

Department of Legislative Services
Maryland General Assembly
2007 Session

FISCAL AND POLICY NOTE

House Bill 1334
Ways and Means

(Delegate Sossi, *et al.*)

Income Tax Credit - Visual Fire Alarm Systems

This bill creates a tax credit against the State income tax for the cost of installing a visual fire alarm system at qualifying multi-unit residential structures. The amount of the credit is equal to 50% of installation costs, not to exceed \$5,000. The amount of the credit may not exceed the tax liability imposed in the tax year, and any unused amount may not be carried forward.

The bill takes effect July 1, 2007 and applies to tax year 2007 and beyond.

Fiscal Summary

State Effect: Revenues could decrease by a potentially significant amount beginning in FY 2008 depending on the number of qualifying residential complexes that claim credits. General fund expenditures would increase by \$34,000 in FY 2008 due to one-time tax form and computer programming expenses at the Comptroller's Office.

Local Effect: Local highway user revenues would decrease to the extent credits are claimed against the corporate income tax. Expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Current Law: No similar State tax credit exists.

Background: Visual alarms are flashing lights used as fire alarm signals. There are two major categories of fire alarms:

- *self-contained units*, as exemplified by the single-station residential smoke detector unit, battery-operated, or hard-wired to building electrical power which produces an alarm signal at the fixture itself when activated by an integral sensing device; and
- *building-wide systems*, integrated, often zoned alarms whose local signals are remotely initiated, either automatically from detectors or manually from pull-stations spread throughout a facility.

The Americans with Disabilities Act Accessibility Guidelines (ADAAG) do not mandate an emergency alarm system in all situations; it requires that when emergency warning systems are provided, they include both audible and visual alarms that meet certain specifications. Visual alarms must be installed if emergency warning systems are provided in a new facility. In existing buildings, the upgrading or replacement of a fire alarm system also requires compliance. Visual alarms are required in every common use room or space in facilities equipped with an emergency alarm system. ADAAG only applies if the building is covered by the Americans with Disabilities Act.

Chapter 331 of 2005 established the Task Force to Study Visual Smoke and Evacuation Alarms for Deaf and Hard of Hearing. The task force's final report, issued September 30, 2006, expressed concern that emergency evacuation plans for apartments and condominiums in the State did not adequately provide for individuals with hearing impairment. The task force's 10 recommendations to improve safety include implementing a statewide education campaign, requiring all multi-family housing to have an evacuation plan for individuals with disabilities, and to provide grants or tax credits to encourage tenants and owners to install visual fire alarms.

State Revenues: According to the U.S. Census Bureau, there were 172,146 housing units with 20 or more units in the State in 2005. It is assumed that larger residential complexes would be most likely to claim the credit. Tax credits could be claimed beginning in tax year 2007. State revenues could decrease significantly beginning in fiscal 2008 as a result of credits being claimed as provided by the bill. The amount of the revenue loss would depend on how many qualifying residential complexes would claim the credit and cannot be reliably predicted at the time. **Exhibit 1** lists the State revenue losses associated with different percentages of qualifying residential complexes opting to claim the credit.

Exhibit 1
Potential Annual Revenue Loss
HB 1334

<u>Percent</u>	<u>Revenue Loss</u> <u>(\$ in Millions)</u>
1.0%	\$8.6
2.5%	21.5
5.0%	43.0
10.0%	86.1

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$34,000 in fiscal 2008 to add the credit to the personal income tax form. This amount includes data processing changes to the SMART income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Disabilities, Department of Legislative Services

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ncs/hlb

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