

SB0721 -- Income Tax – Credit for Federal Security

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Position: FAV



**Senate Bill 721 -- *Income Tax – Credit for Federal Security Clearance Costs – Alterations*
House Ways and Means Committee
March 30, 2023
Support**

The Montgomery County Chamber of Commerce (MCCC), the voice of business in Metro Maryland, supports Senate Bill 721 -- *Income Tax – Credit for Federal Security Clearance Costs – Alterations*.

Senate Bill 721 extends the termination date to January 1, 2028 for the Employer Security Clearance Costs Tax Credit for companies with 500 or fewer employees. This credit is utilized for costs incurred by employers to obtain federal security clearances for employees, first-year leasing costs, and construction or renovation of sensitive compartmented information facilities (SCIFs).

This tax credit is an important component to the success of federal government contractors, one of Maryland's most important and innovative industries. The credit provides entrepreneurial start-ups, including small companies, with a financial incentive to grow and create jobs in Maryland. Companies in Maryland that do business with the federal government face numerous barriers to entry, including high costs for security clearances and SCIFs. This tax credit helps defray those costs while demonstrating Maryland's commitment to supporting and growing businesses in this sector.

This credit is also consistent with a focus on attracting and retaining military veterans in Maryland. This has been a longtime MCCC priority, most notably through efforts of the Montgomery County Chamber Community Foundation's (MCCCF) Veterans Institute for Procurement (VIP) program. The VIP program is a free training program for Service-Disabled Veteran-Owned Small Businesses and Maryland Veteran-Owned Small Businesses that provides company leaders with comprehensive instruction on how to accelerate their federal government contracting business skills. Most of the executives who graduate from the VIP program are retired military veterans who reside in Maryland. Extending this tax credit provides a strong and effective incentive for these types of entrepreneurial retired veterans to remain in Maryland.

For these reasons, the Montgomery County Chamber of Commerce supports Senate Bill 721 and respectfully requests a favorable report.

The Montgomery County Chamber of Commerce, on behalf of our nearly 500 members, advocates for growth in business opportunities, strategic investment in infrastructure, and balanced tax reform to advance Metro Maryland as a regional, national, and global location for business success. Established in 1959, MCCC is an independent non-profit membership organization and a proud Montgomery County Green Certified Business.

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Facility Site Contractors Senate Bill 721 Support.

Uploaded by: Jennifer LaHatte

Position: FAV



March 24, 2023

House Ways and Means Committee
The Honorable Vanessa Atterbeary
131 House Office Building
Annapolis, Maryland 21401

RE: Support Senate Bill 721 – Income Tax – Credit for Federal Security Clearance Costs – Extension

Senate Bill 721 reauthorizes the employer security clearance costs tax credit, from tax year 2023 through tax year 2027, for an individual or corporation with up to 500 employees. This bill if passed will take effect July 1, 2023. This tax credit provides three ways for companies to receive a credit.

1. Credit towards administrative expenses related to obtaining and maintaining employee security clearances.
2. Credit towards the cost of constructing or renovating a SCIF (sensitive compartmented information facility) and
3. Credit towards the first-year leasing costs for small business doing security-based contract work.

As a small business owner, the extension of Bill 721, is vital in assisting my Company with the tax credits related to obtaining and maintaining employee security clearances and a SCIF. The lack of this tax credit in Bill 721 could cause my company to reevaluate the projects that we can try to procure, downsize the department that handles processing security clearances, delaying the processing of the security clearances, delaying the ability to begin a contract, causing additional out of pocket cost to my company.

Senate Bill 721 is vital to all small businesses, that must obtain security clearances for their employees. Small businesses rely on tax credits to build their business to one day be able to sustain this cost without assistance, however, it takes many years to obtain this type of financial ability. With out Bill 721 some of these small businesses may not be able to continue the path of obtaining security clearances. Therefore, they will need to reevaluate the projects they can procure. By passing Bill 721 it will allow the small business to compete with the larger companies that try to procure the same projects. If Bill 721 is not passed, this will also impact the State of Maryland, by limiting the contractors that will be able to bid on State projects, due to the lack of tax credits to assist a small business.

As one of many small businesses any tax break helps us maintain quality employees and offer job security allowing their families to flourish in Baltimore County. Small businesses struggle in today's economy and every tax benefit being graciously offered, only help's the small businesses compete in a market that is dominated by many larger firms.

We ask that Senate Bill 721 be passed to continue to assist the small businesses.

Sincerely,

Eugene Welch, President

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SB 721_ESCCTC Extension_Support_House.pdf

Uploaded by: Kevin Anderson

Position: FAV



Wes Moore | Governor
Aruna Miller | Lt. Governor
Kevin A. Anderson | Secretary of Commerce
Signe Pringle | Deputy Secretary of Commerce

DATE: March 30, 2023
BILL NO: Senate Bill 721
BILL TITLE: Income Tax – Credit for Federal Security Clearance Costs – Alterations
COMMITTEE: Ways and Means
POSITION: Support

The Maryland Department of Commerce (Commerce) supports Senate Bill 721- Income Tax – Credit for Federal Security Clearance Costs – Alterations.

Bill Summary:

Senate Bill 721 reinstates the Maryland Employer Security Clearance Costs Tax Credit Program from January 1, 2023 to January 1, 2028. It includes three components:

Security Clearance Administrative Expense Tax Credit – This credit is 100% of eligible administrative expenses related to obtaining and maintaining federal security clearance for employees up to \$200,000. However, if the total amount of credits claimed by all businesses exceeds \$2 million, then the tax credit will be prorated.

Sensitive Compartmented Information Facility Costs Tax Credit – This tax credit is 50% of eligible construction or renovation costs of a single Sensitive Compartmented Information Facility (SCIF) up to \$200,000, and costs related to multiple SCIFs up to \$500,000. However, if the total amount of credits claimed by all businesses exceeds \$2 million, then, the tax credit will be prorated.

First Year Leasing Costs Tax Credit for Qualified Small Business – This credit is 100% of eligible first year leasing costs for small businesses doing security-based contract work up to \$200,000. However, if the total amount of credits claimed by all businesses exceeds \$2 million, then, the tax credit will be prorated.

Senate Bill 721 also limits eligibility for this tax credit to individuals or entities that employ less than 500 employees to increase opportunities for smaller businesses to take advantage of this incentive.

Background:

The Maryland Employer Security Clearance Costs Tax Credit program was enacted during the 2012 session of the Maryland General Assembly. The statute requires that each business wishing to receive tax credits apply to the Department of Commerce for certification on or before September 15th of the calendar year following the tax year for which the federal security clearance costs were incurred. The total program is capped at \$2,000,000 for each year.

This tax credit has been very popular since enactment. In the first year, TY 2013, 39 businesses were certified. The number of companies applying for the credits has increased to 86 applicants for TY 2021. The tax credit has been oversubscribed for the \$2 million available under the statute. The percentage of qualified costs that received the tax credit was 37.18% for TY 2020 and 37.53% for TY 2021.

Maryland is unique in providing this tax credit. Both large and small companies have qualified. Most of the credit goes to companies employing less than 100 security professionals. This tax credit supports our highly valued technology-based security business sector. The chart below shows the number of recipients by number of employees.

Tax Credit Recipients by Number of Maryland Employees

	TY 2020	TY 2021
Less than 10	19	14
10-24	19	21
25-49	21	20
50-99	20	14
100+	7	17
Total	86	86

Rationale:

Senate Bill 721 extends a popular and well-subscribed incentive for five additional years. This allows Commerce to continue to offer an incentive for business retention and attraction that is not available in neighboring jurisdictions. Maryland companies seeking to do business with the federal government have an added challenge in that most of the work is classified. The costs associated with gaining and maintaining a Facility Clearance, hiring and retaining a cleared workforce, and building Sensitive Compartmented Information Facilities in which to conduct work at the highest levels of security classification are often barriers to entry facing small businesses and burdensome cost drivers for larger companies. One way Maryland has communicated its commitment to supporting and growing business in this sector is through the Employer Security Clearance Tax Credit. This program is well received by companies when Commerce teams brief them about programs the State has available to support them and the jobs they create. They perceive this as a tangible reason for doing business in Maryland and are grateful for this show of commitment to the important national security missions conducted in our State.

Commerce respectfully requests a favorable report on Senate Bill 721.

Employer Security Clearance Costs Tax Credit
Tax Year 2021 Recipients

	A	B	C	D
				# of Maryland Employees Applying to Obtain or Maintain Federal Security Clearances
1	Company Name	Jurisdiction	# of Maryland Employees	
2	VariQ Corporation	Montgomery	2	50
3	Walker Engineering Solutions LLC	Anne Arundel	3	4
4	Catalina Associates LLC	Anne Arundel	4	4
5	Avatar Technologies, Inc.	Prince George's	4	1
6	Honovee, LLC	Howard	5	0
7	Abile Group, Inc.	Anne Arundel	5	5
8	Augury, LLC	Howard	5	3
9	Tactical Network Solutions, LLC	Howard	6	6
10	TCecure, LLC	Baltimore City	7	1
11	CyberLinx Solutions LLC	Howard	7	9
12	Jeskell Systems, LLC	Prince George's	8	4
13	Dayton Group, Inc.	Baltimore County	8	5
14	Root3 Labs, Inc.	Baltimore County	9	5
15	FedSoft, Inc.	Anne Arundel	9	1
16	Sunayu, LLC	Anne Arundel	10	10
17	Sound Engineering Solutions Inc.	Carroll	10	2
18	WGS Systems, LLC	Frederick	10	0
19	FiveTwelve, LLC	Baltimore County & Howard	12	12
20	SPARTEK Engineering LLC	Howard	13	13
21	Powertek Corporation	Montgomery	14	34
22	Grier Forensics, LLC	Baltimore County	14	13
23	Tulzi Technologies LLC	Howard	17	16
24	KJMK Management Inc., T/A RealStreet	Howard	18	10
25	C.K. Signals, Inc.	Carroll	18	13
26	Captivation Software, L.L.C.	Howard	18	21
27	ClearShark Services, Inc.	Anne Arundel	19	19
28	Zavda Technologies, LLC	Baltimore County	19	19
29	Chesapeake Consultants, LLC	Howard	19	18
30	ProObject, Inc.	Anne Arundel	20	26
31	Helm Point Solutions, Inc.	Howard	21	40
32	Sabre Engineering, Inc.	Howard	22	19
33	Maryland Research Institute LLC	Howard	22	17
34	Erias Ventures, LLC	Carroll	22	4
35	EnDepth Solutions, LLC	Howard	23	19

Employer Security Clearance Costs Tax Credit
Tax Year 2021 Recipients

	A	B	C	D
36	Christopher M. Young, Incorporated	Anne Arundel	24	62
37	Oakleaf Technology Group, Inc.	Frederick	25	27
38	BTS Software Solutions, LLC	Howard	26	4
39	Phoenix Operations Group, LLC	Howard	27	27
40	Anthem Engineering, LLC	Montgomery	28	32
41	Percival Engineering	Howard	31	32
42	Geon Technologies, LLC	Howard	32	26
43	Clear Ridge Defense, LLC	Baltimore County	33	32
44	Vetegrity LLC	Baltimore County	33	18
45	ADG Creative, LLC	Howard	33	20
46	CDG Advantage, LLC	Anne Arundel	34	30
47	Secure Innovations, LLC	Howard	36	30
48	JASINT Consulting and Technologies LLC	Howard	37	24
49	Systems Application & Technologies, Inc.	Prince George's	40	69
50	ClearShark, L.L.C.	Anne Arundel	41	14
51	Quotient, Inc.	Howard	42	14
52	Linchpin Solutions Inc.	Harford	44	48
53	Tiber Technologies, Inc.	Howard	45	38
54	Edwards Industries, LLC. dba Edwards Performance Solutions	Howard	45	5
55	Integral Federal, Inc., f/k/a Integral Consulting Services Inc.	Montgomery	46	1
56	Constellation Technologies, Inc.	Anne Arundel	46	3
57	Patriot Technologies, Inc.	Frederick	50	15
58	Netorian Limited Liability Company	Harford	58	58
59	SRC Technologies, Inc.	Howard	60	80
60	Island Creek Associates, LLC	St. Mary's	61	88
61	BCT LLC	Howard	61	65
62	Wyetech, LLC	Anne Arundel	62	55
63	PLEX Solutions, LLC	Montgomery	63	90
64	Tensley Consulting, Inc.	Anne Arundel	65	70
65	ClearEdge IT Solutions, LLC	Howard	67	62
66	Fuse Engineering, LLC	Anne Arundel	69	82
67	Sealing Technologies Inc.	Howard	79	39
68	Project Enhancement Corporation	Montgomery	87	36

Employer Security Clearance Costs Tax Credit
Tax Year 2021 Recipients

	A	B	C	D
69	Advanced Technology and Research Corporation	Prince George's	89	12
70	ATI, Inc.	Howard	90	40
71	Sirius Computer Solutions, LLC	Anne Arundel	100	72
72	Resolute Technologies LLC	Howard	108	96
73	Visionist, Inc.	Howard	108	113
74	Lingual Information System Technologies, Inc.	Howard	114	89
75	INNOPLEX, LLC	Howard	115	90
76	Grunley Construction Co., Inc.	Montgomery	153	15
77	Fearless Solutions, LLC	Baltimore City	185	33
78	Omnyon LLC	Anne Arundel	210	103
79	Vision Technologies, LLC	Anne Arundel	273	7
80	Facility Site Contractors, Inc.	Baltimore County	323	220
81	The MIL Corporation	Prince George's & St. Mary's	345	60
82	General Dynamics Mission Systems, Inc.	Anne Arundel	379	54
83	Grove Resource Solutions, Inc.	Montgomery	380	15
84	CACI, Inc. - Federal	Harford	2,316	0
85	General Dynamics Information Technology, Inc.	Anne Arundel, Harford & Howard	2811	804
86	Booz Allen Hamilton Inc.	Anne Arundel	4,174	2,399
87	Northrop Grumman Systems Corporation	Anne Arundel	14,141	0