SENATE BILL 570

Q3, C8   4lr2553

By: **Senators King, Feldman, Jones–Rodwell, Kasemeyer, Manno, Peters, and Robey**
Introduced and read first time: January 29, 2014
Assigned to: Budget and Taxation

A BILL ENTITLED

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)

14   BY repealing and reenacting, with amendments,
15   Article – Tax – General
16   Section 10–721(c)
17   Annotated Code of Maryland
18   (2010 Replacement Volume and 2013 Supplement)

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

21   **Article – Tax – General**

22   10–721.

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

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

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
8   taxable year in which the Maryland qualified research and development expenses
9   were incurred, an individual or corporation shall submit an application to the
10 Department for the credits allowed under subsection (b)(1) and (2) of this section.

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

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

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

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

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

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

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

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

4   (4)   (i)   For any calendar year, if the maximum specified under
5 paragraph (2)(i) of this subsection exceeds the total amount of credits applied for by all
6 individuals and corporations under subsection (b)(1) of this section, the maximum
7 specified under paragraph (3)(i) of this subsection shall be increased for that calendar
8 year by an amount equal to the amount by which the maximum specified under
9 paragraph (2)(i) of this subsection exceeds the total amount of credits applied for by all
10 individuals and corporations under subsection (b)(1) of this section.

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

18   (5)   By December 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, the Department shall certify to the individual or corporation the
21 amount of the research and development tax credits approved by the Department for
22 the individual or corporation under subsection (b)(1) and (2) of this section.

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

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

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

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