Department of Legislative Services

Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

House Bill 568 (Delegate Rosenberg)
Ways and Means Budget and Taxation

Sustainable Communities Tax Credit Program - Credit Allocation

This bill allows the Sustainable Communities tax credit to be allocated among the partners, members, or shareholders of an entity in any manner agreed to by those persons in writing. This provision does not apply to any commercial rehabilitation project for which an application was approved by the Maryland Historic Trust before the effective date of the bill.

The bill takes effect July 1, 2012.

Fiscal Summary

State Effect: Allowing the credit to be allocated as specified by the bill is not expected to materially impact State finances.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law/Background: The Heritage Structure Rehabilitation tax credit program was part of a larger piece of legislation enacted in 1996 that was targeted toward heritage preservation and tourism. The program provided tax credits for the qualified rehabilitation expenditures for the rehabilitation of qualified owner-occupied residences (residential program) and certified historic structures (commercial program).

In 2004 the commercial tax credit portion of the program was shifted from a traditional tax credit program to a tax credit program that is subject to an annual appropriation in the State budget, with an aggregate limitation based on the final appropriation. A reserve fund was established to offset future credits claimed for the rehabilitation of commercial properties.

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 credit, including allowing certain nonhistoric properties to qualify for the credit. The program is administered by the Maryland Historic Trust. Chapter 383 of 2011 made several changes to the program, including increasing the amount of fees the Maryland Historic Trust is authorized to charge to pay for administrative expenses and clarifying that tax credits for high-performance buildings and qualified rehabilitated structures are available only for the rehabilitation of commercial buildings.

As introduced, Chapter 487 and Chapter 383 each included a provision allowing for the credit to be allocated as proposed by the bill, but the provision was not included in the legislation passed by the General Assembly.

State Fiscal Effect: The bill allows the credit to be allocated among the partners, members, or shareholders of an entity in any manner agreed to by those persons in writing. This provision applies to any commercial rehabilitation project for which an application was approved by the Maryland Historic Trust on or after the effective date of the bill.

It is unknown how many projects will be impacted by this provision, or the amount of credits earned by these projects. The provision will only apply to commercial projects for which an allocation was made to the reserve fund in order to offset future tax credit claims. Accordingly, this provision is not expected to materially affect State finances.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - February 19, 2012
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