

# SENATE BILL 200

Q3

(71r0695)

## ENROLLED BILL

— Budget and Taxation / Ways and Means —

Introduced by **Senators King, Currie, DeGrange, Feldman, Ferguson, Guzzone, Madaleno, Manno, McFadden, Middleton, Peters, and Young**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this \_\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_\_ M.

\_\_\_\_\_  
President.

### 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 Commerce may approve in a calendar year; providing for the  
6 application of this Act; and generally relating to certain credits against the State  
7 income tax based on certain expenses paid or incurred for certain research and  
8 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 2016 Supplement~~)

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#### 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.

*Italics indicate opposite chamber / conference committee amendments.*



1 *(2016 Replacement Volume)*

2 BY repealing and reenacting, with amendments,  
 3 Article – Tax – General  
 4 Section 10–721(c)  
 5 Annotated Code of Maryland  
 6 ~~(2010 Replacement Volume and 2016 Supplement)~~  
 7 *(2016 Replacement Volume)*

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

10 **Article – Tax – General**

11 10–721.

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

14 (1) 3% of the Maryland qualified research and development expenses, not  
 15 exceeding the Maryland base amount for the individual or corporation, paid or incurred by  
 16 the individual or corporation during the taxable year; and

17 (2) 10% of the amount by which the Maryland qualified research and  
 18 development expenses paid or incurred by the individual or corporation during the taxable  
 19 year exceed the Maryland base amount for the individual or corporation.

20 (c) (1) By September 15 of the calendar year following the end of the taxable  
 21 year in which the Maryland qualified research and development expenses were incurred,  
 22 an individual or corporation shall submit an application to the Department for the credits  
 23 allowed under subsection (b)(1) and (2) of this section.

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

27 **1. \$4,500,000 IN CALENDAR YEAR 2016; AND**

28 **2. ~~\$6,000,000 IN CALENDAR YEAR 2017;~~ \$5,500,000 IN  
 29 CALENDAR YEAR 2017 AND EACH CALENDAR YEAR THEREAFTER.**

30 **~~3. \$8,000,000 IN CALENDAR YEAR 2018; AND~~**

31 **~~4. \$10,000,000 IN CALENDAR YEAR 2019 AND EACH~~  
 32 ~~CALENDAR YEAR THEREAFTER.~~**

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

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

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

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

13 1. **\$4,500,000 IN CALENDAR YEAR 2016; AND**

14 2. **~~\$6,000,000 IN CALENDAR YEAR 2017;~~ \$6,500,000 IN**  
15 **CALENDAR YEAR 2017 AND EACH CALENDAR YEAR THEREAFTER.**

16 ~~3. **\$8,000,000 IN CALENDAR YEAR 2018; AND**~~

17 ~~4. **\$10,000,000 IN CALENDAR YEAR 2019 AND EACH**~~  
18 ~~**CALENDAR YEAR THEREAFTER.**~~

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

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

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

28 (4) (i) For any calendar year, if the maximum specified under  
29 paragraph (2)(i) of this subsection exceeds the total amount of credits applied for by all  
30 individuals and corporations under subsection (b)(1) of this section, the maximum specified  
31 under paragraph (3)(i) of this subsection shall be increased for that calendar year by an  
32 amount equal to the amount by which the maximum specified under paragraph (2)(i) of this  
33 subsection exceeds the total amount of credits applied for by all individuals and  
34 corporations under subsection (b)(1) of this section.

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

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

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

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

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

19 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
20 1, 2017, and shall be applicable to all Maryland research and development tax credits  
21 certified after December 15, 2016.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.