

BY: Delegate Moon

AMENDMENTS TO HOUSE BILL 175
(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 2, after “Credit –” insert “Credit Amounts and”; in line 3, after “of” insert “altering the total amount of research and development tax credits that the Department of Commerce may approve in a calendar year;”; in line 5, after “years,” insert “providing for the application of certain provisions of this Act;”; and after line 6, insert:

“BY repealing and reenacting, without amendments,

Article – Tax – General

Section 10–721(b)

Annotated Code of Maryland

(2016 Replacement Volume and 2018 Supplement)

BY repealing and reenacting, with amendments,

Article – Tax – General

Section 10–721(c)

Annotated Code of Maryland

(2016 Replacement Volume and 2018 Supplement)”.

AMENDMENT NO. 2

On page 1, after line 18, insert:

“Article – Tax – General

10–721.

(Over)

(b) Subject to the limitations of this section, an individual or a corporation may claim credits against the State income tax in an amount equal to:

(1) 3% of the Maryland qualified research and development expenses, not exceeding the Maryland base amount for the individual or corporation, paid or incurred by the individual or corporation during the taxable year; and

(2) 10% of the amount by which the Maryland qualified research and development expenses paid or incurred by the individual or corporation during the taxable year exceed the Maryland base amount for the individual or corporation.

(c) (1) By November 15 of the calendar year following the end of the taxable year in which the Maryland qualified research and development expenses were incurred, an individual or corporation shall submit an application to the Department for the credits allowed under subsection (b)(1) and (2) of this section.

(2) (i) Except as provided under paragraph (4) of this subsection, the total amount of credits approved by the Department under subsection (b)(1) of this section may not exceed:

1. [\$4,500,000 in calendar year 2016; and
- 2.] \$5,500,000 in EACH OF calendar [year] YEARS 2017, 2018, AND 2019; AND
2. \$3,000,000 IN CALENDAR YEAR 2020 and each calendar year thereafter.

(ii) Subject to paragraph (4) of this subsection, if the total amount of credits applied for by all individuals and corporations under subsection (b)(1) of this section exceeds the maximum specified under subparagraph (i) of this paragraph, the Department shall approve a credit under subsection (b)(1) of this section for each

applicant in an amount equal to the product of multiplying the credit applied for by the applicant times a fraction:

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

2. the denominator of which is the total of all credits applied for by all applicants under subsection (b)(1) of this section in the calendar year.

(3) (i) Except as provided in paragraph (4) of this subsection, the total amount of credits approved by the Department under subsection (b)(2) of this section may not exceed:

1. [\$4,500,000 in calendar year 2016; and

2.] \$6,500,000 in EACH OF calendar [year] YEARS 2017, 2018, AND 2019; AND

2. \$3,000,000 IN CALENDAR YEAR 2020 and each calendar year thereafter.

(ii) Subject to paragraph (4) of this subsection, if the total amount of credits applied for by all individuals and corporations under subsection (b)(2) of this section exceeds the maximum specified under subparagraph (i) of this paragraph, the Department shall approve a credit under subsection (b)(2) of this section for each applicant in an amount equal to the product of multiplying the credit applied for by the applicant times a fraction:

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

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

(4) (i) For any calendar year, if the maximum specified under paragraph (2)(i) of this subsection exceeds the total amount of credits applied for by all individuals and corporations under subsection (b)(1) of this section, the maximum specified under paragraph (3)(i) of this subsection shall be increased for that calendar year by an amount equal to the amount by which the maximum specified under paragraph (2)(i) of this subsection exceeds the total amount of credits applied for by all individuals and corporations under subsection (b)(1) of this section.

(ii) For any calendar year, if the maximum specified under paragraph (3)(i) of this subsection exceeds the total amount of credits applied for by all individuals and corporations under subsection (b)(2) of this section, the maximum specified under paragraph (2)(i) of this subsection shall be increased for that calendar year by an amount equal to the amount by which the maximum specified under paragraph (3)(i) of this subsection exceeds the total amount of credits applied for by all individuals and corporations under subsection (b)(2) of this section.

(5) By February 15 of the calendar year following the end of the year in which the individual or corporation submitted an application for the credit in accordance with paragraph (1) of this subsection, the Department shall certify to the individual or corporation the amount of the research and development tax credits approved by the Department for the individual or corporation under subsection (b)(1) and (2) of this section.

(6) To claim the approved credits allowed under this section, an individual or corporation shall:

(i) 1. file an amended income tax return for the taxable year in which the Maryland qualified research and development expense was incurred; and

2. attach a copy of the Department's certification of the approved credit amount to the amended income tax return; or

(ii) subject to subsection (d) of this section, attach a copy of the Department's certification of the approved credit amount to an income tax return filed for any of the 7 taxable years after the taxable year in which the Maryland qualified research and development expenses were incurred.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows."

On page 2, after line 29, insert:

"SECTION 3. AND BE IT FURTHER ENACTED, That Section 1 of this Act shall be applicable to all Maryland research and development tax credits certified after February 15, 2019."

and in line 30, strike "2." and substitute "4.".