

# 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.



1 5A-303.

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

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

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

8 (4) (i) "Business entity" means:

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

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

13 (ii) "Business entity" includes the governing body of a condominium  
14 or cooperative housing corporation.

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

17 (6) (i) "Certified historic structure" means a structure that is located in  
18 the State and:

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

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

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

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

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

31 5. A. is located on property that is owned by the  
32 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.

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

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

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

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

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

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

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

16 1. the prehistory or history of the State; or

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

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

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

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

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

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

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

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

4 (vi) any other information requested by the Director.

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

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

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

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

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

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

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

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

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

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

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

1 (23) "Political subdivision" means a county or municipal corporation of the  
2 State.

3 (24) "Post-World War II structure" means a certified historic structure that  
4 was built after December 31, 1944, but before January 1, 1970.

5 (25) "Qualified opportunity fund" has the meaning stated in § 6-1001 of the  
6 Economic Development Article.

7 (26) "Qualified opportunity zone" has the meaning stated in § 6-1001 of the  
8 Economic Development Article.

9 (27) "Qualified opportunity zone business" has the meaning stated in §  
10 6-1001 of the Economic Development Article.

11 (28) "Qualified rehabilitation expenditure" means any amount that:

12 (i) is properly chargeable to a capital account;

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

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

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

19 1. State or local grant;

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

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

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

29 (29) (i) "Single-family, owner-occupied residence" means a structure or  
30 a portion of a structure occupied by the owner and the owner's immediate family as their  
31 primary or secondary residence.

32 (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;

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

3 (xii) for small commercial projects:

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

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

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

12 A. an agricultural structure; or

13 B. a post–World War II structure; and

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

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

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

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

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

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

31 (5) [(i)] For commercial rehabilitations, the Director may not accept an  
32 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.

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

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

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

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

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

15 (c) (1) (i) Except as otherwise provided in this section, for the taxable year  
16 in which a certified rehabilitation is completed, an individual or business entity may claim  
17 a tax credit in an amount equal to 20% of the individual's or business entity's qualified  
18 rehabilitation expenditures for the rehabilitation.

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

23 1. is a high performance building; or

24 2. qualifies as affordable housing or a Level 1 opportunity  
25 zone project.

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

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

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

34 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.**



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

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

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

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

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

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

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

28                   3. For each of fiscal years 2026 through 2028, the Governor  
29 shall include in the budget bill an appropriation to the Reserve Fund of at least  
30 \$16,500,000.

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

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

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

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

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

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

10 (iii) The Trust Account consists of:

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

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

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

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

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

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

24 B. the final certified credit amount for the project.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

33                           (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.**

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

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

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

7 (iii) whether the credit is allowable as claimed.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

17                           1. a local historic district; or

18                           2. a national register district; and

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

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

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

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

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

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

32                           2. for approval of the proposed rehabilitation; and

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

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

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

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

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

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

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

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

20 (i) the total number of applicants for:

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

23 2. approval of plans of proposed rehabilitations; or

24 3. certification of the completed rehabilitations;

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

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

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

- 1 (i) owner-occupied single family residential structures;
- 2 (ii) small commercial projects; and
- 3 (iii) commercial rehabilitations.
- 4 (j) (1) Subject to the provisions of this subsection, the provisions of this section  
5 and the tax credit authorized under this section shall terminate as of July 1, 2031.
- 6 (2) On and after July 1, 2031:
- 7 (i) the tax credit authorized under this section may be claimed for:
- 8 1. a rehabilitation project, other than a commercial  
9 rehabilitation, for which an application for approval of a plan of proposed rehabilitation  
10 was received by the Director on or before June 30, 2031; or
- 11 2. a commercial rehabilitation for which an initial **OR**  
12 **SUPPLEMENTAL** credit certificate has been awarded under subsection (d) of this section;  
13 and
- 14 (ii) the Director shall continue to report to the Governor and the  
15 General Assembly as required under subsection (i) of this section for as long as any  
16 rehabilitation project for which the tax credit may be claimed remains incomplete.

17 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
18 1, 2026, and shall apply to tax credit certificates issued after June 30, 2026.