

Department of Legislative Services
 Maryland General Assembly
 2016 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 728

(Senator Mathias, *et al.*)

Budget and Taxation

Ways and Means

Income Tax Credit - New Dwellings - Automatic Fire Sprinkler Systems

This bill creates a tax credit against the State income tax for the owner of a new dwelling in which an automatic fire sprinkler system is installed in compliance with the Maryland Building Performance Standards (MBPS). The State Fire Marshal is required to administer the credit and may award a maximum of \$1.0 million in credits in each tax year through tax year 2018 for dwellings that meet specified criteria.

The bill takes effect July 1, 2016.

Fiscal Summary

State Effect: General fund revenues decrease by \$1.0 million annually in FY 2017 through 2019 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.

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	(\$1.0)	(\$1.0)	(\$1.0)	\$0	\$0
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$1.1)	(\$1.0)	(\$1.0)	\$0.0	\$0.0

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: A new dwelling is a single-family dwelling that is constructed on or after January 1, 2016, has no more than 2,000 square feet of living space, and is located in a Western Maryland or Eastern Shore county. An individual who is the record owner of the new dwelling may claim a credit against the State income tax in an amount equal to \$1.25 per square foot of the new dwelling. 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.

In order to receive a credit, a taxpayer must submit an application to the State Fire Marshal. The State Fire Marshal must (1) award credits on a first-come, first-served basis and (2) certify the credit value within 30 days after receiving an application.

Background: The Department of Housing and Community Development is required to adopt, as MBPS, the most recent version of the International Building Code, including the International Energy Conservation Code, along with applicable modifications authorized in Title 12 of the Public Safety Article. A local jurisdiction may adopt local amendments to MBPS if the amendments do not weaken the automatic fire sprinkler system provisions for townhouses and one- and two-family dwellings, except for specified exceptions. A local jurisdiction that adopts a local amendment is required to ensure that the amendment is adopted in accordance with applicable local law.

State Revenues: The State Fire Marshal may approve a maximum of \$1.0 million in income tax credits in tax years 2016 through 2018. As a result, general fund revenues will decrease by \$1.0 million annually in fiscal 2017 through 2019, assuming the maximum amount of credits are claimed. To the extent the State Fire Marshal does not award the maximum amount of credits in a given year, revenue losses will be less than estimated.

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: HB 1143 (Delegate Sample-Hughes, *et al.*) - Ways and Means.

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

Fiscal Note History: First Reader - March 3, 2016
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