

SENATE BILL 885

Q3, C8

(1lr2183)

ENROLLED BILL

— *Budget and Taxation/Ways and Means* —

Introduced by **Senator Hester**

Read and Examined by Proofreaders:

Proofreader.

Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

_____ day of _____ at _____ o'clock, _____ M.

President.

CHAPTER _____

1 AN ACT concerning

2 **Economic and Community Development – Income Tax Credit for Catalytic**
3 **Revitalization Projects and Historic Revitalization Tax Credit**

4 FOR the purpose of allowing an individual, a nonprofit organization, or a business entity
5 to claim a credit against the State income tax for certain ~~rehabilitation expenses~~ new
6 construction costs and rehabilitation costs for certain catalytic revitalization projects
7 in the State; prohibiting the Comptroller and the Secretary of Housing and
8 Community Development from recapturing the credit under certain circumstances;
9 requiring the Secretary of Housing and Community Development, on application by
10 an individual, a nonprofit organization, or a business entity, to issue tax credit
11 certificates for a certain amount, subject to certain limitations; prohibiting the
12 Secretary from awarding a credit certificate for more than one catalytic revitalization
13 project within a certain number of years and from issuing tax credit certificates for
14 credit amounts in the aggregate that exceed a certain amount; allowing an
15 individual, a nonprofit organization, or a business entity to claim a refund of the

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.

Italics indicate opposite chamber/conference committee amendments.



1 credit, allocate the credit, carry forward the credit, and transfer the credit under
2 certain circumstances; requiring the Secretary, in consultation with the Department
3 of Commerce, to adopt certain regulations; requiring the Governor, in certain fiscal
4 years, to include in the annual State budget an appropriation of at least a certain
5 amount for the Historic Revitalization Tax Credit Reserve Fund; requiring a certain
6 steering committee established under certain provisions of law to continue certain
7 work, coordinate with the Secretary for certain purposes, and report to the
8 Department of Housing and Community Development and the Department of
9 Commerce on or before a certain date; defining certain terms; providing for the
10 application and termination of certain provisions of this Act; and generally relating
11 to the catalytic revitalization project tax credit and the historic revitalization tax
12 credit.

13 BY repealing and reenacting, without amendments,
14 Article – Housing and Community Development
15 Section 1–101(a), (g), and (j)
16 Annotated Code of Maryland
17 (2019 Replacement Volume and 2020 Supplement)

18 BY adding to
19 Article – Housing and Community Development
20 Section 6–801 through 6–805 to be under the new subtitle “Subtitle 8. Catalytic
21 Revitalization Project Tax Credit”
22 Annotated Code of Maryland
23 (2019 Replacement Volume and 2020 Supplement)

24 BY repealing and reenacting, without amendments,
25 Article – State Finance and Procurement
26 Section 5A–303(d)(1)
27 Annotated Code of Maryland
28 (2015 Replacement Volume and 2020 Supplement)

29 BY repealing and reenacting, with amendments,
30 Article – State Finance and Procurement
31 Section 5A–303(d)(3)(iv)
32 Annotated Code of Maryland
33 (2015 Replacement Volume and 2020 Supplement)

34 BY adding to
35 Article – Tax – General
36 Section 10–751
37 Annotated Code of Maryland
38 (2016 Replacement Volume and 2020 Supplement)

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

Article – Housing and Community Development

2 1-101.

3 (a) In this Division I of this article the following words have the meanings
4 indicated.

5 (g) “Nonprofit organization” means a corporation, foundation, or other legal
6 entity, no part of the net earnings of which inures to the benefit of a private shareholder or
7 individual holding an interest in the entity.

8 (j) "Secretary" means the Secretary of Housing and Community Development.

SUBTITLE 8. CATALYTIC REVITALIZATION PROJECT TAX CREDIT.

10 6-801.

IN THIS SUBTITLE:

12 **(1) IN THIS SUBTITLE, "CATALYTIC REVITALIZATION PROJECT"**
13 MEANS THE SUBSTANTIAL REHABILITATION OF A ~~HISTORIC~~ PROPERTY IN THE
14 STATE:

15 (b) (1) THAT WAS FORMERLY OWNED BY THE STATE OR THE
16 FEDERAL GOVERNMENT: ~~AND~~

23 (3) THAT IS OUT OF SERVICE AND WAS FORMERLY USED AS A COLLEGE
24 OR UNIVERSITY, K-12 SCHOOL, HOSPITAL, MENTAL HEALTH FACILITY, OR MILITARY
25 FACILITY OR INSTALLATION

26 6-802

27 **(A) AN INDIVIDUAL, A NONPROFIT ORGANIZATION, OR A BUSINESS ENTITY**
28 MAY CLAIM A TAX CREDIT IN AN AMOUNT EQUAL TO 20% OF THE AMOUNT STATED IN
29 THE FINAL TAX CREDIT CERTIFICATE ISSUED BY THE SECRETARY UNDER § 6-803 OF
30 THIS SUBTITLE FOR 5 CONSECUTIVE TAXABLE YEARS BEGINNING WITH THE

1 TAXABLE YEAR IN WHICH THE CATALYTIC REVITALIZATION PROJECT IS
2 COMPLETED.

3 **(B) THE COMPTROLLER OR THE SECRETARY MAY NOT RECAPTURE A TAX**
4 **CREDIT AUTHORIZED UNDER THIS SUBTITLE IF:**

5 **(1) THE CATALYTIC REVITALIZATION PROJECT IS TRANSFERRED, IN**
6 **WHOLE OR IN PART, BY FEE SIMPLE TRANSFER OF REAL PROPERTY OR BY TRANSFER**
7 **OF AN OWNERSHIP INTEREST IN THE ENTITY THAT OWNS THE PROJECT TO A NEW**
8 **OWNER; AND**

9 **(2) THE SECRETARY HAS ISSUED A FINAL TAX CREDIT CERTIFICATE**
10 **FOR THE CATALYTIC REVITALIZATION PROJECT UNDER § 6-803 OF THIS SUBTITLE.**

11 **6-803.**

12 **(A) (1) SUBJECT TO THE LIMITATIONS OF PARAGRAPHS (2) AND (3) OF**
13 **THIS SUBSECTION AND SUBSECTION (B) OF THIS SECTION, ON APPLICATION BY AN**
14 **INDIVIDUAL, A NONPROFIT ORGANIZATION, OR A BUSINESS ENTITY, THE**
15 **SECRETARY SHALL ISSUE:**

16 **(1) (I) AN INITIAL TAX CREDIT CERTIFICATE IN AN AMOUNT EQUAL**
17 **TO 20% OF THE INDIVIDUAL'S, NONPROFIT ORGANIZATION'S, OR BUSINESS ENTITY'S**
18 **ESTIMATED REHABILITATION EXPENSES NEW CONSTRUCTION COSTS AND**
19 **REHABILITATION COSTS FOR THE PROJECT; AND**

20 **(2) (II) ON COMPLETION OF THE CATALYTIC REVITALIZATION**
21 **PROJECT, A FINAL TAX CREDIT CERTIFICATE IN AN AMOUNT EQUAL TO 20% OF THE**
22 **INDIVIDUAL'S, NONPROFIT ORGANIZATION'S, OR BUSINESS ENTITY'S ACTUAL**
23 **REHABILITATION EXPENSES NEW CONSTRUCTION COSTS AND REHABILITATION**
24 **COSTS FOR THE PROJECT.**

25 **(2) FOR PURPOSES OF CALCULATING THE CREDIT AUTHORIZED**
26 **UNDER PARAGRAPH (1) OF THIS SUBSECTION, NEW CONSTRUCTION COSTS:**

27 **(1) MUST BE RELATED TO THE CONSTRUCTION OF NEW**
28 **STRUCTURES THAT CONNECT, EXPAND, OR INTEGRATE THE EXISTING STRUCTURES**
29 **TO BE REHABILITATED; AND**

30 **(II) MAY NOT EXCEED 50% OF THE TOTAL COSTS OF THE**
31 **CATALYTIC REVITALIZATION PROJECT.**

32 **(3) (I) EXCEPT AS PROVIDED IN SUBPARAGRAPH (II) OF THIS**
33 **PARAGRAPH, THE SECRETARY MAY NOT ISSUE AN INITIAL OR FINAL TAX CREDIT**

1 **CERTIFICATE UNDER PARAGRAPH (1) OF THIS SUBSECTION BEFORE JANUARY 1,**
2 **2025.**

3 **(II) THE SECRETARY MAY ISSUE AN INITIAL OR FINAL TAX**
4 **CREDIT CERTIFICATE UNDER PARAGRAPH (1) OF THIS SUBSECTION BEFORE**
5 **JANUARY 1, 2025, IF THE COMPTROLLER DETERMINES THAT ISSUING THE TAX**
6 **CREDIT CERTIFICATE WILL NOT RESULT IN A REDUCTION OR REPAYMENT OF**
7 **FEDERAL FUNDS AUTHORIZED UNDER THE FEDERAL AMERICAN RESCUE PLAN ACT**
8 **OF 2021.**

9 **(B) (1) THE SECRETARY MAY NOT AWARD AN INITIAL CREDIT**
10 **CERTIFICATE FOR MORE THAN ONE CATALYTIC REVITALIZATION PROJECT WITHIN**
11 **A 2-YEAR PERIOD.**

12 **(2) FOR ANY TAXABLE YEAR FOR ANY CATALYTIC REVITALIZATION**
13 **PROJECT, THE SECRETARY MAY NOT ISSUE TAX CREDIT CERTIFICATES FOR CREDIT**
14 **AMOUNTS IN THE AGGREGATE TOTALING MORE THAN \$10,000,000 \$15,000,000.**

15 **(C) IF THE TAX CREDIT ALLOWED UNDER THIS SUBTITLE IN ANY TAXABLE**
16 **YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE INDIVIDUAL,**
17 **NONPROFIT ORGANIZATION, OR BUSINESS ENTITY FOR THAT TAXABLE YEAR, THE**
18 **INDIVIDUAL, NONPROFIT ORGANIZATION, OR BUSINESS ENTITY MAY CLAIM A**
19 **REFUND IN THE AMOUNT OF THE EXCESS.**

20 **(D) THE CREDIT ALLOWED UNDER THIS SUBTITLE MAY BE ALLOCATED**
21 **AMONG THE PARTNERS, MEMBERS, OR SHAREHOLDERS OF A BUSINESS ENTITY IN**
22 **ANY MANNER AGREED TO BY THOSE PERSONS IN WRITING.**

23 **(E) (1) THE AMOUNT OF THE TAX CREDIT ALLOWED, BUT NOT CLAIMED,**
24 **UNDER THIS SUBTITLE MAY BE TRANSFERRED, BY WRITTEN INSTRUMENT, IN WHOLE**
25 **OR IN PART, TO ANY INDIVIDUAL, NONPROFIT ORGANIZATION, OR BUSINESS ENTITY.**

26 **(2) FOR THE TAXABLE YEAR OF ANY TRANSFER UNDER THIS**
27 **SUBSECTION, THE TRANSFeree UNDER PARAGRAPH (1) OF THIS SUBSECTION MAY**
28 **APPLY THE TAX CREDIT AGAINST THE TOTAL TAX OTHERWISE PAYABLE BY THE**
29 **TRANSFeree IN THAT TAXABLE YEAR.**

30 **(3) IF THE TAX CREDIT EXCEEDS THE TOTAL TAX OTHERWISE**
31 **PAYABLE BY THE TRANSFeree IN ANY TAXABLE YEAR, THE TRANSFeree:**

32 **(I) MAY CLAIM A REFUND IN THE AMOUNT OF THE EXCESS; OR**
33 **(II) MAY CARRY FORWARD AND APPLY THE EXCESS CREDIT FOR**
34 **SUCCEEDING TAXABLE YEARS UNTIL THE FULL AMOUNT OF THE CREDIT IS USED; OR**

4 6-804.

5 THE SECRETARY, IN CONSULTATION WITH THE DEPARTMENT OF COMMERCE,
6 SHALL ADOPT REGULATIONS TO CARRY OUT THE PROVISIONS OF THIS SUBTITLE,
7 INCLUDING REGULATIONS THAT:

8 (1) ESTABLISH PROCEDURES AND STANDARDS FOR CERTIFYING
9 ~~HISTORIC PROPERTIES AND REHABILITATIONS~~ NEW CONSTRUCTION COSTS AND
10 REHABILITATION COSTS UNDER THIS SUBTITLE; AND

14 6-805.

15 (A) SUBJECT TO SUBSECTION (B) OF THIS SECTION, THIS SUBTITLE AND
16 THE CREDIT AUTHORIZED UNDER IT SHALL TERMINATE JANUARY 1, ~~2025~~ 2031.

17 (B) AFTER THE TERMINATION OF THIS SUBTITLE:

Article – State Finance and Procurement

24 5A-303.

25 (d) (1) In this subsection, "Reserve Fund" means the Historic Revitalization Tax
26 Credit Reserve Fund established under paragraph (2) of this subsection.

Article – Tax – General

5 10-751.

6 **(A) IN THIS SECTION, “NONPROFIT ORGANIZATION” HAS THE MEANING**
7 **STATED IN § 1-101 OF THE HOUSING AND COMMUNITY DEVELOPMENT ARTICLE.**

8 **(B) AN INDIVIDUAL, A NONPROFIT ORGANIZATION, OR A BUSINESS ENTITY**
9 MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN ACCORDANCE WITH TITLE
10 6, SUBTITLE 8 OF THE HOUSING AND COMMUNITY DEVELOPMENT ARTICLE FOR
11 ~~REHABILITATION EXPENSES~~ NEW CONSTRUCTION COSTS AND REHABILITATION
12 COSTS FOR CATALYTIC REVITALIZATION PROJECTS.

13 SECTION 2. AND BE IT FURTHER ENACTED, That the steering committee
14 established under Chapter 334 of the Acts of the General Assembly of 2019 shall:

15 (1) continue its work in order to make recommendations based on the
16 findings of the consultant hired by the Secretary of Planning to conduct a study on the
17 adaptive reuse of historic properties located within the State that are or were owned by the
18 State or the federal government;

22 (3) coordinate its efforts with the Secretary of Housing and Community
23 Development in order to further the objectives of the tax credit under this Act.

24 SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall
25 remain effective for a period of 2 years and, at the end of June 30, 2023, Section 2 of this
26 Act, with no further action required by the General Assembly, shall be abrogated and of no
27 further force and effect.

28 SECTION 4. AND BE IT FURTHER ENACTED, That this Act shall take effect July
29 1, 2021, and, except as provided in Section 3 of this Act, shall be applicable to all taxable
30 years beginning after December 31, 2020.