

# SENATE BILL 200

Q3  
SB 211/16 – B&T

7lr0695  
CF HB 240

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

Introduced and read first time: January 19, 2017

Assigned to: Budget and Taxation

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Committee Report: Favorable

Senate action: Adopted

Read second time: February 21, 2017

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## 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)

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 2016 Supplement)

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

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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.



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; and

8 (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 for any calendar year]:**

18 **1. \$4,500,000 IN CALENDAR YEAR 2016;**

19 **2. \$6,000,000 IN CALENDAR YEAR 2017;**

20 **3. \$8,000,000 IN CALENDAR YEAR 2018; AND**

21 **4. \$10,000,000 IN CALENDAR YEAR 2019 AND EACH**  
22 **CALENDAR YEAR THEREAFTER.**

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

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

30 2. the denominator of which is the total of all credits applied  
31 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 for any calendar year]:

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

5                           2.    **\$6,000,000 IN CALENDAR YEAR 2017;**

6                           3.    **\$8,000,000 IN CALENDAR YEAR 2018; AND**

7                           4.    **\$10,000,000 IN CALENDAR YEAR 2019 AND EACH**  
8 **CALENDAR YEAR THEREAFTER.**

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

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

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

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

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

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

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

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

5 (ii) attach a copy of the Department’s certification of the approved  
6 credit amount to the amended income tax return.

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
8 1, 2017, and shall be applicable to all Maryland research and development tax credits  
9 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.