

# SENATE BILL 482

Q3

3lr1261

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By: **Senator Manno**

Introduced and read first time: January 31, 2013

Assigned to: Budget and Taxation

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Committee Report: Favorable with amendments

Senate action: Adopted

Read second time: March 29, 2013

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## CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Income Tax Credit – Security Clearances – Employer Costs**

3 FOR the purpose of altering the amount an individual or corporation may claim as a  
4 credit against the State income tax for certain costs incurred to obtain federal  
5 security clearances and to construct or renovate certain sensitive  
6 compartmented information facilities in the State; ~~altering the total amount of~~  
7 ~~credits that the Department of Business and Economic Development may~~  
8 ~~approve for any calendar year;~~ authorizing an individual or corporation to claim  
9 as a credit against the State income tax certain rental expenses under certain  
10 circumstances; and generally relating to a credit against the State income tax  
11 for costs related to federal security clearances.

12 BY repealing and reenacting, with amendments,  
13 Article – Tax – General  
14 Section 10-732~~(b) and (c)(2)(i)~~  
15 Annotated Code of Maryland  
16 (2010 Replacement Volume and 2012 Supplement)

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

19 **Article – Tax – General**

20 10-732.

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

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

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

5 1. processing application requests for clearances for  
6 employees in the State;

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

9 3. training employees in the State to administer the  
10 application process; and

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

14 (3) “Department” means the Department of Business and Economic  
15 Development.

16 (4) “Secretary” means the Secretary of Business and Economic  
17 Development.

18 (5) **“SMALL BUSINESS” HAS THE MEANING STATED IN § 7-218 OF**  
19 **THIS ARTICLE.**

20 (b) Subject to the limitations of this section, for a taxable year beginning  
21 after December 31, 2012, but before January 1, 2017, an individual or a corporation  
22 may claim credits against the State income tax for:

23 (1) security clearance administrative expenses, not to exceed  
24 ~~[\$100,000]~~ **\$200,000; and**

25 **(2) EXPENSES INCURRED FOR RENTAL PAYMENTS OWED DURING**  
26 **THE FIRST YEAR OF A RENTAL AGREEMENT FOR SPACES LEASED IN THE STATE**  
27 **IF THE INDIVIDUAL OR CORPORATION IS A SMALL BUSINESS THAT PERFORMS**  
28 **SECURITY-BASED CONTRACTING, NOT TO EXCEED \$200,000; AND**

29 ~~(2)~~ **(3)** (i) Subject to subparagraph (ii) of this paragraph, construction  
30 and equipment costs incurred to construct or renovate a single SCIF in an amount  
31 equal to the lesser of 50% of the costs or ~~[\$100,000]~~ **\$200,000.**

1                   (ii) The total amount of construction and equipment costs  
2 incurred to construct or renovate multiple SCIFs for which an individual or a  
3 corporation is eligible to claim as a credit against the State income tax is ~~[\$250,000]~~  
4 **\$500,000**.

5           (c) (1) By September 15 of the calendar year following the end of the  
6 taxable year in which the costs were incurred, an individual or a corporation shall  
7 submit an application to the Department for the credits allowed under subsection  
8 [(b)(1) and (2)] (B) of this section.

9           ~~(e)~~ (2) (i) The total amount of credits approved by the Department  
10 under subsection (b) of this section may not exceed ~~[\$2,000,000]~~ **\$4,000,000** for any  
11 calendar year.

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

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

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

21           (3) By December 15 of the calendar year following the end of the  
22 taxable year in which the costs were incurred, the Department shall certify to the  
23 individual or corporation the amount of tax credits approved by the Department for  
24 the individual or corporation under this section.

25           (4) To claim the approved credits allowed under this section, an  
26 individual or a corporation shall:

27                   (i) file an amended income tax return for the taxable year in  
28 which the costs were incurred; and

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

31           (d) If the credit allowed for any taxable year under this section exceeds the  
32 total tax otherwise due, an individual or corporation may apply the excess as a credit  
33 against the State income tax for succeeding taxable years until the full amount of the  
34 excess is used.

35           (e) The Department, in consultation with the Comptroller, shall adopt  
36 regulations to carry out the provisions of this section.

1           (f)    On or before December 31 of each year, the Department shall report to  
2 the Governor and, in accordance with § 2-1246 of the State Government Article, the  
3 General Assembly on the number of credits certified in the previous calendar year.

4           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
5 July 1, 2013.

Approved:

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Governor.

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President of the Senate.

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Speaker of the House of Delegates.