

HOUSE BILL 1188

Q3, Q7

9lr2635

By: **Delegates Gilchrist, Hixson, Ivey, and Kaiser**

Introduced and read first time: February 13, 2009

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Tax Incentives and Benefits - Credits and Subtraction Modifications**

3 FOR the purpose of repealing certain credits allowed against certain State taxes;
4 altering certain tax benefits provided under law by allowing income tax
5 subtraction modifications in certain amounts under certain circumstances for
6 purposes of determining Maryland taxable income instead of allowing credits
7 against income tax liability; repealing certain obsolete provisions; providing for
8 the application of this Act; and generally relating to tax incentives and benefits
9 under Maryland taxes.

10 BY repealing

11 Article – Education
12 Section 21–309
13 Annotated Code of Maryland
14 (2008 Replacement Volume)

15 BY repealing

16 Article – Insurance
17 Section 6–105, 6–105.1, and 6–114 through 6–120
18 Annotated Code of Maryland
19 (2003 Replacement Volume and 2008 Supplement)

20 BY repealing

21 Article – Tax – General
22 Section 8–214 through 8–221, 8–406(b), 8–410 through 8–415, 10–205(b), (i),
23 and (j), 10–306(e) and (f), 10–704.1, 10–704.3, 10–704.7, 10–704.9,
24 10–713, and 10–719
25 Annotated Code of Maryland
26 (2004 Replacement Volume and 2008 Supplement)

27 BY renumbering

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



- 1 Article – Tax – General
2 Section 10–205(c) through (h), 10–702, 10–704.4, 10–704.6, 10–704.8,
3 10–704.10, 10–707, 10–710, 10–711, 10–714, 10–715, 10–717, 10–718,
4 10–720 through 10–724, 10–726, and 10–727, respectively
5 to be Section 10–205(b) through (g), 10–226, 10–229, 10–230, 10–231, 10–232,
6 10–233, 10–234, 10–235, 10–236, 10–237, 10–238, 10–239, 10–240
7 through 10–244, 10–245, and 10–246, respectively
8 Annotated Code of Maryland
9 (2004 Replacement Volume and 2008 Supplement)
- 10 BY repealing and reenacting, with amendments,
11 Article – Economic Development
12 Section 5–707(a)(2) and (b)(3); 6–301(b) and (c)(1), 6–302, 6–303(b) and (c),
13 6–304 through 6–309 to be under the amended subtitle “Subtitle 3. Job
14 Creation Tax Benefits”; and 6–401(b), (e), (f), and (h), 6–402 through
15 6–404, and 6–407 to be under the amended subtitle “Subtitle 4. One
16 Maryland Economic Development Tax Benefits”
17 Annotated Code of Maryland
18 (2008 Volume)
- 19 BY repealing
20 Article – Economic Development
21 Section 6–405 and 6–406
22 Annotated Code of Maryland
23 (2008 Volume)
- 24 BY repealing and reenacting, with amendments,
25 Article – Education
26 Section 21–501(b)(5) and (c) through (e)
27 Annotated Code of Maryland
28 (2008 Replacement Volume)
- 29 BY repealing and reenacting, with amendments,
30 Article – Environment
31 Section 2–901(b) and (c) to be under the amended subtitle “Subtitle 9. Tax
32 Benefits for Employer–Provided Commuter Benefits”
33 Annotated Code of Maryland
34 (2007 Replacement Volume and 2008 Supplement)
- 35 BY repealing
36 Article – Environment
37 Section 2–901(d)
38 Annotated Code of Maryland
39 (2007 Replacement Volume and 2008 Supplement)
- 40 BY repealing and reenacting, with amendments,
41 Article – Housing and Community Development
42 Section 6–401(c), 6–404, and 6–405(c)(2) and (3) and (d)

1 Annotated Code of Maryland
2 (2006 Volume and 2008 Supplement)

3 BY repealing and reenacting, with amendments,
4 Article – Labor and Employment
5 Section 11–702(c) and (f)(3)(ii), 11–704, and 11–705(b)
6 Annotated Code of Maryland
7 (2008 Replacement Volume)

8 BY adding to
9 Article – Tax – General
10 Section 10–208(a–1), 10–227, 10–228, and 10–308(a–1)
11 Annotated Code of Maryland
12 (2004 Replacement Volume and 2008 Supplement)

13 BY repealing and reenacting, with amendments,
14 Article – Tax – General
15 Section 10–218(b), 10–306(b), 10–809, and 10–812
16 Annotated Code of Maryland
17 (2004 Replacement Volume and 2008 Supplement)

18 BY repealing and reenacting, with amendments,
19 Article – Tax – General
20 Section 10–226(a)(4)(ii) and (7)(ii) and (b) through (e), 10–229 through 10–239,
21 10–240(b), (c), and (e), 10–241(b), (f), and (h), 10–242(a)(7) and (b)
22 through (k), 10–243, 10–244, 10–245(b), (f), and (g), and 10–246 to be
23 under the new part “Part V. Additional Adjustments to Determine
24 Maryland Adjusted Gross Income”
25 Annotated Code of Maryland
26 (2004 Replacement Volume and 2008 Supplement)
27 (As enacted by Section 4 of this Act)

28 BY repealing
29 Article – Tax – General
30 Section 10–226(f) and (g), 10–240(d), 10–241(c) through (e) and (g), and
31 10–245(c) through (e)
32 Annotated Code of Maryland
33 (2004 Replacement Volume and 2008 Supplement)
34 (As enacted by Section 4 of this Act)

35 BY repealing and reenacting, with amendments,
36 Article – Tax – Property
37 Section 9–230(a)(3), (b)(2), (c)(3), (d)(5), and (i) through (n)
38 Annotated Code of Maryland
39 (2007 Replacement Volume and 2008 Supplement)

40 BY repealing
41 Article – Tax – Property

1 Section 9–230(e) through (h)
2 Annotated Code of Maryland
3 (2007 Replacement Volume and 2008 Supplement)

4 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
5 MARYLAND, That Section(s) 21–309 of Article – Education of the Annotated Code of
6 Maryland be repealed.

7 SECTION 2. AND BE IT FURTHER ENACTED, That Section(s) 6–105,
8 6–105.1, and 6–114 through 6–120 of Article – Insurance of the Annotated Code of
9 Maryland be repealed.

10 SECTION 3. AND BE IT FURTHER ENACTED, That Section(s) 8–214 through
11 8–221, 8–406(b), 8–410 through 8–415, 10–205(b), (i), and (j), 10–306(e) and (f),
12 10–704.1, 10–704.3, 10–704.7, 10–704.9, 10–713, and 10–719 of Article – Tax –
13 General of the Annotated Code of Maryland be repealed.

14 SECTION 4. AND BE IT FURTHER ENACTED, That Section(s) 10–205(c)
15 through (h), 10–702, 10–704.4, 10–704.6, 10–704.8, 10–704.10, 10–707, 10–710,
16 10–711, 10–714, 10–715, 10–717, 10–718, 10–720 through 10–724, 10–726, and
17 10–727, respectively, of Article – Tax – General of the Annotated Code of Maryland be
18 renumbered to be Section(s) 10–205(b) through (g), 10–226, 10–229, 10–230, 10–231,
19 10–232, 10–233, 10–234, 10–235, 10–236, 10–237, 10–238, 10–239, 10–240 through
20 10–244, 10–245, and 10–246, respectively.

21 SECTION 5. AND BE IT FURTHER ENACTED, That the Laws of Maryland
22 read as follows:

23 Article – Economic Development

24 5–707.

25 (a) To the extent provided for in this section, a business entity is entitled to:

26 (2) the income tax [credits] **BENEFITS** in [§ 10–702] § **10–226** of the
27 Tax – General Article; and

28 (b) A business entity that moves into or locates in an enterprise zone on or
29 after the date that the enterprise zone is designated under § 5–704 of this subtitle may
30 benefit from the incentives and initiatives in this section if:

31 (3) the business entity creates new or additional jobs or makes a
32 capital investment to qualify for the property tax credit under § 9–103 of the Tax –
33 Property Article and the income tax [credits] **BENEFITS** under [§ 10–702] § **10–226** of
34 the Tax – General Article; and

35 Subtitle 3. Job Creation Tax [Credit] **BENEFITS**.

1 6–301.

2 (b) [“Credit] **“BENEFIT year”** means the taxable year in which a qualified
3 business entity claims the [credit] **SUBTRACTION MODIFICATION** allowed in
4 accordance with § 6–304(a) of this subtitle.

5 (c) (1) “Qualified business entity” means a person conducting or operating
6 a trade or business in the State that is certified in accordance with § 6–303 of this
7 subtitle as qualifying for the tax [credit] **BENEFIT** under this subtitle.

8 6–302.

9 The General Assembly intends that the purpose of the job creation tax [credit]
10 **SUBTRACTION MODIFICATION** authorized under this subtitle is to increase the
11 number of new jobs in the State by encouraging:

12 (1) the expansion of existing private sector enterprises; and

13 (2) the establishment or attraction of new private sector enterprises.

14 6–303.

15 (b) To be eligible for a tax [credit] **BENEFIT** under this subtitle, a person
16 shall establish or expand a business facility in the State that:

17 (1) during any 24–month period creates at least:

18 (i) 60 qualified positions;

19 (ii) 30 qualified positions if the aggregate payroll for the
20 qualified positions is greater than a threshold amount equal to the product of
21 multiplying 60 times the State’s average annual salary, as determined by the
22 Department; or

23 (iii) 25 qualified positions if the business facility established or
24 expanded is located in a State priority funding area; and

25 (2) is primarily engaged in:

26 (i) manufacturing or mining;

27 (ii) transportation or communications;

28 (iii) agriculture, forestry, or fishing;

29 (iv) research, development, or testing;

1 (v) biotechnology;

2 (vi) computer programming, information technology, or other
3 computer-related services;

4 (vii) central services for a business entity engaged in financial
5 services, real estate services, or insurance services;

6 (viii) the operation of central administrative offices;

7 (ix) the operation of a company headquarters other than the
8 headquarters of a professional sports organization;

9 (x) the operation of a public utility;

10 (xi) warehousing;

11 (xii) business services, if the business facility established or
12 expanded is located in a State priority funding area; or

13 (xiii) entertainment, recreation, cultural, or tourism-related
14 activities in a multi-use facility located within a revitalization area if the facility:

15 1. generates a minimum of 1,000 new full-time
16 equivalent filled positions in a 24-month period; and

17 2. is not primarily used by a professional sports
18 franchise or for gaming.

19 (c) To be certified as a qualified business entity for a tax [credit] **BENEFIT**
20 under this subtitle, a person shall submit to the Department an application that
21 specifies:

22 (1) the effective date of the start-up or expansion;

23 (2) the number of full-time employees existing before the start-up or
24 expansion and the payroll of the existing employees;

25 (3) the number of qualified positions created and qualified employees
26 hired and the payroll of the new qualified employees; and

27 (4) any other information that the Department requires by regulation.

28 6-304.

1 (a) (1) A qualified business entity may claim [a tax credit] **AN INCOME**
2 **TAX SUBTRACTION MODIFICATION** in the amount determined under this section.

3 (2) A qualified business entity shall submit to the [appropriate State
4 units] **COMPTROLLER**, with the tax return on which the [credit] **SUBTRACTION**
5 **MODIFICATION** is claimed, certification from the Department that the business entity
6 has met the requirements of this subtitle and is eligible for the [credit] **SUBTRACTION**
7 **MODIFICATION**.

8 (b) (1) Except as provided in this section, the [credit] **SUBTRACTION**
9 **MODIFICATION** earned under this section:

10 (i) for qualified employees working in a facility not located in a
11 revitalization area, is the lesser of:

12 1. \$1,000 multiplied by the number of qualified
13 employees employed by the qualified business entity during the [credit] **BENEFIT**
14 year; and

15 2. 2.5% of the wages paid by the qualified business
16 entity during the [credit] **BENEFIT** year to the qualified employees; and

17 (ii) for qualified employees working in a facility located in a
18 revitalization area, is the lesser of:

19 1. \$1,500 multiplied by the number of qualified
20 employees employed by the qualified business entity during the [credit] **BENEFIT**
21 year; and

22 2. 5% of the wages paid by the qualified business entity
23 during the [credit] **BENEFIT** year to the qualified employees.

24 (2) The [credit] **SUBTRACTION MODIFICATION** earned by a qualified
25 business entity under this subtitle may not exceed \$1,000,000 for any [credit]
26 **BENEFIT** year.

27 (c) [(1)] The [credit] **SUBTRACTION MODIFICATION** earned under
28 subsection (b) of this section shall be taken over a 2-year period, with one-half of the
29 [credit] **SUBTRACTION MODIFICATION** amount allowed each year beginning with the
30 [credit] **BENEFIT** year.

31 [(2)] The same credit cannot be applied more than once against different
32 taxes by the same taxpayer.

33 (3) If the credit allowed under this subtitle exceeds the total tax
34 otherwise due from a qualified business entity in a taxable year, the qualified business

1 entity may apply the excess as a credit for succeeding taxable years until the earlier
2 of:

3 (i) the full amount of the excess is used; or

4 (ii) the expiration of the 5th taxable year from the credit year.

5 (4) The credit under this subtitle may not be carried back to a
6 preceding taxable year.]

7 6–305.

8 (a) If, during any of the 3 years after the [credit] **BENEFIT** year, the number
9 of qualified positions of the qualified business entity falls more than 5% below the
10 average number of qualified positions that existed during the [credit] **BENEFIT** year
11 on which the [credit] **SUBTRACTION MODIFICATION** was computed, the [credit]
12 **SUBTRACTION MODIFICATION** shall be recaptured as follows:

13 (1) the [credit] **SUBTRACTION MODIFICATION** shall be recomputed
14 and reduced by the percentage reduction of the number of qualified employees;

15 (2) the recomputed [credit] **SUBTRACTION MODIFICATION** shall be
16 subtracted from the amount of [credit] **SUBTRACTION MODIFICATION** previously
17 allowed; and

18 (3) the qualified business entity shall [pay] **ADD** the difference [as
19 taxes payable to the State] **TO MARYLAND TAXABLE INCOME** for the taxable year in
20 which the number of qualified positions falls more than 5% below the average number
21 of qualified positions during the [credit] **BENEFIT** year.

22 (b) If, during any of the 3 years after the [credit] **BENEFIT** year, the average
23 number of qualified positions falls below the applicable threshold number of positions
24 required under § 6–303(b)(1) of this subtitle, all [credits] **BENEFITS** earned shall be
25 recaptured.

26 (c) (1) During the 3 taxable years after the [credit] **BENEFIT** year, a
27 qualified business entity shall provide any information required by the Department in
28 regulation to verify that the qualified business entity is not subject to subsection (a) or
29 (b) of this section.

30 (2) The Department may require that any information provided under
31 this subsection be verified by an independent auditor that the qualified business entity
32 selects.

33 6–306.

1 (a) The Comptroller [or other appropriate unit] shall share with the
2 Department any information received from a qualified business entity about eligibility
3 for a [credit] **BENEFIT** allowed under this subtitle.

4 (b) Information that is received under subsection (a) of this section is subject
5 to the confidentiality requirements established by statute or regulation that apply to
6 the Comptroller [or unit that receives the information].

7 6-307.

8 On or before December 31 of each year, the Department shall report to the
9 Governor and, in accordance with § 2-1246 of the State Government Article, to the
10 General Assembly on the business entities certified as eligible for job creation tax
11 [credits] **BENEFITS** in the preceding fiscal year.

12 6-308.

13 (a) Except as otherwise provided in this section, the Secretary shall adopt
14 regulations to carry out this subtitle.

15 (b) The Comptroller shall adopt regulations to provide for the computation[,
16 carryover,] and recapture of the [credit under § 10-704.4 of the Tax – General Article]
17 **SUBTRACTION MODIFICATION**.

18 [(c) The State Department of Assessments and Taxation shall adopt
19 regulations to provide for the computation, carryover, and recapture of the credit
20 under §§ 8-214 and 8-411 of the Tax – General Article.

21 (d) The Insurance Commissioner shall adopt regulations to provide for the
22 computation, carryover, and recapture of the credit under § 6-114 of the Insurance
23 Article.]

24 6-309.

25 (a) (1) Subject to paragraph (2) of this subsection, this subtitle and the
26 tax [credit] **BENEFIT** authorized under it shall terminate on January 1, 2014.

27 (2) As provided in this subtitle, for taxable years beginning on or after
28 January 1, 2014, tax [credits] **BENEFITS** earned in [credit] **BENEFIT** years beginning
29 before January 1, 2014 may be allowed ratably over a 2-year period[, may be carried
30 forward,] and are subject to recapture in accordance with § 6-305 of this subtitle.

31 (b) The tax [credit] **BENEFIT** authorized under this subtitle:

32 (1) may be claimed only for qualified positions at a newly established
33 or expanded business facility that commences operations before January 1, 2013; and

1 (2) may not be earned for a [credit] **BENEFIT** year beginning on or
2 after January 1, 2014.

3 Subtitle 4. One Maryland Economic Development Tax [Credit] **BENEFITS**.

4 6–401.

5 (b) “Eligible economic development project” means an economic development
6 project that:

7 (1) establishes or expands a business facility within a qualified
8 distressed county; and

9 (2) is approved for a project tax [credit] **BENEFIT** or a start–up tax
10 [credit] **BENEFIT** in accordance with this subtitle.

11 (e) “Project tax [credit] **BENEFIT**” means [a tax credit] **AN INCOME TAX**
12 **SUBTRACTION MODIFICATION** for eligible project costs allowed under § 6–403 of this
13 subtitle.

14 (f) “Qualified business entity” means a person that:

15 (1) (i) conducts or operates a trade or business in the State; or

16 (ii) operates in the State and is exempt from taxation under §
17 501(c)(3) or (4) of the Internal Revenue Code; and

18 (2) is certified in accordance with § 6–402 of this subtitle as qualifying
19 for a project tax [credit] **BENEFIT** or a start–up tax [credit] **BENEFIT** under this
20 subtitle.

21 (h) “Start–up tax [credit] **BENEFIT**” means [a tax credit] **AN INCOME TAX**
22 **SUBTRACTION MODIFICATION** for eligible start–up costs allowed under § 6–404 of
23 this subtitle.

24 6–402.

25 (a) (1) To qualify for a project tax [credit] **BENEFIT** or a start–up tax
26 [credit] **BENEFIT**, a person shall be certified by the Secretary as meeting the
27 requirements of this subtitle and as being eligible for the tax [credit] **BENEFIT**.

28 (2) The Secretary may not certify a person as a qualified business
29 entity unless the person notifies the Department of its intent to seek certification
30 before hiring any qualified employees to fill the qualified positions necessary to satisfy
31 the employment threshold under subsection (b)(2) of this section.

1 (b) To be eligible for a project tax [credit] **BENEFIT** or a start-up tax [credit]
2 **BENEFIT**, a person shall:

3 (1) establish or expand a business facility that:

4 (i) is located in a qualified distressed county; and

5 (ii) 1. is located in a priority funding area under § 5-7B-02
6 of the State Finance and Procurement Article; or

7 2. is eligible for funding outside of a priority funding
8 area under § 5-7B-05 or § 5-7B-06 of the State Finance and Procurement Article;

9 (2) during any 24-month period, create at least 25 qualified positions
10 at the new or expanded business facility; and

11 (3) be primarily engaged at the new or expanded business facility in
12 any combination of:

13 (i) manufacturing or mining;

14 (ii) transportation or communications;

15 (iii) filmmaking, resort business, or recreational business;

16 (iv) agriculture, forestry, or fishing;

17 (v) research, development, or testing;

18 (vi) biotechnology;

19 (vii) computer programming, information technology, or other
20 computer-related services;

21 (viii) central services for a business entity engaged in financial
22 services, real estate services, or insurance services;

23 (ix) the operation of central administrative offices;

24 (x) the operation of a company headquarters other than the
25 headquarters of a professional sports organization;

26 (xi) the operation of a public utility;

27 (xii) warehousing; or

28 (xiii) other business services.

1 (c) To be certified as a qualified business entity for a project tax [credit]
2 **BENEFIT** or a start-up tax [credit] **BENEFIT**, a person shall submit to the Secretary
3 an application that specifies:

4 (1) the effective date of the start-up or expansion;

5 (2) the number of full-time employees before the start-up or
6 expansion and the payroll of the existing employees;

7 (3) the number of qualified positions created and qualified employees
8 hired and the payroll of the new qualified employees; and

9 (4) any other information that the Secretary requires by regulation.

10 (d) The Secretary may require any information required under this section to
11 be verified by an independent auditor that the qualified business entity selects.

12 6-403.

13 (a) (1) A qualified business entity may claim [a project tax credit] **AN**
14 **INCOME TAX SUBTRACTION MODIFICATION** for the cost of an eligible economic
15 development project in a qualified distressed county if the total eligible project cost for
16 the eligible economic development project is at least \$500,000.

17 (2) A qualified business entity is not entitled to a project tax [credit]
18 **BENEFIT** for a cost incurred before notifying the Department of its intent to seek
19 certification as qualifying for the project tax [credit] **BENEFIT**.

20 (b) (1) Subject to the limitation in paragraph (2) of this subsection, the
21 project tax [credit] **BENEFIT** allowed under this section is the lesser of \$5,000,000 and
22 the total eligible project cost for the eligible economic development project, less the
23 amount of the [credit] **BENEFIT** previously taken for the project in prior taxable years.

24 (2) Except as provided in [subsections (e) and (f)] **SUBSECTION (D)** of
25 this section, the project tax [credit] **BENEFIT** allowed in a taxable year may not exceed
26 [the State tax for that year on] the qualified business entity's income generated by or
27 arising out of the eligible economic development project, as determined under
28 [subsections (c) and (d)] **SUBSECTION (C)** of this section.

29 (c) [(1) This subsection does not apply to a person subject to taxation
30 under Title 6 of the Insurance Article.

31 (2) The State tax for the taxable year on a qualified business entity's
32 income generated by or arising out of an eligible economic development project equals
33 the difference between:

1 (i) the State tax without regard to this subtitle; and

2 (ii) the State tax on the qualified business entity's Maryland
3 taxable income reduced by the amount of its net income attributable to the eligible
4 economic development project.]

5 [(3) (1) If an eligible economic development project is a totally
6 separate facility, net income attributable to the project shall be determined under the
7 separate accounting method reflecting only the gross income, deductions, expenses,
8 gains, and losses that are directly attributable to the facility and the overhead
9 expenses apportioned to the facility.

10 [(4) (2) If the eligible economic development project is an expansion
11 to a previously existing facility:

12 (i) net income attributable to the entire facility shall be
13 determined under the separate accounting method reflecting only the gross income,
14 deductions, expenses, gains, and losses that are directly attributable to the facility and
15 the overhead expenses apportioned to the facility; and

16 (ii) net income attributable to the eligible economic development
17 project shall be determined by apportioning the net income of the entire facility, as
18 calculated under item (i) of this paragraph, to the eligible economic development
19 project by a formula approved by the Comptroller [or the State Department of
20 Assessments and Taxation].

21 (5) If the Comptroller [or the State Department of Assessments and
22 Taxation] is satisfied that the nature and activities of a qualified business entity make
23 it impractical to use the separate accounting method, the qualified business entity
24 shall determine net income from the eligible economic development project using an
25 alternative method approved by the Comptroller [or the State Department of
26 Assessments and Taxation].

27 [(d) A qualified business entity that is subject to taxation under Title 6 of the
28 Insurance Article may not claim the project tax credit for the taxable year in which the
29 project is placed in service or for the next 4 taxable years.]

30 [(e) (D) If the eligible project cost for the eligible economic development
31 project exceeds [the State tax on] the qualified business entity's income generated by
32 or arising out of the project for the taxable year in which the project is placed in
33 service, the qualified business entity may apply any excess as a project tax [credit]
34 **BENEFIT** for succeeding taxable years against [the State tax on] the qualified
35 business entity's income generated by or arising out of the project until the earlier of:

36 (1) the full amount of the excess is used; or

1 (2) the expiration of the 14th taxable year following the taxable year
2 in which the project is placed in service.

3 [(f) (1) Subject to the limitation in paragraph (4) of this subsection and
4 subject to § 6–405 of this subtitle, this subsection applies to any taxable year after the
5 4th but before the 15th taxable year following the taxable year in which the project is
6 placed in service.

7 (2) A qualified business entity other than a person subject to taxation
8 under Title 6 of the Insurance Article may:

9 (i) apply any excess of eligible project costs for the eligible
10 economic development project over the cumulative amount used as a project tax credit
11 for the taxable year and all prior taxable years as a tax credit against the State tax for
12 the taxable year on the qualified business entity's income other than income generated
13 by or arising out of the project; and

14 (ii) claim a refund in the amount, if any, by which the unused
15 excess exceeds the State tax for the taxable year on the qualified business entity's
16 income other than income generated by or arising out of the project.

17 (3) A qualified business entity that is subject to taxation under Title 6
18 of the Insurance Article may:

19 (i) apply any excess of eligible project costs for the eligible
20 economic development project over the cumulative amount used as a project tax credit
21 for the taxable year and all prior taxable years as a tax credit against the premium tax
22 imposed for the taxable year; and

23 (ii) claim a refund in the amount, if any, by which the unused
24 excess exceeds the premium tax for the taxable year.

25 (4) For any taxable year, the total amount used as a project tax credit
26 and claimed as a refund under this subsection may not exceed the amount of tax that
27 the qualified business entity is required to withhold for the taxable year from the
28 wages of qualified employees under § 10–908 of the Tax – General Article.]

29 [(g) (E) A qualified business entity shall attach the certification required
30 under § 6–402 of this subtitle to the tax return on which the project tax [credit]
31 **BENEFIT** is claimed.

32 6–404.

33 (a) (1) A qualified business entity that locates in a qualified distressed
34 county may claim [a start-up tax credit] **AN INCOME TAX SUBTRACTION**
35 **MODIFICATION** in the amount provided in subsection (b) of this section.

1 (2) A qualified business entity is not entitled to a start-up tax [credit]
2 **BENEFIT** for a cost incurred before notifying the Department of its intent to seek
3 certification as qualifying for the start-up tax [credit] **BENEFIT**.

4 (b) The [start-up tax credit] **INCOME TAX SUBTRACTION MODIFICATION**
5 allowed under this section for each taxable year equals the least of:

6 (1) the qualified business entity's total eligible start-up cost
7 associated with establishing or expanding a business facility in the qualified
8 distressed county, less the amount of the [credit] **BENEFIT** previously taken for the
9 project;

10 (2) the product of multiplying \$10,000 times the number of qualified
11 employees employed at the new or expanded business facility; or

12 (3) \$500,000.

13 (c) If the start-up tax [credit] **BENEFIT** allowed under subsection (b) of this
14 section for the taxable year in which a qualified business entity locates in a qualified
15 distressed county exceeds the total [tax otherwise due from] **MARYLAND TAXABLE**
16 **INCOME OF** the qualified business entity **CALCULATED WITHOUT THE START-UP**
17 **TAX BENEFIT** for that taxable year, the qualified business entity may apply the excess
18 as a [credit] **BENEFIT** for succeeding taxable years until the earlier of:

19 (1) the full amount of the excess is used; or

20 (2) the expiration of the 14th taxable year following the taxable year
21 in which the qualified business entity locates in a qualified distressed county.

22 [(d) (1) Subject to the limitation in paragraph (3) of this subsection and
23 subject to § 6-405 of this subtitle, this subsection applies to any taxable year after the
24 4th but before the 15th taxable year following the taxable year in which the qualified
25 business entity locates in a qualified distressed county.

26 (2) A qualified business entity may claim a refund in the amount, if
27 any, by which the qualified business entity's eligible start-up cost exceeds the
28 cumulative amount used as a start-up tax credit for the taxable year and all prior
29 taxable years.

30 (3) For any taxable year, the total amount claimed as a refund under
31 this subsection may not exceed the amount of tax that the qualified business entity is
32 required to withhold for the taxable year from the wages of qualified employees under
33 § 10-908 of the Tax – General Article.]

1 [(e)] (D) A qualified business entity shall attach the certification required
2 under § 6-402(a) of this subtitle to the tax return on which the start-up tax [credit]
3 **BENEFIT** is claimed.

4 [6-405.

5 If the pay for the majority of the qualified positions created from the
6 establishment or expansion of a business facility is at least 250% of the federal
7 minimum wage, §§ 6-403(f) and 6-404(d) of this subtitle apply beginning with the
8 taxable year after the 2nd taxable year that follows the taxable year when the
9 qualified business entity locates in a qualified distressed county.]

10 [6-406.

11 A refund payable to a qualified business entity under § 6-403(f) or § 6-404(d) of
12 this subtitle reduces:

13 (1) the income tax revenue from corporations if the qualified business
14 entity is a corporation subject to the income tax under Title 10 of the Tax – General
15 Article;

16 (2) the income tax revenue from individuals if the qualified business
17 entity is:

18 (i) an individual subject to the income tax under Title 10 of the
19 Tax – General Article; or

20 (ii) an organization exempt from taxation under § 501(c)(3) or
21 (4) of the Internal Revenue Code; and

22 (3) insurance premium tax revenues if the qualified business entity is
23 subject to taxation under Title 6 of the Insurance Article.]

24 [6-407.] **6-405.**

25 The Secretary shall adopt regulations to specify criteria and procedures for
26 application and approval of projects for the tax [credit] **BENEFITS** under this subtitle.

27 **Article – Education**

28 21-501.

29 (b) (5) A contractor at a multicraft construction site may not qualify for
30 the tax [credit] **BENEFIT** authorized under this section for more than two students.

1 (c) (1) In order for an employer to be eligible to claim a [tax credit]
2 **SUBTRACTION MODIFICATION**, each student must be employed by the employer for
3 200 hours or more.

4 (2) An employer may claim a [tax credit] **SUBTRACTION**
5 **MODIFICATION** in an amount equal to 15% of the wages paid to each student during
6 the taxable year under a work-based learning program that has been approved by the
7 Department as qualifying for the [tax credit] **SUBTRACTION MODIFICATION** under
8 this section.

9 (3) The cumulative [credit] **SUBTRACTION MODIFICATION** allowed
10 under this section to an employer in the current taxable year and all previous taxable
11 years may not exceed \$1,500 per student.

12 [(4) If the credit allowed under this subsection in any taxable year
13 exceeds the total tax otherwise payable by the employer for that taxable year, the
14 excess may be carried forward and applied as a credit for succeeding taxable years
15 until the earlier of:

16 (i) The full amount of excess is used; or

17 (ii) The expiration of the 5th taxable year in which the
18 contribution was made.]

19 (d) The [tax credit] **SUBTRACTION MODIFICATION** authorized under this
20 section shall be allowed only for taxable years beginning on or before December 31,
21 2012.

22 (e) (1) The Department shall adopt regulations to implement this section.

23 (2) (i) The regulations adopted under this subsection shall include
24 a process for approval of paid work-based learning programs as qualifying for the tax
25 [credit] **BENEFIT** under this section.

26 (ii) The number of eligible paid work-based learning program
27 students approved by the Department may not exceed 1,000 for each taxable year.

28 (3) The regulations adopted under this subsection shall include a
29 process for certifying employers' eligibility for the tax [credit] **BENEFIT** under this
30 section.

31 (4) The Department may delegate the approval authority for programs
32 under this section to one or more private industry councils.

33 **Article - Environment**

34 Subtitle 9. Tax [Credits] **BENEFITS** for Employer-Provided Commuter Benefits.

1 2-901.

2 (b) A business entity may claim [a tax credit] **AN INCOME TAX**
3 **SUBTRACTION MODIFICATION** in an amount equal to 50% of the cost of providing the
4 following commuter benefits to the business entity's employees:

5 (1) If provided for the purpose of travel between the employee's
6 residence and place of employment, any portion of the cost of transportation to or from
7 a location in the State in a vehicle or an instrument that is used to offset any portion
8 of the cost of transportation to or from a location in the State in a vehicle:

9 (i) With a seating capacity of at least eight adult individuals;
10 and

11 (ii) At least 80% of the annual mileage of which is incurred:

12 1. For the purpose of transporting individuals between
13 their residences and their places of employment; and

14 2. On trips where the number of employees transported
15 together is at least one-half of that vehicle's adult seating capacity;

16 (2) An instrument that:

17 (i) Entitles an individual, at no additional cost or at a reduced
18 fare, to transportation to or from a location in the State on a publicly or privately
19 owned mass transit system other than a taxi service; or

20 (ii) Is redeemable at a transit pass sales outlet for the purpose
21 stated in item (i) of this item; or

22 (3) For an employee who resides or works in the State:

23 (i) A cash in lieu of parking program; or

24 (ii) A guaranteed ride home.

25 (c) The [credit] **SUBTRACTION MODIFICATION** allowed under this section
26 may not exceed \$50 per individual employee per month.

27 [(d) (1) The credit allowed under this section may not exceed the total tax
28 otherwise payable by the business entity for that taxable year, determined before the
29 application of the credit under this section but after the application of any other credit.

30 (2) The unused amount of the credit under this section for any taxable
31 year may not be carried over to any other taxable year.]

1 **Article – Housing and Community Development**

2 6–401.

3 (c) “Business entity” means a person that conducts a trade or business in the
4 State and is subject to[:

5 (1)] the State income tax on individuals or corporations[;

6 (2) the public service company franchise tax; or

7 (3) the insurance premiums tax].

8 6–404.

9 (a) [(1)] For a contribution worth \$500 or more in goods, money, or real
10 property to an approved project, a business entity is entitled to [a tax credit] **AN**
11 **INCOME TAX SUBTRACTION MODIFICATION** in the amount determined under
12 subsection (b) of this section.

13 [(2) No part of a tax credit under this section may be taken more than
14 once.]

15 (b) (1) Except as provided in paragraph (2) of this subsection, the [credit]
16 **INCOME TAX SUBTRACTION MODIFICATION** allowed to a business entity under this
17 section equals 50% of the amount of contributions:

18 (i) that the Department approves under subsection (c) of this
19 section; and

20 (ii) that were made during the taxable year for which the
21 [credit] **SUBTRACTION MODIFICATION** is claimed.

22 (2) The [credit] **SUBTRACTION MODIFICATION** allowed under this
23 section for any taxable year may not exceed [the lesser of:

24 (i)] \$250,000[; and

25 (ii) the total amount of tax otherwise payable by the business
26 entity for the taxable year].

27 [(3) Any excess credit that would be allowed but for the limits of
28 paragraph (2) of this subsection may be carried over and applied as a credit for up to 5
29 taxable years after the taxable year in which the contribution was made, until the full
30 amount of the excess is used.]

1 (c) (1) To qualify for [a credit] **AN INCOME TAX SUBTRACTION**
2 **MODIFICATION** for a contribution under this section, before making a contribution, a
3 business entity shall apply for and receive approval of the contribution from the
4 Department.

5 (2) Each application for approval of a contribution shall contain:

6 (i) the name of the approved project to which the contribution
7 will be made;

8 (ii) the amount of the contribution; and

9 (iii) a certification by an independent and unrelated third party
10 as to the value of any nonmonetary contribution included or, for new goods, an invoice
11 or receipt certifying the contribution's net cost to the business entity.

12 (3) The Department may not approve an application if it determines
13 that:

14 (i) the maximum amount of contributions eligible for a [tax
15 credit] **SUBTRACTION MODIFICATION** for the project for the fiscal year will be
16 exceeded by the sum of:

17 1. the amount of the proposed contribution; and

18 2. the total amount of contributions previously approved
19 for that project for the fiscal year; or

20 (ii) the applicant has overstated the value of a nonmonetary
21 contribution.

22 (4) On or before January 31 of each year, the Department shall report
23 to [the Department of Assessments and Taxation,] the Comptroller[, and the
24 Maryland Insurance Administration] the contributions that the Department has
25 approved under this section in the preceding calendar year.

26 6-405.

27 (c) (2) An approval shall:

28 (i) be in writing; and

29 (ii) state the maximum amount of contributions to the approved
30 project that are eligible for a [tax credit] **SUBTRACTION MODIFICATION** under §
31 6-404 of this subtitle.

1 (3) The sum of contributions eligible for a [tax credit] **SUBTRACTION**
2 **MODIFICATION** under § 6–404 of this subtitle for all approved projects for a fiscal
3 year may not exceed \$2,000,000.

4 (d) In approving or disapproving a proposal and in determining the
5 maximum amount of contributions eligible for tax [credits] **BENEFITS** under § 6–404
6 of this subtitle, the Department:

7 (1) shall consider:

8 (i) the need for the project in relation to the need for other
9 proposed projects;

10 (ii) the anticipated benefit to the priority funding area;

11 (iii) the capacity of the applicant to raise money for the project;

12 (iv) the readiness of the applicant to proceed with the project;

13 (v) the ability of the applicant to complete the project as
14 proposed;

15 (vi) the geographic distribution of projects; and

16 (vii) any other relevant factors;

17 (2) may give preference to a proposal that benefits a designated
18 neighborhood under § 6–305 of this title;

19 (3) may request data and assistance from other units of the State; and

20 (4) shall apportion among all approved projects the limit imposed by
21 subsection (c)(3) of this section.

22 **Article – Labor and Employment**

23 11–702.

24 (c) The purpose of the Pilot Program is to implement a program in at least
25 two areas of the State to provide fidelity bonds and to qualify business entities for tax
26 [credits] **BENEFITS** to encourage the long–term employment of qualified ex–felon
27 employees under the Pilot Program.

28 (f) The Pilot Program shall require a one–stop center that is designated for
29 participation in the Pilot Program to:

1 (3) provide a business entity that hires a qualified ex–felon under the
2 Program with:

3 (ii) information on the tax [credits] **BENEFITS** available to a
4 business entity that hires a qualified ex–felon through the Pilot Program; and

5 11–704.

6 (a) Except as provided in subsection (c) of this section, a business entity that
7 hires a qualified ex–felon employee through the Pilot Program established under this
8 subtitle may claim [a tax credit] **AN INCOME TAX SUBTRACTION MODIFICATION** in
9 the amounts determined under subsection (b) of this section for wages paid to a
10 qualified ex–felon employee.

11 (b) For each taxable year, for the wages paid to each qualified ex–felon
12 employee, a [credit] **SUBTRACTION MODIFICATION** is allowed in an amount equal to:

13 (1) 30% of up to the first \$6,000 of the wages paid to the qualified
14 ex–felon employee during the first year of employment; and

15 (2) 20% of up to the first \$6,000 of the wages paid to the qualified
16 ex–felon employee during the second year of employment.

17 (c) (1) A business entity may not claim the [credit] **SUBTRACTION**
18 **MODIFICATION** under this section for an employee:

19 (i) who is hired to replace a laid–off employee or to replace an
20 employee who is on strike; or

21 (ii) for whom the business entity simultaneously receives
22 federal or State employment training benefits.

23 (2) A business entity may not claim the [credit] **SUBTRACTION**
24 **MODIFICATION** under this section until it has notified the Department that a
25 qualified ex–felon employee has been hired.

26 (3) A business entity may claim a [credit] **SUBTRACTION**
27 **MODIFICATION** in the amount provided in paragraph (5) of this subsection for an
28 employee whose employment lasts less than 1 year if the employee:

29 (i) voluntarily terminates employment with the employer;

30 (ii) is unable to continue employment due to a disability or
31 death; or

32 (iii) is terminated for cause.

1 (4) A business entity may not claim the [credit] **SUBTRACTION**
2 **MODIFICATION** under this section if the business entity is claiming a [tax credit]
3 **SUBTRACTION MODIFICATION** for the same employee under [§ 10-704.3] § **10-228**
4 of the Tax – General Article [or § 21-309 of the Education Article].

5 (5) (i) If a business entity is entitled to a [tax credit]
6 **SUBTRACTION MODIFICATION** for an employee who is employed for less than 1 year
7 because the employee voluntarily terminates employment with the employer to take
8 another job, the business entity may claim a [tax credit] **SUBTRACTION**
9 **MODIFICATION** of 30% of up to the first \$6,000 of the wages paid to the employee
10 during the course of employment.

11 (ii) If a business entity is entitled to a [tax credit]
12 **SUBTRACTION MODIFICATION** for an employee who is employed for less than 1 year
13 for a reason other than that described in subparagraph (i) of this paragraph, the
14 amount of the [credit] **SUBTRACTION MODIFICATION** shall be reduced by the
15 proportion of a year that the employee did not work.

16 [(d) If the credit allowed under this section in any taxable year exceeds the
17 total tax otherwise payable by the business entity for that taxable year, a business
18 entity may apply the excess as a credit for succeeding taxable years until the earlier
19 of:

20 (1) the full amount of the excess is used; or

21 (2) the expiration of the fifth taxable year after the taxable year in
22 which the wages for which the credit is claimed are paid.

23 (e) If a credit is claimed under this section, the claimant must make the
24 addition required in § 10-205 or § 10-306 of the Tax – General Article.]

25 11-705.

26 (b) The Comptroller shall adopt regulations to provide for the computation
27 [and carryover] of the [credit under § 10-704.10 of the Tax – General Article] **INCOME**
28 **TAX SUBTRACTION MODIFICATION**.

29 Article – Tax – General

30 10-208.

31 **(A-1) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION**
32 **INCLUDES THE SUBTRACTIONS ALLOWED UNDER PART V OF THIS SUBTITLE.**

33 10-218.

1 (b) An individual who elects to itemize deductions is allowed as a deduction
2 the sum of the individual's federal itemized deductions:

3 (1) limited and reduced as required under the Internal Revenue Code;
4 **AND**

5 (2) [further reduced by any amount deducted under § 170 of the
6 Internal Revenue Code for contributions of a preservation or conservation easement
7 for which a credit is claimed under § 10-723 of this title; and

8 (3)] further reduced by the amount claimed as taxes on income paid to
9 a state or political subdivision of a state, after subtracting a pro rata portion of the
10 reduction to itemized deductions required under § 68 of the Internal Revenue Code.

11 **10-224. RESERVED.**

12 **10-225. RESERVED.**

13 **PART V. ADDITIONAL ADJUSTMENTS TO DETERMINE MARYLAND ADJUSTED**
14 **GROSS INCOME.**

15 10-226.

16 (a) (4) "Qualified employee" means an individual who:

17 (ii) is employed by a business entity at least 35 hours each week
18 for at least 6 months before or during the taxable year for which the entity claims a
19 [credit] **SUBTRACTION MODIFICATION**;

20 (7) "Focus area employee" means an individual who:

21 (ii) is employed by a business entity at least 35 hours each week
22 for at least 12 months before or during the taxable year for which the entity claims a
23 [credit] **SUBTRACTION MODIFICATION**;

24 (b) (1) Any business entity that is located in an enterprise zone and
25 satisfies the requirements of § 5-707 of the Economic Development Article may claim
26 a [credit only against the State income tax] **SUBTRACTION MODIFICATION** for the
27 wages specified in subsections (c) and (d) of this section that are paid in the taxable
28 year for which the entity claims the [credit] **SUBTRACTION MODIFICATION**.

29 (2) A business entity that is located in a focus area and satisfies the
30 requirements of § 5-707 of the Economic Development Article may claim a [credit only
31 against the State income tax] **SUBTRACTION MODIFICATION** for the wages specified
32 in subsection (e) of this section that are paid to a focus area employee in the taxable
33 year for which the entity claims the [credit] **SUBTRACTION MODIFICATION**.

1 [(3) An organization that is exempt from taxation under § 501(c)(3) or
2 (4) of the Internal Revenue Code may apply the credit under this section as a credit
3 against income tax due on unrelated business taxable income as provided under §§
4 10-304 and 10-812 of this title.]

5 (c) If a business entity does not claim an enhanced [tax credit]
6 **SUBTRACTION MODIFICATION** under subsection (e) of this section for a focus area
7 employee, for the taxable year in which a business entity satisfies the requirements of
8 § 5-707 of the Economic Development Article, a [credit] **SUBTRACTION**
9 **MODIFICATION** is allowed that equals:

10 (1) up to \$3,000 of the wages paid to each qualified employee who:

11 (i) is an economically disadvantaged individual; and

12 (ii) is not hired to replace an individual whom the business
13 entity employed in that or any of the 3 preceding taxable years; and

14 (2) up to \$1,000 of the wages paid to each qualified employee who:

15 (i) is not an economically disadvantaged individual; and

16 (ii) is not hired to replace an individual whom the business
17 entity employed in that or any of the 3 preceding taxable years.

18 (d) (1) If a business entity does not claim an enhanced [tax credit]
19 **SUBTRACTION MODIFICATION** under subsection (e) of this section for a focus area
20 employee, for each taxable year after the taxable year described in subsection (c) of
21 this section, while the area is designated an enterprise zone, a [credit] **SUBTRACTION**
22 **MODIFICATION** is allowed that equals:

23 (i) up to \$3,000 of the wages paid to each qualified employee
24 who:

25 1. is an economically disadvantaged individual;

26 2. became a qualified employee during the taxable year
27 to which the [credit] **SUBTRACTION MODIFICATION** applies; and

28 3. is not hired to replace an individual whom the
29 business entity employed in that or any of the 3 preceding taxable years;

30 (ii) up to \$2,000 of the wages paid to each qualified employee
31 who is an economically disadvantaged individual, if the business entity received a
32 [credit] **SUBTRACTION MODIFICATION** under subsection (c)(1) of this section for the
33 qualified employee in the immediately preceding taxable year; and

1 (iii) up to \$1,000 of the wages paid to each qualified employee
2 who is not hired to replace an individual whom the business entity employed in that or
3 any of the 3 preceding taxable years if the qualified employee:

4 1. is an economically disadvantaged individual for whom
5 the business entity received a [credit] **SUBTRACTION MODIFICATION** under
6 subsection (c)(1) of this section or item (i) of this paragraph and a [credit]
7 **SUBTRACTION MODIFICATION** under item (ii) of this paragraph in the 2 immediately
8 preceding taxable years; or

9 2. is not an economically disadvantaged individual but
10 became a qualified employee during the taxable year to which the [credit]
11 **SUBTRACTION MODIFICATION** applies.

12 (2) A business entity that hires a qualified employee to replace
13 another qualified employee for whom the business entity received a [credit]
14 **SUBTRACTION MODIFICATION** under subsection (c)(1) of this section and paragraph
15 (1)(ii) of this subsection in the immediately preceding taxable year may treat the new
16 qualified employee as the replacement for the other qualified employee to determine
17 any [credit] **SUBTRACTION MODIFICATION** that may be available to the business
18 entity under paragraph (1)(ii) or (iii) of this subsection.

19 (e) (1) For the taxable year in which a business entity satisfies the
20 requirements of §§ 5-706 and 5-707 of the Economic Development Article, a [credit]
21 **SUBTRACTION MODIFICATION** is allowed that equals:

22 (i) up to \$4,500 of the wages paid to each focus area employee
23 who:

24 1. is an economically disadvantaged individual; and
25 2. is not hired to replace an individual whom the
26 business entity employed in that year or any of the 3 preceding taxable years; and

27 (ii) up to \$1,500 of the wages paid to each focus area employee
28 who:

29 1. is not an economically disadvantaged individual; and
30 2. is not hired to replace an individual whom the
31 business entity employed in that year or any of the 3 preceding taxable years.

32 (2) For each taxable year after the taxable year described in
33 paragraph (1) of this subsection, while the area is designated a focus area, a [credit]
34 **SUBTRACTION MODIFICATION** is allowed that equals:

1 (i) up to \$4,500 of the wages paid to each focus area employee
2 who:

3 1. is an economically disadvantaged individual;

4 2. became a focus area employee during the taxable year
5 to which the [credit] **SUBTRACTION MODIFICATION** applies; and

6 3. is not hired to replace an individual whom the
7 business entity employed in that year or any of the 3 preceding taxable years;

8 (ii) up to \$3,000 of the wages paid to each focus area employee
9 who is an economically disadvantaged individual, if the business entity received a
10 [credit] **SUBTRACTION MODIFICATION** under paragraph (1)(i) of this subsection for
11 the focus area employee in the immediately preceding taxable year; and

12 (iii) up to \$1,500 of the wages paid to each focus area employee
13 who is not hired to replace an individual whom the business entity employed in that
14 year or any of the 3 preceding taxable years if the focus area employee:

15 1. is an economically disadvantaged individual for whom
16 the business entity received a [credit] **SUBTRACTION MODIFICATION** under item (ii)
17 of this paragraph in the 2 immediately preceding taxable years and under:

18 A. paragraph (1)(i) of this subsection; or

19 B. item (i) of this paragraph; or

20 2. is not an economically disadvantaged individual but
21 became a focus area employee during the taxable year to which the [credit]
22 **SUBTRACTION MODIFICATION** applies.

23 (3) A business entity that hires a focus area employee to replace
24 another focus area employee for whom the business entity received a [credit]
25 **SUBTRACTION MODIFICATION** under paragraph (1)(i) of this subsection and
26 paragraph (2)(ii) of this subsection in the immediately preceding taxable year may
27 treat the focus area employee as the replacement for the other focus area employee to
28 determine any [credit] **SUBTRACTION MODIFICATION** that may be available to the
29 business entity under paragraph (2)(ii) or (iii) of this subsection.

30 [(f) If the credit allowed under this section in any taxable year exceeds the
31 State income tax for that taxable year, a business entity may apply the excess as a
32 credit against the State income tax for succeeding taxable years until the earlier of:

33 (1) the full amount of the excess is used; or

1 (2) the expiration of the 5th taxable year from the date on which the
2 business entity hired the qualified employee to whom the credit first applies.]

3 [(g) If a credit is claimed under this section, the claimant must make the
4 addition required in § 10–205, § 10–206, or § 10–306 of this title.]

5 **10–227.**

6 (A) **EXCEPT AS PROVIDED IN SUBSECTION (B) OF THIS SECTION, AN**
7 **INDIVIDUAL OR A CORPORATION IS ALLOWED A SUBTRACTION MODIFICATION IN**
8 **THE AMOUNT OF \$3 FOR EACH TON OF MARYLAND–MINED COAL THAT THE**
9 **PUBLIC SERVICE COMPANY PURCHASED IN THE TAXABLE YEAR.**

10 (B) **THE SUBTRACTION MODIFICATION ALLOWED UNDER THIS SECTION**
11 **MAY NOT BE CLAIMED FOR MARYLAND–MINED COAL PURCHASED IN A**
12 **CALENDAR YEAR BEGINNING AFTER DECEMBER 31, 2020.**

13 **10–228.**

14 (A) (1) **IN THIS SECTION THE FOLLOWING WORDS HAVE THE**
15 **MEANINGS INDICATED.**

16 (2) **“BUSINESS ENTITY” MEANS:**

17 (I) **A PERSON CONDUCTING OR OPERATING A TRADE OR**
18 **BUSINESS IN MARYLAND; OR**

19 (II) **AN ORGANIZATION OPERATING IN MARYLAND THAT IS**
20 **EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE INTERNAL**
21 **REVENUE CODE.**

22 (3) **“DIVISION” MEANS THE DIVISION OF REHABILITATION**
23 **SERVICES OF THE MARYLAND STATE DEPARTMENT OF EDUCATION.**

24 (4) **“QUALIFIED CHILD CARE OR TRANSPORTATION EXPENSES”**
25 **MEANS:**

26 (I) **STATE REGULATED CHILD CARE EXPENSES THAT ARE**
27 **INCURRED BY A BUSINESS ENTITY TO ENABLE A QUALIFIED EMPLOYEE TO BE**
28 **GAINFULLY EMPLOYED; OR**

29 (II) **TRANSPORTATION EXPENSES THAT ARE INCURRED BY A**
30 **BUSINESS ENTITY TO ENABLE A QUALIFIED EMPLOYEE TO TRAVEL TO AND**
31 **FROM WORK.**

1 **(5) “QUALIFIED EMPLOYEE” MEANS A QUALIFIED EMPLOYMENT**
2 **OPPORTUNITY EMPLOYEE OR QUALIFIED EMPLOYEE WITH A DISABILITY.**

3 **(6) (I) “QUALIFIED EMPLOYEE WITH A DISABILITY” MEANS AN**
4 **INDIVIDUAL WHO:**

5 **1. MEETS THE DEFINITION OF AN INDIVIDUAL WITH**
6 **A DISABILITY AS DEFINED BY THE AMERICANS WITH DISABILITIES ACT;**

7 **2. HAS A DISABILITY THAT PRESENTLY**
8 **CONSTITUTES AN IMPEDIMENT TO OBTAINING OR MAINTAINING EMPLOYMENT**
9 **OR TO TRANSITIONING FROM SCHOOL TO WORK;**

10 **3. IS READY FOR EMPLOYMENT; AND**

11 **4. HAS BEEN DETERMINED BY THE DIVISION OR THE**
12 **DEPARTMENT OF LABOR, LICENSING, AND REGULATION, IN CONSULTATION**
13 **WITH THE DIVISION, AS HAVING MET THE CRITERIA OF A QUALIFIED EMPLOYEE**
14 **WITH A DISABILITY ESTABLISHED UNDER THIS SECTION.**

15 **(II) “QUALIFIED EMPLOYEE WITH A DISABILITY” INCLUDES:**

16 **1. AN INDIVIDUAL WHO HAS BEEN DETERMINED BY**
17 **THE DEPARTMENT OF LABOR, LICENSING, AND REGULATION, IN**
18 **CONSULTATION WITH THE UNITED STATES DEPARTMENT OF VETERANS**
19 **AFFAIRS, AS HAVING BEEN DISCHARGED OR RELEASED FROM ACTIVE DUTY IN**
20 **THE ARMED FORCES OF THE UNITED STATES FOR A SERVICE-CONNECTED**
21 **DISABILITY; AND**

22 **2. ANY OTHER INDIVIDUAL MEETING THE**
23 **DEFINITION OF SUBPARAGRAPH (I) OF THIS PARAGRAPH, WHETHER OR NOT**
24 **THE INDIVIDUAL RECEIVES SERVICES FROM THE DIVISION.**

25 **(7) (I) “QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE”**
26 **MEANS AN INDIVIDUAL WHO IS A RESIDENT OF MARYLAND AND WHO FOR ANY 3**
27 **MONTHS DURING THE 18-MONTH PERIOD BEFORE THE INDIVIDUAL’S**
28 **EMPLOYMENT WITH A BUSINESS ENTITY WAS A RECIPIENT OF TEMPORARY CASH**
29 **ASSISTANCE FROM THE STATE UNDER THE AID TO FAMILIES WITH DEPENDENT**
30 **CHILDREN PROGRAM OR THE FAMILY INVESTMENT PROGRAM AND WHO FOR 6**
31 **MONTHS BEFORE THE INDIVIDUAL’S EMPLOYMENT WITH A BUSINESS ENTITY**
32 **WAS A MARYLAND RESIDENT.**

1 (II) **“QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE”**
2 **DOES NOT INCLUDE AN INDIVIDUAL WHO IS THE SPOUSE OF, OR HAS ANY OF THE**
3 **RELATIONSHIPS SPECIFIED IN § 152(A)(1) THROUGH (8) OF THE INTERNAL**
4 **REVENUE CODE TO, A PERSON WHO CONTROLS, DIRECTLY OR INDIRECTLY,**
5 **MORE THAN 50% OF THE OWNERSHIP OF THE BUSINESS ENTITY.**

6 (8) **“WAGES” MEANS WAGES, WITHIN THE MEANING OF § 51(C)(1),**
7 **(2), AND (3) OF THE INTERNAL REVENUE CODE WITHOUT REGARD TO § 51(C)(4)**
8 **OF THE INTERNAL REVENUE CODE THAT ARE PAID BY A BUSINESS ENTITY TO**
9 **AN EMPLOYEE FOR SERVICES PERFORMED IN A TRADE OR BUSINESS OF THE**
10 **EMPLOYER.**

11 (B) **EXCEPT AS PROVIDED IN SUBSECTION (E) OF THIS SECTION, A**
12 **BUSINESS ENTITY MAY CLAIM A SUBTRACTION MODIFICATION IN THE AMOUNTS**
13 **DETERMINED UNDER SUBSECTIONS (C) AND (D) OF THIS SECTION FOR THE**
14 **WAGES AND QUALIFIED CHILD CARE OR TRANSPORTATION EXPENSES WITH**
15 **RESPECT TO A QUALIFIED EMPLOYEE OF THE BUSINESS ENTITY THAT ARE PAID**
16 **IN THE TAXABLE YEAR FOR WHICH THE BUSINESS ENTITY CLAIMS THE**
17 **SUBTRACTION MODIFICATION.**

18 (C) (1) **EXCEPT AS PROVIDED IN PARAGRAPH (2) OF THIS**
19 **SUBSECTION, FOR EACH TAXABLE YEAR, FOR THE WAGES PAID TO EACH**
20 **QUALIFIED EMPLOYEE, A SUBTRACTION MODIFICATION IS ALLOWED IN AN**
21 **AMOUNT EQUAL TO:**

22 (I) **30% OF UP TO THE FIRST \$6,000 OF THE WAGES PAID TO**
23 **THE QUALIFIED EMPLOYEE DURING THE FIRST YEAR OF EMPLOYMENT; AND**

24 (II) **20% OF UP TO THE FIRST \$6,000 OF THE WAGES PAID TO**
25 **THE QUALIFIED EMPLOYEE DURING THE SECOND YEAR OF EMPLOYMENT.**

26 (2) **IF A QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEE HAS**
27 **BEEN A RECIPIENT OF TEMPORARY CASH ASSISTANCE FROM THE STATE UNDER**
28 **THE AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAM OR THE FAMILY**
29 **INVESTMENT PROGRAM FOR AT LEAST 18 OF THE LAST 48 MONTHS, WHETHER**
30 **CONSECUTIVE OR NOT CONSECUTIVE, AND HAS BEEN EMPLOYED FOR A FULL**
31 **YEAR BY A BUSINESS ENTITY CLAIMING THE SUBTRACTION MODIFICATION, THE**
32 **SUBTRACTION MODIFICATION ALLOWED UNDER THIS SECTION IS AN AMOUNT**
33 **EQUAL TO 40% OF UP TO THE FIRST \$10,000 IN WAGES PAID TO THE QUALIFIED**
34 **EMPLOYMENT OPPORTUNITY EMPLOYEE DURING THE FIRST YEAR OF**
35 **EMPLOYMENT.**

36 (D) **FOR EACH TAXABLE YEAR, FOR CHILD CARE PROVIDED OR PAID**
37 **FOR BY A BUSINESS ENTITY FOR THE CHILDREN OF A QUALIFIED EMPLOYEE OF**

1 THE BUSINESS ENTITY, OR TRANSPORTATION EXPENSES THAT ARE INCURRED
2 BY A BUSINESS ENTITY TO ENABLE A QUALIFIED EMPLOYEE TO TRAVEL TO AND
3 FROM WORK, A SUBTRACTION MODIFICATION IS ALLOWED IN AN AMOUNT
4 EQUAL TO:

5 (1) UP TO \$600 OF THE QUALIFIED CHILD CARE OR
6 TRANSPORTATION EXPENSES INCURRED FOR EACH QUALIFIED EMPLOYEE
7 DURING THE FIRST YEAR OF EMPLOYMENT; AND

8 (2) UP TO \$500 OF THE QUALIFIED CHILD CARE OR
9 TRANSPORTATION EXPENSES INCURRED FOR EACH QUALIFIED EMPLOYEE
10 DURING THE SECOND YEAR OF EMPLOYMENT.

11 (E) (1) A BUSINESS ENTITY MAY NOT CLAIM THE SUBTRACTION
12 MODIFICATION UNDER THIS SECTION FOR AN EMPLOYEE:

13 (I) WHO IS HIRED TO REPLACE A LAID-OFF EMPLOYEE OR
14 TO REPLACE AN EMPLOYEE WHO IS ON STRIKE; OR

15 (II) FOR WHOM THE BUSINESS ENTITY SIMULTANEOUSLY
16 RECEIVES FEDERAL OR STATE EMPLOYMENT TRAINING BENEFITS.

17 (2) A BUSINESS ENTITY MAY NOT CLAIM THE SUBTRACTION
18 MODIFICATION UNDER THIS SECTION UNTIL IT HAS NOTIFIED THE
19 APPROPRIATE GOVERNMENT AGENCY THAT THE QUALIFIED EMPLOYEE HAS
20 BEEN HIRED.

21 (3) A BUSINESS ENTITY MAY CLAIM A SUBTRACTION
22 MODIFICATION IN THE AMOUNT PROVIDED IN PARAGRAPH (4) OF THIS
23 SUBSECTION FOR AN EMPLOYEE WHOSE EMPLOYMENT LASTS LESS THAN 1 YEAR
24 IF THE EMPLOYEE:

25 (I) VOLUNTARILY TERMINATES EMPLOYMENT WITH THE
26 EMPLOYER;

27 (II) IS UNABLE TO CONTINUE EMPLOYMENT DUE TO DEATH
28 OR A DISABILITY; OR

29 (III) IS TERMINATED FOR CAUSE.

30 (4) (I) IF A BUSINESS ENTITY IS ENTITLED TO A SUBTRACTION
31 MODIFICATION UNDER THIS SECTION FOR AN EMPLOYEE WHO IS EMPLOYED
32 FOR LESS THAN 1 YEAR BECAUSE THE EMPLOYEE VOLUNTARILY TERMINATES
33 EMPLOYMENT WITH THE EMPLOYER TO TAKE ANOTHER JOB, THE BUSINESS

1 ENTITY MAY CLAIM A SUBTRACTION MODIFICATION IN AN AMOUNT EQUAL TO
2 **30%** OF UP TO THE FIRST **\$6,000** OF THE WAGES PAID TO THE EMPLOYEE
3 DURING THE COURSE OF EMPLOYMENT.

4 (II) IF A BUSINESS ENTITY IS ENTITLED TO A SUBTRACTION
5 MODIFICATION UNDER THIS SECTION FOR AN EMPLOYEE WHO IS EMPLOYED
6 FOR LESS THAN 1 YEAR FOR A REASON OTHER THAN THAT DESCRIBED IN
7 SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE AMOUNT OF THE SUBTRACTION
8 MODIFICATION SHALL BE REDUCED BY THE PROPORTION OF A YEAR THAT THE
9 EMPLOYEE DID NOT WORK.

10 (F) THE COMPTROLLER IN COOPERATION WITH THE DEPARTMENT OF
11 LABOR, LICENSING, AND REGULATION, THE DEPARTMENT OF HUMAN
12 RESOURCES, AND THE STATE DEPARTMENT OF EDUCATION SHALL
13 ADMINISTER THE SUBTRACTION MODIFICATION UNDER THIS SECTION.

14 (G) THE DEPARTMENT OF LABOR, LICENSING, AND REGULATION
15 SHALL REPORT TO THE GOVERNOR AND, SUBJECT TO § 2-1246 OF THE STATE
16 GOVERNMENT ARTICLE, THE GENERAL ASSEMBLY, BEFORE JANUARY 15 OF
17 EACH YEAR ON:

18 (1) THE IMPACT OF THE SUBTRACTION MODIFICATION UNDER
19 THIS SECTION WITH RESPECT TO EMPLOYMENT OF QUALIFIED EMPLOYEES
20 WITH DISABILITIES, INCLUDING:

21 (I) MARKETING ACTIVITIES FOR THE SUBTRACTION
22 MODIFICATION UNDER THIS SECTION WITH RESPECT TO QUALIFIED EMPLOYEES
23 WITH DISABILITIES;

24 (II) THE NUMBER OF BUSINESS ENTITIES WHO HIRED A
25 QUALIFIED EMPLOYEE WITH A DISABILITY DURING THE PRECEDING YEAR;

26 (III) THE NUMBER OF QUALIFIED EMPLOYEES WITH
27 DISABILITIES:

28 1. HIRED IN EACH BUSINESS SECTOR FOR THE
29 PRECEDING YEAR; AND

30 2. HIRED DURING THE PRECEDING YEAR AND
31 EMPLOYED FOR LESS THAN 1 YEAR;

32 (IV) A SUMMARY OF THE AVERAGE HOURLY WAGES PAID TO
33 QUALIFIED EMPLOYEES WITH DISABILITIES FOR THE PRECEDING YEAR;

1 (V) THE NUMBER AND AMOUNT OF SUBTRACTION
2 MODIFICATIONS CLAIMED DURING THE PRECEDING YEAR FOR EMPLOYMENT OF
3 QUALIFIED EMPLOYEES WITH DISABILITIES; AND

4 (VI) THE NUMBER AND AMOUNT OF SUBTRACTION
5 MODIFICATIONS CLAIMED FOR CHILD CARE OR TRANSPORTATION EXPENSES
6 FOR QUALIFIED EMPLOYEES WITH DISABILITIES, INCLUDING A SUMMARY OF
7 THE TYPES OF TRANSPORTATION EXPENSES INCURRED BY BUSINESS ENTITIES;
8 AND

9 (2) THE IMPACT OF THE SUBTRACTION MODIFICATION UNDER
10 THIS SECTION WITH RESPECT TO EMPLOYMENT OF QUALIFIED EMPLOYMENT
11 OPPORTUNITY EMPLOYEES, INCLUDING:

12 (I) MARKETING ACTIVITIES WITH RESPECT TO
13 EMPLOYMENT OF QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEES;

14 (II) THE COORDINATION OF INTERAGENCY ACTIVITIES;

15 (III) THE NUMBER OF BUSINESS ENTITIES WHO HIRED
16 EMPLOYMENT OPPORTUNITY EMPLOYEES DURING THE PRECEDING YEAR,
17 INCLUDING A SEPARATE ACCOUNT OF THE NUMBER OF ORGANIZATIONS THAT
18 ARE EXEMPT FROM TAXATION UNDER § 501(C)(3) OR (4) OF THE INTERNAL
19 REVENUE CODE;

20 (IV) THE NUMBER OF QUALIFIED EMPLOYMENT
21 OPPORTUNITY EMPLOYEES:

22 1. HIRED IN EACH BUSINESS SECTOR FOR THE
23 PRECEDING YEAR; AND

24 2. HIRED DURING THE PRECEDING YEAR AND
25 EMPLOYED FOR LESS THAN 1 YEAR;

26 (V) A SUMMARY OF THE WAGES PAID TO QUALIFIED
27 EMPLOYMENT OPPORTUNITY EMPLOYEES FOR THE PRECEDING YEAR;

28 (VI) THE TOTAL NUMBER AND AMOUNT OF JOB
29 CERTIFICATIONS ISSUED AND SUBTRACTION MODIFICATIONS CLAIMED DURING
30 THE PRECEDING YEAR AS WELL AS THE NUMBER AND AMOUNT OF JOB
31 CERTIFICATIONS ISSUED AND SUBTRACTION MODIFICATIONS CLAIMED DURING
32 THE PRECEDING YEAR FOR QUALIFIED EMPLOYMENT OPPORTUNITY
33 EMPLOYEES ELIGIBLE FOR THE SUBTRACTION MODIFICATION GRANTED UNDER
34 SUBSECTION (C)(2) OF THIS SECTION;

1 (VII) THE NUMBER AND AMOUNT OF SUBTRACTION
2 MODIFICATIONS CLAIMED FOR CHILD CARE OR TRANSPORTATION EXPENSES
3 INCURRED FOR QUALIFIED EMPLOYMENT OPPORTUNITY EMPLOYEES,
4 INCLUDING A SUMMARY OF THE TYPES OF TRANSPORTATION EXPENSES
5 INCURRED BY BUSINESS ENTITIES; AND

6 (VIII) THE NUMBER OF QUALIFIED EMPLOYMENT
7 OPPORTUNITY EMPLOYEES EMPLOYED FOR:

8 1. MORE THAN 1 YEAR BUT LESS THAN 2 YEARS;

9 2. MORE THAN 2 YEARS BUT LESS THAN 3 YEARS;

10 AND

11 3. 3 YEARS OR MORE.

12 10-229.

13 An individual or a corporation may claim a [credit against the income tax]
14 **SUBTRACTION MODIFICATION** for wages paid to qualified employees as provided
15 under Title 6, Subtitle 3 of the Economic Development Article.

16 10-230.

17 An individual or a corporation may claim a [credit against the State income tax]
18 **SUBTRACTION MODIFICATION** for neighborhood and community assistance
19 contributions as provided under § 6-404 of the Housing and Community Development
20 Article.

21 10-231.

22 An individual or a corporation may claim a [State tax credit against the income
23 tax] **SUBTRACTION MODIFICATION** as provided under § 9-230 of the Tax – Property
24 Article.

25 10-232.

26 [(a)] An individual or corporation may claim a [credit against the income tax]
27 **SUBTRACTION MODIFICATION** for wages paid to a qualified ex-felon employee as
28 provided under § 11-704 of the Labor and Employment Article.

29 [(b) (1)] An organization that is exempt from taxation under § 501(c)(3) or
30 (4) of the Internal Revenue Code may apply the credit under this section:

1 (i) as a credit against income tax due on unrelated business
2 taxable income as provided under §§ 10-304 and 10-812 of this title; or

3 (ii) as a credit for the payment to the Comptroller of taxes that
4 the organization:

5 1. is required to withhold from the wages of employees
6 under § 10-908 of this title; and

7 2. is required to pay to the Comptroller under §
8 10-906(a) of this title.

9 (2) If the credit allowed under this subsection in any taxable year
10 exceeds the sum of the State income tax otherwise payable by the organization for that
11 taxable year and the taxes that the organization has withheld from the wages of
12 employees and is required to pay to the Comptroller under § 10-906(a) of this title for
13 the taxable year, the organization may apply the excess as a credit under paragraph
14 (1)(i) or (ii) of this subsection in succeeding taxable years for the carryforward period
15 provided in § 11-704 of the Labor and Employment Article.

16 (3) The Comptroller shall adopt regulations to provide procedures for
17 claiming and applying credits authorized under paragraph (1)(ii) of this subsection.]

18 10-233.

19 (a) An individual may claim a [credit against the State income tax]
20 **SUBTRACTION MODIFICATION** for a taxable year in the amount specified in
21 subsection (b) of this section for property tax paid in that taxable year for
22 owner-occupied, residential real property that is granted a property tax credit under §
23 9-317(e), § 9-318(d), or § 9-326 of the Tax – Property Article.

24 (b) The [credit] **SUBTRACTION MODIFICATION** shall equal the amount of
25 the property tax credit granted for property tax paid under § 9-317(e), § 9-318(d), or §
26 9-326 of the Tax – Property Article.

27 [(c) If the credit allowed under this section in any taxable year exceeds the
28 State income tax for that taxable year, calculated before application of the credits
29 under this section and §§ 10-701 and 10-701.1 of this subtitle, but after application of
30 the other credits allowable under this subtitle, the excess of the credit shall be
31 refunded.]

32 10-234.

33 (a) In this section, “long-term care insurance” has the meaning stated in §
34 18-101 of the Insurance Article.

1 (b) (1) Subject to the limitation under paragraph (2) of this subsection, an
2 employer may claim a [tax credit] **SUBTRACTION MODIFICATION** in an amount
3 equal to 5% of the costs incurred by the employer during the taxable year to provide
4 long-term care insurance as part of an employee benefit package.

5 (2) The [credit] **SUBTRACTION MODIFICATION** allowed under this
6 section may not exceed the lesser of:

7 (i) \$5,000; or

8 (ii) \$100 for each employee in the State covered by long-term
9 care insurance provided under the employee benefit package.

10 [(c) (1) An individual or corporation may apply the credit under subsection
11 (b) of this section against the State income tax.

12 (2) An organization that is exempt from taxation under § 501(c)(3) or
13 (4) of the Internal Revenue Code may apply the credit under this section against State
14 income tax due on unrelated business taxable income as provided under §§ 10-304 and
15 10-812 of this title.

16 (d) (1) If the employer is subject to more than one tax against which the
17 credit allowed under this section may be applied, the same credit may not be applied
18 more than once against different taxes.

19 (2) If the credit allowed under this subsection in any taxable year
20 exceeds the total tax otherwise payable by the employer for that taxable year, the
21 employer may apply the excess as a credit for succeeding taxable years until the
22 earlier of:

23 (i) the full amount of the excess is used; or

24 (ii) the expiration of the 5th taxable year after the taxable year
25 in which the costs to provide long-term care insurance as part of an employee benefit
26 package were incurred.]

27 10-235.

28 An individual or corporation may claim a [credit against the State income tax]
29 **SUBTRACTION MODIFICATION** for wages paid to each student under an approved
30 paid work-based learning program as provided under § 21-501 of the Education
31 Article.

32 10-236.

1 An individual or corporation may claim a [credit against the State income tax]
2 **SUBTRACTION MODIFICATION** for One Maryland project costs and start-up costs as
3 provided under Title 6, Subtitle 4 of the Economic Development Article.

4 10-237.

5 [(a) An individual or corporation may claim a [credit against the State income
6 tax] **SUBTRACTION MODIFICATION** for the cost of providing commuter benefits to the
7 business entity's employees as provided under § 2-901 of the Environment Article.

8 [(b) An organization that is exempt from taxation under § 501(c)(3) or (4) of
9 the Internal Revenue Code may apply the credit under this section as a credit for the
10 payment to the Comptroller of taxes that the organization:

11 (1) is required to withhold from the wages of employees under §
12 10-908 of this title; and

13 (2) is required to pay to the Comptroller under § 10-906(a) of this
14 title.]

15 10-238.

16 (a) An individual who is a classroom teacher holding a standard professional
17 certificate or an advanced professional certificate may claim a [credit against the State
18 income tax] **SUBTRACTION MODIFICATION** for up to \$1,500 of tuition paid by the
19 individual during the taxable year for graduate level courses required to maintain
20 certification if the individual:

21 (1) successfully completes the courses with a grade of B or better;

22 (2) is employed by a county board of education;

23 (3) teaches in a public school and receives a satisfactory performance
24 evaluation for that teaching; and

25 (4) has not been reimbursed by the county for the tuition paid.

26 (b) [(1)] If a county partially reimburses an individual for tuition paid, the
27 individual may claim a [tax credit] **SUBTRACTION MODIFICATION** allowed under
28 this section for the balance of the tuition not paid by the county.

29 [(2)] The credit allowed under this section may not exceed the State
30 income tax for that taxable year, calculated before the application of the credits
31 allowed under this section and §§ 10-701 and 10-701.1 of this subtitle but after the
32 application of the other credits allowable under this subtitle.

1 (3) The unused amount of the credit for any taxable year may not be
2 carried over to any other taxable year.]

3 10-239.

4 (a) In this section, “eligible long-term care premiums” means eligible
5 long-term care premiums within the meaning of § 213(d)(10) of the Internal Revenue
6 Code for a long-term care insurance contract covering an individual who is a
7 Maryland resident.

8 (b) An individual may claim a [credit against the State income tax]
9 **SUBTRACTION MODIFICATION** in an amount equal to 100% of the eligible long-term
10 care premiums paid by the individual during the taxable year for long-term care
11 insurance covering the individual or the individual’s spouse, parent, stepparent, child,
12 or stepchild.

13 (c) The [credit] **SUBTRACTION MODIFICATION** allowed under this section:

14 (1) may not exceed \$500 for each insured covered by long-term care
15 insurance for which the individual pays the premiums;

16 (2) may not be claimed by more than one taxpayer with respect to the
17 same insured individual; and

18 (3) may not be claimed with respect to an insured individual if:

19 (i) the insured individual was covered by long-term care
20 insurance at any time before July 1, 2000; or

21 (ii) the [credit] **SUBTRACTION MODIFICATION** has been
22 claimed with respect to that insured individual by any taxpayer for any prior taxable
23 year.

24 [(d) (1) The total amount of the credit allowed under this section for any
25 taxable year may not exceed the State income tax for that taxable year, calculated
26 before application of the credits under this section and §§ 10-701 and 10-701.1 of this
27 subtitle, but after application of the other credits allowable under this subtitle.

28 (2) The unused amount of the credit for any taxable year may not be
29 carried over to any other taxable year.]

30 [(e) (D) The [credit] **SUBTRACTION MODIFICATION** allowed under this
31 section does not affect the treatment under this title of any deduction or exclusion
32 allowed for federal income tax purposes for the eligible long-term care premiums paid
33 by the individual.

1 [(f) (E)] On or before December 1, 2005 and each December 1 thereafter,
2 the Comptroller shall report to the Governor and, subject to § 2-1246 of the State
3 Government Article, to the General Assembly, regarding the [credit] **SUBTRACTION**
4 **MODIFICATION** allowed under this section, including:

5 (1) the number of individuals who have claimed the [credit]
6 **SUBTRACTION MODIFICATION**, the amount allowed as [credits] **SUBTRACTION**
7 **MODIFICATIONS**, and the additional number of individuals covered by long-term care
8 insurance as a result of the [credit] **SUBTRACTION MODIFICATION**; and

9 (2) the savings under the State's Medical Assistance Program as a
10 result of additional individuals being covered by long-term care insurance as a result
11 of the [credit] **SUBTRACTION MODIFICATION**.

12 10-240.

13 (b) (1) Except as provided in paragraphs (2) and (3) of this subsection, an
14 individual or corporation that receives an initial [credit] **BENEFIT** certificate from the
15 Administration may claim a [credit against the State income tax] **SUBTRACTION**
16 **MODIFICATION** for a taxable year in an amount equal to 0.85 cents for each kilowatt
17 hour of electricity:

18 (i) produced by the individual or corporation from qualified
19 energy resources at a qualified Maryland facility during the 5-year period specified in
20 the initial [credit] **BENEFIT** certificate; and

21 (ii) sold by the individual or corporation to a person other than a
22 related person, within the meaning of § 45 of the Internal Revenue Code, during the
23 taxable year.

24 (2) If the electricity is produced from a qualified energy resource that
25 is co-fired at a facility that produces electricity from coal, the [credit] **SUBTRACTION**
26 **MODIFICATION** is 0.5 cents for each kilowatt hour of electricity produced from the
27 qualified energy resource instead of 0.85 cents.

28 (3) The annual [tax credit] **SUBTRACTION MODIFICATION** under this
29 subsection may not exceed one-fifth of the maximum amount [of credit] stated in the
30 initial [credit] **BENEFIT** certificate.

31 (c) (1) Subject to the provisions of this subsection, on application by a
32 taxpayer, the Administration shall issue an initial [credit] **BENEFIT** certificate if the
33 taxpayer has demonstrated that the taxpayer will within the next 12 months produce
34 electricity from qualified energy resources at a qualified Maryland facility.

35 (2) The initial [credit] **BENEFIT** certificate issued under this
36 subsection shall:

1 (i) state the maximum amount of [credit] **SUBTRACTION**
2 **MODIFICATION** that may be claimed by the taxpayer over a 5-year period;

3 (ii) state the earliest tax year for which the [credit]
4 **SUBTRACTION MODIFICATION** may be claimed; and

5 (iii) expire after the 5th consecutive tax year beginning with the
6 earliest tax year for which the [credit] **SUBTRACTION MODIFICATION** may be
7 claimed.

8 (3) The maximum amount [of credit] stated in the initial [credit]
9 **BENEFIT** certificate shall:

10 (i) for an energy producer, be in an amount equal to the lesser
11 of:

12 1. the product of multiplying 5 times the taxpayer's
13 estimated annual [tax credit] **SUBTRACTION MODIFICATION**, based on estimated
14 annual energy production, as certified by the Administration; or

15 2. \$2,500,000.

16 (4) The Administration may not issue initial [credit] **BENEFIT**
17 certificates for maximum credit amounts in the aggregate totaling more than
18 \$25,000,000.

19 (5) The Administration shall approve all applications that qualify for
20 an initial [credit] **BENEFIT** certificate under this subsection on a first-come,
21 first-served basis.

22 (6) If a taxpayer over a 3-year period does not claim on average at
23 least 10% of the maximum [credit] **SUBTRACTION MODIFICATION** amount stated in
24 the initial [credit] **BENEFIT** certificate, the Administration at its discretion may
25 cancel an amount of the taxpayer's initial [credit] **BENEFIT** certificate equal to the
26 product of multiplying:

27 (i) the amount of the [credit] **SUBTRACTION MODIFICATION**
28 on average that was not claimed over the 3-year period; and

29 (ii) the remaining number of tax years that the taxpayer is
30 eligible to take the [credit] **SUBTRACTION MODIFICATION**.

31 (7) An applicant for an initial [credit] **BENEFIT** certificate or a
32 taxpayer whose [credits] **BENEFITS** have been canceled under paragraph (6) of this
33 subsection, may appeal a decision by the Administration to the Office of

1 Administrative Hearings in accordance with Title 10, Subtitle 2 of the State
2 Government Article.

3 (8) The Administration may not issue an initial [credit] **BENEFIT**
4 certificate after December 31, 2010.

5 [(d) If the credit allowed under this section in any taxable year exceeds the
6 State income tax, any unused credit may be carried forward and applied for
7 succeeding taxable years until the earlier of:

8 (1) the full amount of the credit is used; or

9 (2) the expiration of the 10th taxable year after the taxable year in
10 which the credit arose.]

11 [(e) (D) (1) On January 1, 2007, and each year thereafter, the
12 Administration shall provide to the Comptroller a list of all taxpayers in the prior tax
13 year that have been issued an initial [credit] **BENEFIT** certificate and shall specify for
14 each taxpayer the earliest tax year for which the credit may be claimed and the
15 maximum amount of [credit] **BENEFIT** allowed.

16 (2) (i) On or before October 1, 2007, and each year thereafter, the
17 Comptroller and the Administration jointly shall submit to the Governor and, subject
18 to § 2–1246 of the State Government Article, to the General Assembly a written report
19 regarding:

20 1. the number of certifications and taxpayers claiming
21 the [credit] **SUBTRACTION MODIFICATION** under this section;

22 2. the name and physical location of each taxpayer
23 issued an initial [credit] **BENEFIT** certificate;

24 3. the maximum [credit] amount approved for each
25 taxpayer;

26 4. the geographical distribution of the [credits]
27 **SUBTRACTION MODIFICATIONS** claimed; and

28 5. any other available information the Administration
29 determines to be meaningful and appropriate.

30 (ii) The Comptroller shall ensure that the information is
31 presented and classified in a manner consistent with the confidentiality of tax return
32 information.

33 10–241.

1 (b) Subject to the limitations of this section, an individual or a corporation
2 may claim [credits] **A SUBTRACTION MODIFICATION** against the State income tax in
3 an amount equal to:

4 (1) 3% of the Maryland qualified research and development expenses,
5 not exceeding the Maryland base amount for the individual or corporation, paid or
6 incurred by the individual or corporation during the taxable year; and

7 (2) 10% of the amount by which the Maryland qualified research and
8 development expenses paid or incurred by the individual or corporation during the
9 taxable year exceed the Maryland base amount for the individual or corporation.

10 [(c) (1) By September 15 of the calendar year following the end of the
11 taxable year in which the Maryland qualified research and development expenses
12 were incurred, an individual or corporation shall submit an application to the
13 Department for the credits allowed under subsection (b)(1) and (2) of this section.

14 (2) (i) Except as provided under paragraph (4) of this subsection,
15 the total amount of credits approved by the Department under subsection (b)(1) of this
16 section may not exceed \$3,000,000 for any calendar year.

17 (ii) Subject to paragraph (4) of this subsection, if the total
18 amount of credits applied for by all individuals and corporations under subsection
19 (b)(1) of this section exceeds the maximum specified under subparagraph (i) of this
20 paragraph, the Department shall approve a credit under subsection (b)(1) of this
21 section for each applicant in an amount equal to the product of multiplying the credit
22 applied for by the applicant times a fraction:

23 1. the numerator of which is the maximum specified
24 under subparagraph (i) of this paragraph; and

25 2. the denominator of which is the total of all credits
26 applied for by all applicants under subsection (b)(1) of this section in the calendar
27 year.

28 (3) (i) Except as provided in paragraph (4) of this subsection, the
29 total amount of credits approved by the Department under subsection (b)(2) of this
30 section may not exceed \$3,000,000 for any calendar year.

31 (ii) Subject to paragraph (4) of this subsection, if the total
32 amount of credits applied for by all individuals and corporations under subsection
33 (b)(2) of this section exceeds the maximum specified under subparagraph (i) of this
34 paragraph, the Department shall approve a credit under subsection (b)(2) of this
35 section for each applicant in an amount equal to the product of multiplying the credit
36 applied for by the applicant times a fraction:

1 1. the numerator of which is the maximum specified
2 under subparagraph (i) of this paragraph; and

3 2. the denominator of which is the total of all credits
4 applied for by all applicants under subsection (b)(2) of this section in the calendar
5 year.

6 (4) (i) For any calendar year, if the maximum specified under
7 paragraph (2)(i) of this subsection exceeds the total amount of credits applied for by all
8 individuals and corporations under subsection (b)(1) of this section, the maximum
9 specified under paragraph (3)(i) of this subsection shall be increased for that calendar
10 year by an amount equal to the amount by which the maximum specified under
11 paragraph (2)(i) of this subsection exceeds the total amount of credits applied for by all
12 individuals and corporations under subsection (b)(1) of this section.

13 (ii) For any calendar year, if the maximum specified under
14 paragraph (3)(i) of this subsection exceeds the total amount of credits applied for by all
15 individuals and corporations under subsection (b)(2) of this section, the maximum
16 specified under paragraph (2)(i) of this subsection shall be increased for that calendar
17 year by an amount equal to the amount by which the maximum specified under
18 paragraph (3)(i) of this subsection exceeds the total amount of credits applied for by all
19 individuals and corporations under subsection (b)(2) of this section.

20 (5) By December 15 of the calendar year following the end of the
21 taxable year in which the Maryland qualified research and development expenses
22 were incurred, the Department shall certify to the individual or corporation the
23 amount of the research and development tax credits approved by the Department for
24 the individual or corporation under subsection (b)(1) and (2) of this section.

25 (6) To claim the approved credits allowed under this section, an
26 individual or corporation shall:

27 (i) file an amended income tax return for the taxable year in
28 which the Maryland qualified research and development expense was incurred; and

29 (ii) attach a copy of the Department's certification of the
30 approved credit amount to the amended income tax return.]

31 [(d) If the credit allowed under this section in any taxable year exceeds the
32 State income tax for that taxable year, an individual or corporation may apply the
33 excess as a credit against the State income tax for succeeding taxable years until the
34 earlier of:

35 (1) the full amount of the excess is used; or

36 (2) the expiration of the 7th taxable year after the taxable year in
37 which the Maryland qualified research and development expense was incurred.]

1 [(e) (1) In determining the amount of the credit under this section:

2 (i) all members of the same controlled group of corporations, as
3 defined under § 41(f) of the Internal Revenue Code, shall be treated as a single
4 taxpayer; and

5 (ii) the credit allowable by this section to each member shall be
6 its proportionate shares of the qualified research expenses giving rise to the credit.

7 (2) The Comptroller shall adopt regulations providing for:

8 (i) determination of the amount of the credit under this section
9 in the case of trades or businesses, whether or not incorporated, that are under
10 common control;

11 (ii) pass-through and allocation of the credit in the case of
12 estates and trusts, partnerships, unincorporated trades or businesses, and S
13 corporations;

14 (iii) adjustments in the case of acquisitions and dispositions
15 described in § 41(f)(3) of the Internal Revenue Code; and

16 (iv) determination of the credit in the case of short taxable years.

17 (3) The regulations adopted under paragraph (2) of this subsection
18 shall be based on principles similar to the principles applicable under § 41 of the
19 Internal Revenue Code and regulations adopted thereunder.]

20 [(f) (C) (1) The Department of Business and Economic Development
21 and the Comptroller jointly shall adopt regulations to prescribe standards for
22 determining when research or development is considered conducted in the State for
23 purposes of determining the [credit] **SUBTRACTION MODIFICATION** under this
24 section.

25 (2) In adopting regulations under this subsection, the Department and
26 the Comptroller may consider:

27 (i) the location where services are performed;

28 (ii) the residence or business location of the person or persons
29 performing services;

30 (iii) the location where supplies used in research and
31 development are consumed; and

1 (iv) any other factors that the Department determines are
2 relevant for the determination.

3 [(g) (1) On or before January 10 of each year, the Department shall report
4 to the Governor and, subject to § 2-1246 of the State Government Article, to the
5 General Assembly, on the credits approved under this section.

6 (2) The report required under paragraph (1) of this subsection shall
7 include for each individual or corporation approved to receive a credit under
8 subsection (b)(1) and (2) of this section in the prior calendar year:

9 (i) the individual's or corporation's name and address; and

10 (ii) the amount of the credit approved.

11 (3) The report required under paragraph (1) of this subsection shall
12 include the name of the individual or corporation and the aggregate amount of credits
13 approved in all calendar years for each individual or corporation under subsection
14 (b)(1) and (2) of this section.

15 (4) The report required under paragraph (1) of this subsection shall
16 summarize for the credits approved under subsection (b)(1) of this section and for the
17 credits approved under subsection (b)(2) of this section:

18 (i) the total number of applicants for credits under this section
19 in each calendar year;

20 (ii) the number of applications for which a tax credit was
21 approved in each calendar year; and

22 (iii) the total credits authorized under this section for all
23 calendar years under this section.]

24 [(h) (D) If the provisions of § 41 of the Internal Revenue Code governing
25 the federal research and development tax credit are repealed or terminate, the
26 provisions of this section continue to operate as if the provisions of § 41 of the Internal
27 Revenue Code remain in effect, and the Maryland research and development [tax
28 credit] **SUBTRACTION MODIFICATION** under this section shall continue to be
29 available.

30 10-242.

31 (a) (7) ["Credit] "**BENEFIT** allowance year" means the later of:

32 (i) the taxable year during which:

1 1. the property, construction, completion, or
2 rehabilitation on which the credit allowed under this section is based is originally
3 placed in service; or

4 2. a fuel cell, wind turbine, or photovoltaic module
5 constitutes a qualifying alternate energy source and is fully operational; or

6 (ii) the earliest taxable year for which the [credit]
7 **SUBTRACTION MODIFICATION** may be claimed under the initial [credit] **BENEFIT**
8 certificate issued under subsection (k) of this section.

9 (b) (1) An individual or a corporation may claim a [credit against the
10 State income tax] **SUBTRACTION MODIFICATION** as provided under this section for
11 green buildings and green building components.

12 [(2) If the credit allowed under this section exceeds the State income
13 tax, any unused credit may be carried forward and applied for succeeding taxable
14 years until the earlier of:

15 (i) the full amount of the credit is used; or

16 (ii) the expiration of the 10th year after the taxable year for
17 which the credit was allowed.]

18 [(3)] (2) For each of the [credits] **AMOUNTS ALLOWED** under
19 subsections (c) through (h) of this section, the [credit] **SUBTRACTION MODIFICATION**
20 may not be allowed for any taxable year unless:

21 (i) the taxpayer has obtained and filed an initial [credit]
22 **BENEFIT** certificate and an eligibility certificate issued under subsection (k) of this
23 section;

24 (ii) a certificate of occupancy for the building has been issued;
25 and

26 (iii) the property with respect to which the [credit]
27 **SUBTRACTION MODIFICATION** is claimed is in service during the taxable year.

28 [(4)] (3) The total amount allowed in the aggregate for [all credits]
29 **THE SUBTRACTION MODIFICATION** under this section may not exceed the maximum
30 set forth in the initial [credit] **BENEFIT** certificate obtained under subsection (k) of
31 this section.

32 [(5)] (4) In determining the amount of the [credits] **SUBTRACTION**
33 **MODIFICATION** under this section, a cost paid or incurred may not be the basis for
34 more than one [credit] **SUBTRACTION MODIFICATION**.

1 (c) (1) For the taxable year that is the [credit] **BENEFIT** allowance year,
2 an owner or tenant may claim a [credit] **SUBTRACTION MODIFICATION** in an
3 amount equal to 8% of the allowable costs paid or incurred by the owner or tenant for
4 the construction of a green whole building or the rehabilitation of a building that is not
5 a green whole building to be a green whole building.

6 (2) The allowable costs used to determine the [credit] **SUBTRACTION**
7 **MODIFICATION** amount allowed under this subsection for a green whole building may
8 not exceed in the aggregate:

9 (i) \$120 per square foot for that portion of the building that
10 comprises the base building; and

11 (ii) \$60 per square foot for that portion of the building that
12 comprises the tenant space.

13 (d) (1) For the taxable year that is the [credit] **BENEFIT** allowance year,
14 an owner may claim a [credit] **SUBTRACTION MODIFICATION** in an amount equal to
15 6% of the allowable costs paid or incurred by the owner for the construction of a green
16 base building or the rehabilitation of a building that is not a green base building to be
17 a green base building.

18 (2) The allowable costs used to determine the [credit] **SUBTRACTION**
19 **MODIFICATION** amount allowed under this subsection for a green base building may
20 not exceed, in the aggregate, \$120 per square foot.

21 (e) (1) For the taxable year that is the [credit] **BENEFIT** allowance year,
22 an owner or tenant may claim a [credit] **SUBTRACTION MODIFICATION** in an amount
23 equal to 6% of the allowable costs for tenant improvements paid or incurred by the
24 owner or tenant in the construction or completion of green tenant space or the
25 rehabilitation of tenant space that is not green tenant space to be green tenant space.

26 (2) (i) The allowable costs used to determine the [credit]
27 **SUBTRACTION MODIFICATION** amount allowed under this subsection for green
28 tenant space may not exceed, in the aggregate, \$60 per square foot.

29 (ii) If an owner and tenant both incur allowable costs for tenant
30 improvements under this subsection and the costs exceed \$60 per square foot in the
31 aggregate, the owner has priority as to costs constituting the basis for the green
32 tenant space [credit] **SUBTRACTION MODIFICATION** under this subsection.

33 (3) The [credit] **SUBTRACTION MODIFICATION** under this subsection
34 for green tenant space may not be claimed by an owner of a building that occupies
35 fewer than 10,000 square feet of the building.

1 (4) The [credit] **SUBTRACTION MODIFICATION** under this subsection
2 for green tenant space may not be claimed by a tenant that occupies fewer than 5,000
3 square feet.

4 (f) (1) For the taxable year that is the [credit] **BENEFIT** allowance year,
5 an owner or tenant may claim a [credit] **SUBTRACTION MODIFICATION** in the
6 amount determined under this subsection for the installation of a fuel cell that is a
7 qualifying alternate energy source and is installed to serve a green whole building,
8 green base building, or green tenant space.

9 (2) The amount of the [credit] **SUBTRACTION MODIFICATION**
10 allowed under this subsection is 30% of the sum of the capitalized costs paid or
11 incurred by an owner or tenant with respect to each fuel cell installed, including the
12 cost of the foundation or platform and the labor costs associated with installation.

13 (3) The costs used to determine the [credit] **SUBTRACTION**
14 **MODIFICATION** amount allowed under this subsection for installation of a fuel cell:

15 (i) may not exceed \$1,000 per kilowatt of installed DC rated
16 capacity of the fuel cell; and

17 (ii) shall be reduced by the amount of any federal, State, or local
18 grant:

19 1. received by the taxpayer and used for the purchase or
20 installation of the fuel cell; and

21 2. not included in the federal gross income of the
22 taxpayer.

23 (g) (1) For the taxable year that is the [credit] **BENEFIT** allowance year,
24 an owner or tenant may claim a [credit] **SUBTRACTION MODIFICATION** in the
25 amount determined under this subsection for the installation of photovoltaic modules
26 that constitute a qualifying alternate energy source and are installed to serve a green
27 whole building, green base building, or green tenant space.

28 (2) The amount of the [credit] **SUBTRACTION MODIFICATION**
29 allowed under this subsection is:

30 (i) 20% of the incremental cost paid or incurred by an owner or
31 tenant for building-integrated photovoltaic modules; and

32 (ii) 25% of the cost of nonbuilding-integrated photovoltaic
33 modules, including the cost of the foundation or platform and the labor costs
34 associated with installation.

1 (3) The costs used to determine the [credit] **SUBTRACTION**
2 **MODIFICATION** amount allowed under this subsection for installation of photovoltaic
3 modules:

4 (i) may not exceed the product obtained by multiplying \$3
5 times the number of watts included in the DC rated capacity of the photovoltaic
6 modules; and

7 (ii) shall be reduced by the amount of any federal, State, or local
8 grant:

9 1. received by the taxpayer and used for the purchase or
10 installation of the photovoltaic equipment; and

11 2. not included in the federal gross income of the
12 taxpayer.

13 [(4) A credit may not be claimed under this subsection for the
14 installation of photovoltaic modules if the credit under § 10-719 of this subtitle is
15 claimed with respect to the photovoltaic modules.]

16 (h) (1) For the taxable year that is the [credit] **BENEFIT** allowance year,
17 an owner or tenant may claim a [credit] **SUBTRACTION MODIFICATION** in the
18 amount determined under paragraph (2) of this subsection for the installation of a
19 wind turbine that is a qualifying alternate energy source and is installed to serve a
20 green whole building, green base building, or green tenant space.

21 (2) The amount of the [credit] **SUBTRACTION MODIFICATION**
22 allowed under this subsection is 25% of the sum of the capitalized costs paid or
23 incurred by an owner or tenant with respect to each wind turbine installed, including
24 the cost of the foundation or platform and the labor costs associated with installation.

25 (i) (1) By regulation, the Administration shall adopt standards for a
26 building to qualify as a green base building eligible for the tax [credits] **BENEFITS**
27 under this section that are consistent with the criteria for green base buildings set
28 forth by the United States Green Building Council or other similar criteria.

29 (2) The regulations adopted under this subsection shall provide that
30 the energy use shall be no more than 65% for new construction of a base building, or
31 75% in the case of rehabilitation of a base building, of the energy use attributable to a
32 reference building which meets the requirements of applicable energy efficiency
33 standards.

34 (j) (1) By regulation, the Administration shall adopt standards for tenant
35 space to qualify as green tenant space eligible for the tax [credits] **BENEFITS** under
36 this section that are consistent with the criteria for green tenant space set forth by the
37 United States Green Building Council or other similar criteria.

1 (2) The regulations adopted under this subsection shall provide that
 2 the energy use shall be no more than 65% for new construction, or 75% in the case of
 3 rehabilitation, of the energy use attributable to a reference building which meets the
 4 requirements of applicable energy efficiency standards.

5 (k) (1) (i) On application by a taxpayer, the Administration shall issue
 6 an initial [credit] **BENEFIT** certificate if the taxpayer has made a showing that the
 7 taxpayer is likely within a reasonable time to place in service property for which a
 8 [credit] **BENEFIT** under this section would be allowed.

9 (ii) The initial [credit] **BENEFIT** certificate issued under this
 10 paragraph:

11 1. shall state the earliest taxable year for which the
 12 [credit] **SUBTRACTION MODIFICATION** may be claimed and an expiration date; and

13 2. shall apply only to property placed in service on or
 14 before the expiration date.

15 (iii) To avoid unwarranted hardship, the Administration at its
 16 discretion may extend the expiration date stated under an initial [credit] **BENEFIT**
 17 certificate.

18 (iv) The initial [credit] **BENEFIT** certificate shall state the
 19 maximum amount of [credit] **SUBTRACTION MODIFICATION** allowable in the
 20 aggregate for all [credits] **SUBTRACTION MODIFICATIONS** allowed under this
 21 section.

22 (v) The Administration may not issue initial [credit] **BENEFIT**
 23 certificates, in the aggregate, for more than \$25,000,000 worth of credits.

24 (vi) Except as provided in subparagraph (vii) of this paragraph,
 25 initial [credit] **BENEFIT** certificates shall be limited in their applicability, as follows:

26	[Credits] SUBTRACTION	With respect to taxable years
27	MODIFICATIONS in the	beginning:
28	aggregate	
29	may not be allowed	
30	for more than:	
31	\$1 million	2003
32	\$2 million	2004
33	\$3 million	2005
34	\$4 million	2006
35	\$5 million	2007
36	\$4 million	2008
37	\$3 million	2009

1 \$2 million 2010
2 \$1 million 2011

3 (vii) As of the end of a calendar year, if certificates for [credit]
4 **SUBTRACTION MODIFICATION** amounts totaling less than the amount permitted
5 with respect to taxable years beginning in that calendar year have been issued, the
6 maximum amount that may be allowed for taxable years beginning in the subsequent
7 calendar year shall be increased by the amount of the preceding year's shortfall.

8 (viii) The Administration may not issue an initial [credit]
9 **BENEFIT** certificate after December 31, 2011.

10 (ix) On January 1, 2004, and each year thereafter, the
11 Administration shall provide to the Comptroller a list of all taxpayers in the prior
12 taxable year that have been issued an initial [credit] **BENEFIT** certificate and shall
13 specify for each taxpayer the earliest taxable year for which the [credit]
14 **SUBTRACTION MODIFICATION** may be claimed and the maximum amount of the
15 [credit] **SUBTRACTION MODIFICATION** allowable in the aggregate for all [credits]
16 **SUBTRACTION MODIFICATIONS** allowed under this section.

17 (2) (i) For each taxable year for which a taxpayer claims a [credit]
18 **SUBTRACTION MODIFICATION** under this section with respect to a green whole
19 building, green base building, green tenant space, fuel cell, photovoltaic module, or
20 wind turbine, the taxpayer shall obtain an eligibility certificate from an architect or
21 professional engineer licensed to practice in this State.

22 (ii) An eligibility certificate issued under this paragraph shall
23 consist of a certification, under the seal of the architect or engineer, that the property
24 that is the basis for the [credit] **SUBTRACTION MODIFICATION** that is claimed is in
25 service and that:

26 1. the building, base building, or tenant space with
27 respect to which the [credit] **BENEFIT** is claimed is a green whole building, green base
28 building, or green tenant space; and

29 2. any fuel cell, photovoltaic module, or wind turbine
30 with respect to which the [credit] **BENEFIT** is claimed constitutes a qualifying
31 alternate energy source and is fully operational.

32 (iii) The certification under subparagraph (ii) of this paragraph:

33 1. shall be made in accordance with the regulations
34 adopted by the Administration under this section specifying the standards and
35 guidelines for each [credit] **BENEFIT** under this section; and

1 2. shall set forth the specific findings on which the
2 certification was based.

3 (iv) The taxpayer shall file the eligibility certificate and the
4 associated initial [credit] **BENEFIT** certificate with the taxpayer's income tax return
5 and shall file duplicate copies of the eligibility certificate with the Administration.

6 (v) The eligibility certificate shall include:

7 1. sufficient information to identify each building or
8 space; and

9 2. any other information that the Administration or the
10 Comptroller requires by regulation.

11 (3) If the Administration has reason to believe that an architect or
12 professional engineer, in making any certification under this subsection, engaged in
13 professional misconduct, the Administration shall inform the appropriate professional
14 board of the suspected misconduct.

15 (4) (i) The Comptroller and the Administration may adopt
16 regulations necessary to carry out the provisions of this section.

17 (ii) Regulations adopted under this section shall construe the
18 provisions of this section in such a manner as to encourage the development of green
19 whole buildings, green base buildings, and green tenant space and to maintain high,
20 but commercially reasonable, standards for obtaining tax [credits] **BENEFITS** under
21 this section.

22 (5) On or before April 1, 2005, the Comptroller and the
23 Administration, jointly and in consultation with the Department of the Environment,
24 shall submit to the Governor and, subject to § 2-1246 of the State Government Article,
25 to the General Assembly, a written report regarding:

26 (i) the number of certifications and taxpayers claiming the
27 [credit] **SUBTRACTION MODIFICATION** under this section;

28 (ii) the amount of the [credits] **SUBTRACTION**
29 **MODIFICATIONS** claimed;

30 (iii) the geographical distribution of the [credits] **SUBTRACTION**
31 **MODIFICATIONS** claimed; and

32 (iv) any other available information the Administration
33 determines to be meaningful and appropriate.

1 (6) The Comptroller shall ensure that the information is presented
2 and classified in a manner consistent with the confidentiality of tax return
3 information.

4 10-243.

5 (a) (1) An individual may claim a [credit against the State income tax]
6 **SUBTRACTION MODIFICATION** as provided in this section for an easement conveyed
7 to the Maryland Environmental Trust or the Maryland Agricultural Land
8 Preservation Foundation for the purpose of preserving open space, natural resources,
9 agriculture, forest land, watersheds, significant ecosystems, viewsheds, or historic
10 properties, if:

11 (i) the easement is perpetual; and

12 (ii) the easement is accepted and approved by the Board of
13 Public Works.

14 (2) Subject to subsection (c)(2) of this section, the [credit]
15 **SUBTRACTION MODIFICATION** under this section shall be allowed for the taxable
16 year in which the donation is approved by the Board of Public Works.

17 (b) (1) Except as otherwise provided in this section, the amount of the
18 [credit] **SUBTRACTION MODIFICATION** allowed under this section is the amount by
19 which the fair market value of the property before the conveyance of the easement
20 exceeds the fair market value of the property after the conveyance of the easement.

21 (2) The fair market value of the property before and after the
22 conveyance of the easement shall be substantiated by an appraisal prepared by a
23 certified real estate appraiser, as defined under § 16-101 of the Business Occupations
24 and Professions Article.

25 (3) The amount of the [credit] **SUBTRACTION MODIFICATION** shall
26 be reduced by the amount of any payment received for the easement.

27 (c) (1) For any taxable year, the [credit] **SUBTRACTION MODIFICATION**
28 allowed under this section may not exceed [the lesser of:

29 (i) the State income tax for that taxable year; or

30 (ii)] \$5,000.

31 (2) If the [credit] **SUBTRACTION MODIFICATION** otherwise allowable
32 under subsection (b) of this section exceeds the limit under paragraph (1) of this
33 subsection, an individual may apply the excess as a [credit] **SUBTRACTION**
34 **MODIFICATION** against the State income tax for succeeding taxable years until the
35 earlier of:

1 (i) the full amount of the excess is used; or

2 (ii) the expiration of the 15th taxable year after the taxable year
3 in which the donation was approved by the Board of Public Works.

4 (3) For each taxable year, the amount carried forward to the taxable
5 year under paragraph (2) of this subsection may not exceed the limit under paragraph
6 (1) of this subsection.

7 (d) The [credit] **SUBTRACTION MODIFICATION** under this section may not
8 be claimed for a required dedication of open space for the purpose of fulfilling density
9 requirements to obtain a subdivision or building permit.

10 10–244.

11 (a) In this section, “aquaculture oyster float” means a device that is:

12 (1) purchased new;

13 (2) specifically designed for the purpose of growing oysters at or under
14 an individual homeowner’s pier; and

15 (3) constructed to be fully buoyant and facilitate the growth of oysters
16 for the width of the pier.

17 (b) Subject to the limitations of this section, an individual may claim a
18 [credit against the State income tax] **SUBTRACTION MODIFICATION** in an amount
19 equal to 100% of the purchase price of aquaculture oyster floats purchased during the
20 taxable year.

21 (c) [(1)] For any taxable year, the [credit] **SUBTRACTION MODIFICATION**
22 allowed under this section may not exceed [the lesser of:

23 (i)] \$500[; or

24 (ii) the State income tax imposed for the taxable year calculated
25 before the application of the credits allowed under this section and under §§ 10–701
26 and 10–701.1 of this subtitle but after the application of any other credit allowed
27 under this subtitle].

28 [(2) The unused amount of the credit may not be carried over to any
29 other taxable year.]

30 10–245.

1 (b) Subject to the limitations of this section, an individual or corporation may
2 claim a [credit against the State income tax] **SUBTRACTION MODIFICATION** in an
3 amount equal to 10% of the qualified research and development expenses paid or
4 incurred by the individual or corporation during the taxable year.

5 [(c) (1) By September 15 of the calendar year following the end of the
6 taxable year in which the qualified research and development expenses were paid or
7 incurred, an individual or corporation shall submit an application to the Department
8 for the credit allowed under this section.

9 (2) (i) The total amount of credits approved by the Department
10 under this section may not exceed \$250,000 for any calendar year.

11 (ii) If the total amount of credits applied for by all individuals
12 and corporations under this section exceeds the maximum specified under
13 subparagraph (i) of this paragraph, the Department shall approve a credit under this
14 section for each applicant in an amount equal to the product of multiplying the credit
15 applied for by the applicant times a fraction:

16 1. the numerator of which is the maximum specified
17 under subparagraph (i) of this paragraph; and

18 2. the denominator of which is the total of all credits
19 applied for by all applicants in the calendar year.

20 (3) By December 15 of the calendar year following the end of the
21 taxable year in which the qualified research and development expenses were paid or
22 incurred, the Department shall certify to the individual or corporation the amount of
23 the research and development tax credit approved by the Department for the
24 individual or corporation under this section.

25 (4) To claim the approved credit allowed under this section, an
26 individual or corporation shall:

27 (i) file an amended income tax return for the taxable year in
28 which the qualified research and development expenses were paid or incurred; and

29 (ii) attach a copy of the Department's certification of the
30 approved credit amount to the amended income tax return.]

31 [(d) If the credit allowed under this section in any taxable year exceeds the
32 State income tax for that taxable year, an individual or corporation may apply the
33 excess as a credit against the State income tax for succeeding taxable years until the
34 earlier of:

35 (1) the full amount of the excess is used; or

1 (2) the expiration of the 15th taxable year after the taxable year in
2 which the qualified research and development expenses were paid or incurred.]

3 [(e) (1) In determining the amount of the credit under this section:

4 (i) all members of the same controlled group of corporations, as
5 defined under § 41(f) of the Internal Revenue Code, shall be treated as a single
6 taxpayer; and

7 (ii) the credit allowable by this section to each member shall be
8 its proportionate share of the qualified research and development expenses giving rise
9 to the credit.

10 (2) The Comptroller shall adopt regulations providing for:

11 (i) determination of the amount of the credit under this section
12 in the case of trades or businesses, whether or not incorporated, that are under
13 common control;

14 (ii) pass-through and allocation of the credit in the case of
15 estates and trusts, partnerships, unincorporated trades or businesses, and S
16 corporations;

17 (iii) adjustments in the case of acquisitions and dispositions
18 described in § 41(f)(3) of the Internal Revenue Code; and

19 (iv) determination of the credit in the case of short taxable
20 years.]

21 [(f) (C) (1) The Department and the Comptroller jointly shall adopt
22 regulations to prescribe standards for determining when research or development is
23 considered conducted in the State for purposes of determining the [credit]
24 **SUBTRACTION MODIFICATION** under this section.

25 (2) In adopting regulations under this subsection, the Department and
26 the Comptroller may consider:

27 (i) the location where services are performed;

28 (ii) the residence or business location of the person or persons
29 performing services;

30 (iii) the location where supplies used in research and
31 development are consumed; and

32 (iv) any other factors that the Department determines are
33 relevant for the determination.

1 [(g)] (D) The [credit] **SUBTRACTION MODIFICATION** under this section
2 does not apply to any qualified research and development expenses paid or incurred
3 after December 31, 2016.

4 10-246.

5 (a) (1) In this section the following words have the meanings indicated.

6 (2) “Bio-heating oil” means heating oil with a blend of at least 5%
7 biodiesel.

8 (3) “Administration” means the Maryland Energy Administration.

9 (b) An individual or corporation that receives an initial [credit] **BENEFIT**
10 certificate under subsection (d) of this section from the Administration may claim a
11 [credit against the State income tax] **SUBTRACTION MODIFICATION** for a taxable
12 year in an amount equal to 3 cents for each gallon of bio-heating oil purchased for
13 space or water heating.

14 (c) [(1)] For any taxable year, the [credit] **SUBTRACTION MODIFICATION**
15 allowed under this section may not exceed [the lesser of:

16 (i)] \$500[; or

17 (ii) the State income tax for that taxable year].

18 [(2) The unused amount of the credit for any taxable year may not be
19 carried over to any other taxable year.]

20 (d) (1) On application by a taxpayer, the Maryland Energy
21 Administration shall issue an initial [credit] **BENEFIT** certificate for the number of
22 gallons of bio-heating oil purchased by the taxpayer for space or water heating.

23 (2) The initial [credit] **BENEFIT** certificate issued under this
24 subsection shall state the maximum amount of [credit] **SUBTRACTION**
25 **MODIFICATION** that may be claimed by the taxpayer.

26 (3) On January 1, 2009, and each year thereafter, the Administration
27 shall provide to the Comptroller a list of all taxpayers in the prior tax year that have
28 been issued an initial [credit] **BENEFIT** certificate and shall specify for each taxpayer
29 the maximum amount of [credit] **SUBTRACTION MODIFICATION** allowed.

30 (4) The Maryland Energy Administration shall adopt regulations to
31 administer the initial [credit] **BENEFIT** certificate required under this subsection.

1 10-306.

2 (b) The addition under subsection (a) of this section includes the additions
3 required for an individual under:

4 (1) [§ 10-205(b) of this title (Enterprise zone wage credit, employment
5 opportunity credit, disability credit, and qualified ex-felon employee credit);

6 (2)] § 10-205(c) of this title (Reforestation and timber stand
7 modification);

8 [(3)] (2) § 10-205(e) of this title (Net operating loss modification);

9 **AND**

10 [(4)] (3) § 10-205(g) of this title (Unlicensed child care facility
11 operating expenses)[; and

12 (5) § 10-205(i) of this title (Maryland research and development tax
13 credit)].

14 10-308.

15 **(A-1) THE SUBTRACTION UNDER SUBSECTION (A) OF THIS SECTION**
16 **INCLUDES THE SUBTRACTIONS ALLOWED UNDER SUBTITLE 2, PART V OF THIS**
17 **TITLE.**

18 10-809.

19 If an individual is not required to file an income tax return under § 10-805, §
20 10-806 or § 10-813 of this subtitle, the individual:

21 (1) is not liable for income tax; and

22 (2) may file an income tax return to claim a refund of the income tax
23 withheld or estimated income tax paid or a refund under § 10-704[, § 10-707, or §
24 10-714] of this title.

25 10-812.

26 [(a)] A corporation exempt from income tax under § 10-104 of this title shall
27 file an income tax return if the corporation:

28 (1) has unrelated business taxable income, as defined under § 512 of
29 the Internal Revenue Code;

1 (2) is exempt from taxation under § 501(c)(2) of the Internal Revenue
2 Code; or

3 (3) is an S corporation that is incorporated or does business in the
4 State.

5 [(b) An organization that is exempt from taxation under § 501(c)(3) or (4) of
6 the Internal Revenue Code may file an income tax return to claim a refund under §
7 10-714 of this title.]

8 Article - Tax - Property

9 9-230.

10 (a) (3) "Business entity" means a person conducting a trade or business in
11 the State, that is subject to the State individual or corporate income tax[, insurance
12 premiums tax, financial institution franchise tax, or public service company franchise
13 tax].

14 (b) (2) (i) If a property tax credit is granted under paragraph (1) of
15 this subsection, a business entity that meets the requirements for the property tax
16 credit under this section and obtains certification from the county or municipal
17 corporation may claim a [State tax credit against] **SUBTRACTION MODIFICATION**
18 **FOR PURPOSES OF** the individual or corporate income tax[, insurance premiums tax,
19 or financial institution franchise tax] as provided under subsection (c)(3) of this
20 section.

21 (ii) If an enhanced property tax credit is granted under this
22 section and a business entity and its affiliates meet the requirements for the enhanced
23 property tax credit and obtain certification from the county or municipal corporation,
24 the business entity or any of its affiliates may claim a [State tax credit against]
25 **SUBTRACTION MODIFICATION FOR PURPOSES OF** the individual or corporate
26 income tax[, insurance premiums tax, or financial institution franchise tax] as
27 provided under subsection (d)(4) of this section.

28 (c) (3) On receipt of notification under subsection (b)(7) of this section
29 that a business entity has been certified for a property tax credit under this
30 subsection, the Department shall compute and certify to the Comptroller [or, in the
31 case of the insurance premiums tax, the Maryland Insurance Commissioner] the
32 amount of the [State tax credit] **SUBTRACTION MODIFICATION** authorized under
33 this subsection that may be claimed [against] **FOR PURPOSES OF** the individual or
34 corporate income tax[, insurance premiums tax, or financial institution franchise tax
35 that would otherwise be due] to equal a percentage of the amount of property tax
36 imposed on the assessment of the new or expanded premises, as follows:

37 (i) 28% in the 1st and 2nd taxable years;

- 1 (ii) 21% in the 3rd and 4th taxable years;
- 2 (iii) 14% in the 5th and 6th taxable years; and
- 3 (iv) 0% for each taxable year thereafter.

4 (d) (5) On receipt of notification under subsection (b)(7) of this section
5 that a business entity has been certified for an enhanced property tax credit under
6 this subsection, the Department shall compute and certify to the Comptroller [or, in
7 the case of the insurance premiums tax, the Maryland Insurance Commissioner] the
8 amount of the [State tax credit] **SUBTRACTION MODIFICATION** authorized under
9 this subsection that may be claimed by the business entity or any of its affiliates
10 [against] **FOR PURPOSES OF** the individual or corporate income tax[, insurance
11 premiums tax, or financial institution franchise tax that would otherwise be due] to
12 equal 31.5% of the amount of property tax imposed on the increase in assessment of
13 the real and personal property described in paragraph (4)(ii) of this subsection for each
14 of the first 12 taxable years for which the credit is allowed.

15 [(e) The same State tax credit cannot be applied more than once against
16 different taxes by the same taxpayer.]

17 [(f) If the State tax credit allowed under this section in any taxable year
18 exceeds the total tax otherwise payable by the business entity for that taxable year, a
19 business entity or its affiliates may apply the excess as a credit for succeeding taxable
20 years until the earlier of:

21 (1) the full amount of the excess is used; or

22 (2) the expiration of the 5th taxable year after the taxable year in
23 which the State tax credit is claimed.]

24 [(g) The Maryland Insurance Commissioner shall adopt regulations to
25 provide for the computation, carryover, and recapture of the State tax credit under §
26 6–116 of the Insurance Article.]

27 [(h) The Department shall adopt regulations to provide for the computation,
28 carryover, and recapture of the State tax credit under § 8–217 of the Tax – General
29 Article.]

30 [(i)] **(E)** The Comptroller shall adopt regulations to provide for the
31 computation[, carryover,] and recapture of the [State tax credit under § 10–704.8 of
32 the Tax – General Article] **SUBTRACTION MODIFICATION**.

33 [(j)] **(F)** The lessor of real property eligible for property tax credits under
34 this section shall reduce by the amount of the property tax credits computed under

1 this section the amount of taxes for which the eligible business entity is contractually
2 liable under the lease agreement.

3 [(k)] (G) The governing body of the county or municipal corporation shall
4 provide, by law, for:

5 (1) the specific requirements for eligibility for a tax credit authorized
6 under this section;

7 (2) any additional limitations on eligibility for the credit;

8 (3) the information to be supplied by the business entity to a county or
9 municipal corporation and the Comptroller to verify that the business entity is not
10 subject to subsection [(l)] (H) of this section; and

11 (4) any other provision appropriate to implement the credit.

12 [(l)] (H) All credits **AND SUBTRACTION MODIFICATIONS** claimed under
13 this section for a taxable year shall be recaptured if, during the 3 taxable years
14 succeeding the taxable year in which a **PROPERTY TAX** credit was claimed:

15 (1) the employment level or square footage of a business entity at the
16 premises falls below the applicable thresholds required to qualify for the property tax
17 credit under subsection (c) of this section; or

18 (2) for the enhanced property tax credit, the employment level or
19 square footage of a business entity, together with its affiliates, at the premises falls
20 below the applicable thresholds required to qualify for the enhanced property tax
21 credit under subsection (d) of this section.

22 [(m)] (I) On October 1 of each year, each county and municipal corporation
23 that has granted tax credits under this section shall report to the Department, the
24 Department of Business and Economic Development, and the Comptroller:

25 (1) the amount of each credit granted for that year; and

26 (2) whether the business entity is in compliance with the
27 requirements for the tax credit.

28 [(n)] (J) (1) After a business entity has complied with all the
29 requirements provided in this section and in any applicable local law for a particular
30 tax credit, the business entity shall be entitled to claim the credits **AND**
31 **SUBTRACTION MODIFICATIONS** for the term provided in this section.

32 (2) No abrogation of this law or law hereinafter enacted that
33 eliminates or reduces the tax credits **OR SUBTRACTION MODIFICATIONS** available

1 under this section shall apply to any business entity or affiliate of a business entity
2 that qualified for the tax credits before the effective date of such law or abrogation.

3 SECTION 6. AND BE IT FURTHER ENACTED, That:

4 (a) Except as otherwise provided in this section, this Act shall be applicable
5 to all taxable years beginning after December 31, 2008.

6 (b) If a taxpayer's taxable year for income tax purposes is not the calendar
7 year, for any tax credit that is converted to a subtraction modification under this Act,
8 the amount of any credit allowable for the taxable year that ends in calendar year
9 2009 shall be limited to amounts based on wages or other expenses paid or incurred on
10 or before June 30, 2009.

11 (c) For any tax credit that is converted to a subtraction modification under
12 this Act, to the extent provided and subject to the limitations under the former law:

13 (1) Any excess credits earned for a taxable year beginning before
14 January 1, 2009, may be carried forward and applied as a credit for taxable years
15 beginning after December 31, 2008; and

16 (2) Any credits allowed under the former law are subject to recapture
17 for taxable years beginning after December 31, 2008.

18 (d) Notwithstanding the provisions of this Act, for taxable years beginning
19 after December 31, 2009, a person may continue to claim tax credits authorized under
20 §§ 6-114, 6-116, and 6-119 of the Insurance Article, §§ 10-704.4, 10-704.8, and
21 10-714 of the Tax – General Article, Title 6, Subtitle 3 or Subtitle 4 of the Economic
22 Development Article, and § 9-230 of the Tax – Property Article as in effect prior to the
23 effective date of this Act if, on or before June 30, 2009:

24 (1) The Secretary of Business and Economic Development certified the
25 person as a qualified business entity under the provisions of Title 6, Subtitle 3 or
26 Subtitle 4 of the Economic Development Article as in effect prior to the effective date
27 of this Act; or

28 (2) Under § 9-230 of the Tax – Property Article as in effect prior to the
29 effective date of this Act, a county or municipal corporation certified to the
30 Department of Business and Economic Development that the person had met the
31 requirements for the tax credit authorized under that section and the Department
32 computed and certified to the Comptroller or the Maryland Insurance Commissioner
33 the amount of the State tax credit that may be claimed by the person.

34 SECTION 7. AND BE IT FURTHER ENACTED, That this Act shall take effect
35 July 1, 2009.