

SENATE BILL 488

Q3

5lr1880

By: Senators King, Feldman, ~~and Peters~~ Peters, Currie, Ferguson, Guzzone, Kasemeyer, Madaleno, Manno, and McFadden

Introduced and read first time: February 6, 2015

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 26, 2015

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 that
5 the Department of Business and Economic Development may approve in a calendar
6 year; providing for the application of this Act; and generally relating to certain
7 credits against the State income tax based on certain expenses paid or incurred for
8 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 2014 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 2014 Supplement)

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

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 **Article – Tax – General**

2 10-721.

3 (b) Subject to the limitations of this section, an individual or a corporation may
4 claim credits against the State income tax in an amount equal to:5 (1) 3% of the Maryland qualified research and development expenses, not
6 exceeding the Maryland base amount for the individual or corporation, paid or incurred by
7 the individual or corporation during the taxable year; and8 (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 taxable
10 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 incurred,
13 an individual or corporation shall submit an application to the Department for the credits
14 allowed under subsection (b)(1) and (2) of this section.15 (2) (i) Except as provided under paragraph (4) of this subsection, the
16 total amount of credits approved by the Department under subsection (b)(1) of this section
17 may not exceed ~~[\$4,500,000]~~ ~~\$5,000,000~~ ~~for any calendar year:~~18 **1. \$5,000,000 IN CALENDAR YEAR 2015;**19 **2. \$5,500,000 IN CALENDAR YEAR 2016;**20 **3. \$6,000,000 IN CALENDAR YEAR 2017;**21 **4. \$6,500,000 IN CALENDAR YEAR 2018; AND**22 **5. \$7,000,000 IN CALENDAR YEAR 2019 AND EACH**
23 **CALENDAR YEAR THEREAFTER.**24 (ii) Subject to paragraph (4) of this subsection, if the total amount of
25 credits applied for by all individuals and corporations under subsection (b)(1) of this section
26 exceeds the maximum specified under subparagraph (i) of this paragraph, the Department
27 shall approve a credit under subsection (b)(1) of this section for each applicant in an amount
28 equal to the product of multiplying the credit applied for by the applicant times a fraction:29 1. the numerator of which is the maximum specified under
30 subparagraph (i) of this paragraph; and31 2. the denominator of which is the total of all credits applied
32 for by all applicants under subsection (b)(1) of this section in the calendar year.

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

4 **1. \$5,000,000 IN CALENDAR YEAR 2015;**

5 **2. \$5,500,000 IN CALENDAR YEAR 2016;**

6 **3. \$6,000,000 IN CALENDAR YEAR 2017;**

7 **4. \$6,500,000 IN CALENDAR YEAR 2018; AND**

8 **5. \$7,000,000 IN CALENDAR YEAR 2019 AND EACH**
9 **CALENDAR YEAR THEREAFTER.**

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

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

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

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

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

33 (5) By December 15 of the calendar year following the end of the taxable
34 year in which the Maryland qualified research and development expenses were incurred,

1 the Department shall certify to the individual or corporation the amount of the research
2 and development tax credits approved by the Department for the individual or corporation
3 under subsection (b)(1) and (2) of this section.

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

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

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

10 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
11 1, 2015, and shall be applicable to all Maryland research and development tax credits
12 certified after December 15, 2014.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.