

SENATE BILL 211

Q3
SB 488/15 – B&T

6lr1227

By: **Senators King, Currie, DeGrange, Feldman, Ferguson, Guzzone, Madaleno,
Manno, Middleton, Peters, and Young**

Introduced and read first time: January 21, 2016

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Credit – Qualified Research and Development Expenses – Credit**
3 **Amounts**

4 FOR the purpose of altering the total amount of research and development tax credits that
5 the Department of Economic Competitiveness and Commerce may approve in a
6 calendar year; providing for the application of this Act; and generally relating to
7 certain credits against the State income tax based on certain expenses paid or
8 incurred for certain research and development conducted in the State.

9 BY repealing and reenacting, without amendments,
10 Article – Tax – General
11 Section 10–721(b)
12 Annotated Code of Maryland
13 (2010 Replacement Volume and 2015 Supplement)

14 BY repealing and reenacting, with amendments,
15 Article – Tax – General
16 Section 10–721(c)
17 Annotated Code of Maryland
18 (2010 Replacement Volume and 2015 Supplement)

19 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
20 That the Laws of Maryland read as follows:

21 **Article – Tax – General**

22 10–721.

23 (b) Subject to the limitations of this section, an individual or a corporation may
24 claim credits against the State income tax in an amount equal to:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

4 (2) 10% of the amount by which the Maryland qualified research and
5 development expenses paid or incurred by the individual or corporation during the taxable
6 year exceed the Maryland base amount for the individual or corporation.

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

11 (2) (i) Except as provided under paragraph (4) of this subsection, the
12 total amount of credits approved by the Department under subsection (b)(1) of this section
13 may not exceed **[\$4,500,000 for any calendar year]:**

14 1. **\$4,500,000 IN CALENDAR YEAR 2015;**

15 2. **\$6,000,000 IN CALENDAR YEAR 2016;**

16 3. **\$8,000,000 IN CALENDAR YEAR 2017; AND**

17 4. **\$10,000,000 IN CALENDAR YEAR 2018 AND EACH**
18 **CALENDAR YEAR THEREAFTER.**

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

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

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

28 (3) (i) Except as provided in paragraph (4) of this subsection, the total
29 amount of credits approved by the Department under subsection (b)(2) of this section may
30 not exceed **[\$4,500,000 for any calendar year]:**

31 1. **\$4,500,000 IN CALENDAR YEAR 2015;**

32 2. **\$6,000,000 IN CALENDAR YEAR 2016;**

1 **3. \$8,000,000 IN CALENDAR YEAR 2017; AND**

2 **4. \$10,000,000 IN CALENDAR YEAR 2018 AND EACH**
3 **CALENDAR YEAR THEREAFTER.**

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

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

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

13 (4) (i) For any calendar year, if the maximum specified under
14 paragraph (2)(i) of this subsection exceeds the total amount of credits applied for by all
15 individuals and corporations under subsection (b)(1) of this section, the maximum specified
16 under paragraph (3)(i) of this subsection shall be increased for that calendar year by an
17 amount equal to the amount by which the maximum specified under paragraph (2)(i) of this
18 subsection exceeds the total amount of credits applied for by all individuals and
19 corporations under subsection (b)(1) of this section.

20 (ii) For any calendar year, if the maximum specified under
21 paragraph (3)(i) of this subsection exceeds the total amount of credits applied for by all
22 individuals and corporations under subsection (b)(2) of this section, the maximum specified
23 under paragraph (2)(i) of this subsection shall be increased for that calendar year by an
24 amount equal to the amount by which the maximum specified under paragraph (3)(i) of this
25 subsection exceeds the total amount of credits applied for by all individuals and
26 corporations under subsection (b)(2) of this section.

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

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

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

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

3 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
4 1, 2016, and shall be applicable to all Maryland research and development tax credits
5 certified after December 15, 2015.