

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE

House Bill 583 (Delegate Sossi, *et al.*)
 Ways and Means

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 Comptroller’s Office may award a maximum of \$100,000 in tax credits annually.

The bill takes effect July 1, 2008 and applies to tax year 2008 and beyond.

Fiscal Summary

State Effect: General fund revenues would decrease by \$93,400 annually beginning in FY 2009. Transportation Trust Fund revenues would decrease by \$5,100 annually and Higher Education Investment Fund revenues would decrease by \$1,500 annually beginning in FY 2009. General fund expenditures would increase by \$34,000 in FY 2009 due to one-time tax form and computer programming expenses at the Comptroller’s Office.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	(\$93,400)	(\$93,400)	(\$93,400)	(\$93,400)	(\$93,400)
SF Revenue	(6,600)	(6,600)	(6,600)	(6,600)	(6,600)
GF Expenditure	34,000	0	0	0	0
Net Effect	(\$134,000)	(\$100,000)	(\$100,000)	(\$100,000)	(\$100,000)

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

Local Effect: Local highway user revenues would decrease by \$1,500 annually beginning in FY 2009. Expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Current Law: No similar State tax credit exists although businesses can deduct the costs of installing visual fire alarms, which typically results in lower federal and State tax liabilities.

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: A maximum of \$100,000 in tax credits could be claimed beginning in tax year 2008. If twenty businesses claim the credit, the maximum amount would be

claimed in each year. It is assumed that this would occur, resulting in general fund revenues decreasing by \$93,400 annually beginning in fiscal 2009. TTF revenues would decrease by \$5,100 annually beginning in fiscal 2009 and HEIF revenues would decrease by \$1,500. It is assumed that businesses claiming the credit have sufficient tax liability to claim the entire credit and that 25% of credits are claimed against the corporate income tax.

State Expenditures: The Comptroller's Office reports that it would incur a one-time expenditure increase of \$34,000 in fiscal 2009 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: HB 1334 of 2007, a similar bill that did not limit the total amount of credits that could be awarded in each year, was not reported from the House Ways and Means Committee.

Cross File: None.

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

Fiscal Note History: First Reader - February 15, 2008
mcp/hlb

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