

Department of Legislative Services
Maryland General Assembly
2006 Session

FISCAL AND POLICY NOTE
Revised

House Bill 1235 (Chairman, Ways and Means Committee)
(By Request – Departmental – Housing and Community Development)

Ways and Means

Budget and Taxation

**Department of Housing and Community Development - Neighborhood and
Community Assistance Program - Community Investment Tax Credit**

This departmental bill alters the existing Neighborhood and Community Assistance Tax Credit Program by expanding eligibility for the tax credit to include real property contributions and increasing the maximum value of the credit from \$125,000 to \$250,000.

The bill applies to tax year 2007 and beyond.

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: The Department of Housing and Community Development has determined that the bill will have a meaningful impact on small business (attached). (The attached assessment does not reflect amendments to the bill.)

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 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.

Small Business Effect: The Department of Housing and Community Development has determined that the bill will have a meaningful impact on small business. (The attached assessment does not reflect amendments to the bill.) Legislative Services estimates that, as amended, HB 1235 would have a minimal impact on small business.

Additional Information

Prior Introductions: HB 1204 of 2005, a similar bill, received a favorable with amendments report from the House Ways and Means Committee and passed the House but received an unfavorable report from the Senate Budget and Taxation Committee.

Cross File: SB 1076 is listed as a cross file although it is not a departmental bill.

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

Fiscal Note History: First Reader - March 20, 2006
ncs/hlb Revised - House Third Reader - April 24, 2006

Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510