HOUSE BILL 539

By: Delegate Carr
Introduced and read first time: January 21, 2022
Assigned to: Ways and Means

A BILL ENTITLED

AN ACT concerning

Historic Revitalization Tax Credit – Alterations – Qualified Rehabilitation Expenditures for Single-Family, Owner-Occupied Residences

FOR the purpose of altering the maximum tax credit amount that individuals may claim under the historic revitalization tax credit program for certain expenditures for the rehabilitation of certain single-family, owner-occupied residences; and generally relating to the historic revitalization tax credit program.

BY repealing and reenacting, without amendments,

Article – State Finance and Procurement
Section 5A–303(a)(1), (7), (8), and (28) through (30) and (c)(2)
Annotated Code of Maryland
(2021 Replacement Volume)

BY repealing and reenacting, with amendments,

Article – State Finance and Procurement
Section 5A–303(c)(1)
Annotated Code of Maryland
(2021 Replacement Volume)

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

Article – State Finance and Procurement

5A–303.

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

(7) “Certified rehabilitation” means a completed rehabilitation of a certified historic structure that the Director certifies is a substantial rehabilitation in

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.
[Brackets] indicate matter deleted from existing law.
conformance with the rehabilitation standards of the United States Secretary of the
Interior.

(8) (i) “Commercial rehabilitation” means a rehabilitation of a
structure other than a single–family, owner–occupied residence.

(ii) “Commercial rehabilitation” does not include a small commercial
project.

(28) “Qualified rehabilitation expenditure” means any amount that:

(i) is properly chargeable to a capital account;

(ii) is expended in the rehabilitation of a structure that by the end of
the calendar year in which the certified rehabilitation is completed is a certified historic
structure;

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

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

1. State or local grant;

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

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

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

(29) (i) “Single–family, owner–occupied residence” means a structure or
a portion of a structure occupied by the owner and the owner’s immediate family as their
primary or secondary residence.

(ii) “Single–family, owner–occupied residence” includes:

1. a residential unit in a cooperative project owned by or
leased to a cooperative housing corporation and leased for exclusive occupancy to, and
occupied by, a member of the corporation and the member’s immediate family under a
proprietary lease;
2. a structure that is described under paragraph (6)(i) of this subsection; and

3. a small commercial project.

(30) “Small commercial project” means a rehabilitation of a structure if:

(i) the qualified rehabilitation expenditures do not exceed $500,000; and

(ii) 1. the structure is primarily used for commercial, income-producing purposes;

2. the structure:

A. is a residential unit in a consecutive series of similar residential units that are arranged in a row, side by side; and

B. is sold as part of a development project for exclusive occupancy to, and occupied by, the resident;

3. the structure is a targeted project; or

4. the structure is a condominium or cooperative project and the rehabilitation targets only the common elements of the condominium or cooperative project.

(c) (1) (i) Except as otherwise provided in this section, for the taxable year in which a certified rehabilitation is completed, an individual or business entity may claim a tax credit in an amount equal to:

1. 20% of the individual’s or business entity’s qualified rehabilitation expenditures for [the] a COMMERCIAL rehabilitation OR SMALL COMMERCIAL PROJECT; OR

2. 25% OF THE INDIVIDUAL’S QUALIFIED REHABILITATION EXPENDITURES FOR THE REHABILITATION OF A SINGLE–FAMILY, OWNER–OCCUPIED RESIDENCE.

(ii) For a commercial rehabilitation, an individual or business entity may claim an additional tax credit in an amount equal to 5% of the individual’s or business entity’s qualified rehabilitation expenditures if the certified rehabilitation is a certified historic structure and:

1. is a high performance building; or
qualifies as affordable housing or a Level 1 opportunity zone project.

(iii) For a commercial rehabilitation, a business entity may claim an additional tax credit in an amount equal to 7.5% of the business entity’s qualified rehabilitation expenditures if the certified rehabilitation is a certified historic structure and qualifies as a Level 2 opportunity zone project.

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

1. A. $3,000,000 for any commercial rehabilitation other than a Level 1 or Level 2 opportunity zone project;

B. $3,150,000 for a Level 1 opportunity zone project; or

C. $3,300,000 for a Level 2 opportunity zone project; or

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

(ii) For a rehabilitation other than a commercial rehabilitation, the State tax credit allowed under this section may not exceed:

1. $50,000 for a rehabilitation other than a Level 1 or Level 2 opportunity zone project;

2. $55,000 for a Level 1 opportunity zone project; or

3. $60,000 for a Level 2 opportunity zone project.

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

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

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

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2022, and shall be applicable to all taxable years beginning after December 31, 2021.