

SENATE BILL 721

Q3

3lr0010

By: **Chair, Budget and Taxation Committee (By Request – Departmental – Commerce)**

Introduced and read first time: February 6, 2023

Assigned to: Budget and Taxation

Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 11, 2023

CHAPTER _____

1 AN ACT concerning

2 **Income Tax – Credit for Federal Security Clearance Costs – ~~Extension~~**
3 **Alterations**

4 FOR the purpose of ~~extending the termination date for~~ reestablishing for a certain period
5 of taxable years a credit against the Maryland income tax for certain costs incurred
6 by employers to obtain federal security clearances for employees, rent certain spaces,
7 and construct or renovate certain sensitive compartmented information facilities in
8 the State; limiting eligibility for the income tax credit to individuals or corporations
9 who employ not more than a certain number of employees; and generally relating to
10 an income tax credit for costs related to federal security clearances.

11 BY repealing and reenacting, without amendments,
12 Article – Tax – General
13 Section 10–732(a)
14 Annotated Code of Maryland
15 (2022 Replacement Volume)

16 BY repealing and reenacting, with amendments,
17 Article – Tax – General
18 Section 10–732(b)
19 Annotated Code of Maryland
20 (2022 Replacement Volume)

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

3 **Article – Tax – General**

4 10–732.

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

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

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

9 1. processing application requests for clearances for
10 employees in the State;

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

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

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

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

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

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

21 (b) (1) Subject to the limitations of this section, for a taxable year beginning
22 after December 31, ~~2019~~ **2022**, but before January 1, [2022] **2028**, an individual or a
23 corporation **THAT EMPLOYS NOT MORE THAN 500 EMPLOYEES** may claim credits
24 against the State income tax for:

25 (i) security clearance administrative expenses, not to exceed
26 \$200,000;

27 (ii) expenses incurred for rental payments owed during the first year
28 of a rental agreement for spaces leased in the State if the individual or corporation is a
29 small business that performs security–based contracting, not to exceed \$200,000; and

1 (iii) subject to paragraph (2) of this subsection, construction and
2 equipment costs incurred to construct or renovate a single SCIF in an amount equal to the
3 lesser of 50% of the costs or \$200,000.

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

7 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
8 1, 2023, and shall be applicable to all taxable years beginning after December 31, ~~2021~~
9 2022.

Approved:

Governor.

President of the Senate.

Speaker of the House of Delegates.