

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1245
Ways and Means

(Delegate Adams, *et al.*)

Income Tax Credit - Single-Family Dwellings - Smoke Detection Systems

This bill creates a tax credit against the State income tax for the owner of a single-family dwelling in which a smoke alarm or smoke detector is installed in compliance with Title 9, Subtitle 1 of the Public Safety Article. An individual who is the record owner of the single-family dwelling may claim a credit against the State income tax in an amount equal to the cost of purchasing and installing a smoke alarm or smoke detector, up to a maximum of \$500. The amount of the credit may not exceed the tax liability imposed in the year, and any unused amount of the credit can be carried forward to future tax years until the full amount of the excess is used. A taxpayer claiming the credit must attach documentation of the qualified costs and that the person is the record owner of the dwelling.

The bill takes effect July 1, 2016, and applies to tax year 2016 and beyond.

Fiscal Summary

State Effect: General fund revenues decrease significantly beginning in FY 2017 due to credits claimed against the personal income tax. General fund expenditures increase by \$51,000 in FY 2017 due to one-time implementation costs at the Comptroller's Office.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: No similar State tax credit exists.

Various requirements for the types and placement of smoke alarms depend on the date of the building's construction. Landlords and property owners are generally responsible for

the proper installation, repair, maintenance, and replacement of required smoke alarms. Local jurisdictions may adopt smoke alarm regulations that are more stringent than State law.

For all new residential units constructed after July 1, 2013, at least one smoke alarm must be installed in each sleeping room, in the hallway or common area outside of sleeping rooms, and in the hallway or common area on each level within a residential dwelling unit, including basements and excluding specified unoccupied spaces such as attics.

Smoke alarms must be upgraded in single-family rentals if the existing alarms are more than 10 years old, fail to operate or malfunction, or if there is a change in tenancy and the residence has not been previously equipped with sealed, long-life battery smoke alarms.

By January 1, 2018, smoke alarm placement in existing residential occupancies must be upgraded to comply with minimum specified standards, including the number and placement of alarms and alarm requirements.

State Revenues: Tax credits can be claimed beginning with tax year 2016. As a result, general fund revenues will decrease beginning in fiscal 2017. The amount of the revenue loss depends on the number and cost of smoke alarms and smoke detectors installed in each year and cannot be accurately predicted, but it is expected to be significant.

State Expenditures: The Comptroller's Office reports that it will incur a one-time expenditure of \$51,000 in fiscal 2017 to add the new tax credit. This amount includes data processing changes to the income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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