

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 539 (Delegate Carr)
 Ways and Means

Historic Revitalization Tax Credit - Alterations - Qualified Rehabilitation
 Expenditures for Single-Family, Owner-Occupied Residences

This bill increases to 25% the percentage value of the residential tax credit that can be claimed under the Historic Revitalization Tax Credit Program. **The bill takes effect July 1, 2022, and applies beginning with tax year 2022.**

Fiscal Summary

State Effect: General fund revenues decrease by \$139,000 in FY 2023, \$279,000 in FY 2024, and \$139,000 in FY 2025 due to additional tax credits claimed against the personal income tax. Special fund revenues increase minimally in FY 2023 through 2025 due to additional administrative fees at the Maryland Historical Trust (MHT).

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
GF Revenue	(\$139,000)	(\$279,000)	(\$139,000)	\$0	\$0
SF Revenue	-	-	-	\$0	\$0
Expenditure	0	0	0	0	0
Net Effect	(\$139,000)	(\$279,000)	(\$139,000)	\$0	\$0

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

Local Effect: None.

Small Business Effect: None.

Analysis

Current Law: 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 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. MHT must charge certification fees that are sufficient to pay the cost of administering the State and federal historic tax credit.

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 by \$139,000 in fiscal 2023, \$279,000 in fiscal 2024, and \$139,000 in fiscal 2025. MHT certification fees increase minimally in fiscal 2023 through 2025.

This estimate is based on an analysis of residential projects certified since fiscal 2015. The estimate assumes that the increased credit percentage applies to projects certified from July 1, 2022, through the June 30, 2024 termination date of the program.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

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

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