

Department of Legislative Services  
Maryland General Assembly  
2022 Session

FISCAL AND POLICY NOTE  
First Reader

House Bill 202  
Ways and Means

(Delegates Carr and Lehman)

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Historic Revitalization Tax Credit – Substantial Rehabilitation – Threshold  
Amount

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This bill decreases to \$2,500 the minimum rehabilitation expenditures that a homeowner must spend to qualify for the residential tax credit under the Historic Revitalization Tax Credit Program. The lower threshold applies only if the homeowner has been granted a homeowners' property tax credit for the residence in at least one of the preceding three tax years. **The bill takes effect July 1, 2022, and applies to tax year 2022 and beyond.**

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Fiscal Summary

**State Effect:** General fund revenues decrease in FY 2023 through 2025 due to additional tax credits claimed against the personal income tax. The revenue loss is not expected to be significant. Expenditures are not affected.

**Local Effect:** None.

**Small Business Effect:** Minimal.

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Analysis

**Current Law:**

*Homeowners' Property Tax Credit*

The homeowners' property tax credit program is a State funded program that provides credits against State and local real property taxation for homeowners who qualify based on a sliding scale of property tax liability and income. The Governor's proposed fiscal 2023

State budget includes \$64.7 million in funding for the program. Approximately 45,000 individuals are eligible to receive the property tax credit each year.

### *Historic Revitalization Tax Credit Program*

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

MHT can award tax credits for the rehabilitation of a single-family, owner-occupied residence through June 30, 2024. Subject to specified exceptions, a single-family, owner-occupied residence is a structure or a portion of a structure occupied by the owner and the owner's immediate family as their primary or secondary residence.

The tax credit is equal to 20% of the qualified rehabilitation costs incurred, subject to a maximum of \$50,000. The rehabilitation over a 24-month period must exceed \$5,000.

In recent years, homeowners claiming the residential tax credit have undertaken an average rehabilitation of \$52,000 and have received about \$2.0 million in tax credits each year.

**State Fiscal Effect:** Additional tax credits may be claimed beginning in tax year 2022. As a result, general fund revenues will decrease in fiscal 2023 through 2025. While the exact revenue loss depends on the number of additional homeowners who qualify and cannot be precisely estimated, it is not expected to be significant.

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### **Additional Information**

**Prior Introductions:** None.

**Designated Cross File:** None.

**Information Source(s):** Maryland Department of Planning; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - January 24, 2022  
fnu2/jrb

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