

# HOUSE BILL 873

Q3

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CF SB 138

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By: **Delegates Carey and Lisanti**

Introduced and read first time: February 6, 2017

Assigned to: Ways and Means

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## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax Credit – Security Clearances – Employer Costs – Extension**

3 FOR the purpose of extending the number of taxable years for which an individual or  
4 corporation may claim a credit against the State income tax for certain costs incurred  
5 to obtain federal security clearances, to rent certain spaces, and to construct or  
6 renovate certain sensitive compartmented information facilities in the State; making  
7 certain stylistic changes; and generally relating to a credit against the State income  
8 tax for costs related to federal security clearances.

9 BY repealing and reenacting, with amendments,  
10 Article – Tax – General  
11 Section 10–732  
12 Annotated Code of Maryland  
13 (2016 Replacement Volume)

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

16 **Article – Tax – General**

17 10–732.

18 (a) (1) In this section the following words have the meanings indicated.

19 (2) “Costs” means the costs to an individual or corporation for:

20 (i) security clearance administrative expenses incurred with regard  
21 to an employee in the State including, but not limited to:

22 1. processing application requests for clearances for  
23 employees in the State;

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1                   2.     maintaining, upgrading, or installing computer systems in  
2 the State required to obtain federal security clearances; and

3                   3.     training employees in the State to administer the  
4 application process; and

5                   (ii)    construction and equipment costs incurred to construct or  
6 renovate a sensitive compartmented information facility (“SCIF”) located in the State as  
7 required by the federal government.

8                   (3)     “Department” means the Department of Commerce.

9                   (4)     “Secretary” means the Secretary of Commerce.

10                  (5)     “Small business” has the meaning stated in § 7–218 of this article.

11           (b)     **(1)**     Subject to the limitations of this section, for a taxable year beginning  
12 after December 31, 2012, but before January 1, **[2017] 2022**, an individual or a corporation  
13 may claim credits against the State income tax for:

14                   **[(1)] (I)**     security clearance administrative expenses, not to exceed  
15 \$200,000;

16                   **[(2)] (II)**    expenses incurred for rental payments owed during the first year  
17 of a rental agreement for spaces leased in the State if the individual or corporation is a  
18 small business that performs security–based contracting, not to exceed \$200,000; and

19                   **[(3) (i)] (III)**    **[Subject to subparagraph (ii) of this paragraph] SUBJECT**  
20 **TO PARAGRAPH (2) OF THIS SUBSECTION**, construction and equipment costs incurred to  
21 construct or renovate a single SCIF in an amount equal to the lesser of 50% of the costs or  
22 \$200,000.

23                   **[(ii)] (2)**     The total amount of construction and equipment costs  
24 incurred to construct or renovate multiple SCIFs for which an individual or a corporation  
25 is eligible to claim as a credit against the State income tax is \$500,000.

26           (c)     (1)     By September 15 of the calendar year following the end of the taxable  
27 year in which the costs were incurred, an individual or a corporation shall submit an  
28 application to the Department for the credits allowed under subsection (b) of this section.

29                   (2)     (i)     The total amount of credits approved by the Department under  
30 subsection (b) of this section may not exceed \$2,000,000 for any calendar year.

31                   (ii)    If the total amount of credits applied for by all individuals and  
32 corporations under subsection (b) of this section exceeds the maximum specified under

1 subparagraph (i) of this paragraph, the Department shall approve a credit under subsection  
2 (b) of this section for each applicant in an amount equal to the product of multiplying the  
3 credit applied for by the applicant times a fraction:

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

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

8                               (3)    By December 15 of the calendar year following the end of the taxable  
9 year in which the costs were incurred, the Department shall certify to the individual or  
10 corporation the amount of tax credits approved by the Department for the individual or  
11 corporation under this section.

12                              (4)    To claim the approved credits allowed under this section, an individual  
13 or a corporation shall:

14                              (i)     file an amended income tax return for the taxable year in which  
15 the costs were incurred; and

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

18                              (d)     If the credit allowed for any taxable year under this section exceeds the total  
19 tax otherwise due, an individual or corporation may apply the excess as a credit against  
20 the State income tax for succeeding taxable years until the full amount of the excess is  
21 used.

22                              (e)     The Department, in consultation with the Comptroller, shall adopt  
23 regulations to carry out the provisions of this section.

24                              (f)     In accordance with § 2.5-109 of the Economic Development Article, the  
25 Department shall submit a report on the number of credits certified in the previous  
26 calendar year.

27                              SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
28 1, 2017.