

SENATE BILL 564

Q3

8lr1824

By: **Senator Serafini**

Introduced and read first time: January 31, 2018

Assigned to: Budget and Taxation

Committee Report: Favorable

Senate action: Adopted

Read second time: March 6, 2018

CHAPTER _____

1 AN ACT concerning

2 **Income Tax Credit – Security Clearance Costs – Procedure to Claim Credit**

3 FOR the purpose of altering the method by which an individual or a corporation may claim
4 a credit against the State income tax for certain costs incurred to obtain federal
5 security clearances, to rent certain spaces, and to construct or renovate certain
6 sensitive compartmented information facilities in the State; and generally relating to
7 a credit against the State income tax for costs related to federal security clearances.

8 BY repealing and reenacting, without amendments,
9 Article – Tax – General
10 Section 10–204(a) and (j) and 10–305(a) and (d)(5)
11 Annotated Code of Maryland
12 (2016 Replacement Volume and 2017 Supplement)

13 BY repealing and reenacting, with amendments,
14 Article – Tax – General
15 Section 10–732
16 Annotated Code of Maryland
17 (2016 Replacement Volume and 2017 Supplement)

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

20 **Article – Tax – General**

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.

Underlining indicates amendments to bill.

~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by amendment.



1 10-204.

2 (a) To the extent excluded from federal adjusted gross income, the amounts under
3 this section are added to the federal adjusted gross income of a resident to determine
4 Maryland adjusted gross income.

5 (j) The addition under subsection (a) of this section includes any amount
6 deducted for costs, as defined under § 10-732 of this title, for security clearance
7 administrative expenses and construction and equipment costs incurred to construct or
8 renovate a sensitive compartmented information facility if an amount is included in the
9 application for a credit under § 10-732 of this title.

10 10-305.

11 (a) To the extent excluded from federal taxable income, the amounts under this
12 section are added to the federal taxable income of a corporation to determine Maryland
13 modified income.

14 (d) The addition under subsection (a) of this section includes the additions
15 required for an individual under:

16 (5) § 10-204(j) of this title (Deduction for costs for security clearance
17 administrative expenses and construction and equipment costs incurred to construct or
18 renovate a sensitive compartmented information facility); and

19 10-732.

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

21 (2) "Costs" means the costs to an individual or corporation for:

22 (i) security clearance administrative expenses incurred with regard
23 to an employee in the State including, but not limited to:

24 1. processing application requests for clearances for
25 employees in the State;

26 2. maintaining, upgrading, or installing computer systems in
27 the State required to obtain federal security clearances; and

28 3. training employees in the State to administer the
29 application process; and

30 (ii) construction and equipment costs incurred to construct or
31 renovate a sensitive compartmented information facility ("SCIF") located in the State as
32 required by the federal government.

1 (3) “Department” means the Department of Commerce.

2 (4) “Secretary” means the Secretary of Commerce.

3 (5) “Small business” has the meaning stated in § 7–218 of this article.

4 (b) (1) Subject to the limitations of this section, for a taxable year beginning
5 after December 31, 2012, but before January 1, 2022, an individual or a corporation may
6 claim credits against the State income tax for:

7 (i) security clearance administrative expenses, not to exceed
8 \$200,000;

9 (ii) expenses incurred for rental payments owed during the first year
10 of a rental agreement for spaces leased in the State if the individual or corporation is a
11 small business that performs security–based contracting, not to exceed \$200,000; and

12 (iii) subject to paragraph (2) of this subsection, construction and equipment
13 costs incurred to construct or renovate a single SCIF in an amount equal to the lesser of
14 50% of the costs or \$200,000.

15 (2) The total amount of construction and equipment costs incurred
16 to construct or renovate multiple SCIFs for which an individual or a corporation is eligible
17 to claim as a credit against the State income tax is \$500,000.

18 (c) (1) By September 15 of the calendar year following the end of the taxable
19 year in which the costs were incurred, an individual or a corporation shall submit an
20 application to the Department for the credits allowed under subsection (b) of this section.

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

23 (ii) If the total amount of credits applied for by all individuals and
24 corporations under subsection (b) of this section exceeds the maximum specified under
25 subparagraph (i) of this paragraph, the Department shall approve a credit under subsection
26 (b) of this section for each applicant in an amount equal to the product of multiplying the
27 credit applied for by the applicant times a fraction:

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

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

32 (3) By December 15 of the calendar year following the end of the taxable
33 year in which the costs were incurred, the Department shall certify to the individual or
34 corporation the amount of tax credits approved by the Department for the individual or

1 corporation under this section.

2 (4) To claim the approved credits allowed under this section, an individual
3 or a corporation shall:

4 (i) 1. file an amended income tax return for the taxable year in
5 which the costs were incurred; and

6 [(ii)] 2. attach a copy of the Department's certification of the
7 approved credit amount to the amended income tax return; OR

8 (II) SUBJECT TO SUBSECTION (D) OF THIS SECTION, ATTACH A
9 COPY OF THE DEPARTMENT'S CERTIFICATION OF THE APPROVED CREDIT AMOUNT
10 TO AN INCOME TAX RETURN FILED FOR ANY TAXABLE YEAR AFTER THE TAXABLE
11 YEAR IN WHICH THE COSTS WERE INCURRED.

12 (d) If the credit allowed for any taxable year under this section exceeds the total
13 tax otherwise due, an individual or corporation may apply the excess as a credit against
14 the State income tax for succeeding taxable years until the full amount of the excess is
15 used.

16 (e) The Department, in consultation with the Comptroller, shall adopt
17 regulations to carry out the provisions of this section.

18 (f) In accordance with § 2.5-109 of the Economic Development Article, the
19 Department shall submit a report on the number of credits certified in the previous
20 calendar year.

21 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
22 1, 2018.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.