



Maryland
DEPARTMENT OF PLANNING
MARYLAND HISTORICAL TRUST

HEARING DATE: February 17, 2021

BILL NO: SB0659

COMMITTEE: Budget and Taxation

POSITION: Letter of Information

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TITLE:

Historic Revitalization Tax Credit - Small Commercial Projects - Alterations

BILL ANALYSIS:

SB659, crossfiled with HB865, would increase the aggregate statutory cap on the small commercial component of the Maryland Historic Revitalization Tax Credit Program by an additional \$1 million.

POSITION AND RATIONALE:

The Historic Revitalization Tax Credit Program, administered by the Maryland Historical Trust (MHT), encourages private sector investment in the rehabilitation and re-use of commercial and residential historic buildings by providing eligible projects with a state income tax credit equal to 20 percent of qualified rehabilitation expenditures. The program supports three categories of projects – owner-occupied residential, small commercial, and competitive commercial.

Small commercial rehabilitations are defined as projects that do not exceed \$500,000 in total qualified rehabilitation expenses. The credit is capped at \$50,000 in a 24-month period and must have a minimum of \$5,000 of eligible expenses to qualify. The MHT Director is limited by statute from awarding no more than \$4 million in credit certificates for projects qualifying under the “small commercial” component of the program.

As a result of changes to the historic tax credit program during the 2019 session of the General Assembly (SB581), the universe of projects eligible as “small commercial” projects has significantly expanded to include the redevelopment of rental residential housing as well as the speculative commercial development of housing units for sale to homeowners.

Currently, all the authorized \$4 million in credits has been allocated/reserved based on the approval of 119 projects and MHT is not authorized to approve any further projects. Therefore, this legislation seeks an increase in the aggregate statutory cap on small commercial tax credit project awards by an additional \$1 million⁰ so that MHT may continue to offer this component of the historic tax credit program.

Designed to encourage the redevelopment of historic buildings, the Historic Revitalization Tax Credit Program has a track record of creating positive spin-off effects – creating jobs, enhancing property values, encouraging reinvestment and transforming neglected neighborhoods into places where people want to live, work and play.

Over the past six years, small commercial projects with estimated costs under \$500,000 have been processed under the same provisions as the homeowner component of the program. As a result, small business owners are able to submit applications and receive awards in a timely way – allowing them to start their project more quickly and remove them from the high bar of competing against the type of large, often signature or landmark properties, that tend to be more successful in the commercial project ranking process.

In order to continue to provide support for these small business owners – the backbone of Maryland’s small towns and Main Streets – an increase in the aggregate statutory cap on small commercial tax credit project awards is needed.