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# A GUIDE TO BUSINESS TAX CREDITS

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COMPTROLLER  
*of* MARYLAND  
*Serving the People*

Peter Franchot  
Comptroller of Maryland

2009



To the Maryland Business Community:

I am pleased to present this eighth edition of *A Guide to Business Tax Credits*. It gives a brief description and contacts for getting more information on business tax credits offered by the state of Maryland.

In this update, we have included all changes to business tax credits made during the 2009 session of the General Assembly.

This booklet has been very popular and, therefore, we will continue to publish it with revisions each year. Its contents may also be found on our web site, [www.marylandtaxes.com](http://www.marylandtaxes.com).

This publication is part of an effort to make the Comptroller's Office a resource for the business community. Whether it's providing information and expertise, making it easier to do business with this agency, or forming partnerships to promote economic development, we will continue to work to make Maryland a better place to do business.

Sincerely,

A handwritten signature in black ink that reads "Peter Franchot". The signature is written in a cursive style with a large, stylized "P" and "F".

Peter Franchot  
Comptroller of Maryland

## INTRODUCTION

Businesses in Maryland may be able to take advantage of several tax credits. This publication includes brief summaries of each of the tax credits for which businesses in Maryland may be eligible. Some of these credits may have additional requirements, carryover provisions or recapture provisions that are not included in this publication.

You should always contact the appropriate agency to ensure that you meet all requirements. Tax credit-specific agency contacts are listed in the overview page for each of the tax credits.

The information in this publication is intended as a general guide and is not intended to replace the advice of your tax professional.

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## *Bio-Heating Oil Tax Credit*

### **DESCRIPTION:**

Businesses may claim a credit for each gallon of heating oil blended with biodiesel purchased for space or water heating. For any tax year, the credit allowed under this section may not exceed \$500, or the state income tax for that tax year.

The credit is available for the tax years beginning on or after January 1, 2008, but before January 1, 2013.

The credit may be taken against corporate income tax or personal income tax.

Sole proprietorships, corporations and pass through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

### **TO QUALIFY FOR THE CREDIT:**

The business must purchase “Bio-heating oil” with a blend of at least 5% biodiesel.

### **HOW THE CREDIT IS CALCULATED:**

A business that receives an initial credit certificate from the Maryland Energy Administration may claim a credit against the state income tax for a tax year in an amount equal to three (3) cents for each gallon of bio-heating oil purchased for space or water heating.

If the credit is more than the tax liability, the unused credit may not be carried forward to any future tax years.

### **DOCUMENTATION REQUIRED:**

The business must file an amended income tax return (Form 500X or 510) and submit a copy of the certification received from the Maryland Energy Administration with the amended return.

#### **Corporate income tax:**

Form 500CR must be completed and submitted with the amended income tax return (Form 500X) along with the final certificate issued by DBED.

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**FOR MORE INFORMATION, CONTACT:**

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
217 E. Redwood St.  
Baltimore, MD 21202  
Phone: 410-767-6438 or 410-767-4980  
E-mail: [taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)

or:

Mike Li  
Maryland Energy Administration  
1623 Forest Dr., Suite 300  
Annapolis, MD 21403  
Phone: 410-260-7183  
E-mail: [mli@gov.state.md.us](mailto:mli@gov.state.md.us)

## *Biotechnology Investment Incentive Tax Credit*

### DESCRIPTION:

Businesses may be allowed a tax credit of up to 50 percent of the amount contributed during the tax year to a qualified Maryland biotechnology company. The investor, after making the proposed investment, cannot own or control more than 25% of the biotechnology company.

The credit may be taken against corporate income tax or personal income tax.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

### TO QUALIFY FOR THE CREDIT:

Qualified investors must contribute at least \$25,000 in cash or cash-equivalent to a “qualified biotechnology company” that is certified by the Maryland Department of Business and Economic Development based on a number of criteria. Qualified investors must also be required to file an income tax return to any jurisdiction. Credits may be claimed for no more than \$250,000 per investment in a qualified biotechnology company.

DBED may not certify tax credits for investments in a single qualified biotechnology company that are in the aggregate more than 15% of the total amount appropriated to the Maryland Biotechnology Investment Tax Credit Reserve Fund for that fiscal year. DBED may not issue initial credit certificates in excess of the amount appropriated to the Reserve Fund for that fiscal year in the State budget as approved by the General Assembly.

A qualified biotechnology company must have:

- Its headquarters and base of operations in Maryland;
- Fewer than 50 full-time employees; and
- Been in active business no longer than 10 years.
- Cannot be a publicly traded company

At least 30 days before making an investment, the business must submit an initial credit certificate application to DBED. Upon approval (within 30 days of DBED’s receipt of the application), the applicant will receive an initial credit certificate stating the amount of the tax credit and will have 30 days to make the investment. Within the following 10 days, the investor

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must notify DBED that the investment has been made. A final credit certificate will be issued to the applicant stating the amount of the tax credit to which the applicant is entitled. A copy of the final credit certificate must be filed with the taxpayer's income tax return.

**HOW THE CREDIT IS CALCULATED:**

The credit allowed is 50 percent of the amount contributed during the tax year, not to exceed \$250,000.

The amount in excess of the state tax liability may be refunded.

The total amount of credits approved by DBED each year is limited; initial credit certificates will be issued on a first-come-first-served basis.

A prorated percentage of the credit is subject to recapture if an investor disposes of the ownership interest in the qualified biotechnology company within two years after the tax year in which the credit was earned.

**DOCUMENTATION REQUIRED:**

**Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500) along with the final credit certificate issued by DBED.

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505) along with the final credit certificate issued by DBED. If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified Federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**FOR MORE INFORMATION, CONTACT:**

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
217 E. Redwood Street  
Baltimore, MD 21202  
Phone: 410-767-6438 or 410-767-4980  
E-mail: [taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)

## *Businesses that Create New Jobs Tax Credit*

### DESCRIPTION:

Businesses located in Maryland that create new positions and establish or expand business facilities in the state may be entitled to a tax credit. To be eligible for the tax credit, businesses must first have been granted a property tax credit by a local government of Maryland for creating the new jobs.

The credit may be taken against corporate income tax, personal income tax or insurance premiums tax. The credit may be applied to only one of these tax types in addition to the property tax.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

### TO QUALIFY FOR THE CREDIT:

The business must create at least 25 new positions as part of the new or expanded business facility in Maryland (5,000 square feet or more). Businesses located in smaller counties (population of 30,000 or less) must create at least ten new positions.

An **enhanced** credit is instead available for businesses that create or expand a new business facility in Maryland of 250,000 square feet or more and:

- Employ 2,500 employees and create 500 new positions that are paid at least 150 percent of the minimum wage; or
- Create 1,250 new positions that are paid at least 150 percent of the minimum wage.

In Montgomery County only, a business can:

1. Spend at least \$150 million to obtain at least 700,000 square feet of new or expanded business premises (through the purchase, construction, or lease of a new premises); and
2. Employ at least 1,100 individuals including at least 500 new permanent, full time positions. All of the positions must receive employer-provided subsidized health care benefits, be paid at least 150 percent of the minimum wage, and be located in or neighboring the new, expanded or renovated premises.

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#### THE NEW POSITIONS MUST BE:

- Located in Maryland
- Part of the new or expanded business facility in Maryland;
- Permanent;
- Full time of indefinite duration. For Montgomery County (and Washington County for tax years 2007 and later), the position can be a contract position of definite duration lasting at least 12 months with an unlimited renewal option.
- Filled for at least one year.

The business must then apply to, and receive certification from, the local government in which the facility is located for a property tax credit.

The county or city government will notify the State Department of Assessments and Taxation (SDAT) that the property tax credit has been approved. SDAT will calculate and certify the amount of the allowable tax credit to the Comptroller.

#### HOW THE CREDIT IS CALCULATED:

The credits are calculated as a percentage of the property tax liability on the new or expanded portion of the facility. Those percentages are as follows:

##### Property Tax Credit:

- 1st and 2nd tax years: 52 percent
- 3rd and 4th tax years: 39 percent
- 5th and 6th tax years: 26 percent
- Remaining tax years: 0 percent

Credit against the personal or corporate income tax, or the insurance premiums tax:

- 1st and 2nd tax years: 28 percent
- 3rd and 4th tax years: 21 percent
- 5th and 6th tax years: 14 percent
- Remaining tax years: 0 percent

The *enhanced* property tax credit is a flat percentage of 58.5 percent for the local property tax credit and 31.5 percent for the state tax credit in each of the first 12 tax years.

If the credit is more than the state tax liability, the unused credit may be carried forward for the next five tax years.

**DOCUMENTATION REQUIRED:**

**Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**Insurance premiums tax:**

Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Insurance Commissioner, on request, in accordance with COMAR 31.06.04.03. The documentation should include documents from the agency granting the credit, and a list of the names and telephone numbers for the taxpayer's staff who are directly involved in granting the credits. All information shall be retained for a minimum of three years from the date of the filing of the final tax return on which the credit is taken.

**FOR MORE INFORMATION, CONTACT:**

State Department of Assessments and Taxation  
301 W. Preston Street  
Baltimore, MD 21201-2395  
Phone: 410-767-1191  
E-mail: [taxcredits@dat.state.md.us](mailto:taxcredits@dat.state.md.us)

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## *Cellulosic Ethanol Technology Research and Development Tax Credit*

### **DESCRIPTION:**

Businesses that incur qualified research and development expenses for cellulosic ethanol technology in Maryland are entitled to a tax credit. The total credits for all businesses may not exceed \$250,000 per year.

This credit is available for tax years beginning after December 31, 2007, but before January 1, 2017.

The credit may be taken against corporate income tax or personal income tax.

Sole proprietorships, corporations and pass through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

### **TO QUALIFY FOR THE CREDIT:**

The business must invest in research and development activities in Maryland related to “Cellulosic Ethanol Technology,” which is technology that is used to develop cellulosic biomass for conversion to ethanol fuel. The business must also submit an application for the credit to the Maryland Department of Business and Economic Development (DBED) by September 15 of the calendar year following the end of the tax year in which the qualified research and development expenses were incurred. DBED certifies the amount of credit available to the business by December 15.

### **HOW THE CREDIT IS CALCULATED:**

The amount of the tax credit is equal to 10% of the qualified research and development expenses paid or incurred during the tax year.

DBED may not approve more than \$250,000 in credits for any calendar year. If the aggregate amount of credits applied for exceeds \$250,000, each applicant will receive a prorated share of the total credit amount.

If the credit is more than the state tax liability, the unused credit may be carried forward for the next 15 years.

### **DOCUMENTATION REQUIRED:**

The business must file an amended income tax return (Form 500X or 510) and submit a copy of the certification received from the Maryland Department of Business and Economic Development with the amended return.

**Corporate income tax:**

Form 500CR must be completed and submitted with the amended income tax return (Form 500X) along with the certification received from by DBED.

**Personal income tax:**

Form 500CR must be completed and submitted with the amended income tax return (Form 502X). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502X), corporate (Form 500X) or pass-through entity (Form 510) amended income tax returns.

**FOR MORE INFORMATION, CONTACT:**

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
217 E. Redwood St.  
Baltimore, MD 21202  
Phone: 410-767-6438 or 410-767-4980  
E-mail: [taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)

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## *Clean Energy Incentive Tax Credit*

### DESCRIPTION:

Businesses that use certain renewable energy sources or waste materials to produce electricity that is sold to an unrelated person may be entitled to an income tax credit. The facility must be placed in service, or co-firing with coal must begin, on or after January 1, 2006, but before January 1, 2011.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

### TO QUALIFY FOR THE CREDIT:

The business must produce electricity during the tax year using primarily “qualified energy resources” (see Internal Revenue Code §45) which includes any solid, non-hazardous, cellulosic waste material that is segregated from other waste materials and is derived from:

- Forest-related resources, including mill residues (except sawdust and wood shavings), forest thinnings, slash, or brush, but excluding old-growth timber;
- Waste pallets, crates, and dunnage, landscape or right-of-way trimmings;
- Agricultural sources (orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues)

“Qualified energy resources” also includes methane gas or other combustible gases resulting from the decomposition of organic materials from an agricultural operation or from a landfill or a wastewater treatment plant using either anaerobic or thermal decomposition, or a combination of both.

The business must apply for and receive an initial credit certificate from the Maryland Energy Administration (MEA) before claiming this credit. The initial credit certificate must state the amount of electricity the taxpayer expects to produce in a qualified Maryland facility over the 5-year period specified in the initial credit certificate. The total amount of the credit stated in the initial credit certificate cannot exceed \$2,500,000.

**HOW THE CREDIT IS CALCULATED:**

The credit is 0.85 cents for each kilowatt-hour of electricity produced at a Maryland facility using qualified energy resources during the 5-year period after the facility is originally placed in service.

If the facility produces electricity from qualified energy resources co-fired with coal, the credit is reduced to 0.5 cents per kilowatt hour of electricity produced during the 5-year period beginning on the date of the initial co-firing.

The credit claimed each year cannot exceed 1/5 of the credit amount stated in the initial credit certificate. If at least an average of 10% of the maximum credit amount stated on the initial credit certificate is not claimed over a 3-year period, the MEA may cancel a portion of the amount stated on the initial credit certificate.

If the credit is more than the State tax liability, the unused credit may be carried forward for the next ten tax years.

The MEA cannot issue an initial credit certificate after December 31, 2010, and the total of the maximum credit amounts on initial credit certificates issued through that date cannot exceed \$25 million.

**DOCUMENTATION REQUIRED:**

A copy of the initial credit certificate issued by the MEA must be submitted with the income tax return.

**Corporate income tax:**

Form 500CR must be submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be submitted with the income tax return (Forms 502 or 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their share of the credit. Individuals or entities

must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**FOR MORE INFORMATION, CONTACT:**

Revenue Administration Division  
Comptroller of Maryland  
Annapolis, MD 21411-0001  
Phone: 410-260-7980 from Central Maryland,  
1-800-MD TAXES from elsewhere  
E-mail: [taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

Maryland Energy Administration  
1623 Forest Drive, Suite 300  
Annapolis, MD 21403  
Phone: 410-260-7655  
1-800-72 ENERGY  
E-mail: [www.energy.state.md.us](http://www.energy.state.md.us)

## *Community Investment Tax Credit*

**DESCRIPTION:**

Businesses that contribute cash, goods or real property to approved projects operated by tax exempt organizations (under Internal Revenue Code section 501(c)(3)) are eligible for a tax credit of up to \$250,000. This credit is in addition to any charitable contribution deduction that is allowed for these contributions on both the state and federal income tax returns.

The credit may be taken against corporate income tax, personal income tax, insurance premiums tax or public service company franchise tax. The same credit may not, however, be applied to more than one tax type.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

**TO QUALIFY FOR THE CREDIT:**

The business must donate at least \$500 in money or goods to an approved project and document the value of the contribution. The documentation may be either a receipt or certification of value of used goods from an independent and unrelated third party. The business must also

attach a copy of the fully executed certification to the tax return.

**HOW THE CREDIT IS CALCULATED:**

The credit is 50 percent of the value of the donation. Each business may claim a credit of up to \$250,000 beginning with tax years on or after 1/1/2007. The total contributions eligible for the tax credits for all approved projects may not be more than \$2 million per fiscal year.

If the credit is more than the state tax liability, the unused credit may be carried forward for the next five tax years.

**DOCUMENTATION REQUIRED:**

**Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**Insurance premiums tax:**

The contributor and the non-profit partner must complete the Certification of Contribution for Tax Credit and submit it to the Maryland Department of Housing and Community Development along with a copy of the check or documentation of the value of donated goods. Businesses claiming the credit against this tax must include their NAICS number in the space provided on that form.

**Public service company franchise tax:**

Form AT3-74 must be submitted with the franchise tax return (SDAT Forms 11 or 11T).

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For more information, contact:

Reginald Stanfield

Director, Office of Community Programs

Maryland Department of Housing and Community Development

Division of Neighborhood Revitalization

100 Community Place

Crownsville, MD 21032-2023

Phone: 410-514-7207

E-mail: [stanfield@mdhousing.org](mailto:stanfield@mdhousing.org)

## *Commuter Tax Credit*

### **DESCRIPTION:**

Maryland-based businesses that provide commuter benefits for employees may be entitled to a tax credit for a portion of the amounts paid during the tax year. Commuter benefits include certain costs for an employee's travel to and from home and the workplace, a Guaranteed Ride Home program or a parking "Cash-Out" program.

The credit may be taken against corporate income tax, personal income tax, state and local taxes withheld (for tax-exempt organizations) or insurance premiums tax. The same credit may not, however, be applied to more than one tax type.

Sole proprietorships, corporations, tax-exempt non-profit organizations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

### **TO QUALIFY FOR THE CREDIT:**

The company must pay a portion of the cost of an employee's travel between the employee's home and workplace, including the purchase of transit instruments (tickets, passes, vouchers, fare cards, smart cards and tokens). In addition, the workplace must be located in Maryland and travel must take place in either:

- A mass transit vehicle such as an MTA Bus, MTA Commuter Bus, MTA Light Rail, MARC Train, WMATA Metrobus, WMATA Metrorail, or other qualified mass transit system; or
- A van-pool which can seat at least 8 adults, is used primarily (80 percent of total annual mileage) to transport individuals between home and the workplace and is used primarily (80 percent of total annual mileage) to transport at least four employees per trip.

In addition, a business may also qualify for a credit for a portion of the cost paid to provide their employees a Guaranteed Ride Home and/or a parking “Cash-Out” program.

Each tax year, before businesses file for credit against any of the applicable taxes, they must have a Commuter Tax Credit registration form on file with the Maryland Mass Transit Administration. The application is available from the MTA Marketing Department, 6 St. Paul St., Baltimore, MD 21202-1614, or online at [www.commuterchoicemaryland.com](http://www.commuterchoicemaryland.com).

**HOW THE CREDIT IS CALCULATED:**

The tax credit is 50 percent of the cost of providing the commuter benefits up to a maximum of \$50 per month (based on a \$100 employer contribution) for each employee.

If the credit is more than the state tax liability, the unused credit may not be carried forward to any other tax year.

A tax-exempt organization may estimate the amount of the tax credit for qualifying employees for the tax year. The total amount of the estimated credit should be divided evenly over the number of periods for filing withholding returns (Form MW506). For example, if quarterly returns are required, then the total estimated credit should be divided by four. Each payment to the Comptroller would be reduced by the pro rata amount of the credit.

Alternatively, the tax-exempt organization could apply the credit against the tax on unrelated business taxable income.

**DOCUMENTATION REQUIRED:**

Businesses must submit the Maryland Commuter Tax Credit registration form to the MTA.

**Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity’s income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities

must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**Insurance premiums tax:**

Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Insurance Commissioner, on request, in accordance with COMAR 31.06.04.03. The documentation should include documents from the agency granting the credit, a list of the names and telephone numbers for the taxpayer's staff who are directly involved in granting the credits. All information shall be retained for a minimum of three years from the date of the filing of the final tax return on which the credit is taken.

**State and local income taxes withheld:**

Form 500CR must be submitted with Form MW508, the Maryland Annual Employer Withholding Reconciliation Return.

**FOR MORE INFORMATION, CONTACT:**

Buddy Alves  
MTA Marketing Department  
6 St. Paul St.  
Baltimore, MD 21202-1614  
Phone: 410-767-8750  
Fax: 410-333-2203  
E-mail: [balves@mtamaryland.com](mailto:balves@mtamaryland.com)

or:

Revenue Administration Division  
Comptroller of Maryland  
Annapolis, MD 21411-0001  
Phone: 410-260-7980 from Central Maryland,  
1-800-MD TAXES from elsewhere  
E-mail: [taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

## *Employer-Provided Long-Term Care Insurance Tax Credit*

**DESCRIPTION:**

Employers that provide long-term care insurance as part of an employee benefit package may claim a credit for costs incurred.

The credit may be taken against corporate income tax, personal income tax, insurance premiums tax or public service company franchise tax. The same credit may not, however, be applied to more than one tax type.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

**TO QUALIFY FOR THE CREDIT:**

The company must provide long-term care insurance benefits to one or more employees during the tax year as part of an employee benefit package.

**HOW THE CREDIT IS CALCULATED:**

The credit allowed is 5 percent of the costs. The total claimed for a tax year for all employees may not exceed \$5,000, or \$100 per employee, whichever is less.

If the credit is more than the tax liability, the unused credit may be carried forward for the next five tax years.

**DOCUMENTATION REQUIRED:**

**Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**Insurance premiums tax:**

Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Insurance Commissioner, on request, in accordance with COMAR 31.06.04.03. The documentation should include documents from the agency granting the credit, a list of the names and telephone numbers for the taxpayer's staff who are directly involved in granting the credits. All information shall be retained for a minimum of three years from the date of the filing of the final tax return on which the

credit is taken.

**Public service company franchise tax:**

Form AT3-74 must be submitted with the franchise tax return (SDAT Forms 11 or 11T).

**FOR MORE INFORMATION, CONTACT:**

Revenue Administration Division  
 Comptroller of Maryland  
 Annapolis, MD 21411-0001  
 Phone: 410-260-7980 from Central Maryland,  
 1-800-MD TAXES from elsewhere  
 E-mail: [taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

**or:**

State Department of Assessments and Taxation  
 301 W. Preston Street  
 Baltimore, MD 21201-2395  
 Phone: 410-767-1191  
 E-mail: [taxcredits@dat.state.md.us](mailto:taxcredits@dat.state.md.us)

## *Employment Opportunity Tax Credit*

**DESCRIPTION:**

Businesses that hire an individual who is receiving Aid to Families with Dependent Children (AFDC) or Family Investment Program (FIP) entitlements may be entitled to a tax credit for wages paid to the employee and for child care and transportation expenses paid on behalf of the employee. The credit may be claimed for individuals hired before July 1, 2009.

The credit may be taken against corporate income tax, personal income tax, state and local taxes withheld (for certain tax-exempt organizations only), insurance premiums tax or public service company franchise tax. The same credit may not, however, be applied to more than one tax type.

Sole proprietorships, corporations, tax-exempt non-profit organizations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

**TO QUALIFY FOR THE CREDIT:**

The company must hire at least one employee who received AFDC or FIP payments for any three months during the 18-month period before

employment by the company. The employee cannot be closely related to the owners of the business.

Certification must be obtained from the Department of Labor, Licensing and Regulation that the individual is a qualified employee.

**HOW THE CREDIT IS CALCULATED:**

The credit is allowed for the first two years of employment of the individual for both the wages paid and the child care or transportation expenses paid on behalf of the employee as follows.

**First year**

- **Wages:** 30 percent of the first \$6,000 paid in the first year (a maximum allowable credit of \$1,800)
- **Child care or transportation expenses:** Up to \$600 of expenses paid in the first year

**Second year**

- **Wages:** 20 percent of the first \$6,000 of wages paid in the second year (a maximum allowable credit of \$1,200)
- **Child care or transportation expenses:** Up to \$500 of expenses paid in the second year.

If the employee has been a recipient of AFDC or Temporary Cash Assistance for any 18 months during the last 48 months and is employed by the business for a full year, the credit increases to 40 percent of the first \$10,000 of wages paid to the employee during the first year of employment. The credit for childcare or transportation expenses may also be taken for the first and second years as shown above.

If the credit is more than the state tax liability, the unused credit may be carried forward for the next five tax years.

A tax-exempt organization may estimate the amount of the tax credit for qualifying employees for the tax year. The total amount of the estimated credit should be divided evenly over the number of periods for filing withholding returns (Form MW506). For example, if quarterly returns are required, then the total estimated credit should be divided by four. Each payment to the Comptroller would be reduced by the pro rata amount of the credit.

Alternatively, the tax-exempt organization could apply the credit against the tax on unrelated business taxable income.

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**DOCUMENTATION REQUIRED:****Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**State and local income taxes withheld:**

Form 500CR must be submitted with Form MW508, the Maryland Annual Employer Withholding Reconciliation Return.

**Insurance premiums tax:**

Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Insurance Commissioner, on request, in accordance with COMAR 31.06.04.03. The documentation should include documents from the agency granting the credit, a list of the names and telephone numbers for the taxpayer's staff who are directly involved in granting the credits. All information shall be retained for a minimum of three years from the date of the filing of the final tax return on which the credit is taken.

**Public service company franchise tax:**

Form AT3-74 must be submitted with the franchise tax return (SDAT forms 11 or 11T).

**For more information, contact:**

David Ghee  
Maryland Department of Labor, Licensing and Regulation  
Division of Employment and Training  
1100 N. Eutaw Street  
Baltimore, MD 21201  
Phone: 410-767-2080  
E-mail: [ghee@careernet.state.md.us](mailto:ghee@careernet.state.md.us)

## *Enterprise Zone Tax Credit*

### DESCRIPTION:

Businesses located in a Maryland enterprise zone may be entitled to a tax credit for wages paid to newly hired employees. The local enterprise zone administrator must certify the business to qualify for the credit.

The credit may be taken against corporate income tax or personal income tax.

Sole proprietorships, corporations, tax-exempt non-profit organizations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

### TO QUALIFY FOR THE CREDIT:

The business must hire at least one employee who:

- Is a new employee or an employee rehired after being laid off for more than one year;
- Worked for the business for at least 35 hours per week for six months or more;
- Earns at least 150 percent of the federal minimum wage;
- Spends at least 50 percent of the workday either in the enterprise zone or on activities of the business resulting from its location in the enterprise zone or focus area;
- Is hired after the date the enterprise zone was created or the date the business located in the enterprise zone or focus area, whichever is later; and
- Is not hired to replace an individual employed by the business within the last four years.

If the individual is economically disadvantaged, the business must also obtain certification from the Maryland Department of Labor, Licensing and Regulation.

**HOW THE CREDIT IS CALCULATED:**

Is the business located in a focus area?				
	No		Yes	
	Is the employee certified economically disadvantaged?		Is the employee certified economically disadvantaged?	
	Yes	No	Yes	No
1 <sup>st</sup> year	\$3,000	\$1,000	\$4,500	\$1,500
2 <sup>nd</sup> year	\$2,000	\$0	\$3,000	\$0
3 <sup>rd</sup> year	\$1,000	\$0	\$1,500	\$0

The credits are based on the wages paid during the tax year to each qualified employee. The credits allowed are the amounts shown in the following table amounts or the wages paid to the employee, whichever is less.

If the credit is more than the state tax liability, the unused credit may be carried forward for the next five tax years.

**DOCUMENTATION REQUIRED:****Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**FOR MORE INFORMATION, CONTACT:**

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
217 E. Redwood Street  
Baltimore, MD 21202  
Phone: 410-767-6438 or 410-767-4980  
E-mail: [taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)

## *Green Building Tax Credit*

**DESCRIPTION:**

Businesses that construct or rehabilitate a building that conforms to specific standards intended to save energy and to mitigate environmental impact may take a credit for a portion of the cost. The total amount of initial credit certificates issued for all taxpayers each year is subject to certain limitations.

**NOTE:**

The information provided in this section reflects Maryland law regarding this credit, however, all credits have been allocated through the current program's end. Unless the program is extended or receives supplemental funding, no additional credits may be authorized.

The credit may be taken against corporate income tax or personal income tax.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

**TO QUALIFY FOR THE CREDIT:**

A business must construct or rehabilitate a building located in Maryland with at least 20,000 square feet of interior space that is:

- Used primarily for non-residential purposes; or
- A residential, multi-family building with at least 12 dwelling units; or
- Any combination of the above.

The building must be located in a priority funding area or qualified "brownfields" site and not on wetlands.

If the building has been rehabilitated, but is not located in these areas, the business will still qualify for the credit if the increase in the building's

square footage is 25 percent or less. You can find out if your building or site is located in a priority funding area online at [http://www.mdp.state.md.us/pfa\\_imf.htm](http://www.mdp.state.md.us/pfa_imf.htm) or by calling Stephanie (Fleck) Martins at 410-767-4562 at the Maryland Department of Planning.

If the building is newly constructed, a certificate of occupancy must have been issued on or after July 1, 2001.

The business must submit an initial credit certificate application to the Maryland Energy Administration. Upon approval, the applicant will receive an initial credit certificate stating the amount of the tax credit. Upon completion of construction, the applicant must submit an eligibility certificate from a LEED accredited professional architect or engineer licensed in Maryland. The Maryland Energy Administration will then issue a final credit certificate (based on final costs) stating the amount of the tax credit to which the applicant is entitled. A copy of the initial and final credit certificates and the eligibility certificate must be filed with the taxpayer's income tax return.

#### HOW THE CREDIT IS CALCULATED:

Allowable costs may not exceed in the aggregate:

- \$120 per square foot for that portion of the building that comprises the building; and
- \$60 per square foot for that portion of the building that comprises the tenant space.

*The credit is the sum of the four credit components described below:*

- **Building credit component:** A percentage of the allowable costs paid by the owner or tenant to make some portion of the building “green.” Each credit is limited by a dollar amount per square foot (SF).
- **Whole building:** 8 percent of the allowable costs paid for or incurred by the owner or tenant, or,
- **If not a whole green building:**
  - **Base building** (areas not intended to be occupied): 6 percent of the allowable costs. The maximum credit amount is \$7.20 per SF for the area that comprises the base building, and
  - **Tenant space:** 6 percent of the allowable costs. The maximum credit amount is \$3.60 per SF. The credit cannot be claimed by the owner if the owner occupies less than 10,000 SF of the building or by the tenant if the tenant occupies less than 5,000 SF.

- **Fuel cell credit component:** 30 percent of the costs paid by the owner or tenant to purchase and install a fuel cell in a green whole building, base building or tenant space. The credit cannot exceed \$1,000 per kilowatt hour of capacity and is reduced by non-taxable government grants used to purchase and install the fuel cell.
- **Photovoltaic module credit component:** 25 percent (20 percent if building-integrated) of the cost paid by an owner or tenant to purchase and install a photovoltaic module in a green whole building, base building or tenant space. The costs used to determine the credit amount cannot exceed \$3 per watt of capacity, and are reduced by non-taxable government grants used to purchase and install the modules.
- **Wind turbine component:** 25 percent of the cost to purchase and install wind turbines that qualify as alternative energy sources and will serve a green whole building, base building or tenant space.

The total amount of credits approved for all taxpayers in each year is also subject to certain limitations.

If the credit is more than the state tax liability, the unused credit may be carried forward for the next 10 tax years.

**DOCUMENTATION REQUIRED:**

**Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

A copy of the required certificate must be filed with the taxpayer's income tax return.

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**For more information, contact:**

Mike Li  
Maryland Energy Administration  
1623 Forest Drive, Suite 300  
Annapolis, MD 21403  
Phone: 410-260-7183  
E-mail: [mli@gov.state.md.us](mailto:mli@gov.state.md.us)

**or:**

Revenue Administration Division  
Comptroller of Maryland  
Annapolis, MD 21411-0001  
Phone: 410-260-7980 from Central Maryland,  
1-800-MD TAXES from elsewhere  
E-mail: [taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

## *Heritage Structure Rehabilitation Tax Credit*

### **DESCRIPTION:**

A credit may be allowed for substantial expenditures incurred in a 24-month period to rehabilitate a certified heritage structure located in Maryland. The credit is available for owner-occupied residential property, as well as income-producing property. Credits may not be authorized after June 30, 2010.

The credit may be taken against corporate income, personal income or insurance premium tax.

Sole proprietorships, corporations, tax-exempt non-profit organizations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

### **TO QUALIFY FOR THE CREDIT:**

The business must complete a Heritage Preservation Certification Application and submit the application for approval to the Maryland Historical Trust (MHT).

After certification by MHT, the form is returned to you. A copy of the certified form (Part 3) from MHT must accompany your Maryland income tax return.

## HOW THE CREDIT IS CALCULATED:

The credit is 20 percent of the total expenditures incurred during the 24-month rehabilitation period. For the rehabilitation of commercial structures, the credit cannot be more than the maximum amount specified under the initial credit certificate, which is based on estimated expenditures. If the application was submitted to the MHT before June 1, 2002, the credit based on actual expenditures can be up to \$250,000 more than the amount shown on the initial credit certificate.

The credit is claimed for the tax year in which the rehabilitation is completed, however, it cannot be claimed until the Part 3 certification is approved.

For property certified before July 1, 2001, a business could have received a mortgage credit certificate. In lieu of taking the credit, the certificate may be transferred to the mortgage holder who may then take a credit against their income tax in an amount equal to the face value of the certificate.

For certifications received after June 30, 2001, the amount in excess of the state tax liability can be refunded.

Credits for tax years 2002 and later are limited to \$3 million. For non-commercial properties, the credit is \$50,000 per property for applications received by the MHT after June 30, 2004.

The rehabilitation of a structure that received approval by the MHT on or before February 1, 2001, is subject to the provisions of the law in effect prior to the 2002 legislative changes.

The MHT will not accept applications for the approval of plans for commercial rehabilitations if a substantial part of the work has been completed or if the applicant has already submitted three or more applications for a combined total of more than \$500,000 in that year.

The total amount of credits approved by MHT and for properties located in certain areas of the state during each fiscal year are subject to certain limitations.

A pro-rated percentage of the credit is subject to recapture if disqualifying work is performed during a five-year period, beginning with the year in which the certified rehabilitation was completed.

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**DOCUMENTATION REQUIRED:****Corporate income tax:**

Form 502H must be completed and submitted with the income tax return (Form 500) along with the MHT certification.

**Personal income tax:**

Form 502H must be completed and submitted with the income tax return (Form 502 or Form 505) along with the MHT certification. If the business is a pass-through entity, Form 502H must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 502H submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**Insurance premiums tax:**

Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Insurance Commissioner, on request, in accordance with COMAR 31.06.04.03. The documentation should include documents from the agency granting the credit, a list of the names and telephone numbers for the taxpayer's staff who are directly involved in granting the credits. All information shall be retained for a minimum of three years from the date of the filing of the final tax return on which the credit is taken.

**FOR MORE INFORMATION, CONTACT:**

Maryland Historical Trust  
100 Community Place  
Crownsville, MD 21032-2023  
Phone: 410-514-7628  
E-mail: [dsams@mdp.state.md.us](mailto:dsams@mdp.state.md.us)

## *Job Creation Tax Credit*

**DESCRIPTION:**

Businesses that expand or establish a facility in Maryland before January 1, 2013, resulting in the creation of new positions in the state may be entitled to a tax credit. The amount of the tax credit is based on the number of positions created or on the wages paid to the employees hired to fill those positions.

The credit may be taken against corporate income tax, personal income tax, insurance premiums tax or public service company franchise tax. The same credit may not, however, be applied to more than one tax type.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

**TO QUALIFY FOR THE CREDIT:**

The business must create at least 60 new full-time positions as part of the new or expanded business facility in Maryland. If the positions are highly paid, the company must create only 30 positions.

If the new or expanded facility is located in a priority funding area, the number of new positions the company must create is reduced to 25. Please contact the Maryland Department of Business and Economic Development at 410-767-4980 or 410-767-6438 to find out if your property is located in a priority funding area.

Before filling these new positions, the company must notify the Department of Business and Economic Development of its intention to seek certification.

**The new positions must be:**

- Full-time;
- Permanent;
- Paid at least 150 percent of the federal minimum wage;
- Located in Maryland; and
- Filled.

**HOW THE CREDIT IS CALCULATED:**

The credit allowed depends on where in Maryland the facility is located.

- If the facility is located in a revitalization area (as defined in the statute), the credit is the lesser of \$1,500 multiplied by the number of employees hired to fill the new positions, or 5 percent of the wages paid to employees hired to fill the new positions.
- If the facility is not located in a revitalization area, the credit is reduced to the lesser of \$1,000 multiplied by the number of employees hired to fill the new positions, or 2.5 percent of the wages paid to employees hired to fill the new positions.

Half of the allowable credit is claimed in the first year and the remaining half in the following tax year. The total credit earned by any one company may not exceed \$1 million for any credit year.

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If the credit is more than state the tax liability, the unused credit may be carried forward for the next five tax years.

**DOCUMENTATION REQUIRED:**

**Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**Insurance premiums tax:**

Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Insurance Commissioner, on request, in accordance with COMAR 31.06.04.03. The documentation should include documents from the agency granting the credit, a list of the names and telephone numbers for the taxpayer's staff who are directly involved in granting the credits. All information shall be retained for a minimum of three years from the date of the filing of the final tax return on which the credit is taken.

**Public service company franchise tax:**

Form AT3-74 must be submitted with the franchise tax return (SDAT Forms 11 or 11T).

**FOR MORE INFORMATION, CONTACT:**

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
217 E. Redwood Street  
Baltimore, MD 21202  
Phone: 410-767-6438 or 410-767-4980  
E-mail: [taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)

## *Long-Term Employment of Ex-Felons Tax Credit*

### **DESCRIPTION:**

Businesses that operate in Maryland and hire one or more ex-felons during the period from January 1, 2007, through December 31, 2011, who are employed by the business for at least one year may be entitled to a credit.

The credit may be taken against corporate, personal income tax, or state and local taxes withheld (certain tax exempt organizations only). The credit may not be applied to more than one tax type.

Sole proprietorships, corporations, pass-through entities (partnerships, subchapter S corporations, limited liability companies, business trusts) and tax-exempt, non-profit organizations may claim the tax credit.

### **TO QUALIFY FOR THE CREDIT:**

The company must hire at least one ex-felon between January 1, 2007, and December 31, 2011, and employ that person for a minimum of one year.

The company must also obtain certification from the Department of Labor, Licensing and Regulation that the individual is a qualified ex-felon.

### **HOW THE CREDIT IS CALCULATED:**

For the first year, the credit is 30 percent of the first \$6,000 of wages paid to a qualified individual with a maximum credit of \$1,800. In the second year, the credit is 20 percent of the first \$6,000 paid with a maximum credit of \$1,200.

If the credit is more than the state tax liability, the unused credit may be carried forward for the next five tax years.

A tax-exempt organization may estimate the amount of the tax credit for qualifying employees for the tax year. The total amount of the estimated credit should be divided evenly over the number of periods for filing withholding returns (Form MW506). For example, if quarterly returns are required, then the total estimated credit should be divided by four. Each payment to the Comptroller would be reduced by the pro rata amount of the credit.

Alternatively, the tax-exempt organization could apply the credit against the tax on unrelated business taxable income.

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**DOCUMENTATION REQUIRED:****Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**State and local income taxes withheld:**

Form 500CR must be submitted with Form MW508, the Maryland Annual Employer Withholding Reconciliation Return.

The credit cannot be claimed if either the Employment Opportunity Tax Credit or the Maryland Disability Employment Tax Credit is claimed for the same employee.

**For more information, contact:**

David Ghee, Maryland Department of Labor, Licensing and Regulation  
Division of Employment and Training  
1100 N. Eutaw Street  
Baltimore, MD 21201  
Phone: (410) 767-2080  
E-mail: [ghee@careernet.state.md.us](mailto:ghee@careernet.state.md.us)

## *Maryland Disability Employment Tax Credit*

**DESCRIPTION:**

Businesses that hire people with disabilities may be entitled to a tax credit for wages paid to the employees and for childcare or transportation expenses paid on behalf of the employees. A person with a disability includes a veteran released from the armed forces for a service-related disability. The credit may be claimed for individuals hired before July 1, 2010.

The credit may be taken against corporate income tax, personal income tax, state and local taxes withheld (for certain tax-exempt organizations only), insurance premiums tax or public service company franchise tax. The same credit may not, however, be applied to more than one tax type.

Sole proprietorships, corporations, tax-exempt non-profit organizations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

**TO QUALIFY FOR THE CREDIT:**

The company must hire an individual with a disability and obtain a determination from the Division of Rehabilitation Services of the Maryland State Department of Education, or the Maryland Department of Labor, Licensing and Regulation for a disabled veteran, that the individual is a qualified employee with a disability.

**HOW THE CREDIT IS CALCULATED:**

The credit is allowed for the first two years of employment of the disabled individual for both the wages paid and the childcare or transportation expenses paid on behalf of the employee as follows.

**First Year**

- **Wages:** 30 percent of the first \$6,000 paid in the first year for a maximum allowable credit of \$1,800 (20 percent for employees hired before July 1, 2000)
- **Childcare or transportation expenses:** Up to \$600 of expenses paid in the first year

**Second Year**

- **Wages:** 20 percent of the first \$6,000 of wages paid in the second year for a maximum allowable credit of \$1,200
- **Childcare or transportation expenses:** Up to \$500 of expenses paid in the second year

If the credit is more than the tax liability, the unused credit may be carried forward for the next five tax years.

The credit may not be claimed if the Employment Opportunity Tax Credit was claimed for the same employee.

A tax-exempt organization may estimate the amount of the tax credit for qualifying employees for the taxable year. The total amount of the

estimated credit should be divided evenly over the number of periods for filing withholding returns (Form MW506). For example, if quarterly returns are required, then the total estimated credit should be divided by four. Each payment to the Comptroller would be reduced by the pro rata amount of the credit.

Alternatively, the tax-exempt organization could apply the credit against the tax on unrelated business taxable income.

#### **DOCUMENTATION REQUIRED:**

##### **Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

##### **Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

##### **State and local income taxes withheld:**

Form 500CR must be submitted with Form MW508, the Maryland Annual Employer Withholding Reconciliation Report.

##### **Insurance premiums tax:**

Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Insurance Commissioner, on request, in accordance with COMAR 31.06.04.03. The documentation should include documents from the agency granting the credit, a list of the names and telephone numbers for the taxpayer's staff who are directly involved in granting the credits. All information shall be retained for a minimum of three years from the date of the filing of the final tax return on which the credit is taken.

##### **Public service company franchise tax:**

Form AT3-74 must be submitted with the franchise tax return (SDAT Forms 11 or 11T).

**FOR MORE INFORMATION, CONTACT:**

David Ghee, Maryland Department of Labor, Licensing and Regulation  
Division of Employment and Training  
1100 N. Eutaw Street  
Baltimore, MD 21201  
Phone: 410-767-2080  
E-mail: [ghee@careernet.state.md.us](mailto:ghee@careernet.state.md.us)

**or:**

Maryland State Department of Education  
Division of Rehabilitation Services  
2301 Argonne Drive  
Baltimore, MD 21218  
Phone: 1-888-554-0334  
E-mail: [dors@dors.state.md.us](mailto:dors@dors.state.md.us)

## *Maryland-Mined Coal Tax Credit*

**DESCRIPTION:**

A co-generator, a public service company, or an electricity supplier that purchases coal mined in Maryland on or before December 31, 2020 may be eligible for a tax credit.

The credit may be taken against corporate income tax, personal income tax or public service company franchise tax. The same credit may not, however, be applied to more than one tax type.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

**TO QUALIFY FOR THE CREDIT:**

The business must purchase Maryland-mined coal during the tax year. To take the credit against the income tax, an application must be submitted to the State Department of Assessments and Taxation (SDAT). An electricity supplier must not have been an electric company before July 1, 1999, and both co-generators and electricity suppliers must not be subject to the public service company franchise tax. The total amount of credits approved by SDAT for the tax years 2007 and later are limited. In addition, \$2,250,000 of the credits must be reserved for Maryland-mined coal for use in a Maryland facility.

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**HOW THE CREDIT IS CALCULATED:**

The credit is \$3 per ton of Maryland-mined coal purchased during the tax year, but cannot exceed the credit amount approved by SDAT.

If the credit is more than the tax liability, the unused credit may not be carried forward to future taxable years.

**DOCUMENTATION REQUIRED:****Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**Public service company franchise tax:**

Computation and schedule must be submitted with the franchise tax return (SDAT Form 11).

**FOR MORE INFORMATION, CONTACT:**

Revenue Administration Division  
Comptroller of Maryland  
Annapolis, MD 21411-0001  
Phone: 410-260-7980 from Central Maryland,  
1-800-MD-TAXES from elsewhere  
E-mail: [taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

or:

State Department of Assessments and Taxation  
301 W. Preston Street  
Baltimore, MD 21201-2395  
Phone: 410-767-1191  
E-mail: [taxcredits@dat.state.md.us](mailto:taxcredits@dat.state.md.us)

## *One Maryland Economic Development Tax Credit*

### DESCRIPTION:

Certain businesses that establish or expand a business facility in a priority funding area or as part of a project approved by the Board of Public Works, and that are located in a “distressed” Maryland county, may be entitled to a tax credit for costs related to the new or expanded facility. A “distressed” county has, for the most recent 24-month period, an average rate of unemployment that is 150 percent higher than the statewide average or an average per-capita personal income that is equal to or less than 67 percent of the statewide average, and includes a county (including Baltimore City) that no longer meets one of these requirements, but did so at some time during the preceding 12-months.

The credit may be taken against corporate income tax, personal income tax or insurance premiums tax. The same credit may not, however, be applied to more than one tax type.

Sole proprietorships, corporations, tax-exempt non-profit organizations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

### TO QUALIFY FOR THE CREDIT:

The business must notify the Department of Business and Economic Development of its intent to seek certification before either new employees are hired to fill qualified new positions or eligible costs are incurred.

The business must, over a two-year period, create at least 25 positions at the new or expanded business facility that are:

- Full-time;
- Of indefinite duration;
- Paid at least 150 percent of the federal minimum wage;
- Located in a qualified distressed county in Maryland; and
- Filled.

To qualify for the project tax credit, the business must also spend at least \$500,000 in project costs on the project. No minimum expenditure is required for the “start-up” tax credit. The business must also submit a copy of the certification from the Department of Business and Economic Development with the tax return.

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**HOW THE CREDIT IS CALCULATED:**

The credit for start-up costs is the lesser of 100 percent of eligible start-up costs (up to \$500,000), less any credits taken in prior years, or \$10,000 multiplied by the number of employees who have filled the newly created, qualified positions.

The credit for project costs is the lesser of 100 percent of eligible project costs (up to \$5 million), less any credits taken in prior years, or the state income tax liability for the tax year from the project.

No credit for costs may be claimed against the insurance premium tax for the first year or for the next four years after the project is placed in service.

If the credit is more than the state tax liability, the unused credit may be carried forward for the next 14 tax years. At any time after the fourth tax year after the tax year in which the project is placed in service, but before the expiration of the 15th year after the project is placed in service, the business may apply the excess credit for project costs to non-project-related taxable income and a portion of excess unused credits for both project and start-up costs may be refunded.

If the majority of the individuals in the new positions are paid at 250 percent or more of the minimum wage and the first notice of intent to seek certification is filed with the Department of Business and Economic Development on or after July 1, 2002, the excess credit for project costs may be used against the tax on non-project income, and a portion of excess unused credit for both project and start-up costs may be refundable two years earlier.

For any tax year, the total of any refund claimed for the project tax credit and the amount of that credit used against the taxpayer's Maryland tax liability on non-project-related income may not exceed state and local taxes that must be withheld from the newly hired employees. For the start-up tax credit, the amount to be refunded may not exceed the state and local taxes required to be withheld from the newly hired employees.

**DOCUMENTATION REQUIRED:****Corporate income tax (including tax exempt, non-profit organizations):**

Form 500CR must be completed and submitted with the income tax return (Form 500). The taxpayer must attach a copy of the certification from the Maryland Department of Business and Economic Development to Form 500CR.

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns. The taxpayer must also attach a copy of the certification from the Maryland Department of Business and Economic Development to Form 500CR.

**Insurance premiums tax:**

Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Insurance Commissioner, on request, in accordance with COMAR 31.06.04.03. The documentation should include documents from the agency granting the credit, a list of the names and telephone numbers for the taxpayer's staff who are directly involved in granting the credits. All information shall be retained for a minimum of three years from the date of the filing of the final tax return on which the credit is taken.

**For more information, contact:**

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
217 E. Redwood Street  
Baltimore, MD 21202  
Phone: 410-767-6438 or 410-767-4980  
E-mail: [taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)

## *Research and Development Tax Credit*

**DESCRIPTION:**

Businesses that incur qualified research and development expenses in Maryland are entitled to a tax credit. The total credits for all businesses may not exceed \$6 million per year.

This credit is available for tax years beginning after December 31, 1999, but before January 1, 2011.

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The credit may be taken against corporate income tax or personal income tax.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

#### TO QUALIFY FOR THE CREDIT:

The business must invest in research and development activities in Maryland during the tax year. The business must also submit an application for the credit to the Maryland Department of Business and Economic Development by September 15 of the year following the tax year in which the expenses were incurred. The Maryland Department of Business and Economic Development will certify the amount of credit available to the business by December 15.

#### HOW THE CREDIT IS CALCULATED:

There are two types of research and development tax credits available to businesses.

- **Basic Research and Development Credit:** 3 percent of the Maryland qualified research and development expenses paid during the tax year, up to the Maryland base amount.
- **Growth Research and Development Credit:** 10 percent of the Maryland qualified research and development expenses paid during the year that exceed the Maryland base amount.

The Maryland base amount is the average annual gross receipts of the business for the four preceding tax years multiplied by the Maryland base percentage. For most businesses, the Maryland base percentage is the percentage that Maryland research and development expenses for the preceding four tax years is of total gross receipts for those years.

If the credit is more than the state tax liability, the unused credit may be carried forward for the next 7 tax years.

#### DOCUMENTATION REQUIRED:

The business must file an amended income tax return (Form 500X or 510) and submit a copy of the certification received from the Maryland Department of Business and Economic Development with the amended return.

**Corporate income tax:**

Form 500CR must be completed and submitted with the amended income tax return (Form 500X).

**Personal income tax:**

Form 500CR must be completed and submitted with the member's amended income tax return (Form 502X). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502X), corporate (Form 500X) or pass-through entity (Form 510) amended income tax returns.

**FOR MORE INFORMATION, CONTACT:**

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
217 E. Redwood Street  
Baltimore, MD 21202  
Phone: 410-767-6438 or 410-767-4980  
E-mail: [taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)

## *Telecommunications Property Tax Credit*

**DESCRIPTION:**

A telecommunications company that is a public utility is allowed a credit for a portion of the total property taxes paid by the company on its operating real property in Maryland, other than operating land, that is used in its telecommunications business.

The credit may be taken only against corporate income tax.

Only corporations may claim the tax credit.

**TO QUALIFY FOR THE CREDIT:**

The business must be a public utility that is a telecommunications company. The business must also have paid property taxes on its operating real property in Maryland, other than operating land, that is used in its telecommunications business.

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**HOW THE CREDIT IS CALCULATED:**

The credit is 60 percent of the total state, county and municipal corporation property taxes paid by the public utility during the tax year on its operating real property used in its telecommunications business, other than operating land. The credit cannot exceed the state income tax liability after deducting other allowable income tax credits.

If the credit is more than the tax liability, the unused credit may *not* be carried forward to any future tax years.

**DOCUMENTATION REQUIRED:****Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**FOR MORE INFORMATION, CONTACT:**

Revenue Administration Division  
Comptroller of Maryland  
Annapolis, MD 21411-0001  
Phone: 410-260-7980 from Central Maryland,  
1-800-MD-TAXES from elsewhere  
E-mail: [taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

**or:**

State Department of Assessments and Taxation  
301 W. Preston Street  
Baltimore, MD 21201-2395  
Phone: 410-767-1191  
E-mail: [taxcredits@dat.state.md.us](mailto:taxcredits@dat.state.md.us)

## *Water Quality Improvement Tax Credit*

**DESCRIPTION:**

A credit may be claimed for the additional commercial fertilizer costs necessary to convert agricultural production to a certified nutrient management plan.

The credit may be taken against corporate income tax or personal income tax for expenses incurred before January 1, 2009.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S corporations, limited liability companies and business trusts may claim the tax credit.

**TO QUALIFY FOR THE CREDIT:**

The business must submit a nutrient management plan and information related to the purchase and use of commercial fertilizer to the Maryland Department of Agriculture.

The business must receive the following certifications from the Maryland Department of Agriculture:

- The business has submitted a nutrient management plan;
- The additional commercial fertilizer costs are necessary to comply with a nutrient management plan; and
- Amount of the tax credit that the business is eligible to claim for the tax year.

The business must submit a copy of the certification from the Maryland Department of Agriculture with its income tax return.

**HOW THE CREDIT IS CALCULATED:**

The credit allowed:

- Is 50 percent of the certified additional commercial fertilizer costs necessary to convert agricultural production to a nutrient management plan;
- May be claimed for up to three consecutive years;
- May not exceed \$4,500 for any tax year; and

If the credit is more than the tax liability, the unused credit may be carried forward for the next five tax years.

**DOCUMENTATION REQUIRED:**

**Corporate income tax:**

Form 500CR must be completed and submitted with the income tax return (Form 500).

**Personal income tax:**

Form 500CR must be completed and submitted with the income tax

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return (Form 502 or Form 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return (Form 510). A modified federal Schedule K-1 provided by the pass-through entity to its members must separately state their shares of the credit. Individuals or entities must attach this statement to the Form 500CR submitted with their personal (Form 502 or Form 505), corporate (Form 500) or pass-through entity (Form 510) income tax returns.

**FOR MORE INFORMATION, CONTACT:**

Maryland Department of Agriculture  
Office of Resource Conservation  
Annapolis, MD 21401  
Phone: 410-841-5863  
E-mail: [lawrenl@mda.state.md.us](mailto:lawrenl@mda.state.md.us)

## *Work-Based Learning Program Tax Credit*

### **DESCRIPTION:**

The credit may be claimed only for tax years beginning after December 31, 2008, but on or before December 31, 2012.

Businesses that hire students as part of an approved work-based learning program in the state may be entitled to a tax credit for a portion of the wages paid to the individuals.

The credit may be taken against corporate income tax, or insurance premium tax. The same credit may not, however, be applied to more than one tax type.

Sole proprietorships, corporations and pass-through entities, such as partnerships, subchapter S Corporations, limited liability companies and business trusts may claim the tax credit.

### **TO QUALIFY FOR THE CREDIT:**

The business must establish a work-based learning program and have the program approved by the Maryland State Department of Education. The business must also hire at least one student for placement in the program who is at least 16, but less than 23 years old or who turns 23 years old while in the program, and is enrolled in a public or private secondary or post-secondary school in Maryland. The business must also employ each student for at least 200 hours.

### **HOW THE CREDIT IS CALCULATED:**

The credit is 15 percent of the wages paid to each student during the tax year. Cumulative credits for all years cannot exceed \$1,500 per student.

If the credit is more than the tax liability, the unused credit may be carried forward for the next five tax years.

### **DOCUMENTATION REQUIRED:**

#### **Corporate income tax:**

Form 500CR must be submitted with the income tax return (Form 500)

#### **Personal income tax:**

Form 500CR must be submitted with the income tax return (Form 502 or 505). If the business is a pass-through entity, Form 500CR must be prepared for the pass-through entity and submitted with the income tax return (Form 510). A modified Federal Schedule K-1 provided by the pass-through entity to each individual partner, shareholder or member

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must separately state their share of credit. The individual must attach this statement to the Form 500CR submitted with their personal income tax return (Form 502 or 505).

**Insurance premiums tax:**

Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Insurance Commissioner, on request, in accordance with COMAR 31.06.04.03. The documentation should include documents from the agency granting the credit, a list of the names and telephone numbers for the taxpayer's staff who are directly involved in granting the credits. All information shall be retained for a minimum of three years from the date of the filing of the final tax return on which the credit was taken.

**FOR MORE INFORMATION, CONTACT:**

Maryland State Department of Education  
Division of Career Technology and Adult Learning  
200 W. Baltimore Street  
Baltimore, MD 21201  
Phone: 410-767-0182  
E-mail: [jmholly@msde.state.md.us](mailto:jmholly@msde.state.md.us)

Maryland Insurance Administration  
525 St. Paul Place, Suite 2700  
Baltimore, MD 21202-2272  
1-800-492-6116  
410-468-2000

**NOTES:**





For additional copies, questions or questions, contact  
[taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

410-260-7980

1-800-MD TAXES

TTY users call via Maryland Relay at 711 in Maryland or 1-800-735-2258

To request accommodations for disability before visiting a branch office or for information in an alternate format, please contact us.

This booklet is also available on the Comptroller's Web site at  
[www.marylandtaxes.com](http://www.marylandtaxes.com)

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