HB 500

Department of Legislative Services
2015 Session

FISCAL AND POLICY NOTE

House Bill 500 (Delegate Haynes)
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, 2015, and applies to all initial tax credit certificates issued on or after July 1, 2015.

Fiscal Summary

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

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Any applicant seeking to claim the Sustainable Communities tax credit for the rehabilitation of a commercial property 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.

The value of the credit is equal to 20% for the rehabilitation of a commercial property, not to exceed $3 million or the maximum amount specified under the initial credit certificate.

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 601 of 2014 extended the termination date of the Sustainable Communities tax credit through fiscal 2017. The program provides tax credits for the qualified rehabilitation of a (1) single-family owner-occupied residence; (2) small commercial projects located in a sustainable community with rehabilitation expenditures of less than $500,000; and (3) commercial properties. The commercial program received $10 million in funding in each of fiscal 2014 and 2015. The Governor's proposed fiscal 2016 budget includes $9 million in funding for the commercial program.

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 overall fiscal impact of the sustainable communities tax credit. MHT typically awards the maximum amount of commercial credits, and it is expected that MHT will award the maximum amount of any commercial credits available in fiscal 2016. Further, any amount that is not awarded in a fiscal year can be awarded in the next fiscal year. The bill will not impact the rehabilitation of small commercial projects and single-family owner-occupied residences.

Additional Information

Prior Introductions: HB 1152 of 2012 and HB 785 of 2011 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, Comptroller's Office, Department of Legislative Service

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