Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 511 (Delegate Edelson, *et al.*)
Ways and Means

Catalytic Revitalization Project Tax Credit - Alterations

This bill makes various alterations to the catalytic revitalization tax credit. Specifically, the bill (1) increases the aggregate limitation on initial tax credit certificates from $15.0 million every two years to $35.0 million annually (as adjusted for inflation for fiscal 2028 and beyond); (2) increases the credit percentage from 20% to 25%; (3) condenses, from five to four years, the period over which the credit must be claimed; (4) alters project eligibility; (5) expressly authorizes unused credit to be transferred to a financial institution for project financing purposes; (6) requires the Department of Housing and Community Development (DHCD) to publish specified information about the program by July 1 annually; and (7) requires the Secretary of Housing and Community Development to establish specified cost-certification requirements and application procedures. **The bill takes effect July 1, 2026, and applies to initial credit certificates issued on or after July 1, 2026.**

Fiscal Summary

State Effect: *Under one set of assumptions*, general fund revenues may decrease by an estimated $8.8 million in FY 2028 due to credits claimed against the income tax; future years reflect new, continued, and accelerated credits and inflation. To the extent credits are claimed against the corporate income tax, Higher Education Investment Fund (HEIF) revenues and Transportation Trust Fund (TTF) revenues and expenditures also decrease. General fund expenditures increase by an estimated $0.1 million in FY 2027; future years reflect annualization and ongoing costs.

($ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	$0	($8.8)	($14.7)	($24.0)	($30.4)
GF Expenditure	$0.1	$0.1	$0.1	$0.1	$0.1
Net Effect	($0.1)	($8.8)	($14.8)	($24.1)	($30.5)

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

Local Effect: Local highway user revenues decrease, likely no earlier than FY 2028, to the extent the bill increases credits claimed against the corporate income tax. Local expenditures are not affected.

Small Business Effect: Minimal.

Analysis

Current Law/Bill Summary: Chapter 332 of 2021 established a refundable credit against the State income tax equal to 20% of the rehabilitation and new construction costs incurred for a qualified catalytic revitalization project in the State. The credit is administered by DHCD. DHCD may not issue additional tax credit certificates on or after January 1, 2031; after this termination date, previously issued tax credit certificates may continue to be claimed, refunded, carried forward, or transferred in accordance with existing provisions.

Project Eligibility

"Catalytic revitalization project" means the substantial rehabilitation of a property in the State (1) that was formerly owned by the State or federal government; (2) the rehabilitation of which will foster economic, housing, and community development within the community in which the property is located; and (3) that is out of service and was formerly used as a college or university, K-12 school, hospital, mental health facility, or military facility or installation. In consultation with the Department of Commerce, the Secretary of Housing and Community Development must develop regulations establishing a tax credit application process that emphasizes applications that promote affordable housing.

Under the bill, credit eligibility is limited to *historic* properties in the State but is otherwise expanded to include properties (1) that are substantially vacant or functionally obsolescent privately owned commercial property and (2) the rehabilitation of which will foster economic, housing, and community development within a designated arts and entertainment district, designated Main Street Maryland community, or designated priority funding area. The bill further limits eligibility to properties that have at least 250,000 square feet of existing improvements and a minimum intended investment of $50.0 million; however, the property need not have been formerly used as a college or university, K-12 school, hospital, mental health facility, or military facility or installation. The bill also requires the Secretary to establish in regulation application procedures that emphasize tax credit applications that promote affordable housing, economic growth, or job creation and have a catalytic impact on advancing the place-based economic and community development goals of a designated Main Street Maryland community or arts and entertainment district.

Tax Credit Allowed; Aggregate Limitation on Tax Credit Certificates

The Secretary of Housing and Community Development may not award initial credit certificates totaling more than $15.0 million within a two-year period. A final tax credit certificate is issued (1) on completion of a catalytic revitalization project for which an initial tax credit certificate has been issued or (2) for a phased project, on completion of a phase, provided that the final tax credit certificate does not exceed 20% of the project's eligible expenses to date or the aggregated limit of a project's credit. For purposes of calculating the credit, new construction costs must be related to the construction of new structures that connect, expand, or integrate the existing structures to be rehabilitated and may not exceed 50% of the total costs of the catalytic revitalization project. An individual, nonprofit organization, or business entity awarded a tax credit certificate generally must claim the credit over the course of five consecutive tax years beginning with the tax year in which the final tax credit certificate is issued; however, a final tax credit certificate issued on completion of a phase of a catalytic revitalization project may be fully claimed in the tax year in which the certificate is issued.

Under the bill, the Secretary may award initial credit certificates totaling up to $35.0 million for fiscal 2027 and an inflation-adjusted amount annually thereafter. The credit percentage is increased to 25%, and the credit is claimed over a condensed period of four consecutive tax years. Consistent with existing law, final tax credit certificates issued on completion of a phase of a catalytic revitalization project may continue to be fully claimed in the tax year in which the certificate is issued. The bill also requires the Secretary to establish in regulation cost-certification requirements for any new construction or site improvement costs that are integral to a rehabilitation.

Additionally, the bill requires DHCD, by July 1 annually, to (1) publish on the department's website the available credit amount and details on the application process and (2) issue guidance on a timeline for the issuance of initial and final tax credit certificates for applicants who wish to utilize credit certificates to secure project financing.

State Revenues: Assuming that, both under the bill and current law, (1) initial tax credit certificates maximize available credits each year and (2) tax credits for which initial credit certificates are issued in fiscal 2027 are initially claimed for tax year 2027 (and so on) and for consecutive following tax years, general fund revenues decrease by an estimated $8.8 million in fiscal 2028, $14.7 million in fiscal 2029, $24.0 million in fiscal 2030, and $30.4 million in fiscal 2031. However, the Department of Legislative Services advises that there is considerable uncertainty regarding the timing and amount of tax credit claims, both under the bill and current law. Thus, actual revenue losses under the bill may differ significantly from this estimate.

To the extent the bill results in an increase in credits claimed against the corporate income tax, HEIF and TTF revenues also decrease, likely no earlier than fiscal 2028.

State Expenditures: The bill significantly increases the aggregate amount of credits available under the program and increases the frequency of program application periods from biennially to annually. This increase in program size necessitates additional personnel resources for DHCD. Thus, general fund expenditures for DHCD increase by an estimated $88,907 in fiscal 2027, which reflects a 90-day start-up delay from the bill's July 1, 2026 effective date. This estimate reflects the cost of hiring an additional program manager to assist in managing applications and monitoring compliance with program requirements. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	1.0
Salary and Fringe Benefits	$79,766
Other Operating Expenses	9,141
Total FY 2027 DHCD Expenditures	**$88,907**

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

TTF expenditures for local highway user revenue grants decrease, likely no earlier than fiscal 2028, to the extent the bill results in an increase in credits claimed against the corporate income tax.

Local Revenues: Local highway user revenues decrease, likely no earlier than fiscal 2028, to the extent the bill results in an increase in credits claimed against the corporate income tax.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Commerce; Comptroller's Office; Department of Housing and Community Development; IHS Markit; Moody's Analytics; Department of Legislative Services

Fiscal Note History: First Reader - February 10, 2026
jg/jrb

Analysis by: Elizabeth J. Allison

Direct Inquiries to:
(410) 946-5510
(301) 970-5510