

# SENATE BILL 570

Q3, C8

(4lr2553)

## ENROLLED BILL

— Budget and Taxation / Ways and Means —

Introduced by **Senators King, Feldman, Jones–Rodwell, Kasemeyer, Manno, Peters, and Robey**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this

\_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
President.

### CHAPTER \_\_\_\_\_

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  
5 that the Department of Business and Economic Development 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 2013 Supplement)

---

#### 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.

*Italics* indicate opposite chamber / conference committee amendments.



1 BY repealing and reenacting, with amendments,  
 2 Article – Tax – General  
 3 Section 10–721(c)  
 4 Annotated Code of Maryland  
 5 (2010 Replacement Volume and 2013 Supplement)

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

8 **Article – Tax – General**

9 10–721.

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

12 (1) 3% of the Maryland qualified research and development expenses,  
 13 not exceeding the Maryland base amount for the individual or corporation, paid or  
 14 incurred by the individual or corporation during the taxable year; and

15 (2) 10% of the amount by which the Maryland qualified research and  
 16 development expenses paid or incurred by the individual or corporation during the  
 17 taxable year exceed the Maryland base amount for the individual or corporation.

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

22 (2) (i) Except as provided under paragraph (4) of this subsection,  
 23 the total amount of credits approved by the Department under subsection (b)(1) of this  
 24 section may not exceed [\$4,000,000] ~~\$5,000,000~~ \$4,500,000 for any calendar year.

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

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

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

1           (3) (i) Except as provided in paragraph (4) of this subsection, the  
2 total amount of credits approved by the Department under subsection (b)(2) of this  
3 section may not exceed ~~[\$4,000,000] \$5,000,000~~ \$4,500,000 for any calendar year.

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

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

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

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

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

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

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

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

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

3           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
4 June 1, 2014, and shall be applicable to all Maryland research and development tax  
5 credits certified after December 15, 2013.

Approved:

---

Governor.

---

President of the Senate.

---

Speaker of the House of Delegates.