

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1204
Ways and Means

(Delegates Rosenberg and Bobo)

Budget and Taxation

Neighborhood and Community Assistance Program - Approved Projects -
Contributions and Tax Credits

This bill expands the existing Neighborhood and Community Assistance Tax Credit Program. The bill: (1) expands eligibility for the tax credit to include real property contributions to qualifying projects; (2) authorizes individuals and trusts to claim the credit; and (3) increases the maximum value of the credit from \$125,000 to \$250,000.

Fiscal Summary

State Effect: Expanding the eligibility of the credit and increasing the maximum value of the credit would not increase revenue losses beyond that which is provided under current law. No effect on expenditures.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 636 of 1996 established the Neighborhood and Community Assistance Tax Credit Program. A business can claim tax credits for contributions in excess of \$500 to the Department of Housing and Community Development (DHCD) approved projects conducted by nonprofit organizations in a Priority Funding Area. The tax can be claimed against the personal, corporate, public service franchise, and insurance premiums taxes. The amount of the credit is equal to 50% of the contribution, not to exceed \$125,000 or the tax liability for that tax year. Any unused amount of credit can

be carried forward five tax years. An application for the tax credit must include the name of the approved project to which the business intends to contribute and certification of the value of any nonmonetary contribution. DHCD can approve a maximum of \$2 million in contributions in any fiscal year.

State Revenues: Although the bill expands eligibility for the tax credit and increases the maximum value of the credit, State revenues would not be affected. DHCD is authorized under current law to award \$1 million in tax credits in each fiscal year, but the bill does not change the aggregate amount of credits that can be awarded. DHCD advises that it typically awards the maximum amount of credits in each fiscal year. Since the inception of the program in fiscal 1997 through fiscal 2005, only \$90,646 of credits has not been awarded. Seventy-six thousand of this unallocated amount is from fiscal 2005 and could still be awarded.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Housing and Community Development, Department of Legislative Services

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