

Department of Legislative Services
 Maryland General Assembly
 2007 Session

FISCAL AND POLICY NOTE

House Bill 975 (Delegate Ross)
 Ways and Means

Income Tax - Community Assistance Program Tax Credit

This bill expands the existing Neighborhood and Community Assistance Tax Credit Program by increasing the amount of contributions that the Department of Housing and Community Development (DHCD) can approve in a fiscal year from \$2.0 million to \$2.5 million.

The bill takes effect July 1, 2007.

Fiscal Summary

State Effect: General fund revenues could decrease by \$71,400 in FY 2009 and by \$238,000 annually beginning in FY 2010 due to additional credits being awarded and claimed. Transportation Trust Fund (TTF) revenues could decrease by \$3,600 in FY 2009 and by \$12,000 annually beginning in FY 2010 due to credits being claimed against the corporate income tax. Expenditures would not be affected.

(in dollars)	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
GF Revenue	\$0	(\$71,400)	(\$238,000)	(\$238,000)	(\$238,000)
SF Revenue	0	(3,600)	(12,000)	(12,000)	(12,000)
Expenditure	\$0	\$0	\$0	\$0	\$0
Net Effect	\$0	(\$75,000)	(\$250,000)	(\$250,000)	(\$250,000)

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

Local Effect: Local highway user revenues would decrease by \$1,100 in FY 2009 and by \$3,600 annually beginning in FY 2010. Expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Current Law: DHCD can approve a maximum of \$2.0 million in contributions in any fiscal year, resulting in \$1.0 million in tax credits.

Background: Chapter 636 of 1996 established the Neighborhood and Community Assistance Tax Credit Program. A business can claim tax credits for 50% of the contributions in excess of \$500 made to DHCD approved projects conducted by nonprofit organizations in a Priority Funding Area. The tax credit can be claimed against the personal, corporate, public service franchise, and insurance premiums taxes. 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.

Chapter 447 of 2006 altered the tax credit by allowing donations of real property, in addition to goods and monetary contributions, to qualify for the tax credit and by increasing the maximum value of the credit from \$125,000 to \$250,000.

The tax credit is in addition to any federal deduction for charitable donations. This deduction typically results in lower federal and State income tax liabilities.

State Revenues: The bill increases the amount of tax credits that can be awarded by DHCD in each fiscal year from \$1.0 million to \$1.25 million, beginning with fiscal 2008. As a result, general fund revenues could decrease by approximately \$71,400 in fiscal 2009 and \$238,000 annually beginning in fiscal 2010. TTF revenues could decrease by \$3,600 in fiscal 2009 and by \$12,000 annually beginning in fiscal 2010. This estimate is based on the following facts and assumptions:

- the Comptroller's Office advises that of the credits awarded in tax year 2003, approximately 30% were claimed in fiscal 2004 and 70% were claimed in fiscal 2005;
- DHCD advises that the existing credit cap of \$1 million has been reached in each fiscal year and anticipates that \$1.25 million in tax credits would also be awarded in each fiscal year; and
- 20% of credits are claimed against the corporate income tax.

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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ncs/hlb

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