

Department of Legislative Services  
 Maryland General Assembly  
 2016 Session

FISCAL AND POLICY NOTE  
 First Reader

House Bill 1143  
 Ways and Means

(Delegate Sample-Hughes, *et al.*)

**Income Tax Credit - New Dwellings - Automatic Fire Sprinkler Systems**

This bill creates a tax credit against the State income tax for the owner of a new dwelling in which an automatic fire sprinkler system is installed in compliance with the Maryland Building Performance Standards (MBPS). The State Fire Marshal is required to administer the credit and may award a maximum of \$1.0 million in credits in each tax year.

The bill takes effect July 1, 2016, and applies to tax year 2016 and beyond.

**Fiscal Summary**

**State Effect:** General fund revenues decrease by \$1.0 million annually beginning in FY 2017 due to credits claimed against the personal income tax. General fund expenditures increase by \$51,000 in FY 2017 due to one-time implementation costs at the Comptroller’s Office.

(\$ in millions)	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
GF Revenue	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)
GF Expenditure	\$0.1	\$0	\$0	\$0	\$0
Net Effect	(\$1.1)	(\$1.0)	(\$1.0)	(\$1.0)	(\$1.0)

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

**Local Effect:** None.

**Small Business Effect:** Minimal.

**Analysis**

**Bill Summary:** A new dwelling is a single-family dwelling that is constructed on or after January 1, 2016. An individual who is the record owner of the new dwelling may claim a credit against the State income tax in an amount equal to \$1.25 per square foot of the new

dwelling. The amount of the credit may not exceed the tax liability imposed in the year, and any unused amount of the credit can be carried forward to future tax years until the full amount of the excess is used.

In order to receive a credit, a taxpayer must submit an application to the State Fire Marshal. The State Fire Marshal must (1) award credits on a first-come, first-served basis and (2) certify the credit value within 30 days after receiving an application.

**Background:** The Department of Housing and Community Development is required to adopt, as MBPS, the most recent version of the International Building Code, including the International Energy Conservation Code, along with applicable modifications authorized in Title 12 of the Public Safety Article. A local jurisdiction may adopt local amendments to MBPS if the amendments do not weaken the automatic fire sprinkler system provisions for townhouses and one- and two-family dwellings, except for specified exceptions. A local jurisdiction that adopts a local amendment is required to ensure that the amendment is adopted in accordance with applicable local law.

**State Revenues:** The State Fire Marshal may approve a maximum of \$1.0 million in income tax credits annually beginning in tax year 2016. As a result, general fund revenues will decrease by \$1.0 million annually beginning in fiscal 2017, assuming the maximum amount of credits are claimed. To the extent the State Fire Marshal does not award the maximum amount of credits in a given year, revenue losses will be less than estimated.

**State Expenditures:** The Comptroller's Office reports that it will incur a one-time expenditure of \$51,000 in fiscal 2017 to add the new tax credit. This amount includes data processing changes to the income tax return processing and imaging systems and systems testing.

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### Additional Information

**Prior Introductions:** None.

**Cross File:** SB 728 (Senators Mathias and Edwards) - Budget and Taxation.

**Information Source(s):** Comptroller's Office, Department of Legislative Services

**Fiscal Note History:** First Reader - March 3, 2016  
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