



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
1	Company Name	Jurisdiction	# of Maryland Employees	# of Maryland Employees Applying to Obtain or Maintain Federal Security Clearances
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  
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	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  
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	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