

Department of Legislative Services
 Maryland General Assembly
 2008 Session

FISCAL AND POLICY NOTE
 Revised

Senate Bill 173

(Senator Astle, *et al.*)

Budget and Taxation

Ways and Means

Income Tax - Credit for Installation of Fire Suppression Systems

This bill creates a tax credit against the State income tax for 75% of the expenses paid by an individual or corporation to install an eligible fire suppression system in a structure listed as a National Historic Landmark. The amount of the credit may not exceed \$5,000 or the tax liability in the tax year. Any unused amount of the credit can be carried forward until the full amount of the credit is claimed.

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

Fiscal Summary

State Effect: General fund revenues could decrease by \$70,000 in FY 2009 and 2010 and decrease minimally beginning in FY 2011. General fund expenditures would increase by \$34,000 in FY 2009, which reflects one-time tax form changes and computer programming expenses at the Comptroller’s Office.

(in dollars)	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
GF Revenue	(\$70,000)	(\$70,000)	(-)	(-)	(-)
GF Expenditure	34,000	0	0	0	0
Net Effect	(\$104,000)	(\$70,000)	\$0	\$0	\$0

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

Local Effect: Local highway user revenues distributed from the TTF would decrease as a result of any credits being claimed against the corporate income tax. Local expenditures would not be affected.

Small Business Effect: Minimal.

Analysis

Current Law: No similar State income tax credit exists, but businesses can typically deduct the costs of installing a fire suppression system, resulting in a lower federal and State income tax liability.

Background: The federal government created the National Register of Historic Places in 1966 in order to identify buildings, structures, objects, and places which are worthy of recognition and preservation because of their significance to American history and culture. National Historic Landmarks are buildings, sites, districts, structures, and objects that have been determined by the Secretary of the Interior to be nationally significant in American history and culture. There are 70 National Historic Landmarks in the State.

State Revenues: Tax credits could be claimed beginning in tax year 2008. As a result, general fund revenues could decrease by \$70,000 in both fiscal 2009 and 2010. General fund revenues could decrease minimally beginning in fiscal 2011.

Legislative Services estimates that of the 70 National Historic Landmarks in the State approximately one-half would not be eligible to claim the credit because the landmark is owned by a unit of government or is a structure that would not require a fire suppression system (a bridge or viaduct). It is assumed that 80% of eligible structures would install a system in the first two fiscal years and a minimal number would claim the credit in fiscal 2011 and beyond.

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: None.

Cross File: None.

Information Source(s): National Park Service, Maryland Historic Trust, Department of Legislative Services

Fiscal Note History: First Reader - January 29, 2008
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