

RULES AND REGULATIONS - PROPERTY TAX CREDITS

HIGH-PERFORMANCE NEWLY CONSTRUCTED DWELLINGS

ADOPTED UNDER THE AUTHORITY OF ARTICLE 28, SECTION 10-18.1
of the Baltimore City Code

1.0 Background

The High-Performance Newly Constructed Dwellings Tax Credit is found in Section 10-18.1 of Article 28 of the Baltimore City Code and was enacted in response to the expiration of the Newly Constructed Dwellings Tax Credit previously available under Section 10-5 of the Baltimore City Code and authorized by Section 9-304(d) of the Tax-Property Article of the Maryland Code.

The City Council Bill providing for Section 10-18.1 was proposed and passed as Ordinance 19-290 on August 29, 2019 and became effective when enacted.

2.0 Definitions

Previously Defined Terms

All terms defined in City Code section 10-18.1, State Tax-Property Article section 9-242, and State Tax-Property Article 9-304 retain their provided definitions and nothing contained herein shall be construed to alter any definition provided in those sections.

3.0 The Credit

The High-Performance Newly Constructed Dwellings Tax Credit provides a credit against the property tax imposed on high-performance newly constructed dwellings that are owned by qualifying owners. This credit begins at 50% of the tax imposed on the qualifying property in the first full tax year in which the property qualifies and decreases by 10% in each of the four following years. The property no longer qualifies for a High-Performance Newly Constructed Dwellings Tax Credit in the sixth full tax year after the property initially qualifies, and every year thereafter, or sooner if continuing eligibility requirements are not met.

4.0 Eligibility

4.1 Who is Eligible?

Property owners qualify for the tax credit by purchasing and occupying as their principal residence a high-performance newly constructed dwelling; in compliance with the code and laws applied to dwellings; and receiving high-performance certification from the Baltimore City Department of Housing and Community Development (hereinafter "DHCD"). Additionally, the property owner must file a state income tax return as a resident of Baltimore City for each taxable year for which the credit is sought and must not be receiving the credit previously authorized under Section 10-5 of Article 28 of the

City Code. In order to receive the credit authorized by Section 10-18.1, qualifying property owners must timely submit a completed application in accordance with the specifications set forth in Section 5 of these Rules and Regulations.

4.2 What Properties are Eligible?

In order to be eligible, a property must:

- (1) be either a or b:
 - a. a newly constructed dwelling that was not previously occupied and was issued a building permit on or after October 1, 1994, but before July 1, 2019 or after July 1, 2020 OR
 - b. residential real property that contains no more than four dwelling units and has been cited with a vacant building notice or has been owned by the Mayor and City Council of Baltimore City for 1 year and is in need of substantial repair to comply with applicable city codes and is so rehabilitated and has not been previously occupied since the rehabilitation
- (2) be located within the City of Baltimore;
- (3) be purchased by the owner-occupant following completion of the dwelling, or be constructed on land that was purchased by the owner-occupant prior to construction of the dwelling;
- (4) receive an initial occupancy permit following the construction or conversion that is issued before June 30, 2021; and
- (5) meet the standards set forth in State Tax-Property Article 9-242(a). All determinations of eligibility with respect to a dwelling's high-performance status are made by DHCD.

4.3 Permits and Certifications Required

All final applications for the High-Performance Newly Constructed Dwellings Tax Credit must be accompanied by a copy of the final occupancy permit issued for the property after construction/rehabilitation was completed, copies of any building permits issued during the construction/rehabilitation of the property, and a copy of the Closing Disclosure form issued to the purchaser at the time of settlement on the new dwelling or the land on which it was built. If no occupancy permit is issued to the property prior to settlement, the property owner should submit an application with a letter noting that no occupancy permit was issued to the property prior to settlement. All other required documents available at the time of application must be submitted with the application in order for it to be considered complete. Failure to submit an application in a timely manner will not be excused due to the lack of issuance of an occupancy permit.

4.4 When are Properties Eligible?

A property that meets the eligibility criteria and has an approved application becomes eligible for the credit with the first full-year tax bill issued after the latest of the High-Performance Certification Date, the date on which the Use and Occupancy Permit was issued, or the date of settlement. The issuance of a final occupancy permit for the completed dwelling, the timely submission of a completed application for the tax credit, and the certification of the property as a high-performance newly constructed dwelling by the DHCD are all required in order for a property's application to be approved. The

occupancy permit must be issued before June 30, 2021. The application for the tax credit must be submitted in a timely manner as specified in section 5 of these Rules and Regulations.

The credit shall not be awarded until all of the eligibility criteria have been met. The award of any tax credit issued under City Code Article 28, Section 10-18.1 is dependent upon the subject property obtaining a high-performance certification. No credit shall be issued until such time as the property is certified by the DHCD as a high-performance newly constructed dwelling. DHCD shall issue a certification that to the extent possible provides a certification date that reflects the date on which the property became a High-Performance building. Once such a certification is obtained, credits will be awarded on the first five full-year real property tax bills after the latest of the High-Performance Certification Date, the date on which the Use and Occupancy Permit was issued, or the date of settlement. In the event DHCD denies certification, DHCD will provide a letter identifying the reason for the denial. Prior to the issuance of a credit, the property owner is liable for all taxes due and all tax bills should be paid in a timely manner in order to avoid interest, penalties, and the potential entrance of the property into tax sale.

Properties remain eligible for the credit, in amounts specified by the terms below and when in accordance with the continuing eligibility criteria outlined below, for a period of five (5) consecutive tax years, beginning with the first full tax year following the latest of the High-Performance Certification Date, the date on which the Use and Occupancy Permit was issued, and the date of settlement.

Applications will not be accepted after the final application acceptance date specified for this credit in the Baltimore City Code.

5.0 Applications

Applications for the High-Performance Newly Constructed Dwellings Tax Credit should be submitted in a timely manner as noted in section 5.1, must be in the format provided by the Department of Finance, and must be complete.

5.1 When to Apply

Applicants must submit a completed application within 90 days after settling on the purchase of the newly constructed dwelling. For applicants that have constructed a dwelling on land that they purchased prior to the initiation of construction of the dwelling, an application must be submitted within 90 days of the issuance of a final occupancy permit for the dwelling and must include complete documentation of the construction cost of the new dwelling. Failure to submit an application in a timely manner will not be excused due to delays in the recordation of the deed reflecting the transfer or delays in the processing of a purchasers Homeowner status by the State Department of Assessments and Taxation.

For all applicants that have purchased a newly constructed dwelling, ALL applications must be submitted within 90 days of settlement.

5.2 Where to Apply

All applications shall be submitted electronically via the Baltimore City Department of Finance's Automated Tax Credit Application System (hereinafter "the System"). This system can be accessed via the internet at the following url:

<https://propertytaxcredits.baltimorecity.gov>

All applicants will need to register with the system and create an account that will be used to grant access to the application system and may be used to apply for this and other tax credits for the property.

No applications or required documents shall be accepted in paper form. The City of Baltimore shall not be responsible for any connectivity issues experienced by the applicant, nor for any issues beyond the control of the City of Baltimore's Department of Finance.

5.3 Certification following Application

Once an application is submitted electronically via the System, the Department of Finance shall provide the relevant details of the subject property to DHCD for certification of the property as a high-performance newly constructed dwelling within the specifications set out by Section 9-242 of the State Tax-Property Article.

Certification of a newly-constructed dwelling that was built on vacant land shall involve, after the submission of a timely application, a review of plans submitted to DHCD to determine whether or not the dwelling was constructed according to the high-performance elements of the Baltimore City Residential Building Code.

Dwellings constructed prior to 2015 or that were substantially renovated without obtaining a new construction plan number and plan approval from the Department of Housing and Community Development Permit Center, may only qualify for high-performance tax credit by completing one of the following three paths:

Achieve a LEED Silver Rating

The U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) System rating of Silver or higher must be achieved to obtain the tax credit. A copy of the certification letter from LEED must be provided to Finance within 30 days of receipt.

Achieve a NGBS (ICC 700) Silver Rating

The National Green Building Standard (ICC 700) rating of Silver or higher must be achieved to obtain the tax credit. A copy of the approved certification from the NGBS consultant as hired by the owner/developer must be provided to Finance within 30 days of the date of the certification.

Achieve HERS Index of 80 or lower

The Home Energy Rating System (HERS) Index measures overall energy efficiency. Dwellings must receive a HERS Rating of 80 or lower and must achieve an increase in

energy efficiency of at least 20 percent. The HERS rating must be completed by a certified HERS energy rater and the results as provided by the certified energy rater must be submitted to Finance within 30 days of the rating being completed.

Under no circumstances shall independent communications with DHCD in pursuit of Certification, or for any other reason, substitute for the timely submission of an application. Furthermore, failure to submit any Certification documentation within 30 days of receipt shall result in the rejection of the tax credit application and the inability to reapply.

6.0 Transferability

The High-Performance Newly Constructed Dwellings Tax Credit is not transferrable to subsequent owners of the property.

7.0 Continuing Eligibility

The property owner shall insure that, during the credit period for the High-Performance Newly Constructed Dwellings Tax Credit, the property for which the credit was granted meets the following criteria:

- is in full compliance with the building, fire, and related codes of Baltimore City;
- maintains its high-performance rating; and
- continues to be the applicant-property owner's principal residence.

Additionally, the credit recipient must, for each taxable year for which the credit is sought, file a state income tax return as a resident of Baltimore City.

8.0 Findings of Ineligibility

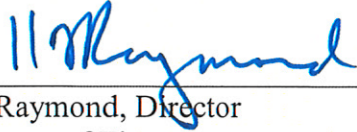
If a property receiving the credit is found to no longer meet the continuing eligibility requirements of the credit, the credit will be removed from the property's account and may not be reinstated until the issue has been remedied. Findings of ineligibility, and the resulting year or years in which the credit is not received shall have no effect on the eligibility term of the credit. This term shall remain the same five (5) consecutive tax years, beginning with the first full tax year in which the property qualifies for the tax credit, regardless of any ineligibility found during that period.

9.0 Effect of Other Tax Credits

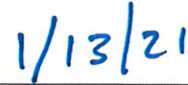
The High-Performance Newly Constructed Dwellings Tax Credit may not be awarded to any property already receiving a tax credit that was awarded under Section 10-5 of Article 28 of the Baltimore City Code. Furthermore, the calculation of the credit awarded under Section 10-18.1 shall be made prior to the application of any tax credit awarded under Section 9-229 of the State Tax-Property Article, but after the application of any credit awarded to the property under Sections 9-104 and 9-105 as well as any other Special Tax Credit other than the credit awarded under Section 9-229 of the State Tax-Property Article.

These rules and regulations are effective this day of January 13, 2021 and have been filed with the City of Baltimore Department of Legislative Reference.

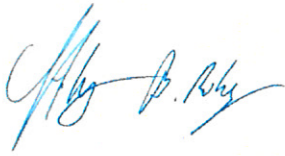
Issued and Approved:



Henry Raymond, Director
Department of Finance



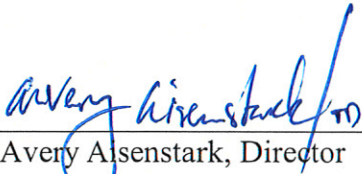
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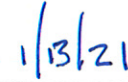
Hilary Ruley, Chief Solicitor
Law Department

11/17/2020

Date



Avery Alsenstark, Director
Legislative Reference



Date