that is located in a historic district or a State certified heritage area and is certified to be "contributing" to the district or area.

Background:

Evolution of the Heritage Tax Credit

Chapter 601 of 1996 established the Heritage Structure Rehabilitation Tax Credit. The credit replaced an existing subtraction modification for rehabilitating historic structures. The credit has been altered several times since it was established.

Chapter 160 of 2001 expanded the program by providing that any excess amounts of the existing credit in a taxable year that exceed an individual's or a business entity's tax liability may be claimed in refund. Chapter 160 added nonprofit entities to the definition of business entity for the purposes of the credit and also allows the credit to be taken by partners and shareholders of a business entity in any manner that is agreed.

Chapter 160 also provided for the recapture of credits claimed within four years after the credit is claimed if work is performed on a certified heritage structure that, if performed as a part of the historic rehabilitation, would have made the rehabilitation ineligible for the credit. However, if the entity who performed the rehabilitation and claimed the credit sells the building, the credit may not be captured if the new owner(s) perform work that would have made the rehabilitation ineligible for the credit.

Chapter 541 of 2002 limited the program by reducing the credit percentage from 25% to 20% of qualified expenditures and providing that a State tax credit under the program may not exceed $3 million for any single commercial project. Commercial rehabilitation is defined as a rehabilitation of a structure other than a single-family, owner-occupied residence. No single-project limit applies to noncommercial projects.

A qualified expenditure is an amount that is expended in compliance with a plan of proposed expenditures that has been approved by the Director of the Maryland Historic Trust and is not funded, financed, or otherwise reimbursed by certain State or local funds.

Chapter 541 also stated that it is the intent of the General Assembly that heritage tax credits for commercial rehabilitations not exceed $50 million annually and required the Department of Legislative Services (DLS) to monitor approval of commercial rehabilitations eligible for the credit. If the approval of commercial rehabilitations under the credit in a calendar year would result in more than $50 million in tax credits, DLS is required to notify the General Assembly and prepare legislation to implement a $50 million overall cap. Lastly, Chapter 541 provided that the program would sunset effective June 1, 2004.

Chapter 203 of 2003 limited the amount of proposed credits that could be approved from February 1, 2003 until the end of that calendar year by commercial properties to $23 million and $15 million in calendar 2004.

Application and Certification Processes

Applying for the Maryland Heritage Structure Rehabilitation Tax Credit is a three-part process that is administered by the Maryland Historic Trust within the Department of Housing and Community Development (DHCD). Part 1 approval is required only for structures that are not designated historic properties that are requesting certification as "contributing" to the historic district or State certified heritage area. All proposed rehabilitations must apply for Part 2 approval, which requires that the plans for the proposed rehabilitation be submitted and found to be consistent with the standards for certified heritage structure rehabilitation. After the rehabilitation is completed, Part 3 approval is granted upon determination by the Director of the Maryland Historic Trust that the rehabilitation has met the standards for a certified heritage structure rehabilitation.

Additional Federal and Local Tax Incentives

Federal law allows a taxpayer to claim a credit for qualified rehabilitation expenditures made for qualified rehabilitated buildings. For certified historic structures, the credit is equal to 20% of qualified rehabilitation expenditures. This credit is available for residential buildings, which meet specified criteria, and nonresidential buildings that are listed in the *National Register* or that are located in a registered historic district and certified as being of historic significance to the district. For qualified buildings that are not certified historic structures, the federal credit is equal to 10% of qualified rehabilitation expenses.

In addition to federal and State tax credits, rehabilitated properties often qualify for local property tax incentives. Baltimore County and the City of Frederick institute a tax assessment freeze, whereby any increased assessed value due to rehabilitation is not taxed for up to 10 years. In addition to several municipalities, Baltimore City, Calvert, Frederick, Montgomery, Prince George's, and Washington counties offer a local property tax credit based on a percentage of the increased assessed value due to the rehabilitation work performed. Howard County and the cities of Cumberland and Mount Rainier offer both a tax assessment freeze and property tax credit.

Exhibit 1 lists the total tax benefits that would be received by the hypothetical rehabilitation of a commercial property in Baltimore City in tax year 2003. This analysis assumes that the building is a certified historic structure and the increase in assessment reflects 100% of the rehabilitation costs.

Exhibit 1
Hypothetical Rehabilitation Project in Baltimore City
Total Tax Benefits Received

Rehabilitation Expenditures	$1,000,000
Federal Tax Credit	200,000
State Tax Credit	200,000
Local Property Tax Credit (Realized over 10 Years)	232,800
Total Tax Benefits	**$632,800**

Estimated Eligible Properties

Exhibit 2 lists the estimated number of properties eligible for the tax credit as of 2003. Baltimore City has the most eligible historic properties, approximately 54% of the State's total. This estimate is based on the number of eligible properties identified by DHCD in 1995 and projected forward by Lipman, Frizzell, and Mitchell, LLC under contract to DHCD.

Exhibit 2
Estimated Eligible Historic Properties By County (2003)

	Properties	Percent Total
Baltimore City	34,787	54.3%
Prince George's	4,069	6.4%
Frederick	3,437	5.4%
Washington	3,248	5.1%
Montgomery	2,856	4.5%
Carroll	2,702	4.2%
Baltimore County	2,353	3.7%
Harford	1,630	2.5%
Talbot	1,559	2.4%
Other	7,431	11.6%
Total	**64,072**	**100%**

Source: Department of Housing and Community Development (Maryland Historical Trust)

Credits Claimed to Date

As mentioned previously, the credit can be claimed for commercial and residential rehabilitation projects. Commercial credits comprise the vast majority of the total credits that have been approved and claimed. According to DHCD, from 1997 through 2003 approximately $131.8 million in tax credits were approved. A total of approximately $116.5 million (88% of total) credits were approved for commercial projects and approximately $15.3 million was approved for noncommercial projects. **Exhibit 3** lists the estimated rehabilitation expenditures for residential properties from 1997 through 2002. Detailed data for the amount of credits approved are not available for residential projects. The percent of residential expenditures for each county roughly reflects the percent of total credits claimed.

Exhibit 3
Total Residential Rehabilitation Costs
Qualifying for Tax Credit, by County
1997-2002

County	Rehabilitation Costs	Percent Total
Baltimore City	$32,357,920	40.5%
Baltimore County	11,923,880	14.9%
Montgomery	9,269,088	11.6%
Anne Arundel	5,439,416	6.8%
Kent	4,652,301	5.8%
Frederick	3,340,603	4.2%
Washington	2,968,064	3.7%
Prince George's	2,416,846	3.0%
Talbot	2,338,506	2.9%
Other	5,184,527	6.5%
Total	**$79,891,156**	**100%**

Source: Governor's Task Force on Maryland Heritage Structure Rehabilitation Tax Credit Program

Exhibit 4 lists the estimated amount of commercial credits earned by location. Baltimore City has the highest estimated amount of commercial rehabilitation tax credits approved, approximately $105.4 million or 92% of the total amount approved.

Anticipated Tax Claim Schedule under Current Law

Initially the revenue impact to the State from the tax credit was limited. This impact has changed in the past three years as the number of taxpayers who have completed projects and earned credits has increased. The "pipeline" of projects for which plans of rehabilitation have been approved and rehabilitation is underway has grown dramatically. As a result of these lags, the amount of credits that have been earned but not yet claimed has grown dramatically. **Exhibit 5** lists the anticipated credit claim schedule for tax credits approved under current law as estimated by the Board of Revenue Estimates. Through September 2003 approximately $120 million in credits have been earned or are in the pipeline and have yet to be claimed. This schedule assumes that, under current law, the amount of tax credits claimed in calendar 2004 will be $15.0 million for commercial projects and $6.0 million for residential projects. The estimates are based on the following assumptions: (1) $23.9 million in earned but unclaimed credit will be claimed in fiscal 2004; (2) 90% of credits earned in a calendar year are claimed in the fiscal year that begins in July of that year and 10% the following fiscal year; (3) all projects that began before 2003 will be completed in 2003; and (4) two-thirds of all projects will be completed on time and one-third the following calendar year.

Exhibit 4
Estimated Commercial Credits Approved
As of September 2003

County	Credits	Percent Total
Baltimore City	$105,407,754	92.4%
Frederick	4,402,166	3.9%
Allegany	1,399,814	1.2%
Talbot	563,840	0.5%
Baltimore County	496,272	0.4%
Anne Arundel	400,383	0.4%
Howard	323,864	0.3%
Montgomery	223,968	0.2%
Kent	189,814	0.2%
Washington	143,578	0.1%
Carroll	139,243	0.1%
Queen Anne's	130,032	0.1%
Harford	100,000	0.09%
Wicomico	88,348	0.08%
St. Mary's	32,703	0.03%
Cecil	22,520	0.02%
Total	**$114,064,299**	**100%**

Source: Department of Legislative Services, Department of Housing and Community Development (Maryland Historical Trust)

Exhibit 5
Anticipated Credit Claim Schedule
Under Current Law

Credits to be earned and pipeline credits	$119,950,812
Credits claimed to date	105,248,875
Total Credits	$225,199,687

Fiscal Year	Amount
2004	$52,909,236
2005	32,715,955
2006	15,455,817
2007	11,343,137
2008	4,185,000
2009	2,141,667
2010	1,100,000
2011	100,000

Source: Board of Revenue Estimates

State Fiscal Effect: The bill increases the amount of commercial credits available in tax year 2004, provides that the reserve fund will receive $20 million in fiscal 2006 and $30 million annually in fiscal 2007 and 2008, and provides for residential credits beginning on June 1, 2004. As a result, the net effect would be a decrease of approximately $7.6 million in fiscal 2005, $29.5 million in fiscal 2006, $39.3 million in fiscal 2007, and $41.0 million in fiscal 2008 as detailed in Exhibit 6.

Exhibit 6
Net Effect, HB 679

	FY 2005*	FY 2006	FY 2007	FY 2008	FY 2009
Expenditure Effects:					
General Fund Expenditure					
Reserve Fund Appropriation	$0	$20,000,000	$30,000,000	$ 30,000,000	$0
DHCD Admin expenses	$177,957	$182,431	$192,908	$204,117	$0
Total	$177,957	$20,182,431	$30,192,908	$30,204,117	$0
Revenue Effects:					
Special Fund Revenue: (TTF)					
Com. Credits Claimed in FY 2006 & Beyond	$0	(1,584,000)	(2,376,000)	(2,376,000)	$0
2004 Commercial Cap Increase	(570,000)	(210,000)	(20,000)	$0	$0
Total SF Revenue Loss	(570,000)	(1,794,000)	(2,396,000)	(2,376,000)	$0
General Fund Revenue:					
Reserve Fund Transfers	0	1,584,000	2,376,000	2,376,000	$0
Residential Credits Claimed	(190,531)	(6,752,631)	(8,934,481)	(10,828,591)	$0
2004 Commercial Cap Increase	(6,630,000)	(2,390,000)	(180,000)	$0	
Net General Fund Revenue	(6,820,531)	(7,558,631)	(6,738,481)	(8,452,591)	$0
NET EFFECT	($7,568,488)	($29,535,062)	($39,327,389)	($41,032,708)	$0

* Board of Revenue Estimates fiscal 2005 estimate already reflects $6 million for residential projects and $15 million for commercial projects.

Increasing the Aggregate Cap in 2004

The bill provides an additional $10 million in tax credits for commercial rehabilitation projects. **Exhibit 7** shows the revenue impact from this increase.

Exhibit 7
Revenue Decrease from Increasing 2004 Commercial Cap

	FY 2005	**FY 2006**	**FY 2007**	**FY 2808**	**FY 2009**
General Fund	$6,630,000	$2,390,000	$180,000	$0	$0
TTF	570,000	210,000	20,000	0	0
Total	**$7,200,000**	**$2,600,000**	**$200,000**	**$0**	**$0**

The estimated revenue loss due to commercial rehabilitation projects earning an additional $10 million in tax credits in tax year 2004 is based on the following facts and assumptions:

- 80% of projects will be completed on time;
- 90% of credits earned in a calendar year are claimed in the fiscal year that begins in July of that year and 10% of the credits are claimed in the following year; and
- one-third of commercial credits are claimed against the corporate income tax.

Residential Rehabilitation Credits

There is no limitation on the amount of credits that can be earned in a year by noncommercial projects. The bill does provide for a $50,000 limitation on the maximum amount of credits that can be earned by a single noncommercial project. Exhibit 6 lists the general fund losses resulting from tax credits being claimed from the rehabilitation of residential properties.

The estimates for the residential credits are based on the following assumptions and facts:

- the number of noncommercial projects will increase 20% annually;

- according to MHT the average residential rehabilitation expenditure was $99,491 from 1997 through 2002;
- it is estimated the cost of rehabilitation will increase by 1% annually due to inflation;
- based on data from 1997-2002 detailing the distribution of individual residential rehabilitation expenditures, the total noncommercial rehabilitation costs decrease by 15% in each year as compared to the average amount from 1997 through 2002 to reflect the $50,000 per project cap;
- credits as a result of noncommercial projects will be claimed against the personal income tax;
- the Board of Revenue Estimates already estimates that $6 million in noncommercial credits will be earned in 2004 under current law; and
- 90% of credits earned in a calendar year are claimed in the fiscal year that begins in July of that year and 10% of the credits are claimed in the following year.

Over the lifetime of the program, the number of noncommercial projects and credits claimed has increased by a rate in excess of 20% annually. To the extent that this trend will continue general fund revenue decreases will be greater. In addition, the number of properties in Maryland listed on the National Register of Historic Places has increased dramatically from 2001 through 2003, increasing the potential eligible pool of noncommercial properties.

Revenue Effects from Reserve Fund Transfers

The bill requires the Comptroller to transfer money from the reserve fund to the general fund an amount that is anticipated to offset commercial credits that will be claimed during the fiscal year. Based on historical data on the existing tax credit, it is estimated that one-third of credits earned from the rehabilitation of commercial properties will be claimed against the corporate income tax. Twenty-four percent of corporate income tax revenue is distributed to the TTF. All of the money transferred from the reserve fund by the Comptroller in anticipation of credits being claimed is to be deposited in the general fund and losses to the TTF will not be offset. As a result, it is estimated that general fund revenue will increase and TTF revenues will decrease by approximately $1.6 million in fiscal 2006, and $2.4 million annually in fiscal 2007 and fiscal 2008 due to money being transferred back to the general fund for tax credits claimed against the corporate tax income.

It is assumed that the amount of credit claimed in each tax year will be equal to the amount stated in the initial credit certificate so that credits claimed in each tax year will be offset by a transfer from the reserve fund. The final amount of the credit, however, could be less than the amount stated on the initial credit certificate if actual rehabilitation expenses are less than the estimated expenditures stated on the approved application. To the extent final credit amounts for commercial projects are less than the amount stated on the initial credit certificate, revenues could increase in these fiscal years.

It is also assumed that taxpayers claim the credit in the tax year that corresponds to the fiscal year in which the Comptroller transfers funds to the general fund on notification of a commercial project's completion. To the extent that taxpayers claim the credit in a tax year after the fiscal year in which the transfer is made, general fund revenues could increase in earlier fiscal years and potentially decrease by a corresponding amount in later fiscal years. The extent of this lag, if any, cannot be reliably estimated at this time. This timing issue, however, does not alter the total cost of the bill.

Credit Reserve Fund

Assuming that the reserve fund appropriations specified in the bill are approved in the State budget in each fiscal year and money is not transferred from the reserve fund as a result of any law, general fund expenditures will increase by $20 million in fiscal 2006, $30 million in fiscal 2007, and $30 million in fiscal 2008. The money transferred to the reserve fund is transferred back to the general fund on a quarterly basis based on the projects that are certified as being completed in that calendar quarter and will act to offset general fund revenue losses resulting from credit being claimed resulting from these completed projects.

Administrative Expenses

Expenditures at MHT would increase by approximately $178,000 in fiscal 2005 as a result of administrative expenses. This estimate reflects the employment of three individuals to handle the application and certification processes specified in the bill. Future year expenditures reflect: (1) a full salary with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Additional Information

Prior Introductions: None.

Cross File: SB 246 (Senator Currie, *et al.*) – Budget and Taxation.

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