HB 785

Department of Legislative Services

2011 Session

FISCAL AND POLICY NOTE

House Bill 785 (Delegate Haynes, *et al.*)
Ways and Means

Sustainable Communities Tax Credit - Residential Units for Lower-Income Individuals

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

The bill takes effect July 1, 2011, and applies to all initial tax credit certificates issued on or after July 1, 2011.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law/Background: Any applicant seeking to claim the sustainable communities tax credit for the rehabilitation of a commercial property (any property that is not a single-family, owner-occupied residence) is required to submit an application to the Maryland Historical Trust (MHT) for an initial tax credit certificate. Except under certain circumstances, the total amount of initial tax credit certificates issued by MHT in each fiscal year cannot exceed the amount appropriated to the tax credit reserve fund in the State budget.

If approved, an applicant can claim a credit equal to (1) 20% for the rehabilitation of a certified historic structure (25% if certain energy efficiency standards are met); and (2) 10% for the rehabilitation of a qualified rehabilitated (nonhistoric) structure. The proposed rehabilitation must (1) meet all program requirements; (2) have been awarded an initial tax credit certificate by MHT; and (3) receive final certification by MHT.

Background: Chapter 487 of 2010 reestablished the Heritage Structure Rehabilitation tax credit as the Sustainable Communities tax credit and extended the termination date of the credit through fiscal 2014. Chapter 487 also expanded and altered eligibility requirements for the program, including allowing certain nonhistoric properties to qualify for the credit. In fiscal 2011, a total of 36 commercial applications were submitted for $40.0 million in tax credits. MHT awarded a total of $11.2 million in initial tax credit certificates, of which $10.0 million was from program funding included in the fiscal 2011 budget and the remaining amount was funding carried over from a previous fiscal year. The Governor's proposed fiscal 2012 budget includes $10.0 million for commercial rehabilitation tax credits.

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

The bill will not alter the fiscal impact of the sustainable communities tax credit. MHT awarded the maximum amount of commercial credits in fiscal 2011, and it is expected that MHT will award the maximum amount of any commercial credits available in fiscal 2012. Further, any amount that is not awarded in a fiscal year can be awarded in the next fiscal year.

Additional Information

Prior Introductions: Legislation introduced in 2009 proposed to require the same low-income residential set asides under the Heritage Structure Rehabilitation Tax Credit Program. HB 1230 of 2009 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): Maryland Department of Planning, Department of Housing and Community Development, Comptroller's Office, Department of Legislative Services

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