

SENATE BILL 488

Q3

5lr1880

By: **Senators King, Feldman, and Peters**
Introduced and read first time: February 6, 2015
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 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:

Article – Tax – General

21
22 10–721.

23 (b) Subject to the limitations of this section, an individual or a corporation may
24 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, not
2 exceeding the Maryland base amount for the individual or corporation, paid or incurred by
3 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 taxable
6 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 incurred,
9 an individual or corporation shall submit an application to the Department for the credits
10 allowed under subsection (b)(1) and (2) of this section.

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

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

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

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

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

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

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

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

35 (4) (i) For any calendar year, if the maximum specified under
36 paragraph (2)(i) of this subsection exceeds the total amount of credits applied for by all

1 individuals and corporations under subsection (b)(1) of this section, the maximum specified
2 under paragraph (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 paragraph (2)(i) of this
4 subsection exceeds the total amount of credits applied for by all individuals and
5 corporations under subsection (b)(1) of this section.

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

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

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

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

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

24 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
25 1, 2015, and shall be applicable to all Maryland research and development tax credits
26 certified after December 15, 2014.