

SENATE BILL 946

Q3, Q7

6lr2966

By: **Senator McCray**

Introduced and read first time: February 6, 2026

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Historic Revitalization Tax Credit – Alterations**

3 FOR the purpose of altering the definition of “qualified rehabilitation expenditure”, for
4 purposes of the Historic Revitalization Tax Credit, to repeal the exclusion of
5 expenditures for a certain rehabilitation that is otherwise funded, financed, or
6 reimbursed by certain State or local expenditures; altering the definition of
7 “substantial rehabilitation” to extend the period during which certain expenditures
8 must occur; expanding certain competitive award criteria for commercial projects to
9 include projects that are located in certain areas and are likely to have a high impact
10 on the economic development of a community; altering the circumstances under
11 which the Director of the Maryland Historical Trust may accept an application;
12 requiring each structure of a certain rehabilitation to be treated as a separate
13 rehabilitation for the purpose of a certain limitation on the maximum amount of the
14 credit allowed for a commercial rehabilitation; authorizing the Director to accept and
15 approve certain applications for a supplemental credit certificate subject to certain
16 limitations; requiring the Director to give priority to certain applications subject to
17 a certain limitation; requiring the Comptroller to deposit certain amounts into the
18 Historic Revitalization Tax Credit Reserve Fund for a certain purpose; and generally
19 relating to the Historic Revitalization Tax Credit.

20 BY repealing and reenacting, with amendments,
21 Article – State Finance and Procurement
22 Section 5A–303
23 Annotated Code of Maryland
24 (2021 Replacement Volume and 2025 Supplement)

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

27 **Article – State Finance and Procurement**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



5A-303.

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

(2) “Affordable housing” means a project or undertaking that has received an allocation of federal low-income housing tax credits by the Department of Housing and Community Development.

(3) “Agricultural structure” means a certified historic structure that is used or was used as an agricultural facility or for purposes related to agriculture.

(4) (i) “Business entity” means:

1. a person conducting or operating a trade or business in the State; or

2. an organization operating in Maryland that is exempt from taxation under § 501(c)(3) of the Internal Revenue Code.

(ii) “Business entity” includes the governing body of a condominium or cooperative housing corporation.

(5) “Certified heritage area” has the meaning stated in § 13-1101 of the Financial Institutions Article.

(6) (i) “Certified historic structure” means a structure that is located in the State and:

1. is listed in the National Register of Historic Places;

2. is designated as a historic property under local law and determined by the Director to be eligible for listing on the National Register of Historic Places;

3. A. is located in a historic district listed on the National Register of Historic Places or in a local historic district that the Director determines is eligible for listing on the National Register of Historic Places; and

B. is certified by the Director as contributing to the significance of the district;

4. is located in a certified heritage area and certified by the Maryland Heritage Areas Authority as contributing to the significance of the certified heritage area; or

5. A. is located on property that is owned by the Department of Natural Resources or one of its units;

1 B. is occupied by a person under an agreement with the
2 Department of Natural Resources under which the person pays for rehabilitation of the
3 structure as a condition of occupancy; and

4 C. meets one of the criteria listed under item 1, 2, 3, or 4 of
5 this subparagraph or is eligible to be listed in the National Register of Historic Places as
6 determined by the Director.

7 (ii) Except as provided in subparagraph (i)5 of this paragraph,
8 “certified historic structure” does not include a structure that is owned by the State, a
9 political subdivision of the State, or the federal government.

10 (7) “Certified rehabilitation” means a completed rehabilitation of a
11 certified historic structure that the Director certifies is a substantial rehabilitation in
12 conformance with the rehabilitation standards of the United States Secretary of the
13 Interior.

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

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

18 (9) “Common elements” means:

19 (i) all of the condominium except the units, as defined in § 11-101
20 of the Real Property Article; or

21 (ii) all of the cooperative project except the units, as defined in §
22 5-6B-01 of the Corporations and Associations Article.

23 (10) “Condominium” has the meaning stated in § 11-101 of the Real
24 Property Article.

25 (11) “Cooperative housing corporation” has the meaning stated in §
26 5-6B-01 of the Corporations and Associations Article.

27 (12) “Cooperative project” has the meaning stated in § 5-6B-01 of the
28 Corporations and Associations Article.

29 (13) “Director” means the Director of the Maryland Historical Trust.

30 (14) “Financial assistance” means action by the State or a State unit to
31 award grants, loans, loan guarantees, or insurance to a public or private entity to finance,
32 wholly or partly, a project that involves or may result in building construction, building
33 alteration, or land disturbance.

(15) “Governing body”, unless the context requires otherwise, has:

(i) with respect to a cooperative housing corporation, the meaning stated in § 5–6B–01 of the Corporations and Associations Article; or

(ii) with respect to a condominium, the meaning stated in § 11–101 of the Real Property Article.

(16) “High performance building” means a building that:

(i) meets or exceeds the current version of the U.S. Green Building Council’s LEED (Leadership in Energy and Environmental Design) green building rating system gold rating; or

(ii) achieves at least a comparable numeric rating according to a nationally recognized, accepted, and appropriate numeric sustainable development rating system, guideline, or standard approved by the Secretaries of Budget and Management and General Services under § 3–602.1 of this article.

(17) (i) “Historic property” means a district, site, building, structure, monument, or object significant to:

1. the prehistory or history of the State; or

2. the upland or underwater archeology, architecture, engineering, or culture of the State.

(ii) “Historic property” includes related artifacts, records, and remains.

(18) “Level 1 opportunity zone project” means a small commercial project or commercial rehabilitation completed by a qualified opportunity zone business if the following information is provided to the Director:

(i) the date of the qualified opportunity fund’s investment in the opportunity zone project and the amount of the investment;

(ii) the total project or business investment, including any leverage;

(iii) the address and census tract of the qualified opportunity zone business and the qualified opportunity fund;

(iv) the North American Industrial Classification System Code for the qualified opportunity zone business;

(v) an impact report, including both qualitative and quantitative data on the qualified opportunity fund's investment in the opportunity zone project and its progress; and

(vi) any other information requested by the Director.

(19) "Level 2 opportunity zone project" means a small commercial project or commercial rehabilitation completed by a qualified opportunity zone business if:

(i) the requirements for a Level 1 opportunity zone project are met;

(ii) 1. accountability to residents of the communities in the qualified opportunity zone is maintained through their representation on any governing board or any advisory board of the qualified opportunity zone business; or

2. a community benefits agreement is negotiated and agreed to by community groups or strategic industry partnerships, as defined under § 11-701 of the Labor and Employment Article, in the opportunity zone and the qualified opportunity zone business that specifies a range of community benefits that the business agrees to provide as part of the development project; and

(iii) 1. for an opportunity zone project located entirely within a municipal corporation, the municipal corporation, by resolution or by letter, delivered to the Director by the municipal corporation's authorized designee, approves the provision within the municipal corporation of the enhanced tax credits under this section; or

2. for an opportunity zone project that is not located entirely within a municipal corporation, the county, by resolution or by letter, delivered to the Director by the county's authorized designee, approves the provision within the county of the enhanced tax credits under this section.

(20) "Local historic district" means a district that the governing body of a county or municipal corporation, or the Mayor and City Council of Baltimore, has designated under local law as historic.

(21) "National register structure" means a structure that is:

(i) listed on the National Register of Historic Places; or

(ii) located in a historic district listed on the National Register of Historic Places and certified by the Director as contributing to the significance of the district.

(22) "Opportunity zone project" means a certified rehabilitation within a geographical area designated and in effect as a qualified opportunity zone in the State under § 1400Z-1 of the Internal Revenue Code.

(23) “Political subdivision” means a county or municipal corporation of the State.

(24) “Post–World War II structure” means a certified historic structure that was built after December 31, 1944, but before January 1, 1970.

(25) “Qualified opportunity fund” has the meaning stated in § 6–1001 of the Economic Development Article.

(26) “Qualified opportunity zone” has the meaning stated in § 6–1001 of the Economic Development Article.

(27) “Qualified opportunity zone business” has the meaning stated in § 6–1001 of the Economic Development Article.

(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; **AND**

(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 1. a residential unit in a cooperative project owned by or
2 leased to a cooperative housing corporation and leased for exclusive occupancy to, and
3 occupied by, a member of the corporation and the member's immediate family under a
4 proprietary lease;

5 2. a structure that is described under paragraph (6)(i)5 of
6 this subsection; and

7 3. a small commercial project.

8 (30) "Small commercial project" means a rehabilitation of a structure if:

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

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

13 2. the structure:

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

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

18 3. the structure is a targeted project; or

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

22 (31) "Sustainable Growth Subcabinet" means the Sustainable Growth
23 Subcabinet established under Title 9, Subtitle 14 of the State Government Article.

24 (32) "State unit" has the meaning stated in § 11-101 of the State
25 Government Article.

26 (33) "Substantial rehabilitation" means rehabilitation of a structure for
27 which the qualified rehabilitation expenditures, during the [24-month] **60-MONTH** period
28 selected by the individual or business entity ending with or within the taxable year, exceed:

29 (i) for single-family, owner-occupied residential property, \$5,000;
30 or

31 (ii) for all other property, the greater of:

1 1. the adjusted basis of the structure; or

2 2. \$25,000.

3 (34) “Targeted project” means a rehabilitation of:

4 (i) an agricultural structure; or

5 (ii) a post–World War II structure.

6 (b) (1) The Director, in consultation with the Sustainable Growth Subcabinet,
7 shall adopt regulations to:

8 (i) establish procedures and standards for certifying historic
9 structures and rehabilitations under this section;

10 (ii) for commercial rehabilitations, establish an application process
11 for the award of initial credit certificates for historic revitalization tax credits consistent
12 with the requirements of this subsection;

13 (iii) for commercial rehabilitations, establish criteria, consistent with
14 the requirements of this subsection, for evaluating, comparing, and rating plans of proposed
15 rehabilitation that have been determined by the Director to conform with the rehabilitation
16 standards of the United States Secretary of the Interior;

17 (iv) for commercial rehabilitations, establish a competitive award
18 process for the award of initial credit certificates for historic revitalization tax credits that
19 favors the award of tax credits for rehabilitation projects that:

20 1. are consistent with and promote current growth and
21 development policies and programs of the State;

22 2. are located in areas targeted by the State for additional
23 revitalization and economic development opportunities due to the focusing of State
24 resources and incentives;

25 3. are located in areas where the political subdivision has
26 implemented regulatory streamlining or other development incentives that foster
27 redevelopment and revitalization in priority funding areas, as defined in Title 5, Subtitle
28 7B of this article, and the appropriate local governing body or the planning board or
29 commission, if designated by the local governing body, has certified to the Sustainable
30 Growth Subcabinet those regulatory streamlining or other development incentives; [and]

31 4. include affordable and workforce housing options; **AND**

1 **5. ARE LIKELY TO HAVE A HIGH IMPACT ON THE**
2 **ECONOMIC DEVELOPMENT OF A COMMUNITY AND ARE LOCATED IN:**

3 **A. A SUSTAINABLE COMMUNITY DESIGNATED UNDER**
4 **TITLE 6 OF THE HOUSING AND COMMUNITY DEVELOPMENT ARTICLE;**

5 **B. A TRANSIT-ORIENTED DEVELOPMENT, AS DEFINED**
6 **UNDER § 7-101 OF THE TRANSPORTATION ARTICLE;**

7 **C. AN ENTERPRISE ZONE DESIGNATED UNDER TITLE 5,**
8 **SUBTITLE 7 OF THE ECONOMIC DEVELOPMENT ARTICLE;**

9 **D. AN ARTS AND ENTERTAINMENT DISTRICT**
10 **DESIGNATED UNDER TITLE 4, SUBTITLE 7 OF THE ECONOMIC DEVELOPMENT**
11 **ARTICLE; OR**

12 **E. A MAIN STREET MARYLAND COMMUNITY**
13 **DESIGNATED BY THE DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT;**

14 (v) for commercial rehabilitations, establish procedures to announce
15 to the public the selection of a rehabilitation project for an award of an initial credit
16 certificate not later than 60 days after the selection is made;

17 (vi) for commercial rehabilitations, determine whether the certified
18 rehabilitation:

- 19 1. is a high performance building; or
- 20 2. qualifies as affordable housing or a Level 1 or Level 2
21 opportunity zone project;

22 (vii) for commercial rehabilitations, establish a required external
23 marker or, at a minimum, an internal marker for the rehabilitation project that identifies
24 that the rehabilitation was funded by historic revitalization tax credits;

25 (viii) as provided in paragraph (7) of this subsection, charge
26 reasonable fees to certify historic structures and rehabilitations under this subtitle;

27 (ix) for commercial rehabilitations, require documentation that the
28 applicant has ownership or site control of the structure in order to demonstrate the ability
29 to meet the requirement to begin work as required under subsection (c)(3)(i)1 of this section;

30 (x) for commercial rehabilitations, provide a time limit for approval
31 of the additional tax credit for high performance buildings, affordable housing, or Level 1
32 or Level 2 opportunity zone projects provided for in subsection (c)(1)(ii) of this section;

(xi) for commercial rehabilitations, establish procedures for the transfer of the tax credit under subsection (c)(6) of this section;

(xii) for small commercial projects:

1. establish conditions regarding the percentage of the structure that may be used for residential rental purposes if the structure is used for both commercial and residential rental purposes;

2. establish application procedures for governing bodies of condominiums and cooperative housing corporations and conditions regarding the rehabilitation of common elements of condominiums and cooperative projects;

3. specify criteria for determining whether a certified historic structure is:

A. an agricultural structure; or

B. a post–World War II structure; and

4. specify criteria and procedures for the issuance of initial credit certificates under subsection (e) of this section; and

(xiii) specify criteria and procedures for approval of enhanced benefits under this section for Level 1 and Level 2 opportunity zone projects.

(2) The Director may not certify that a rehabilitation is a certified rehabilitation eligible for a tax credit provided under this section unless the individual or business entity seeking certification states under oath the amount of the individual's or business entity's qualified rehabilitation expenditures.

(3) Each year, the Director may accept applications for approval of plans of proposed commercial rehabilitations and for the award of initial credit certificates for the fiscal year that begins July 1 of that year.

(4) (i) Except as provided in subsection (e) of this section, a small commercial project shall be treated as a single–family, owner–occupied residential property, including the limitation on the amount of the tax credit provided in subsection (c)(2)(ii) of this section.

(ii) A small commercial project is subject to the credit recapture provision in subsection (f) of this section.

(5) [(i)] For commercial rehabilitations, the Director may not accept an application for approval of plans of proposed rehabilitation if:

1 [1.] (I) [any substantial part of the proposed] **THE**
2 rehabilitation work [has begun] **HAS BEEN COMPLETED**; or

3 [2.] (II) the applicant for a commercial rehabilitation has
4 previously submitted three or more applications **FOR AN INITIAL CREDIT CERTIFICATE**
5 for commercial rehabilitations with total proposed rehabilitations exceeding \$500,000 in
6 that year.

7 [(ii) For commercial rehabilitations, the Director may accept an
8 application for approval of plans of a proposed rehabilitation for which a substantial part
9 of the proposed rehabilitation work has begun if the rehabilitation work has been approved
10 under the federal historic tax credit.]

11 (6) Except as provided in subsection (d)(3)(iii) of this section, not more than
12 60% of the total credit amounts under initial credit certificates issued for any fiscal year
13 may be issued for projects in a single county or Baltimore City.

14 (7) (i) The Director shall adopt regulations to charge reasonable fees to
15 certify historic structures and rehabilitations under this section which shall include:

16 1. a minimum fee for the second phase of the application
17 process;

18 2. for a commercial rehabilitation project, a final fee that
19 may not exceed 3% of the amount of the award of an initial **OR SUPPLEMENTAL** credit
20 certificate; and

21 3. for any other rehabilitation project, a final fee that may
22 not exceed 3% of the amount of the credit for which the rehabilitation would be eligible
23 based on the greater of the estimated or final qualified rehabilitation expenditures for the
24 rehabilitation.

25 (ii) The Director shall set the level of the fees so that the projected
26 proceeds from the fees will cover the costs to the Trust of administering the credit under
27 this section and the federal historic tax credit.

28 (iii) If a fee charged for a commercial rehabilitation is not received by
29 the Trust within 90 days after the Trust sends notice to the applicant that the fee is due,
30 the Trust may not:

31 1. issue an initial **OR SUPPLEMENTAL** credit certificate for
32 the commercial rehabilitation; or

33 2. accept an application for a commercial rehabilitation from
34 the applicant during the 3 fiscal years following the fiscal year in which the fee was not
35 received.

(iv) The proceeds from the fees shall be deposited in a special fund, to be used only for the purposes of paying the costs of administering the credit under this section and the federal historic tax credit.

(v) Any unused balance of the fund at the end of each fiscal year shall be transferred to the Reserve Fund established under subsection (d) of this section and shall increase the amount of the initial **OR SUPPLEMENTAL** credit certificates that the Trust may issue for the following fiscal year.

(8) If an initial **OR SUPPLEMENTAL** credit certificate expires or is otherwise unclaimed as provided for under this section, the amount of the credit certificate shall:

(i) remain in the Reserve Fund established under subsection (d) of this section; and

(ii) increase the amount of the initial **OR SUPPLEMENTAL** credit certificates that the Trust may issue for the following fiscal year.

(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 20% of the individual's or business entity's qualified rehabilitation expenditures for the rehabilitation.

(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

2. 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. \$5,000,000 for any commercial rehabilitation other than a Level 1 or Level 2 opportunity zone project;

B. \$5,250,000 for a Level 1 opportunity zone project; or

1 C. \$5,500,000 for a Level 2 opportunity zone project; or

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

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

6 1. \$50,000 for a rehabilitation other than a Level 1 or Level
7 2 opportunity zone project;

8 2. \$55,000 for a Level 1 opportunity zone project; or

9 3. \$60,000 for a Level 2 opportunity zone project.

10 (iii) For the purposes of the limitation under subparagraph (i) of this
11 paragraph[,]:

12 1. the following shall be treated as a single commercial
13 rehabilitation:

14 [1.] A. the phased rehabilitation of the same structure or
15 property; or

16 [2.] B. the separate rehabilitation of different components
17 of the same structure or property; AND

18 2. EACH STRUCTURE THAT IS PART OF A PHASED
19 REHABILITATION OF A CAMPUS WITH MULTIPLE STRUCTURES SHALL BE TREATED
20 AS A SEPARATE COMMERCIAL REHABILITATION.

21 (3) (i) Subject to subparagraph (ii) of this paragraph, the initial AND
22 SUPPLEMENTAL credit certificate for a proposed commercial rehabilitation shall expire
23 and the credit under this section may not be claimed if:

24 1. within 18 months after the initial OR SUPPLEMENTAL
25 credit certificate was issued, the applicant has not notified the Trust, in writing, that the
26 commercial rehabilitation has begun;

27 2. the commercial rehabilitation is not completed within 30
28 months after the initial OR SUPPLEMENTAL credit certificate was issued; or

29 3. the applicant does not submit to the Trust a request for
30 final certification of the commercial rehabilitation within 12 months after:

1 A. the 30-month expiration date under item 2 of this
2 subparagraph; or

3 B. the date to which the Director postponed the expiration
4 date under subparagraph (ii) of this paragraph.

5 (ii) For reasonable cause, the Director may postpone:

6 1. the 30-month expiration date under subparagraph (i)2 of
7 this paragraph for an initial **OR SUPPLEMENTAL** credit certificate for a commercial
8 rehabilitation; or

9 2. if the commercial rehabilitation was completed prior to the
10 expiration of the initial **OR SUPPLEMENTAL** credit certificate, the deadline under
11 subparagraph (i)3 of this paragraph for submission of a request for final certification.

12 (4) If the tax credit allowed under this section in any taxable year exceeds
13 the total tax otherwise payable by the business entity or the individual for that taxable
14 year, the individual or business entity may claim a refund in the amount of the excess.

15 (5) The State credit allowed under this section may be allocated among the
16 partners, members, or shareholders of an entity in any manner agreed to by those persons
17 in writing.

18 (6) (i) In accordance with regulations adopted by the Director under
19 this section, the amount of the State tax credit allowed but not used for commercial
20 rehabilitations under this section may be transferred in whole or in part to any individual
21 or business entity.

22 (ii) 1. For the taxable year of any transfer under this paragraph,
23 the transferee under subparagraph (i) of this paragraph may apply the tax credit against
24 the total tax otherwise payable by the transferee in that taxable year.

25 2. If the tax credit exceeds the State income tax of the
26 transferee in any taxable year, the transferee:

27 A. may claim a refund in the amount of the excess; or

28 B. may transfer the remainder of the tax credit to any
29 individual or business entity.

30 **(7) (I) THE DIRECTOR MAY ACCEPT APPLICATIONS FOR**
31 **APPROVAL OF A SUPPLEMENTAL CREDIT CERTIFICATE FOR A COMMERCIAL**
32 **REHABILITATION IF THE COSTS FOR THE COMMERCIAL REHABILITATION HAVE**
33 **INCREASED DUE TO THE INFLATION OF CONSTRUCTION COSTS.**

(II) SUBJECT TO THE LIMITATIONS UNDER PARAGRAPH (2)(I)1
OF THIS SUBSECTION AND THE AVAILABILITY OF FUNDS IN THE RESERVE FUND, ON
APPROVAL OF AN APPLICATION FOR A SUPPLEMENTAL CREDIT CERTIFICATE, THE
AMOUNT OF THE INITIAL CREDIT CERTIFICATE MAY BE INCREASED.

(III) THE DIRECTOR SHALL GIVE PRIORITY TO ISSUING A
SUPPLEMENTAL CREDIT CERTIFICATE OVER ISSUING AN INITIAL CREDIT
CERTIFICATE.

(d) (1) (i) In this subsection the following words have the meanings
indicated.

(ii) "Reserve Fund" means the Historic Revitalization Tax Credit
Reserve Fund established under paragraph (2) of this subsection.

(iii) "Trust Account" means the Small Commercial Project Trust
Account established under paragraph (4) of this subsection.

(2) (i) There is a Historic Revitalization Tax Credit Reserve Fund that
is a continuing, nonlapsing special fund that is not subject to § 7-302 of this article.

(ii) The money in the Reserve Fund shall be invested and reinvested
by the Treasurer, and interest and earnings shall be credited to the General Fund.

(iii) If the fees paid in any fiscal year are less than the directly related
administrative costs of operating the Historic Revitalization Tax Credit Program, funds in
the Reserve Fund shall be used for the directly related administrative costs of the Program.

(3) (i) Subject to the provisions of this subsection, the Director shall
issue an initial **OR SUPPLEMENTAL** credit certificate for each commercial rehabilitation
for which a plan of proposed rehabilitation is approved and the fees charged under
subsection (b)(7)(i) of this section are paid.

(ii) An initial **OR SUPPLEMENTAL** credit certificate issued under
this subsection shall state the maximum amount of credit under this section for which the
commercial rehabilitation may qualify.

(iii) 1. Except as otherwise provided in this subparagraph and in
subsection (b)(7)(v) of this section, for any fiscal year, the Director may not issue initial **OR**
SUPPLEMENTAL credit certificates for credit amounts in the aggregate totaling more than
the amount appropriated to the Reserve Fund for that fiscal year in the State budget as
approved by the General Assembly.

2. If the aggregate credit amounts under initial **OR**
SUPPLEMENTAL credit certificates issued in a fiscal year total less than the amount
appropriated to the Reserve Fund for that fiscal year as a result of the limitation under

subsection (b)(6) of this section, any excess amount may be issued under initial **OR SUPPLEMENTAL** credit certificates for projects in a county or Baltimore City in the same fiscal year, without regard to the limitation under subsection (b)(6) of this section.

3. Subject to subsubparagraph 2 of this subparagraph, if the aggregate credit amounts under initial **OR SUPPLEMENTAL** credit certificates issued in a fiscal year total less than the amount appropriated to the Reserve Fund for that fiscal year, any excess amount shall remain in the Reserve Fund and may be issued under initial **OR SUPPLEMENTAL** credit certificates for the next fiscal year.

4. For any fiscal year, if funds are transferred from the Reserve Fund under the authority of any provision of law other than paragraph (5) of this subsection, the maximum credit amounts in the aggregate for which the Director may issue initial **OR SUPPLEMENTAL** credit certificates shall be reduced by the amount transferred.

5. In each fiscal year, the Director shall estimate the amount of fees to be collected based on the amount appropriated to the Reserve Fund and reserve the difference between the estimated fees and estimated directly related administrative costs of the Program to be used to administer the Program.

6. If the reservation of funds to administer the Program under subsubparagraph 5 of this subparagraph is not necessary to cover the directly related administrative costs of the Program, any excess amount shall remain in the Reserve Fund and may be issued under initial **OR SUPPLEMENTAL** credit certificates for the next fiscal year.

(iv) 1. Subject to subsubparagraphs 2 and 3 of this subparagraph, for each of fiscal years 2018 through 2031, the Governor shall include in the budget bill an appropriation to the Reserve Fund.

2. For each of fiscal years 2023 through 2025 and 2029 through 2031, the Governor shall include in the budget bill an appropriation to the Reserve Fund of at least \$20,000,000.

3. For each of fiscal years 2026 through 2028, the Governor shall include in the budget bill an appropriation to the Reserve Fund of at least \$16,500,000.

4. The amounts described under subsubparagraphs 2 and 3 of this subparagraph shall be in addition to the appropriations to the Trust Account required under paragraph (4) of this subsection.

(v) Notwithstanding the provisions of § 7-213 of this article, the Governor may not reduce an appropriation for the Reserve Fund in the State budget as approved by the General Assembly.

(vi) The Director may not issue an initial **OR SUPPLEMENTAL** credit certificate for any fiscal year after fiscal year 2031.

(4) (i) Within the Reserve Fund, there is a Small Commercial Project Trust Account.

(ii) 1. The Trust Account is established for the issuance of tax credit certificates for small commercial projects.

2. Funds in the Trust Account shall be used only for transfers from the Reserve Fund to the General Fund in accordance with paragraph (5) of this subsection with respect to tax credit certificates issued for small commercial projects.

(iii) The Trust Account consists of:

1. money appropriated in the State budget for the Trust Account; and

2. any other money from any other source accepted for the benefit of the Trust Account.

(iv) For each of fiscal years 2024 through 2031, the Governor shall include in the budget bill an appropriation to the Trust Account of at least \$2,000,000.

(5) (i) Except as provided in this paragraph, money appropriated to the Reserve Fund shall remain in the Fund.

(ii) 1. Within 15 days after the end of each calendar quarter, the Trust shall notify the Comptroller as to each commercial rehabilitation completed and certified during the quarter:

A. the maximum credit amount stated in the initial **OR SUPPLEMENTAL** credit certificate for the project; and

B. the final certified credit amount for the project.

2. On notification that a project has been certified, the Comptroller shall transfer an amount equal to the maximum credit amount stated in the initial **OR SUPPLEMENTAL** credit certificate for the project from the Reserve Fund to the General Fund.

(iii) 1. On or before October 1 of each year, the Trust shall notify the Comptroller as to the maximum credit amount stated in the initial **OR SUPPLEMENTAL** credit certificate for each commercial rehabilitation for which the initial **OR SUPPLEMENTAL** credit certificate has expired under subsection (c)(3) of this section as of the end of the prior fiscal year.

2. On notification that the initial **OR SUPPLEMENTAL** credit certificate for a project has expired under subsection (c)(3) of this section, the Comptroller shall transfer an amount equal to the maximum credit amount stated in the initial **OR SUPPLEMENTAL** credit certificate for the project from the Reserve Fund to the General Fund.

(e) (1) Subject to the provisions of this subsection, the Director shall issue an initial credit certificate for each approved small commercial project on a first-come, first-served basis.

(2) An initial credit certificate issued under this subsection shall state the maximum amount of tax credit for which the applicant is eligible.

(3) (i) Before fiscal year 2024, the Director may not issue an initial credit certificate under this subsection after the aggregate amount of initial credit certificates issued for small commercial projects totals \$5,000,000.

(ii) Before fiscal year 2024, for a targeted project, the Director may not issue an initial credit certificate under this subsection:

1. after the aggregate amount of initial credit certificates issued for agricultural structures totals \$1,000,000; or

2. after the aggregate amount of initial credit certificates issued for post-World War II structures totals \$1,000,000.

(iii) Beginning fiscal year 2024 and each fiscal year thereafter, the Director may not issue initial credit certificates for small commercial projects under this subsection for credit amounts in the aggregate totaling more than the amount of funds in the Small Commercial Project Trust Account established under subsection (d)(4) of this section.

(f) (1) (i) In this subsection the following words have the meanings indicated.

(ii) 1. “Dispose of” means to transfer legal title or, in the case of a leasehold, the leasehold interest.

2. “Dispose of” includes to sell in a sale-and-leaseback transaction, to transfer on the foreclosure of a security interest, or to transfer by gift.

3. “Dispose of” does not include to transfer title or the leasehold interest to a creditor on creation of a security interest.

(iii) “Disqualifying work” means work that:

1 1. is performed on a certified rehabilitation; and

2 2. if performed as part of the rehabilitation certified under
3 this section, would have made the rehabilitation ineligible for certification.

4 (2) The credit allowed under this section shall be recaptured as provided in
5 paragraph (3) of this subsection if, during the taxable year in which a certified
6 rehabilitation is completed or any of the 4 taxable years succeeding the taxable year in
7 which the certified rehabilitation is completed:

8 (i) any disqualifying work is performed on the certified
9 rehabilitation; or

10 (ii) for a commercial rehabilitation, the certified rehabilitation is
11 complete and has been disposed of.

12 (3) (i) 1. If the disqualifying work is performed or the certified
13 rehabilitation is disposed of during the taxable year in which the certified rehabilitation
14 was completed, 100% of the credit shall be recaptured.

15 2. If the disqualifying work is performed or the certified
16 rehabilitation is disposed of during the first full year succeeding the taxable year in which
17 the certified rehabilitation was completed, 80% of the credit shall be recaptured.

18 3. If the disqualifying work is performed or the certified
19 rehabilitation is disposed of during the second full year succeeding the taxable year in
20 which the certified rehabilitation was completed, 60% of the credit shall be recaptured.

21 4. If the disqualifying work is performed or the certified
22 rehabilitation is disposed of during the third full year succeeding the taxable year in which
23 the certified rehabilitation was completed, 40% of the credit shall be recaptured.

24 5. If the disqualifying work is performed or the certified
25 rehabilitation is disposed of during the fourth full year succeeding the taxable year in which
26 the certified rehabilitation was completed, 20% of the credit shall be recaptured.

27 (ii) 1. The individual or business entity that claimed the tax
28 credit shall pay the amount to be recaptured as determined under subparagraph (i) of this
29 paragraph as taxes payable to the State for the taxable year in which the disqualifying
30 work is performed or the certified rehabilitation is disposed of.

31 2. **THE COMPTROLLER SHALL DEPOSIT AMOUNTS**
32 **RECAPTURED AND PAID UNDER SUBSUBPARAGRAPH 1 OF THIS SUBPARAGRAPH**
33 **INTO THE RESERVE FUND AND THOSE AMOUNTS MAY BE ISSUED AS INITIAL OR**
34 **SUPPLEMENTAL CREDIT CERTIFICATES FOR THE NEXT FISCAL YEAR.**

(g) (1) The Comptroller may determine, under the process for return examination and audit under §§ 13–301 and 13–302 of the Tax – General Article:

(i) the amount of rehabilitation expenditures used in calculating the credit;

(ii) whether such expenditures are qualified rehabilitation expenditures under this section; and

(iii) whether the credit is allowable as claimed.

(2) The authority of the Comptroller to examine and audit a tax return does not limit the authority of the Director to determine whether a rehabilitation qualifies as a certified rehabilitation or whether a certificate of certified rehabilitation has been properly issued.

(3) The Comptroller may adopt regulations to require that an entity other than a corporation claim the tax credit on the tax return filed by that entity.

(4) (i) Except as otherwise provided in this paragraph, the credit under this section may be claimed for the year a certified rehabilitation is completed, only if the Director has, by the time the return is filed, issued a certificate of completion for the certified rehabilitation.

(ii) A taxpayer claiming the credit may amend a return for the year the certified rehabilitation was completed to account for a certificate issued subsequent to the filing of the original return.

(iii) An amended return shall be filed within the period allowed under the Tax – General Article for filing refund claims.

(iv) The provisions of this paragraph do not extend the period in which a certified rehabilitation must be completed to be eligible for a tax credit under this section.

(v) An amended return may account for an amended certification issued by the Director for a certified rehabilitation.

(h) A refund payable under subsection (c) of this section:

(1) operates to reduce the income tax revenue from corporations if the person entitled to the refund is a corporation subject to the income tax under Title 10 of the Tax – General Article;

(2) operates to reduce insurance premium tax revenues if the person entitled to the refund is subject to taxation under Title 6 of the Insurance Article; and

(3) operates to reduce the income tax revenue from individuals if the person entitled to the refund is:

(i) an individual subject to the income tax under Title 10 of the Tax – General Article; or

(ii) an organization exempt from taxation under § 501(c)(3) of the Internal Revenue Code.

(i) (1) On or before December 15 of each fiscal year, the Director shall report to the Governor and, subject to § 2–1257 of the State Government Article, to the General Assembly, on:

(i) the initial **AND SUPPLEMENTAL** credit certificates awarded for commercial rehabilitations and small commercial projects under this section for that fiscal year;

(ii) the tax credits awarded for certified rehabilitations completed in the preceding fiscal year;

(iii) whether the tax credits awarded for certified rehabilitations completed in the preceding fiscal year were located in:

1. a local historic district; or

2. a national register district; and

(iv) the estimated amount of directly related administrative costs reserved in the Reserve Fund, the estimated amount of fees to be collected, the actual directly related administrative costs, and the actual amount of fees collected.

(2) The report required under paragraph (1) of this subsection shall include for each initial credit certificate awarded for the fiscal year for a commercial rehabilitation:

(i) the name of the owner or developer of the commercial rehabilitation;

(ii) the name and address of the proposed or certified rehabilitation and the county where the project is located;

(iii) the dates of receipt and approval by the Director of all applications regarding the project, including applications:

1. for certification that a structure or property will qualify as a certified historic structure; and

2. for approval of the proposed rehabilitation; and

(iv) the maximum amount of the credit stated in the initial credit certificate for the project and the estimated rehabilitation expenditures stated in the application for approval of the plan of proposed rehabilitation.

(3) The report required under paragraph (1) of this subsection shall include for each certified commercial rehabilitation completed during the preceding fiscal year:

(i) the name of the owner or developer of the commercial rehabilitation;

(ii) the name and address of the certified rehabilitation and the county where the project is located;

(iii) the dates of receipt and approval by the Director of all applications regarding the project; and

(iv) 1. the maximum amount of the credit stated in the initial **OR SUPPLEMENTAL** credit certificate for the project and the estimated rehabilitation expenditures stated in the application for approval of the plan of proposed rehabilitation; and

2. the actual qualified rehabilitation expenditures and the final amount of the credit for which the project qualified.

(4) The report required under paragraph (1) of this subsection shall summarize for each category of certified rehabilitations:

(i) the total number of applicants for:

1. certification that a structure or property will qualify as a certified historic structure;

2. approval of plans of proposed rehabilitations; or

3. certification of the completed rehabilitations;

(ii) the number of proposed projects for which plans of proposed rehabilitation were approved; and

(iii) the total estimated rehabilitation expenditures stated in approved applications for approval of plans of proposed rehabilitation and the total qualified rehabilitation expenditures for completed rehabilitations certified.

(5) The information required under paragraph (4) of this subsection shall be provided in the aggregate and separately for each of the following categories of certified rehabilitations:

(i) owner-occupied single family residential structures;

(ii) small commercial projects; and

(iii) commercial rehabilitations.

(j) (1) Subject to the provisions of this subsection, the provisions of this section and the tax credit authorized under this section shall terminate as of July 1, 2031.

(2) On and after July 1, 2031:

(i) the tax credit authorized under this section may be claimed for:

1. a rehabilitation project, other than a commercial rehabilitation, for which an application for approval of a plan of proposed rehabilitation was received by the Director on or before June 30, 2031; or

2. a commercial rehabilitation for which an initial **OR SUPPLEMENTAL** credit certificate has been awarded under subsection (d) of this section; and

(ii) the Director shall continue to report to the Governor and the General Assembly as required under subsection (i) of this section for as long as any rehabilitation project for which the tax credit may be claimed remains incomplete.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2026, and shall apply to tax credit certificates issued after June 30, 2026.