

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 945 (Delegate Adams, *et al.*)
 Ways and Means

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, 2019, and applies to tax year 2019 and beyond.**

Fiscal Summary

State Effect: General fund revenues decrease by \$1.0 million annually beginning in FY 2020 due to credits claimed against the personal income tax. General fund expenditures increase by \$55,000 in FY 2020 due to one-time implementation costs at the Comptroller’s Office.

(\$ in millions)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
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 increase; (-) = indeterminate decrease

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, 2019. 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.

Current Law: 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. The Office of the State Fire Marshal inspects and verifies buildings and fire sprinkler systems to ensure compliance with current requirements.

State Revenues: Tax credits may be claimed beginning in tax year 2019. It is assumed that the Office of the State Fire Marshal awards the maximum amount of tax credits in each fiscal year. As a result, general fund revenues will decrease by \$1.0 million annually beginning in fiscal 2020.

State Expenditures: The Comptroller's Office reports that it will incur a one-time cost of \$55,000 in fiscal 2020 to add the new tax credit. This amount includes data processing changes to the income tax return processing and imaging systems and systems testing.

Additional Information

Prior Introductions: SB 728 of 2016 received a favorable with amendments report from the Senate Budget and Taxation Committee, passed the Senate, and received a favorable with amendments report from the House Ways and Means Committee, but no further action was taken. Its cross file, HB 1143, received a favorable with amendments report from the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): Comptroller's Office; Department of State Police; Department of Legislative Services

Fiscal Note History: First Reader - March 6, 2019
sb/hlb

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