

**HERITAGE STRUCTURE TAX CREDIT PROGRAM REAUTHORIZATION**

<b>EXISTING PROVISIONS</b>	<b>PROPOSED REVISIONS</b>
<p><b>CREDIT AMOUNT: 20% refund for qualified rehab expenditures awarded through a competitive process.</b> Commercial projects capped at \$3 million and residential projects capped at \$50,000.</p>	<p><b>CREDIT AMOUNT: 20% tax credit for qualified rehab expenditures awarded first come/first serve.</b> Commercial projects capped at \$3 million and residential projects capped at \$50,000.</p>
<p><b>ANNUAL CAP with annual competitive award process.</b> Sponsors must apply then wait for 12+ months before learning if their project will receive credits.</p>	<p><b>CAPPED MULTI-YEAR AUTHORIZATION with first-come-first-served award</b> (\$100 million for 5 years). Results in reduction against tax revenue collections. Sponsors receive approval/denial of credits within 30 days of application.</p>
<p><b>Authorized credits must be APPROPRIATED.</b> Credits cannot be claimed and drawn down by sponsors until the project is completed (on average 24 months after award). Appropriation must compete with other budget priorities, but “sits” for 2 years before it is needed.</p>	<p><b>Return program to its pre-2004 status as a “CONVENTIONAL TAX CREDIT.”</b> Upon completion of a project (30 months after award), sponsors claim credit which acts to reduce incoming income tax revenues. Actual impact to state revenues may be delayed/ phased over more than 2 years (see below).</p>
<p><b>Sponsors receive entire credit as a REFUND upon completion of their project.</b> Sponsor’s income tax liability is eliminated for the year of filing, and when refund exceeds tax liability, the Comptroller issues a check for the balance of any eligible credit.</p>	<p><b>Tax credit applies against the ACTUAL INCOME TAX LIABILITY of the sponsor.</b> If a sponsor does not have enough tax liability in a single year, may carry the balance forward for up to 10 years. Refundability retained for commercial and non-profit projects with a total expenditure under \$250K (about 6% of total credit awards.)</p>
<p><b>A single jurisdiction may not receive more than 75% of the appropriated tax credits</b> (targeted at Baltimore City).</p>	<p><b>For first 3 years (of 5-year authorization) no more than 75% of credits can be awarded to a single jurisdiction.</b> Beginning in year 4, credits awarded on first-come-first-served basis without regard to geographic location.</p>
<p><b>No incentive for Green Building</b></p>	<p><b>Bonus for Green Building projects.</b> Commercial projects which achieve a LEED certification of Gold or higher receive a bonus of 5% in additional credits.</p>
<p><b>Projects can be resold immediately</b></p>	<p><b>Projects can not be sold for 5 years.</b> (This mirrors the federal regulations)</p>
<p><b>Fiscal Impact:</b> FY 2008: \$25 million; FY 2009: \$14.7 million, reduced to \$10 million by cost containment.</p>	<p><b>Fiscal Impact:</b> No fiscal impact until FY 2011 or more likely FY 2012</p>