

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1230
Ways and Means

(Delegate Haynes, *et al.*)

Heritage Structure Rehabilitation Tax Credit - Residential Units for Lower-Income Individuals

This bill requires that in order to be eligible to claim the heritage structure rehabilitation tax credit, any proposed rehabilitation that includes at least 30 residential rental units must set aside at least 10% of the total residential rental units for individuals whose median income does not exceed 60% of the area median income.

The bill takes effect July 1, 2009 and applies to all initial credit certificates issued after June 30, 2009.

Fiscal Summary

State Effect: Imposing an additional tax credit eligibility standard will not increase the fiscal impact of the program beyond that which is provided under current law.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law/Background: Applicants seeking to claim the heritage tax credit for the rehabilitation of a commercial property (any property that is not a single-family, owner-occupied residence) are required to submit an application to the Maryland Historic Trust (MHT).

The total amount of initial credit certificates issued by MHT in each fiscal year cannot exceed the amount appropriated to the tax credit reserve fund in the State budget. After determining if the proposed rehabilitation is for a certified heritage structure, MHT

competitively ranks commercial property rehabilitation applications that are submitted by the applicable deadline based on several factors including (1) historic significance; (2) urgency of need for rehabilitation; (3) consistency with State growth policies and programs; (4) economic benefit; (5) level of historic preservation; and (6) geographic diversity of credits awarded in each year.

An applicant can claim a credit equal to 20% of qualified rehabilitation expenses, not to exceed \$3 million, if the proposed rehabilitation (1) meets all program requirements; (2) is awarded an initial credit certificate by MHT during the competitive ranking process; and (3) receives final certification by MHT.

In fiscal 2009, MHT awarded a total of \$10 million in initial credit certificates to commercial projects, the maximum amount that could be awarded. The fiscal 2010 allowance includes \$14.7 million in funding for commercial rehabilitation projects. The program is scheduled to terminate after fiscal 2010. Language in the budget bill deletes the fiscal 2010 appropriation contingent upon enactment of legislation reauthorizing a program as a nonbudgeted tax credit. The Governor has introduced legislation that will extend the program as a nonbudgeted tax credit.

State Fiscal Effect: The bill requires that in order to claim the heritage tax credit, a proposed rehabilitation of a building with more than 30 residential rental units is required to set aside at least 10% of all rental units for lower-income individuals.

The provision will not alter the fiscal impact of the heritage tax credit program. MHT awarded the maximum amount of commercial credits in fiscal 2009 and it is expected that MHT will award the maximum amount of any commercial credits available in fiscal 2010. Further, any amount that is not awarded in a fiscal year can be awarded in the next fiscal year.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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