

Department of Legislative Services  
Maryland General Assembly  
2020 Session

FISCAL AND POLICY NOTE  
Third Reader - Revised

House Bill 759  
Ways and Means

(Delegate McIntosh, *et al.*)

Budget and Taxation

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Historic Revitalization Tax Credit – Expansion – Rehabilitations of Common  
Elements of Condominiums and Cooperative Projects

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This bill allows the rehabilitation of a condominium or cooperative project to qualify for the historic revitalization small commercial tax credit if the rehabilitation is undertaken by the governing body of the condominium or cooperative housing corporation and the rehabilitation targets only the common elements of the structure. The Maryland Historical Trust (MHT) must adopt regulations implementing the bill. **The bill takes effect July 1, 2020, and applies beginning with tax year 2020.**

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**Fiscal Summary**

**State Effect:** Allowing additional structures to qualify for the tax credit program will not alter the fiscal impact of the program beyond that provided under current law.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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**Analysis**

**Current Law:** A small commercial project is the rehabilitation of a structure if the qualified rehabilitation expenditures do not exceed \$500,000 and the structure is (1) primarily used for commercial, income-producing purposes; (2) a residential unit in a consecutive series of similar residential units that are arranged in a row, side by side, and is sold as part of a specified development project; or (3) an agricultural or post-World War II structure that meets certain requirements.

**Background:** The Historic Revitalization Tax Credit Program provides tax credits for commercial, small commercial, and owner-occupied residential property rehabilitations.

The value of the refundable credit is based on the type of rehabilitation undertaken and up to a percentage of qualified rehabilitation expenditures, as follows:

- 20% for the rehabilitation of a single-family, owner-occupied residence, or a small commercial project; and
- 20% for the commercial rehabilitation of a certified historic structure or 25% if certain energy efficiency standards are met.

The value of the tax credit may not exceed (1) for a commercial rehabilitation (any building that is not a single-family, owner-occupied residence, or small commercial project), \$3 million or the maximum amount specified under the initial credit certificate or (2) for all other rehabilitations, \$50,000. These maximum values are increased if a project meets certain requirements and is located within a federal opportunity zone.

Applying for the credit is a three-part process administered by MHT within the Maryland Department of Planning.

#### *Small Commercial Project Program*

Chapter 601 of 2014 established credit eligibility for certain small commercial projects. Applicants must apply to MHT in order to qualify and receive an initial credit certificate. MHT may award a maximum of \$4.0 million in credits between January 1, 2015, and June 30, 2024.

**State Revenues:** The bill allows certain condominiums and cooperative projects to qualify for the small commercial tax credit. The bill will not alter the overall fiscal impact of the tax credit program, since it is expected that, under current law, MHT will award the maximum amount of authorized small commercial tax credits.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland Department of Planning; Department of Legislative Services

**Fiscal Note History:** First Reader - February 18, 2020  
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