

HOUSE BILL 510

Q7, C8

4lr0127

By: **Chair, Ways and Means Committee (By Request – Departmental – Planning)**

Introduced and read first time: January 29, 2014

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Sustainable Communities Tax Credit Program – Extension and Alteration**

3 FOR the purpose of extending and altering the Sustainable Communities Tax Credit
4 Program; providing for a certain tax credit for rehabilitation of certain small
5 commercial properties; repealing a certain tax credit for certain rehabilitations;
6 requiring the Director of the Maryland Historical Trust to adopt certain
7 regulations, which shall include certain fees; altering the time period in which
8 the Trust must receive a certain fee; prohibiting the Trust from accepting an
9 application for a commercial rehabilitation project under certain circumstances;
10 altering a certain tax credit for high performance buildings; requiring the
11 amount of a certain tax credit to remain in the Sustainable Communities Tax
12 Credit Reserve Fund under certain circumstances; requiring the Governor to
13 include an appropriation to a certain reserve fund for certain fiscal years;
14 extending through a certain fiscal year certain authority for the Director to
15 issue certain initial credit certificates; providing for the expiration of certain tax
16 credits or the revocation of certain credits under certain circumstances;
17 requiring the Director to notify certain persons on or before a certain date;
18 requiring the Director to provide a certain report to the Comptroller; altering,
19 adding, and repealing certain defined terms; making certain technical changes;
20 and generally relating to the Sustainable Communities Tax Credit Program.

21 BY repealing and reenacting, with amendments,
22 Article – State Finance and Procurement
23 Section 5A–303
24 Annotated Code of Maryland
25 (2009 Replacement Volume and 2013 Supplement)

26 BY repealing and reenacting, with amendments,
27 Chapter 76 of the Acts of the General Assembly of 2004, as amended by Chapter
28 425 of the Acts of the General Assembly of 2013

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 Section 2 1.(h)

2 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
3 MARYLAND, That the Laws of Maryland read as follows:

4 **Article – State Finance and Procurement**

5 5A–303.

6 (a) (1) In this section the following words have the meanings indicated.

7 (2) “Business entity” means:

8 (i) a person conducting or operating a trade or business in the
9 State; or

10 (ii) an organization operating in Maryland that is exempt from
11 taxation under § 501(c)(3) of the Internal Revenue Code.

12 (3) “Certified heritage area” has the meaning stated in § 13–1101 of
13 the Financial Institutions Article.

14 (4) (i) “Certified historic structure” means a structure that is
15 located in the State and is:

16 1. listed in the National Register of Historic Places;

17 2. designated as a historic property under local law and
18 determined by the Director to be eligible for listing on the National Register of Historic
19 Places;

20 3. A. located in a historic district listed on the
21 National Register of Historic Places or in a local historic district that the Director
22 determines is eligible for listing on the National Register of Historic Places; and

23 B. certified by the Director as contributing to the
24 significance of the district; or

25 4. located in a certified heritage area and certified by the
26 Maryland Heritage Areas Authority as contributing to the significance of the certified
27 heritage area.

28 (ii) “Certified historic structure” does not include a structure
29 that is owned by the State, a political subdivision of the State, or the federal
30 government.

31 (5) “Certified rehabilitation” means a completed rehabilitation of[:

1 (i)] a certified historic structure that the Director certifies is a
2 substantial rehabilitation in conformance with the rehabilitation standards of the
3 United States Secretary of the Interior[; or

4 (ii) a qualified rehabilitated structure].

5 (6) (I) “Commercial rehabilitation” means a rehabilitation of a
6 structure other than a single-family, owner-occupied residence.

7 (II) “COMMERCIAL REHABILITATION” DOES NOT INCLUDE A
8 SMALL COMMERCIAL PROJECT.

9 (7) “Director” means the Director of the Maryland Historical Trust.

10 (8) “Financial assistance” means action by the State or a State unit to
11 award grants, loans, loan guarantees, or insurance to a public or private entity to
12 finance, wholly or partly, a project that involves or may result in building construction,
13 building alteration, or land disturbance.

14 (9) “High performance building” means a building that:

15 (i) meets or exceeds the current version of the U.S. Green
16 Building Council’s LEED (Leadership in Energy and Environmental Design) green
17 building rating system gold rating; or

18 (ii) achieves at least a comparable numeric rating according to a
19 nationally recognized, accepted, and appropriate numeric sustainable development
20 rating system, guideline, or standard approved by the Secretaries of Budget and
21 Management and General Services under § 3-602.1 of this article.

22 (10) (i) “Historic property” means a district, site, building,
23 structure, monument, or object significant to:

24 1. the prehistory or history of the State; or

25 2. the upland or underwater archeology, architecture,
26 engineering, or culture of the State.

27 (ii) “Historic property” includes related artifacts, records, and
28 remains.

29 (11) “Local historic district” means a district that the governing body of
30 a county or municipal corporation, or the Mayor and City Council of Baltimore, has
31 designated under local law as historic.

1 (12) [“Main Street Maryland community” means:

2 (i) a commercial area in a local jurisdiction designated by the
3 Secretary of Housing and Community Development as a Main Street Maryland
4 community under the Main Street Maryland Program on or before January 1, 2010; or

5 (ii) a commercial area in Baltimore City designated as a Main
6 Street by the Mayor of Baltimore City on or before January 1, 2010.

7 (13) “Main Street Maryland Program” means the Maryland Main Street
8 designation program for local jurisdictions established in the Code of Maryland
9 Regulations (COMAR).

10 (14)] “National register structure” means a structure that is:

11 (i) listed on the National Register of Historic Places; or

12 (ii) located in a historic district listed on the National Register
13 of Historic Places and certified by the Director as contributing to the significance of
14 the district.

15 [(15)] (13) “Political subdivision” means a county or municipal
16 corporation of the State.

17 [(16) (i) “Qualified rehabilitated structure” means a building, other
18 than a single-family, owner-occupied residence, that:

19 1. A. is located in a Main Street Maryland
20 community; or

21 B. beginning in fiscal 2012, is located in a Main Street
22 Maryland community or a sustainable community;

23 2. will be substantially rehabilitated; and

24 3. meets the requirements set forth in subsection (b)(7)
25 of this section.

26 (ii) “Qualified rehabilitated structure” does not include a
27 certified historic structure.]

28 [(17)] (14) “Qualified rehabilitation expenditure” means any amount
29 that:

30 (i) is properly chargeable to a capital account;

1 (ii) is expended in the rehabilitation of a structure that by the
2 end of the calendar year in which the certified rehabilitation is completed is a certified
3 historic structure [or a qualified rehabilitated structure];

4 (iii) is expended in compliance with a plan of proposed
5 rehabilitation that has been approved by the Director; and

6 (iv) is not funded, financed, or otherwise reimbursed by any:

7 1. State or local grant;

8 2. grant made from the proceeds of tax-exempt bonds
9 issued by the State, a political subdivision of the State, or an instrumentality of the
10 State or of a political subdivision of the State;

11 3. State tax credit other than the tax credit under this
12 section; or

13 4. other financial assistance from the State or a political
14 subdivision of the State, other than a loan that must be repaid at an interest rate that
15 is greater than the interest rate on general obligation bonds issued by the State at the
16 most recent bond sale prior to the time the loan is made.

17 **[(18)] (15) (i) “Single-family, owner-occupied residence” means a**
18 **structure or a portion of a structure:**

19 **1. occupied by the owner and the owner’s immediate**
20 **family as their primary or secondary residence; OR**

21 **2. A SMALL COMMERCIAL PROJECT.**

22 (ii) “Single-family, owner-occupied residence” includes a
23 residential unit in a cooperative project owned by or leased to a cooperative housing
24 corporation, as defined in § 5-6B-01 of the Corporations and Associations Article, and
25 leased for exclusive occupancy to, and occupied by, a member of the corporation and
26 the member’s immediate family under a proprietary lease.

27 **(16) (I) “SMALL COMMERCIAL PROJECT” MEANS A**
28 **REHABILITATION OF A STRUCTURE PRIMARILY USED FOR COMMERCIAL,**
29 **INCOME-PRODUCING PURPOSES IF:**

30 **1. THE QUALIFIED REHABILITATION EXPENDITURES**
31 **DO NOT EXCEED \$500,000; AND**

32 **2. THE STRUCTURE IS LOCATED IN A SUSTAINABLE**
33 **COMMUNITY.**

1 **(II) “SMALL COMMERCIAL PROJECT” INCLUDES A**
2 **STRUCTURE THAT IS USED FOR BOTH COMMERCIAL AND RESIDENTIAL RENTAL**
3 **PURPOSES.**

4 **(III) “SMALL COMMERCIAL PROJECT” DOES NOT INCLUDE A**
5 **STRUCTURE THAT IS USED SOLELY FOR RESIDENTIAL PURPOSES.**

6 **[(19)] (17)** “Smart Growth Subcabinet” means the Smart Growth
7 Subcabinet established under Title 9, Subtitle 14 of the State Government Article.

8 **[(20)] (18)** “State unit” has the meaning stated in § 11–101 of the State
9 Government Article.

10 **[(21)] (19)** “Substantial rehabilitation” means rehabilitation of a
11 structure for which the qualified rehabilitation expenditures, during the 24–month
12 period selected by the individual or business entity ending with or within the taxable
13 year, exceed:

14 (i) for single–family, owner–occupied residential property,
15 \$5,000; **OR**

16 (ii) [for a qualified rehabilitated structure located in a Main
17 Street Maryland community, the greater of:

18 1. 50% of the adjusted basis of the structure; or

19 2. \$25,000; or

20 (iii) for all other property, the greater of:

21 1. the adjusted basis of the structure; or

22 2. \$25,000.

23 **[(22)] (20)** “Sustainable community” has the meaning stated in § 6–201
24 of the Housing and Community Development Article.

25 (b) (1) The Director, in consultation with the Smart Growth Subcabinet,
26 shall adopt regulations to:

27 (i) establish procedures and standards for certifying historic
28 structures and rehabilitations under this section;

1 (ii) for commercial rehabilitations, establish an application
2 process for the award of initial credit certificates for Maryland sustainable
3 communities tax credits consistent with the requirements of this subsection;

4 (iii) for commercial rehabilitations, establish criteria, consistent
5 with the requirements of this subsection, for evaluating, comparing, and rating plans
6 of proposed rehabilitation that have been determined by the Director[:

7 1. for certified historic structures,] to conform with the
8 rehabilitation standards of the United States Secretary of the Interior; [and

9 2. for rehabilitations of the exteriors of qualified
10 rehabilitated structures, to be compatible with the rehabilitation standards of the
11 United States Secretary of the Interior if the structure is located in, or adversely
12 affects:

13 A. a designated historic district; or

14 B. a district determined by the Director to be eligible for
15 listing on the National Register of Historic Places; and]

16 (iv) for commercial rehabilitations, establish a competitive
17 award process for the award of initial credit certificates for Maryland sustainable
18 communities tax credits that favors the award of tax credits for rehabilitation projects
19 that:

20 1. are located in jurisdictions that have been historically
21 underrepresented in the award of tax credits for commercial rehabilitations, based on
22 the number of national register structures in each jurisdiction;

23 2. are consistent with and promote current growth and
24 development policies and programs of the State;

25 3. are located in areas targeted by the State for
26 additional revitalization and economic development opportunities due to the focusing
27 of State resources and incentives;

28 4. [beginning in fiscal 2012, are located in sustainable
29 communities;

30 5.] are located in areas where the political subdivision
31 has implemented regulatory streamlining or other development incentives that foster
32 redevelopment and revitalization in priority funding areas, as defined in Title 5,
33 Subtitle 7B of this article, and the appropriate local governing body or the planning
34 board or commission, if designated by the local governing body, has certified to the

1 Smart Growth Subcabinet those regulatory streamlining or other development
2 incentives; AND

3 [6.] 5. include affordable and workforce housing options[;
4 and

5 7. are qualified rehabilitated structures more than 50
6 years old];

7 (v) for commercial rehabilitations, determine whether the
8 certified rehabilitation is a high performance building;

9 (vi) for commercial rehabilitations, establish a required external
10 marker or, at a minimum, an internal marker for the rehabilitation [projects]
11 PROJECT that identifies that the rehabilitation was funded by Maryland sustainable
12 communities tax credits; [and]

13 (vii) as provided in paragraph [(6)] (7) of this subsection, charge
14 [a] reasonable [fee] FEES to certify historic structures and [qualified rehabilitated
15 structures] REHABILITATIONS under this subtitle;

16 (VIII) FOR COMMERCIAL REHABILITATIONS, REQUIRE
17 DOCUMENTATION THAT THE APPLICANT HAS OWNERSHIP OR SITE CONTROL OF
18 THE STRUCTURE IN ORDER TO DEMONSTRATE THE ABILITY TO MEET THE
19 REQUIREMENT TO BEGIN WORK AS REQUIRED UNDER SUBSECTION (C)(3)(I)1 OF
20 THIS SECTION;

21 (IX) FOR COMMERCIAL REHABILITATIONS, PROVIDE A TIME
22 LIMIT FOR APPROVAL OF THE ADDITIONAL TAX CREDIT FOR HIGH
23 PERFORMANCE BUILDINGS PROVIDED FOR IN SUBSECTION (C)(1)(II) OF THIS
24 SECTION; AND

25 (X) FOR SMALL COMMERCIAL PROJECTS, ESTABLISH
26 CONDITIONS REGARDING THE PERCENTAGE OF THE STRUCTURE THAT MAY BE
27 USED FOR RESIDENTIAL RENTAL PURPOSES IF THE STRUCTURE IS USED FOR
28 BOTH COMMERCIAL AND RESIDENTIAL RENTAL PURPOSES.

29 (2) The Director may not certify that a rehabilitation is a certified
30 rehabilitation eligible for a tax credit provided under this section unless the individual
31 or business entity seeking certification states under oath the amount of the
32 individual's or business entity's qualified rehabilitation expenditures.

33 (3) Each year, the Director may accept applications for approval of
34 plans of proposed commercial rehabilitations and for the award of initial credit
35 certificates for the fiscal year that begins July 1 of that year.

1 **(4) (I) A SMALL COMMERCIAL PROJECT SHALL BE TREATED AS**
2 **A SINGLE-FAMILY, OWNER-OCCUPIED RESIDENTIAL PROPERTY, INCLUDING**
3 **THE LIMITATION ON THE AMOUNT OF THE TAX CREDIT PROVIDED IN**
4 **SUBSECTION (C)(2)(II) OF THIS SECTION.**

5 **(II) A SMALL COMMERCIAL PROJECT IS SUBJECT TO THE**
6 **CREDIT RECAPTURE PROVISION IN SUBSECTION (E) OF THIS SECTION.**

7 **[(4) (5) (i) For commercial rehabilitations, the Director may not**
8 **accept an application for approval of plans of proposed rehabilitation if:**

9 1. any substantial part of the proposed rehabilitation
10 work has begun; or

11 2. the applicant for a commercial rehabilitation has
12 previously submitted three or more applications for commercial rehabilitations with
13 total proposed rehabilitations exceeding \$500,000 in that year.

14 **(ii) For commercial rehabilitations, the Director may accept an**
15 **application for approval of plans of a proposed rehabilitation for which a substantial**
16 **part of the proposed rehabilitation work has begun if the rehabilitation work has been**
17 **approved under the federal historic tax credit.**

18 **[(5) (i) (6) Except as provided in subsection (d)(3)(iii) of this**
19 **section, not more than 75% of the total credit amounts under initial credit certificates**
20 **issued for any fiscal year may be issued for projects in a single county or Baltimore**
21 **City.**

22 **[(ii) Not more than 10% of the total credit amounts under initial**
23 **credit certificates issued for any fiscal year may be issued for projects that are**
24 **qualified rehabilitated structures.]**

25 **[(6) (7) (i) The Director shall adopt regulations to charge [a]**
26 **reasonable [fee] FEES to certify historic structures and rehabilitations under this**
27 **section WHICH SHALL INCLUDE:**

28 1. **A MINIMUM FEE FOR THE SECOND PHASE OF THE**
29 **APPLICATION PROCESS;**

30 2. **FOR A COMMERCIAL REHABILITATION PROJECT, A**
31 **FINAL FEE THAT MAY NOT EXCEED 3% OF THE AMOUNT OF THE ISSUED INITIAL**
32 **CREDIT CERTIFICATE; AND**

1 **3. FOR ANY OTHER REHABILITATION PROJECT, A**
2 **FINAL FEE THAT MAY NOT EXCEED 3% OF THE AMOUNT OF THE CREDIT FOR**
3 **WHICH THE REHABILITATION WOULD BE ELIGIBLE BASED ON THE GREATER OF**
4 **THE ESTIMATED OR FINAL QUALIFIED REHABILITATION EXPENDITURES FOR**
5 **THE REHABILITATION.**

6 (ii) The Director shall set the level of the [fee] FEES so that the
7 projected proceeds from the [fee] FEES will cover the costs to the Trust of
8 administering the credit under this section and the federal historic tax credit.

9 [(iii) The fee charged may not exceed 3% of the amount of the
10 initial credit certificate issued for a commercial rehabilitation project or the amount of
11 the credit for which a single-family, owner-occupied rehabilitation would be eligible
12 based on the greater of the estimated or final qualified rehabilitation expenditures for
13 the rehabilitation.]

14 [(iv)] (III) If [the] A fee charged for a commercial rehabilitation
15 is not received by the Trust within [120] 90 days after the Trust sends notice that the
16 fee is due, the initial credit certificate for the rehabilitation shall expire.

17 **(IV) FOR COMMERCIAL REHABILITATIONS, IF AN**
18 **APPLICANT'S INITIAL CREDIT CERTIFICATE EXPIRED FOR FAILURE TO PAY A**
19 **FEE AS REQUIRED IN THIS PARAGRAPH, THE TRUST MAY NOT ACCEPT AN**
20 **APPLICATION FROM THE APPLICANT FOR A COMMERCIAL REHABILITATION**
21 **DURING THE 3 FISCAL YEARS FOLLOWING THE FISCAL YEAR IN WHICH THE**
22 **CERTIFICATE EXPIRED.**

23 (v) The proceeds from the [fee] FEES shall be deposited in a
24 special fund, to be used only for the purposes of paying the costs of administering the
25 credit under this section and the federal historic tax credit.

26 (vi) Any unused balance of the fund at the end of each fiscal year
27 shall be transferred to the Reserve Fund established under subsection (d) of this
28 section and shall increase the amount of the initial credit certificates that the Trust
29 may issue for the following fiscal year.

30 [(7) For a building to be a qualified rehabilitated structure, after the
31 rehabilitation process:

32 (i) 50% or more of the existing external walls of the building
33 must be retained in place as external walls;

34 (ii) 75% or more of the existing external walls of the building
35 must be retained in place as internal or external walls; and

1 (iii) 75% or more of the internal structural framework of the
2 building must be retained in place.]

3 (c) (1) (i) Except as otherwise provided in this section, for the taxable
4 year in which a certified rehabilitation is completed, an individual or business entity
5 may claim a tax credit in an amount equal to 20% of the individual's or business
6 entity's qualified rehabilitation expenditures for the rehabilitation.

7 (ii) For A commercial [rehabilitations] **REHABILITATION**, an
8 individual or business entity may claim [a] **AN ADDITIONAL** tax credit in an amount
9 equal to [25%] **5%** of the individual's or business entity's qualified rehabilitation
10 expenditures if the certified rehabilitation is a certified historic structure and a high
11 performance building.

12 [(iii) For commercial rehabilitations, an individual or business
13 entity may claim a tax credit in an amount equal to 10% of the individual's or business
14 entity's qualified rehabilitation expenditures if the certified rehabilitation is a
15 qualified rehabilitated structure.]

16 (2) (i) For any commercial rehabilitation, the State tax credit
17 allowed under this section may not exceed the lesser of:

18 1. \$3,000,000; or

19 2. the maximum amount specified under the initial
20 credit certificate issued for the rehabilitation.

21 (ii) For a rehabilitation other than a commercial rehabilitation,
22 the State tax credit allowed under this section may not exceed \$50,000.

23 (iii) For the purposes of the limitation under subparagraph (i) of
24 this paragraph, the following shall be treated as a single commercial rehabilitation:

25 1. the phased rehabilitation of the same structure or
26 property;

27 2. the separate rehabilitation of different components of
28 the same structure or property; or

29 3. the rehabilitation of multiple structures that are
30 functionally related to serve an overall purpose.

31 (3) (i) Subject to subparagraph (ii) of this paragraph, the initial
32 credit certificate for a proposed commercial rehabilitation shall expire and the credit
33 under this section may not be claimed if:

1 1. within 18 months after the initial credit certificate
2 was issued, the applicant has not notified the Trust, in writing, that the commercial
3 rehabilitation has begun; or

4 2. the commercial rehabilitation is not completed within
5 30 months after the initial credit certificate was issued.

6 (ii) For reasonable cause, the Director may postpone the
7 30-month expiration date for an initial credit certificate for a commercial
8 rehabilitation.

9 (4) If the tax credit allowed under this section in any taxable year
10 exceeds the total tax otherwise payable by the business entity or the individual for
11 that taxable year, the individual or business entity may claim a refund in the amount
12 of the excess.

13 (5) The State credit allowed under this section may be allocated
14 among the partners, members, or shareholders of an entity in any manner agreed to
15 by those persons in writing.

16 (d) (1) In this subsection, "Reserve Fund" means the Sustainable
17 Communities Tax Credit Reserve Fund established under paragraph (2) of this
18 subsection.

19 (2) (i) There is a Sustainable Communities Tax Credit Reserve
20 Fund that is a continuing, nonlapsing special fund that is not subject to § 7-302 of this
21 article.

22 (ii) The money in the Fund shall be invested and reinvested by
23 the Treasurer, and interest and earnings shall be credited to the General Fund.

24 (iii) If the fees paid in any fiscal year are less than the directly
25 related administrative costs of operating the Sustainable Communities Tax Credit
26 Program, funds in the Reserve Fund shall be used for the directly related
27 administrative costs of the Program.

28 (3) (i) Subject to the provisions of this subsection, the Director
29 shall issue an initial credit certificate for each commercial rehabilitation for which a
30 plan of proposed rehabilitation is approved.

31 (ii) An initial credit certificate issued under this subsection
32 shall state the maximum amount of credit under this section for which the commercial
33 rehabilitation may qualify.

34 (iii) 1. Except as otherwise provided in this subparagraph
35 and in subsection [(b)(6)(vi)] **(B)(7)(VI)** of this section, for any fiscal year, the Director
36 may not issue initial credit certificates for credit amounts in the aggregate totaling

1 more than the amount appropriated to the Reserve Fund for that fiscal year in the
2 State budget as approved by the General Assembly.

3 2. If the aggregate credit amounts under initial credit
4 certificates issued in a fiscal year total less than the amount appropriated to the
5 Reserve Fund for that fiscal year as a result of the limitation under subsection
6 **[(b)(5)(i)] (B)(6)** of this section, any excess amount may be issued under initial credit
7 certificates for projects in a county or Baltimore City in the same fiscal year, without
8 regard to the limitation under subsection **[(b)(5)(i)] (B)(6)** of this section.

9 3. Subject to subparagraph 2 of this subparagraph, if
10 the aggregate credit amounts under initial credit certificates issued in a fiscal year
11 total less than the amount appropriated to the Reserve Fund for that fiscal year, any
12 excess amount shall remain in the Reserve Fund and may be issued under initial
13 credit certificates for the next fiscal year.

14 4. For any fiscal year, if funds are transferred from the
15 Reserve Fund under the authority of any provision of law other than paragraph (4) of
16 this subsection, the maximum credit amounts in the aggregate for which the Director
17 may issue initial credit certificates shall be reduced by the amount transferred.

18 5. In each fiscal year, the Director shall estimate the
19 amount of fees to be collected based on the amount appropriated to the Reserve Fund
20 and reserve the difference between the estimated fees and estimated directly related
21 administrative costs of the Program to be used to administer the Program.

22 6. If the reservation of funds to administer the Program
23 under subparagraph 5 of this subparagraph is not necessary to cover the directly
24 related administrative costs of the Program, any excess amount shall remain in the
25 Reserve Fund and may be issued under initial credit certificates for the next fiscal
26 year.

27 **7. IF AN INITIAL CREDIT CERTIFICATE EXPIRES AS**
28 **PROVIDED FOR UNDER SUBSECTION (C)(3) OF THIS SECTION, THE AMOUNT OF**
29 **THE CREDIT CERTIFICATE SHALL REMAIN IN THE RESERVE FUND AND MAY BE**
30 **ISSUED UNDER OTHER INITIAL CREDIT CERTIFICATES.**

31 (iv) For each of fiscal years **[2011, 2012, 2013, and 2014] 2015,**
32 **2016, 2017, 2018, AND 2019**, the Governor shall include in the budget bill an
33 appropriation to the Reserve Fund.

34 (v) Notwithstanding the provisions of § 7–213 of this article, the
35 Governor may not reduce an appropriation to the Reserve Fund in the State budget as
36 approved by the General Assembly.

1 (vi) The Director may not issue an initial credit certificate for
2 any fiscal year after fiscal year [2014] **2019**.

3 (4) (i) Except as provided in this paragraph, money appropriated to
4 the Reserve Fund shall remain in the Fund.

5 (ii) 1. Within 15 days after the end of each calendar quarter,
6 the Trust shall notify the Comptroller as to each commercial rehabilitation completed
7 and certified during the quarter:

8 A. the maximum credit amount stated in the initial
9 credit certificate for the project; and

10 B. the final certified credit amount for the project.

11 2. On notification that a project has been certified, the
12 Comptroller shall transfer an amount equal to the maximum credit amount stated in
13 the initial credit certificate for the project from the Reserve Fund to the General Fund.

14 (iii) 1. On or before October 1 of each year, the Trust shall
15 notify the Comptroller as to the maximum credit amount stated in the initial credit
16 certificate for each commercial rehabilitation for which the initial credit certificate has
17 expired under subsection (c)(3) of this section as of the end of the prior fiscal year.

18 2. **[On] EXCEPT AS PROVIDED IN PARAGRAPH**
19 **(3)(III)7 OF THIS SUBSECTION, ON** notification that the initial credit certificate for a
20 project has expired under subsection (c)(3) of this section, the Comptroller shall
21 transfer an amount equal to the maximum credit amount stated in the initial credit
22 certificate for the project from the Reserve Fund to the General Fund.

23 **(5) (I) THIS PARAGRAPH APPLIES TO A COMMERCIAL**
24 **REHABILITATION FOR WHICH AN APPLICATION FOR A PLAN OF PROPOSED**
25 **REHABILITATION HAS BEEN APPROVED BY THE DIRECTOR ON OR AFTER JULY**
26 **1, 2006, AND ON OR BEFORE JUNE 30, 2014.**

27 **(II) AFTER THE EXPIRATION DATE OF AN INITIAL CREDIT**
28 **CERTIFICATE PROVIDED TO AN APPLICANT THAT RECEIVED APPROVAL FOR A**
29 **PLAN OF PROPOSED COMMERCIAL REHABILITATION, THE DIRECTOR SHALL**
30 **NOTIFY THE APPLICANT, IN WRITING, THAT THE INITIAL CREDIT CERTIFICATE**
31 **WILL BE REVOKED FOR THE APPROVED REHABILITATION IF THE APPLICANT**
32 **DOES NOT SUBMIT A REQUEST FOR FINAL CERTIFICATION OF THE**
33 **REHABILITATION WITHIN 12 MONTHS OF THE EXPIRATION DATE OF THE INITIAL**
34 **CREDIT CERTIFICATE.**

1 **(III) AN INITIAL CREDIT CERTIFICATE IS REVOKED IF,**
2 **WITHIN 6 MONTHS OF THE DATE OF THE WRITTEN NOTIFICATION UNDER**
3 **SUBPARAGRAPH (II) OF THIS PARAGRAPH, AN APPLICANT DOES NOT PROVIDE**
4 **TO THE DIRECTOR, IN WRITING, THE FOLLOWING:**

5 **1. DOCUMENTATION ESTABLISHING THAT THE**
6 **REHABILITATION WAS COMPLETED PRIOR TO THE EXPIRATION DATE OF THE**
7 **INITIAL TAX CREDIT CERTIFICATION; AND**

8 **2. NOTIFICATION THAT THE APPLICANT IS IN THE**
9 **PROCESS OF PREPARING THE FINAL CERTIFICATION.**

10 **(IV) THE DIRECTOR SHALL REPORT TO THE COMPTROLLER,**
11 **IN ACCORDANCE WITH SUBSECTION (H) OF THIS SECTION, ON THE NUMBER AND**
12 **AMOUNT OF INITIAL CREDIT CERTIFICATES THAT HAVE BEEN REVOKED IN**
13 **ACCORDANCE WITH THIS PARAGRAPH.**

14 (e) (1) (i) In this subsection the following words have the meanings
15 indicated.

16 (ii) 1. “Dispose of” means to transfer legal title or, in the
17 case of a leasehold, the leasehold interest.

18 2. “Dispose of” includes to sell in a sale-and-leaseback
19 transaction, to transfer on the foreclosure of a security interest, or to transfer by gift.

20 3. “Dispose of” does not include to transfer title or the
21 leasehold interest to a creditor on creation of a security interest.

22 (iii) “Disqualifying work” means work that:

23 1. is performed on a certified rehabilitation; and

24 2. if performed as part of the rehabilitation certified
25 under this section, would have made the rehabilitation ineligible for certification.

26 (2) The credit allowed under this section shall be recaptured as
27 provided in paragraph (3) of this subsection if, during the taxable year in which a
28 certified rehabilitation is completed or any of the 4 taxable years succeeding the
29 taxable year in which the certified rehabilitation is completed:

30 (i) any disqualifying work is performed on the certified
31 rehabilitation; or

32 (ii) for a commercial rehabilitation, the certified rehabilitation is
33 complete and has been disposed of.

1 (3) (i) 1. If the disqualifying work is performed or the certified
2 rehabilitation is disposed of during the taxable year in which the certified
3 rehabilitation was completed, 100% of the credit shall be recaptured.

4 2. If the disqualifying work is performed or the certified
5 rehabilitation is disposed of during the first full year succeeding the taxable year in
6 which the certified rehabilitation was completed, 80% of the credit shall be recaptured.

7 3. If the disqualifying work is performed or the certified
8 rehabilitation is disposed of during the second full year succeeding the taxable year in
9 which the certified rehabilitation was completed, 60% of the credit shall be recaptured.

10 4. If the disqualifying work is performed or the certified
11 rehabilitation is disposed of during the third full year succeeding the taxable year in
12 which the certified rehabilitation was completed, 40% of the credit shall be recaptured.

13 5. If the disqualifying work is performed or the certified
14 rehabilitation is disposed of during the fourth full year succeeding the taxable year in
15 which the certified rehabilitation was completed, 20% of the credit shall be recaptured.

16 (ii) The individual or business entity that claimed the tax credit
17 shall pay the amount to be recaptured as determined under subparagraph (i) of this
18 paragraph as taxes payable to the State for the taxable year in which the disqualifying
19 work is performed or the certified rehabilitation is disposed of.

20 (f) (1) The Comptroller may determine, under the process for return
21 examination and audit under §§ 13-301 and 13-302 of the Tax – General Article:

22 (i) the amount of rehabilitation expenditures used in
23 calculating the credit;

24 (ii) whether such expenditures are qualified rehabilitation
25 expenditures under this section; and

26 (iii) whether the credit is allowable as claimed.

27 (2) The authority of the Comptroller to examine and audit a tax return
28 does not limit the authority of the Director to determine whether a rehabilitation
29 qualifies as a certified rehabilitation or whether a certificate of certified rehabilitation
30 has been properly issued.

31 (3) The Comptroller may adopt regulations to require that an entity
32 other than a corporation claim the tax credit on the tax return filed by that entity.

33 (4) (i) Except as otherwise provided in this paragraph, the credit
34 under this section may be claimed for the year a certified rehabilitation is completed,

1 only if the Director has, by the time the return is filed, issued a certificate of
2 completion for the certified rehabilitation.

3 (ii) A taxpayer claiming the credit may amend a return for the
4 year the certified rehabilitation was completed to account for a certificate issued
5 subsequent to the filing of the original return.

6 (iii) An amended return shall be filed within the period allowed
7 under the Tax – General Article for filing refund claims.

8 (iv) The provisions of this paragraph do not extend the period in
9 which a certified rehabilitation must be completed to be eligible for a tax credit under
10 this section.

11 (v) An amended return may account for an amended
12 certification issued by the Director for a certified rehabilitation.

13 (g) A refund payable under subsection (c) of this section:

14 (1) operates to reduce the income tax revenue from corporations if the
15 person entitled to the refund is a corporation subject to the income tax under Title 10
16 of the Tax – General Article;

17 (2) operates to reduce insurance premium tax revenues if the person
18 entitled to the refund is subject to taxation under Title 6 of the Insurance Article; and

19 (3) operates to reduce the income tax revenue from individuals if the
20 person entitled to the refund is:

21 (i) an individual subject to the income tax under Title 10 of the
22 Tax – General Article; or

23 (ii) an organization exempt from taxation under § 501(c)(3) of
24 the Internal Revenue Code.

25 (h) (1) On or before December 15 of each fiscal year, the Director shall
26 report to the Governor and, subject to § 2–1246 of the State Government Article, to the
27 General Assembly, on:

28 (i) the initial credit certificates awarded for commercial
29 rehabilitations **AND SMALL COMMERCIAL PROJECTS** under this section for that
30 fiscal year;

31 (ii) the tax credits awarded for certified rehabilitations
32 completed in the preceding fiscal year;

1 (iii) whether the tax credits awarded for certified rehabilitations
2 completed in the preceding fiscal year were located in:

- 3 1. [a Main Street Maryland community;
- 4 2. beginning in fiscal 2012, a sustainable community;
- 5 3.] a local historic district; or
- 6 [4.] 2. a national register district; and

7 (iv) the estimated amount of directly related administrative
8 costs reserved in the Reserve Fund, the estimated amount of fees to be collected, the
9 actual directly related administrative costs, and the actual amount of fees collected.

10 (2) The report required under paragraph (1) of this subsection shall
11 include for each initial credit certificate awarded for the fiscal year for a commercial
12 rehabilitation:

13 (i) the name of the owner or developer of the commercial
14 rehabilitation;

15 (ii) the name and address of the proposed or certified
16 rehabilitation and the county where the project is located;

17 (iii) the dates of receipt and approval by the Director of all
18 applications regarding the project, including applications:

- 19 1. for certification that a structure or property will
20 qualify as a certified historic structure [or a qualified rehabilitated structure]; and
- 21 2. for approval of the proposed rehabilitation; and

22 (iv) the maximum amount of the credit stated in the initial
23 credit certificate for the project and the estimated rehabilitation expenditures stated
24 in the application for approval of the plan of proposed rehabilitation.

25 (3) The report required under paragraph (1) of this subsection shall
26 include for each certified commercial rehabilitation completed during the preceding
27 fiscal year:

28 (i) the name of the owner or developer of the commercial
29 rehabilitation;

30 (ii) the name and address of the certified rehabilitation and the
31 county where the project is located;

1 (iii) the dates of receipt and approval by the Director of all
2 applications regarding the project; and

3 (iv) 1. the maximum amount of the credit stated in the
4 initial credit certificate for the project and the estimated rehabilitation expenditures
5 stated in the application for approval of the plan of proposed rehabilitation; and

6 2. the actual qualified rehabilitation expenditures and
7 the final amount of the credit for which the project qualified.

8 (4) The report required under paragraph (1) of this subsection shall
9 summarize for each category of certified rehabilitations:

10 (i) the total number of applicants for:

11 1. certification that a structure or property will qualify
12 as a certified historic structure [or a qualified rehabilitated structure];

13 2. approval of plans of proposed rehabilitations; or

14 3. certification of the completed rehabilitations;

15 (ii) the number of proposed projects for which plans of proposed
16 rehabilitation were approved; and

17 (iii) the total estimated rehabilitation expenditures stated in
18 approved applications for approval of plans of proposed rehabilitation and the total
19 qualified rehabilitation expenditures for completed rehabilitations certified.

20 (5) The information required under paragraph (4) of this subsection
21 shall be provided in the aggregate and separately for each of the following categories of
22 certified rehabilitations:

23 (i) owner-occupied single family residential structures; [and]

24 **(II) SMALL COMMERCIAL PROJECTS; AND**

25 **[(ii)] (III) commercial rehabilitations.**

26 (i) (1) Subject to the provisions of this subsection, the provisions of this
27 section and the tax credit authorized under this section shall terminate as of July 1,
28 **[2014] 2019.**

29 (2) On and after July 1, **[2014] 2019:**

1 (i) the tax credit authorized under this section may be claimed
2 for:

3 1. a rehabilitation project, other than a commercial
4 rehabilitation, for which an application for approval of a plan of proposed
5 rehabilitation was received by the Director on or before June 30, [2014] **2019**; or

6 2. a commercial rehabilitation for which an initial credit
7 certificate has been awarded under subsection (d) of this section; and

8 (ii) the Director shall continue to report to the Governor and the
9 General Assembly as required under subsection (h) of this section for as long as any
10 rehabilitation project for which the tax credit may be claimed remains incomplete.

11 **Chapter 76 of the Acts of 2004, as amended by Chapter 425 of the Acts of 2013**

12 SECTION 2. AND BE IT FURTHER ENACTED, That Section(s) 5–801 of
13 Article 83B – Department of Housing and Community Development of the Annotated
14 Code of Maryland be repealed and reenacted, with amendments, and transferred to
15 the Session Laws, to read as follows:

16 1.

17 (h) (1) Subject to the provisions of this subsection, the provisions of this
18 section and the tax credit authorized under this section shall terminate as of July 1,
19 2004.

20 (2) On or after July 1, 2004, the tax credit authorized under this
21 section may be claimed for:

22 (i) a project for rehabilitation of a single-family,
23 owner-occupied residence for which an application for approval of a plan of proposed
24 rehabilitation was received by the Director on or before June 30, 2004; or

25 (ii) subject to paragraph (3) of this subsection, a commercial
26 rehabilitation project for which an application of a plan of proposed rehabilitation has
27 been approved by the Director on or before June 30, 2004.

28 (3) The tax credit authorized under this section for a commercial
29 rehabilitation project expires on [July 1, 2014] **JANUARY 1, 2015**, unless, on or before
30 [June 30, 2014] **DECEMBER 31, 2014**, the applicant demonstrates to the Director
31 that the commercial rehabilitation project:

32 (I) has a valid, unexpired building permit for the rehabilitation
33 project; AND

1 **(II) CONSTRUCTION ON THE PROJECT BEGAN WITHIN 3**
2 **MONTHS OF THE DATE OF ISSUANCE OF THE BUILDING PERMIT.**

3 (4) The Director shall notify, in writing, the owner or developer that
4 received approval of a plan of proposed rehabilitation for a commercial rehabilitation
5 project of the requirements of this subsection.

6 (5) On or before [August 1, 2014] **JANUARY 30, 2015**, the Director
7 shall report to the Comptroller the number of tax credits and the amount of the tax
8 credits that have expired in accordance with this subsection.

9 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
10 July 1, 2014.