

# SENATE BILL 138

Q3

7lr1329

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By: **Senators Manno and Miller**

Introduced and read first time: January 16, 2017

Assigned to: Budget and Taxation

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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.



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.

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

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:

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

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