

Department of Legislative Services  
 Maryland General Assembly  
 2009 Session

FISCAL AND POLICY NOTE

House Bill 513 (Delegates Carr and Waldstreicher)  
 Ways and Means

**Heritage Tax Credit - Expenditures for Work Undertaken Prior to Approval of Plans**

This bill allows individuals to retroactively claim the heritage tax credit for the rehabilitation of single-family, owner-occupied residence if certain conditions apply. The bill also (1) exempts these rehabilitations if they otherwise qualify for the credit from any regulation or current law provisions related to the ineligibility of projects if work is undertaken prior to approval to the Maryland Historic Trust (MHT); and (2) prevents MHT from charging a fee to certify the rehabilitation.

The bill takes effect June 1, 2009.

**Fiscal Summary**

**State Effect:** General fund revenues will decrease by about \$250,000 in FY 2010 due to additional credits being claimed. Expenditures are not affected.

(in dollars)	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
GF Revenue	(\$250,000)	\$0	\$0	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	(\$250,000)	\$0	\$0	\$0	\$0

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

**Local Effect:** None.

**Small Business Effect:** None.

## Analysis

**Bill Summary:** The bill allows an individual to retroactively claim the heritage tax credit for the completed rehabilitation of a single-family, owner-occupied residence if, prior to the July 1, 2005 implementation by the MHT Director of any law or regulation that rehabilitation expenditures for work undertaken prior to the director's approval were ineligible for the tax credit:

- rehabilitation plans were reviewed and approved by the Montgomery County Historic Preservation Commission of the Maryland-National Capital Park and Planning Commission and work was begun on the rehabilitation;
- within one year after work was begun, the rehabilitation work was substantially complete and the individual requested MHT grant an exception to any requirement that expenditures undertaken prior to approval are ineligible for the tax credit; and
- on or before July 1, 2009 the individual submits the rehabilitation plans to MHT.

Within 30 days of receipt of rehabilitation plans submitted under the provisions of this bill, MHT is required to review the rehabilitation plans, and if the rehabilitation conforms to rehabilitation standards, MHT is required to certify the rehabilitation. Regardless of the tax year in which the rehabilitation occurred, an individual may claim the tax credit for the tax year in which the project is certified. MHT cannot charge the fee for certifying the rehabilitation as provided in current law.

**Current Law:** The value of the credit is equal to 20% of the qualified rehabilitation expenditures expended in the rehabilitation of a certified historic structure. The maximum amount of credits earned for an individual rehabilitation project cannot exceed \$50,000 for a single-family, owner-occupied rehabilitation.

A qualified expenditure is an amount that is expended by the end of the calendar year in which the rehabilitation is certified as being completed and in compliance with a plan of proposed expenditures that has been approved by the director of MHT and is not funded, financed, or otherwise reimbursed by any:

- State or local grant;
- grant made from proceeds of tax-exempt bonds issued by the State, a political subdivision of the State, or an instrumentality of the State or of a political subdivision of the State;
- State or local tax credit other than the Heritage Tax Credit;
- other financial assistance from the State or a political subdivision except for a loan that must be repaid at an interest rate that is greater than the interest rate on

general obligation bonds issued by the State at the most recent bond sale prior to the time the loan is made; or

- any other State tax credit.

In order to qualify, within a two-year period the rehabilitation expenditures must exceed \$5,000 for owner-occupied residential property.

Chapter 567 of 2007 extended the fee charged to certify the rehabilitation of commercial projects to residential rehabilitations. The fee charged may not exceed 1% of the amount of the credit for which a single-family, owner-occupied rehabilitation would be eligible based on the greater of the estimated or final qualified rehabilitation.

**State Revenues:** The bill will allow individuals to claim additional heritage tax credits for residential rehabilitations. As a result, general fund revenues will decrease by about \$250,000 in fiscal 2010. This estimate is based on information provided by the Montgomery County Historic Preservation Commission to MHT on the amount of projects approved by the commission that will be eligible for the credit under the bill.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** SB 725 (Senator Madaleno) - Budget and Taxation.

**Information Source(s):** Maryland Department of Planning, Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - March 4, 2009  
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