

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

A BILL ENTITLED

1 AN ACT concerning

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

3 FOR the purpose of extending the termination date for a credit against the Maryland
4 income tax for certain costs incurred by employers to obtain federal security
5 clearances for employees, rent certain spaces, and construct or renovate certain
6 sensitive compartmented information facilities in the State; and generally relating
7 to an income tax credit for costs related to federal security clearances.

8 BY repealing and reenacting, without amendments,

9 Article – Tax – General

10 Section 10–732(a)

11 Annotated Code of Maryland

12 (2022 Replacement Volume)

13 BY repealing and reenacting, with amendments,

14 Article – Tax – General

15 Section 10–732(b)

16 Annotated Code of Maryland

17 (2022 Replacement Volume)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

19 That the Laws of Maryland read as follows:

20 **Article – Tax – General**

21 10–732.

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

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

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

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

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

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

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

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

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

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

16 (b) (1) Subject to the limitations of this section, for a taxable year beginning
17 after December 31, 2012, but before January 1, ~~[2022]~~ **2028**, an individual or a corporation
18 may claim credits against the State income tax for:

19 (i) security clearance administrative expenses, not to exceed
20 \$200,000;

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

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

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

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