
By: **Senator Hogan**

Introduced and read first time: February 2, 2001

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Maryland Research and Development Tax Credit - Maximum Approved**
3 **Credit**

4 FOR the purpose of altering the maximum amount of credits that the Department of
5 Business and Economic Development may approve for a calendar year for each
6 component of the Maryland Research and Development Tax Credit under
7 certain circumstances; providing for the application of this Act; and generally
8 relating to the maximum amount of credits that the Department of Business
9 and Economic Development may approve for a calendar year for each component
10 of the Maryland Research and Development Tax Credit.

11 BY repealing and reenacting, without amendments,
12 Article - Tax - General
13 Section 10-721(b)
14 Annotated Code of Maryland
15 (1997 Replacement Volume and 2000 Supplement)

16 BY repealing and reenacting, with amendments,
17 Article - Tax - General
18 Section 10-721(c)
19 Annotated Code of Maryland
20 (1997 Replacement Volume and 2000 Supplement)

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

23 **Article - Tax - General**

24 10-721.

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

1 (1) 3% of the Maryland qualified research and development expenses,
2 not exceeding the Maryland base amount for the individual or corporation, paid or
3 incurred by 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
6 taxable 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
9 incurred, an individual or corporation shall submit an application to the Department
10 for the credits allowed under subsection (b)(1) and (2) of this section.

11 (2) (i) [The] EXCEPT AS PROVIDED UNDER PARAGRAPH (4) OF THIS
12 SUBSECTION, THE total amount of credits approved by the Department under
13 subsection (b)(1) of this section may not exceed \$3,000,000 for any calendar year.

14 (ii) [If] SUBJECT TO PARAGRAPH (4) OF THIS SUBSECTION, IF the
15 total amount of credits applied for by all individuals and corporations under
16 subsection (b)(1) of this section exceeds the maximum specified under subparagraph
17 (i) of this paragraph, the Department shall approve a credit under subsection (b)(1) of
18 this section for each applicant in an amount equal to the product of multiplying the
19 credit applied for by the applicant times a fraction:

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

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

24 (3) (i) [The] EXCEPT AS PROVIDED IN PARAGRAPH (4) OF THIS
25 SUBSECTION, THE total amount of credits approved by the Department under
26 subsection (b)(2) of this section may not exceed \$3,000,000 for any calendar year.

27 (ii) [If] SUBJECT TO PARAGRAPH (4) OF THIS SUBSECTION, IF the
28 total amount of credits applied for by all individuals and corporations under
29 subsection (b)(2) of this section exceeds the maximum specified under subparagraph
30 (i) of this paragraph, the Department shall approve a credit under subsection (b)(2) of
31 this section for each applicant in an amount equal to the product of multiplying the
32 credit applied for by the applicant times a fraction:

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

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

37 (4) (I) FOR ANY CALENDAR YEAR, IF THE MAXIMUM SPECIFIED
38 UNDER PARAGRAPH (2)(I) OF THIS SUBSECTION EXCEEDS THE TOTAL AMOUNT OF
39 CREDITS APPLIED FOR BY ALL INDIVIDUALS AND CORPORATIONS UNDER

1 SUBSECTION (B)(1) OF THIS SECTION, THE MAXIMUM SPECIFIED UNDER PARAGRAPH
2 (3)(I) OF THIS SUBSECTION SHALL BE INCREASED FOR THAT CALENDAR YEAR BY AN
3 AMOUNT EQUAL TO THE AMOUNT BY WHICH THE MAXIMUM SPECIFIED UNDER
4 PARAGRAPH (2)(I) OF THIS SUBSECTION EXCEEDS THE TOTAL AMOUNT OF CREDITS
5 APPLIED FOR BY ALL INDIVIDUALS AND CORPORATIONS UNDER SUBSECTION (B)(1)
6 OF THIS SECTION.

7 (II) FOR ANY CALENDAR YEAR, IF THE MAXIMUM SPECIFIED
8 UNDER PARAGRAPH (3)(I) OF THIS SUBSECTION EXCEEDS THE TOTAL AMOUNT OF
9 CREDITS APPLIED FOR BY ALL INDIVIDUALS AND CORPORATIONS UNDER
10 SUBSECTION (B)(2) OF THIS SECTION, THE MAXIMUM SPECIFIED UNDER PARAGRAPH
11 (2)(I) OF THIS SUBSECTION SHALL BE INCREASED FOR THAT CALENDAR YEAR BY AN
12 AMOUNT EQUAL TO THE AMOUNT BY WHICH THE MAXIMUM SPECIFIED UNDER
13 PARAGRAPH (3)(I) OF THIS SUBSECTION EXCEEDS THE TOTAL AMOUNT OF CREDITS
14 APPLIED FOR BY ALL INDIVIDUALS AND CORPORATIONS UNDER SUBSECTION (B)(2)
15 OF THIS SECTION.

16 [(4)] (5) By December 15 of the calendar year following the end of the
17 taxable year in which the Maryland qualified research and development expenses
18 were incurred, the Department shall certify to the individual or corporation the
19 amount of the research and development tax credits approved by the Department for
20 the individual or corporation under subsection (b)(1) and (2) of this section.

21 [(5)] (6) To claim the approved credits allowed under this section, an
22 individual or corporation shall:

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

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

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
28 July 1, 2001, and shall be applicable to all taxable years beginning after December 31,
29 1999.