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By: **Senator Hogan**
Introduced and read first time: February 2, 2001
Assigned to: Budget and Taxation

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Committee Report: Favorable
Senate action: Adopted
Read second time: March 7, 2001

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CHAPTER_____

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:

1   **Article - Tax - General**

2 10-721.

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

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

8   (2)   10% of the amount by which the Maryland Qualified Research and
9 Development expenses paid or incurred by the individual or corporation during the
10 taxable year exceed the Maryland base amount for the individual or corporation.

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

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

18   (ii)   [If] SUBJECT TO PARAGRAPH (4) OF THIS SUBSECTION, IF the
19 total amount of credits applied for by all individuals and corporations under
20 subsection (b)(1) of this section exceeds the maximum specified under subparagraph
21 (i) of this paragraph, the Department shall approve a credit under subsection (b)(1) of
22 this section for each applicant in an amount equal to the product of multiplying the
23 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)   [The] EXCEPT AS PROVIDED IN PARAGRAPH (4) OF THIS
29 SUBSECTION, THE total amount of credits approved by the Department under
30 subsection (b)(2) of this section may not exceed $3,000,000 for any calendar year.

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

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

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

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

12   (II)   FOR ANY CALENDAR YEAR, IF THE MAXIMUM SPECIFIED
13 UNDER PARAGRAPH (3)(I) OF THIS SUBSECTION EXCEEDS THE TOTAL AMOUNT OF
14 CREDITS APPLIED FOR BY ALL INDIVIDUALS AND CORPORATIONS UNDER
15 SUBSECTION (B)(2) OF THIS SECTION, THE MAXIMUM SPECIFIED UNDER PARAGRAPH
16 (2)(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
18 PARAGRAPH (3)(I) OF THIS SUBSECTION EXCEEDS THE TOTAL AMOUNT OF CREDITS
19 APPLIED FOR BY ALL INDIVIDUALS AND CORPORATIONS UNDER SUBSECTION (B)(2)
20 OF THIS SECTION.

21   [(4)]   (5)   By December 15 of the calendar year following the end of the
22 taxable year in which the Maryland qualified research and development expenses
23 were incurred, the Department shall certify to the individual or corporation the
24 amount of the research and development tax credits approved by the Department for
25 the individual or corporation under subsection (b)(1) and (2) of this section.

26   [(5)]   (6)   To claim the approved credits allowed under this section, an
27 individual or corporation shall:

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

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

32   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
33 July 1, 2001, and shall be applicable to all taxable years beginning after December 31,
34 1999.