SENATE BILL 246

By: **Senator Manno** Introduced and read first time: January 22, 2016 Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 Income Tax Credit – Security Clearances – Employer Costs – Extension

FOR the purpose of extending the number of taxable years for which an individual or corporation may claim a credit against the State income tax for certain costs incurred to obtain federal security clearances, to rent certain spaces, and to construct or renovate certain sensitive compartmented information facilities in the State; making certain stylistic changes; and generally relating to a credit against the State income tax for costs related to federal security clearances.

- 9 BY repealing and reenacting, with amendments,
- 10 Article Tax General
- 11 Section 10–732

16

- 12 Annotated Code of Maryland
- 13 (2010 Replacement Volume and 2015 Supplement)

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

Article - Tax - General

17	10-732.									
18	(a)	(1) In this section the following words have the meanings indicated.								
19		(2)	"Cost	s" mea	ans the costs t	o an individu	al or corpo	ratio	n for:	
$\begin{array}{c} 20\\ 21 \end{array}$	(i) security clearance administrative expenses incurred with regard to an employee in the State including, but not limited to:									
$\begin{array}{c} 22\\ 23 \end{array}$	employees i	in the S	State;	1.	processing	application	requests	for	clearances	for

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW. [Brackets] indicate matter deleted from existing law.



SENATE BILL 246

1 2. maintaining, upgrading, or installing computer systems in $\mathbf{2}$ the State required to obtain federal security clearances; and 3 training employees in the State to administer the 3. 4 application process; and $\mathbf{5}$ (ii) construction and equipment costs incurred to construct or 6 renovate a sensitive compartmented information facility ("SCIF") located in the State as 7 required by the federal government. "Department" means the Department of Economic Competitiveness and 8 (3)9 Commerce. 10 "Secretary" means the Secretary of Commerce. (4) 11 "Small business" has the meaning stated in § 7–218 of this article. (5)12(b) Subject to the limitations of this section, for a taxable year beginning (1) 13after December 31, 2012, but before January 1, [2017] **2021**, an individual or a corporation 14may claim credits against the State income tax for: 15[(1)] **(I)** security clearance administrative expenses, not to exceed 16\$200,000; 17[(2)] **(II)** expenses incurred for rental payments owed during the first year 18 of a rental agreement for spaces leased in the State if the individual or corporation is a 19 small business that performs security-based contracting, not to exceed \$200,000; and 20(3) (i)] **(III)** [Subject to subparagraph (ii) of this paragraph] SUBJECT 21TO PARAGRAPH (2) OF THIS SUBSECTION, construction and equipment costs incurred to 22construct or renovate a single SCIF in an amount equal to the lesser of 50% of the costs or 23\$200,000. 24(ii)] **(2)** The total amount of construction and equipment costs incurred 25to construct or renovate multiple SCIFs for which an individual or a corporation is eligible to claim as a credit against the State income tax is \$500,000. 2627(c)(1)By September 15 of the calendar year following the end of the taxable 28year in which the costs were incurred, an individual or a corporation shall submit an application to the Department for the credits allowed under subsection (b) of this section. 2930 (2)(i) The total amount of credits approved by the Department under 31subsection (b) of this section may not exceed \$2,000,000 for any calendar year.

 $\mathbf{2}$

SENATE BILL 246

1 (ii) If the total amount of credits applied for by all individuals and $\mathbf{2}$ corporations under subsection (b) of this section exceeds the maximum specified under 3 subparagraph (i) of this paragraph, the Department shall approve a credit under subsection 4 (b) of this section for each applicant in an amount equal to the product of multiplying the credit applied for by the applicant times a fraction: $\mathbf{5}$ 6 1. the numerator of which is the maximum specified under 7 subparagraph (i) of this paragraph; and 8 the denominator of which is the total of all credits applied 2. 9 for by all applicants under subsection (b) of this section in the calendar year. 10 By December 15 of the calendar year following the end of the taxable (3)11 year in which the costs were incurred, the Department shall certify to the individual or 12corporation the amount of tax credits approved by the Department for the individual or corporation under this section. 1314(4) To claim the approved credits allowed under this section, an individual 15or a corporation shall: 16file an amended income tax return for the taxable year in which (i) 17the costs were incurred; and 18 (ii) attach a copy of the Department's certification of the approved 19credit amount to the amended income tax return. 20(d) If the credit allowed for any taxable year under this section exceeds the total 21tax otherwise due, an individual or corporation may apply the excess as a credit against 22the State income tax for succeeding taxable years until the full amount of the excess is 23used. 24The Department, in consultation with the Comptroller, shall adopt (e) 25regulations to carry out the provisions of this section. 26In accordance with § 2.5-109 of the Economic Development Article, the (f) 27Department shall submit a report on the number of credits certified in the previous 28calendar year. 29SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 30 1, 2016.

3