

# A GUIDE TO MARYLAND



# BUSINESS TAX CREDITS

Peter Franchot  
Comptroller of Maryland  
2013

To the Maryland Business Community:

I am pleased to present this fourteenth 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 2013 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 Maryland's employers. Whether it's providing information and expertise, making our agency ever more responsive and user-friendly, or forming partnerships to promote business and job 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 initial "P".

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.

A quick reference on Maryland tax forms and agency forms referenced in this guide can be found in the back of the booklet.

## TABLE OF CONTENTS

<i>Bio-Heating Oil Tax Credit</i> .....	4
<i>Biotechnology Investment Incentive Tax Credit</i> .....	5
<i>Businesses that Create New Jobs Tax Credit</i> .....	7
<i>Cellulosic Ethanol Technology Research and Development Tax Credit</i> .....	10
<i>Clean Energy Incentive Tax Credit</i> .....	11
<i>Community Investment Tax Credit</i> .....	14
<i>Commuter Tax Credit</i> .....	15
<i>Cybersecurity Investment Incentive Tax Credit</i> .....	18
<i>Electric Vehicle Supply Equipment Tax Credit</i> .....	19
<i>Employer-Provided Long-Term Care Insurance Tax Credit</i> .....	21
<i>Employment Opportunity Tax Credit</i> .....	23
<i>Enterprise Zone Tax Credit</i> .....	25
<i>Film Production Tax Credit</i> .....	27
<i>Green Building Tax Credit</i> .....	29
<i>Job Creation Tax Credit</i> .....	32
<i>Job Creation and Recovery Tax Credit</i> .....	34
<i>Long-Term Employment of Ex-Felons Tax Credit</i> .....	36
<i>Maryland Disability Employment Tax Credit</i> .....	38
<i>Maryland-Mined Coal Tax Credit</i> .....	40
<i>One Maryland Economic Development Tax Credit</i> .....	42
<i>Research and Development Tax Credit</i> .....	44
<i>Security Clearances – Employer Costs</i> .....	46
<i>Sustainable Communities Tax Credit</i> .....	48
<i>Telecommunications Property Tax Credit</i> .....	50
<i>Wineries and Vineyards Tax Credit</i> .....	51
<i>Work-Based Learning Program Tax Credit</i> .....	53

### *Bio-Heating Oil Tax Credit*

The credit allows an individual or corporation to claim a credit for each gallon of oil blended with biodiesel and purchased for space or water heating. For any tax year, the credit may not exceed the lesser of \$500 or the state income tax for that tax year.

The credit is available for tax years beginning after December 31, 2007, but before January 1, 2018, and remains effective for 5 years, through June 30, 2018.

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

Individuals and corporations must purchase bio-heating oil for the purpose of space and water heating, as well as apply for and receive credit certification from Maryland Energy Administration.

Bio-heating oil means heating oil that contains at least 5% biodiesel and is:

- Derived from the U.S. Environmental Protection Agency Approved Feedstocks; or
- Accepted under 42 U.S.C. 7545; or
- As per the U.S. EPA Renewable Fuel Standard 2; and
- The accompanying regulations under 40 C.F.R. Part 80 for diesel fuel replacement.

### 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 0.03 cents for each gallon of bio-heating oil purchased for space or water heating during the tax year.

The unused amount of the credit for any tax year may not be carried over to any other tax year.

### DOCUMENTATION REQUIRED

A copy of the certification issued by Maryland Energy Administration must be submitted with Form 500CR, Maryland Business Income Tax Credits.

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**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with the income tax return, Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR must be completed and submitted with the income tax return, Form 502, Maryland Resident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return, Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

#### FOR MORE INFORMATION CONTACT

Maryland Energy Administration  
60 West Street  
Suite 300  
Annapolis, MD 21401  
410-260-7207  
[crice@energy.state.md.us](mailto:crice@energy.state.md.us)

#### *Biotechnology Investment Incentive Tax Credit*

An individual or business may be allowed a tax credit of up to 50% of an eligible investment in a qualified Maryland biotechnology company, up to \$250,000.

For investments in qualified Maryland biotechnology companies in Montgomery County, Maryland, investors may receive payment from the county's supplemental program in addition to receiving the Maryland's biotechnology investment tax credit.

"Biotechnology Company" means a company organized for profit that is primarily engaged in research, development, or commercialization of innovative and proprietary technology that comprises, interacts with, or analyzes biological material including biomolecules (DNA, RNA, or protein), cells, tissues, or organs.

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 include an individual or business that invests at least \$25,000 in a qualified Maryland biotechnology company and is required to file an income tax return. Credits may be claimed for no more than \$250,000 per investment in a qualified biotechnology company.

Maryland Department of Business and Economic Development (DBED) may not certify tax credits for investments in a single qualified Maryland 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.

“Qualified Maryland Biotechnology Company” means a biotechnology company that:

- Has its headquarters and base of operations in Maryland;
- Has fewer than 50 full-time employees;
- Does not have its securities publicly traded on any exchange;
- Has been in active business for:
  - Up to 12 years if DBED authorizes an extension;
  - Up to 15 years for fiscal years 2012 and 2013 only; otherwise,
  - No longer than 10 years; and

Within 10 calendar days after the date on which a qualified investor makes the investment, the investor must provide to DBED notice and proof of making the investment. Based on the actual amount of the investment, DBED will issue a final tax credit certificate to the qualified investor.

The total amount of initial tax credit certificates issued by DBED each year is limited to the amount appropriated to the Reserve Fund in the State budget. Applications are reviewed and approved on a first come, first served basis.

### HOW THE CREDIT IS CALCULATED

The credit allowed is 50% of an eligible investment made during the tax year or \$250,000, whichever is less. The credit allowed may not exceed the amount shown in the final credit certificate issued by DBED. The amount in excess of the state tax liability may be refunded.

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## DOCUMENTATION REQUIRED

A copy of the final certification issued by Maryland Department of Business and Economic Development must be submitted with Form 500CR, Maryland Business Income Tax Credits.

**Corporation:** Form 500CR, Maryland Business Income Tax Credits, must be completed and submitted with Form 500, Maryland Corporation Income Tax Return, along with the final credit certificate issued by DBED.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return, along with the final credit certificate issued by DBED.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with the entity's Form 510, Maryland Pass-Through Entity Tax Return, in addition to Form 510 Schedule K-1 which separately state's each member's share of the credit.

## FOR INFORMATION CONTACT

BioMaryland Center  
World Trade Center  
401 East Pratt Street, 7<sup>th</sup> Floor  
Baltimore, MD 21202  
1-888-ChooseMD or 410-767-4980  
[taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)  
<http://www.choosemaryland.org/businessresources/Pages/BiotechnologyInvestmentTaxCredit.aspx>

### *Businesses that Create New Jobs Tax Credit*

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 premium tax. The credit may be applied to only one of these tax types and is in addition to the property tax credit.



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 (by 5,000 square feet or more) in Maryland. Business located in smaller counties (population of 30,000 or less) must create at least 10 new positions.

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

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

In Montgomery County, only, a business can:

- 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
- 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% of the minimum wage, and be located in or neighboring the new, expanded or renovated premises.

The new positions must be:

- Located in Maryland;
- Part of the new or expanded business facility in Maryland;
- Permanent;
- Full-time of indefinite duration. In 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; and
- Filled for at least one year.

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

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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:

- 1<sup>st</sup> and 2<sup>nd</sup> tax years – 52%
- 3<sup>rd</sup> and 4<sup>th</sup> tax years – 39%
- 5<sup>th</sup> and 6<sup>th</sup> tax years – 26%
- Remaining tax years – 0%

Credits against the personal or corporate income tax, or the insurance premium tax:

- 1<sup>st</sup> and 2<sup>nd</sup> tax years – 28%
- 3<sup>rd</sup> and 4<sup>th</sup> tax years – 21%
- 5<sup>th</sup> and 6<sup>th</sup> tax years – 14%
- Remaining tax years – 0%

The enhanced property tax credit is a flat percentage of 58.5% for the local property tax credit and 31.5% for the state tax credit in each of the first twelve 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

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with the income tax return Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR must be completed and submitted with the income tax return Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return, along with the final credit certificate issued by State Department of Assessments and Taxation.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with the entity's Form 510, Maryland Pass-Through Entity

Income Tax Return, in addition to Form 510 Schedule K-1 which separately states each member's share of the credit.

**Insurance premium 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

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

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

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 calendar year.

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 paid or incurred. The Department of Business and Economic Development will certify the amount of the allowable credit to the business by December 15.

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## 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 up to fifteen tax years.

## DOCUMENTATION REQUIRED

A copy of the certification received from the Maryland Department of Business and Economic Development must be submitted with the income tax return.

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500X, Maryland Amended Corporation Income Tax Return, along with the certification received from DBED.

**Individual:** Form 500CR must be completed and submitted with the amended income tax return Form 502X, Amended Maryland Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1 which separately states each member's share of the credit.

## FOR MORE INFORMATION CONTACT

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
401 East Pratt Street, 17<sup>th</sup> Street  
Baltimore, MD 21202  
1-888-ChooseMD or 410-767-4980  
[taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)  
<http://www.choosemaryland.org/businessresources/Pages/CellulosicEthanol.aspx>

### *Clean Energy Incentive Tax Credit*

Businesses that use certain renewable energy sources or waste materials to produce electricity that is sold to an unrelated person may be entitled to a refundable income tax credit.

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 primarily using qualified energy sources as defined in §45(c)(1) of the Internal Revenue Code which includes any non-hazardous, waste material that is segregated from other waste materials and is derived from any of the following forest-related resources, not including old-growth timber:

- Mill residues, except sawdust and wood shavings;
- Forest thinnings;
- Slash;
- Brush;
- Waste pallets, crates, and dunnage and landscape or right-of-way trimmings; or
- Agricultural sources, including, but not limited to, orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues.

Qualified Energy Resources includes methane gas or other combustible gases resulting from the decomposition of organic materials from an agricultural operation, or from a landfill or wastewater treatment plant using one, or a combination, of the following processes:

- Anaerobic decomposition;
- Thermal decomposition.

Qualified Maryland Facility means a facility located in the State that primarily uses a qualified energy resource to produce electricity and is originally placed in service on or after January 1, 2006, but before January 1, 2016; or produces electricity from a qualified energy resource that is co-fired with coal and initially begins co-firing a qualified energy resource on or after January 1, 2006, but before January 1, 2016, regardless of when the original facility was placed in service.

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In order to receive these credits, eligible participants must apply for an Initial Credit Certificate with Maryland Energy Administration.

#### HOW THE CREDIT IS CALCULATED

The credit is 0.85 cents for each kilowatt hour of electricity sold that was produced from a Maryland qualified energy resource during the 5-year period specified in the initial credit certification.

If the facility produces electricity from qualified energy resources co-fired from coal, the credit is 0.5 cents for each kilowatt hour of electricity produced and sold during the allowable 5-year period.

The annual tax credit may not exceed one-fifth of the maximum amount of credit stated in the initial credit certificate.

Maryland Energy Administration may not issue an initial credit certificate after December 31, 2015, and may not issue an initial credit certificate for a credit amount less than \$1,000.

#### DOCUMENTATION REQUIRED

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

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Individual Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity, and submitted with Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

#### FOR MORE INFORMATION CONTACT

Comptroller of Maryland  
Revenue Administration Division  
110 Carroll Street  
Annapolis, MD 21411  
410-260-7980  
1-800-MD TAXES

[taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

Maryland Energy Administration  
60 West Street, Suite 300  
Annapolis, MD 21401  
410-260-7207  
[crice@energy.state.md.us](mailto:crice@energy.state.md.us)

### *Community Investment Tax Credit*

Businesses and individuals that donate to qualified organizations' approved projects can earn credits for a portion of the value of the money, goods or real property contribution.

Community Investment Tax Credits support nonprofit organizations serving as incentives to attract contributions from individuals and businesses to benefit local projects and services.

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

Beginning in 2010, individuals, including fiduciaries, that are not business entities may apply for and receive this tax credit for contributions to approved projects.

### TO QUALIFY FOR THE CREDIT

Contributions of money, goods or real property worth \$500 or more are eligible for tax credits. Contributions of services or labor are not eligible. Individuals and businesses may claim a maximum of \$250,000 in credits per year, representing a contribution of no more than \$500,000.

For any tax year, the sum of all Community Investment Tax Credits, including any carryover credits, may not exceed the lesser of \$250,000 or the total amount of tax otherwise payable by the individual and/or business for the tax year. Excess credits may be carried over for five years.

### HOW THE CREDIT IS CALCULATED

The credit is 50% of the value of the approved donation. Each business or individual may claim a credit of up to \$250,000.

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## DOCUMENTATION REQUIRED

A copy of the required approval from the Department of Housing and Community Development must be attached to Form 500CR, Maryland Business Income Tax Credits.

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

**Insurance premium 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.

## FOR MORE INFORMATION CONTACT

Maryland Department of Housing and Community Development  
Division of Neighborhood Revitalization  
10 N. Calvert Street, Suite 444  
Baltimore, MD 21202  
410-209-5800  
[forbes@mdhousing.org](mailto:forbes@mdhousing.org)

### *Commuter Tax Credit*

Maryland employers, including organizations exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code, may claim a tax credit for a portion of the eligible costs of providing commuter benefits to participating employees.



### TO QUALIFY FOR THE CREDIT

Maryland employers, including organizations exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code, must complete the Maryland Commuter Tax Credit Registration Form and submit the form to the Maryland Transit Administration.

The credit is applicable to the following transit instruments: MTA passes; fare cards, smart cards or vouchers used by employees to ride publicly or privately owned transit systems except taxi services, Company Vanpool program, Company Guaranteed Ride Home program, Company Cash in Lieu of Parking Program.

The employer 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, or other qualified mass transit system; or
- A vanpool which can seat at least eight adults and is used primarily to transport individuals between home and the workplace.

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

Each tax year, before businesses claim the credit against any of the applicable taxes, they must have a Maryland Commuter Tax Credit registration form on file with Maryland Transit Administration. The application is available from the Maryland Transit Administration, Office of Communications and Marketing.

### HOW THE CREDIT IS CALCULATED

The tax credit is 50% of the cost of providing the commuter benefits up to a maximum of \$50 per month 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.

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

#### DOCUMENTATION REQUIRED

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

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed with Form 500, Maryland Corporation Income Tax Return.

**State and local income taxes withheld:** Form 500CR, Maryland Business Income Tax Credits must be submitted with Form MW508, Maryland Annual Employer Withholding Reconciliation Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be completed for the pass-through entity and submitted with the entity's Form 510 Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

**Insurance premium 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.

This 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. Individuals or entities must attach this statement to the Form 500CR submitted with their income tax returns.

#### FOR MORE INFORMATION CONTACT

Maryland Transit Administration  
Office of Communications & Marketing  
6 St. Paul Street  
Baltimore, MD 21202  
410-767-8755  
[www.commuterchoicemaryland.com](http://www.commuterchoicemaryland.com)

Comptroller of Maryland  
Revenue Administration Division  
110 Carroll Street  
Annapolis, MD 21411  
410-260-7980  
1-800-MDTAXES (800-638-2937)  
[taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

*Cybersecurity Investment Incentive Tax Credit*

This credit provides a refundable tax credit to qualified Maryland cybersecurity companies that seek and secure investment for an in-state or out-of-state investor.

The credit is available for tax years beginning after December 31, 2013, but before January 1, 2019.

TO QUALIFY FOR THE CREDIT

The cybersecurity company must submit an application to Department of Business and Economic Development (DBED) for the approval and certification at least 30 days prior to receiving an investment to be considered as a qualified Maryland cybersecurity company, and satisfy the following requirements:

- Headquarters and base of operations in the State;
- Has not participated in the tax credit program for more than one prior fiscal year;
- Been in active business no longer than 5 years;
- Aggregate capitalization of at least \$100,000;
- Owns or has properly licensed any proprietary technology;
- Has fewer than 50 full-time employees;
- Does not have its securities publicly traded on any exchange;
- Is in good standing;
- Current in the payment of all tax obligations to the State or local government or agency;
- Is not in default under the terms of any contract with, indebtedness to, or grant from the State or local government or agency.

A “qualified investor” is any individual or entity that invests at least \$25,000 in a qualified Maryland cybersecurity company, is required to file an income tax return and is not a qualified pension plan or an individual retirement account. After making the investment, the qualified investor may not own or control more than 25% of the equity interests in the qualified Maryland

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cybersecurity company. The investor must include in an application to DBED and information DBED may require, including evidence that the investor is:

- A company, duly organized and in good standing with the jurisdiction in which it is organized;
- Current in payment of tax obligations to a state or any agency or local government of a state; and
- Not in default under the terms of any contract with, indebtedness to, or grant from a state or local government or agency of a state.

The Department of Business and Economic Development may not certify tax credits for investments in a single qualified Maryland cybersecurity company that are in the aggregate more than 15% of the total amount appropriated to the Maryland Cybersecurity Investment Tax Credit Reserve Fund (Reserve Fund) for that fiscal year.

After an initial tax credit certificate is issued, a qualified investor has 30 calendar days to make an investment in a qualified Maryland cybersecurity company and, within the following 10 days, the qualified Maryland cybersecurity company must provide to DBED notice and proof of the making the investment. Based on the actual amount of the investment, DBED will issue a final tax credit certificate to the qualified Maryland cybersecurity company.

The total amount of initial tax credit certificates issued by DBED each year is limited to the amount appropriated to the Reserve Fund in the State budget. Applications are reviewed and approved on a first come, first served basis.

#### HOW THE CREDIT IS CALCULATED

The maximum tax credit allowed in an initial tax credit certificate issued is the 33% of the investment or \$250,000, whichever is less. The credit allowed may not exceed the amount shown in the final credit certificate issued by DBED.

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

The Maryland cybersecurity company must repay a prorated portion of the credit claimed if, within 2 years, it ceases to operate as an active business with its headquarters and base of operation in the State, it pays out as dividends or distributes the equity investment, or the investor sells, transfers or disposes of the ownership interest in the Maryland cybersecurity company.

DOCUMENTATION REQUIRED

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with Form 510, Maryland Pass-Through Entity, in addition to Form 510 Schedule K-1 which separately states each member's share of the credit.

FOR MORE INFORMATION CONTACT

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
401 E. Pratt Street  
Baltimore, Maryland 21202  
410-767-6438

*Electric Vehicle Supply Equipment Tax Credit*

Maryland residents and businesses can earn up to a \$400 income tax credit for purchasing an electric vehicle recharging station, more specifically known as Electric Vehicle Supply Equipment (EVSE).

TO QUALIFY FOR THE CREDIT

Qualified EVSE must be installed and placed in service on or after July 1, 2011, but before January 1, 2014.

Qualified equipment is property used for the recharging of motor vehicles propelled by electricity that meets the definition of "qualified alternative fuel vehicle refueling property" under the Internal Revenue Code. Qualified EVSEs must be certified by a nationally recognized testing laboratory.

Eligible participants must apply for a credit certificate with the Maryland Energy Administration.

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## HOW THE CREDIT IS CALCULATED

The credit is 20% of the cost of EVSE that is placed in service during tax years 2011 through 2016, or \$400, whichever is less. Credits are allowed for only one recharging station for individuals and for up to thirty recharging station per business entity.

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

## DOCUMENTATION REQUIRED

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with Form 510, Maryland Pass-Through Entity, in addition to Form 510 Schedule K-1 which separately states each member's share of the credit.

## FOR MORE INFORMATION CONTACT

Maryland Energy Administration  
60 West Street, Suite 300  
Annapolis, MD 21401  
410-260-7207  
[crice@energy.state.md.us](mailto:crice@energy.state.md.us)

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

An employer, including organizations exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code that provides long-term care insurance as part of an employee benefit package may claim a credit for costs incurred during the taxable year.

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

## TO QUALIFY FOR THE CREDIT

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

## HOW THE CREDIT IS CALCULATED

The credit allowed is 5% of the employer's cost which may not exceed the lesser of \$5,000; or \$100 for each employee in the State covered by long-term care insurance provided under the employee benefit package.

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

## DOCUMENTATION REQUIRED

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

**Insurance premium 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.

**Public service company franchise tax:** Form 11, Public Service Company Franchise Tax Return Electric and Gas Companies, or Form 11T, Public Service Company Franchise Tax Return Telephone Companies must be submitted along with Form AT3-74, Business Tax Credits.

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FOR MORE INFORMATION CONTACT

Comptroller of Maryland  
Revenue Administration Division  
110 Carroll Street  
Annapolis, MD 21411  
410-260-7980  
1-800-MDTAXES (800-638-2937)  
[taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

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

*Employment Opportunity Tax Credit*

*New applications are not being accepted for this tax credit.*

Businesses located in Maryland that hire an individual who is receiving Aid to Families with Dependent Children (AFDC) or payments under the Family Investment Program (FIP) may be entitled to a tax credit for a portion of wages paid to qualified employees and/or for childcare and transportation expenses paid on behalf of qualified employees.

Qualifying employees are those who are residents of Maryland and who, before going to work for the business, were Maryland residents and recipients of state benefits from the AFDC Program or the FIP. The employees must be certified by the Maryland Department of Labor, Licensing and Regulation, Division of Employment and Training.

The credit is only applicable to tax years beginning after December 31, 1994, but before January 1, 2012, provided, however, credits shall be allowed only for expenses incurred during the last applicable tax year, 2011, for employees hired before July 1, 2009. Excess credits can be carried over for up to 5 years beginning on or after January 1, 2012.

The credit may be taken against the corporate income tax, personal income tax, state and local taxes withheld (for certain tax-exempt organizations only) insurance premium 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 or organizations exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code, and which are operating in Maryland 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 owner of the business.

Certification must be obtained from the Department of Labor, Licensing and Regulation attesting 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 childcare or transportation expenses paid on behalf of the employee as follows:

#### **First year**

- Wages - 30% of the first \$6,000 paid in the first year (a maximum allowable credit of \$1,800);
- Childcare or transportation expenses - up to \$600 of expenses paid in the first year.

#### **Second year**

- Wages - 20% of the first \$6,000 of wages paid in the second year (a maximum allowable credit of \$1,200);
- Childcare or transportation expenses - up to \$500 of expenses paid in the second year.

If the employee was 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% of the first \$10,000 of wages paid to the employee during the first year of employment only. 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 up to five tax years.

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 tax credit should be divided evenly over the number of periods for filing employer withholding returns; Form MW506, Employer's Return of Income Tax Withheld.

Alternatively, if applicable, the tax-exempt organization may claim the credit against the tax on unrelated business taxable income on its annual Maryland income tax return.

#### DOCUMENTATION REQUIRED

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**State and local income taxes withheld:** Form 500CR, Maryland Business Income Tax Credits must be submitted with Form MW508, Maryland Annual Employer Withholding Reconciliation Return.

**Pass-Through Entity:** Form 500CR must be prepared and submitted with the entity's Form 510, Maryland Pass-Through Entity Income Tax Return in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

**Insurance premium tax:** Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Maryland 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 11, Public Service Company Franchise Tax Return Electric and Gas Companies, or Form 11T, Public Service Company Franchise Tax Return Telephone Companies submitted along with Form AT3-74, Business Tax Credits.

FOR MORE INFORMATION CONTACT

Maryland Department of Labor, Licensing and Regulation  
Division of Employment and Training  
1100 N. Eutaw Street  
Baltimore, MD 21201  
410-767-2080  
[taxcredit@dllr.state.md.us](mailto:taxcredit@dllr.state.md.us)

*Enterprise Zone Tax Credit*

Businesses located in a Maryland Enterprise Zone may be eligible for income tax credits based upon wages paid to qualifying employees.

There are two types of income tax credits for firms in an enterprise zone; a general income tax credit and a larger income tax credit for hiring economically disadvantaged employees.

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 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% of the federal minimum wage;
- Spends at least 50% 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;
- 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

The income tax credit is \$1,000 for each qualified new employee filling a newly created position in an enterprise zone, or \$1,500 for each qualified new employee in a focus area.

The tax credit for economically disadvantaged employees is for a three-year period for each qualified employee, earned at the following amounts:

	Enterprise Zone	Focus Area
First year	\$3,000	\$4,500
Second year	\$2,000	\$3,000
Third year	\$1,000	\$1,500

In order to receive the tax credit, an economically disadvantaged employee must remain in the position for three years. However, if the disadvantaged employee leaves the firm and is replaced by another employee who is also certified as disadvantaged, the firm may take the remainder of the credit as if the original employee had remained.

If the credit allowed in any tax year exceeds the State income tax for that tax year, a business entity may apply the excess as a credit against the State income tax for succeeding tax years until the earlier of the full amount of the excess is used or the expiration of the 5<sup>th</sup> tax year from the date on which the business entity hired the qualified employee to whom the credit first applies.

## DOCUMENTATION REQUIRED

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return; Form 505, Maryland Non Resident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to a Form 510 Schedule K-1, which separately states each member's share of the credit.

FOR MORE INFORMATION CONTACT

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
World Trade Center  
401 E. Pratt Street, 17<sup>th</sup> Floor  
Baltimore, MD 21202  
1-888-ChooseMD or 410-767-4980  
[taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)  
<http://www.choosemaryland.org/businessresources/Pages/EnterpriseZones.aspx>

*Film Production Tax Credit*

Film production businesses may be entitled to a tax credit against the State income tax for certain costs incurred in the State that are necessary to carry out a film production activity.

This credit is available for tax years beginning after December 31, 2010 and is effective until June 30, 2016.

TO QUALIFY FOR THE CREDIT

A qualified film production business must incur total direct costs of at least \$500,000 in a “film production activity” in Maryland, defined as the production of a film or video project intended for nationwide commercial distribution. “Direct costs” are expenditures incurred for wages and benefits, fees for services, acquiring or leasing property, and other expenses specified under the law that are necessary to carry out a film production activity. Direct costs excludes any salary, wages, or other compensation of an individual who receives more than \$500,000 for personal services in connection with any film production activity.

The total amount of tax credit certificates issued by DBED is limited to \$25 million for FY 2014 and \$7.5 million per year for fiscal years 2013, 2015 and 2016.

An initial application describing the proposed film production activity must be submitted to the Department of Business and Economic Development (DBED) before beginning a film production activity. A Preliminary Tax Credit Certificate cannot be issued until July 1 of the fiscal year from which the credits will be drawn. The Final Tax Credit Certificate(s) will be issued after DBED has reviewed all required closing documentation, including completion of the Agreed Upon Procedures process.

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## HOW THE CREDIT IS CALCULATED

After the production activity is completed, the film production entity must apply to DBED for a tax credit certificate, providing proof of the total direct costs that qualify for the credit, the number of employees hired and amount of the qualifying wages paid. DBED will determine the total direct costs that qualify for the tax credit and issue a tax credit certificate for 25% of the total direct costs that qualify for the tax credit (27% for a television series).

The qualified film production entity may claim a credit against the State income tax for the amount stated in the final tax credit certificate issued by DBED. The amount in excess of the state tax liability may be refunded.

## DOCUMENTATION REQUIRED

A copy of the final tax credit certificate from the Maryland Department of Business and Economic Development must be submitted with Form 500CR, Maryland Business Income Tax Credits.

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Non Resident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return, Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to a Form 510 Schedule K-1, which separately states each member's share of the credit.

## FOR MORE INFORMATION CONTACT

Maryland Film Office  
Maryland Department of Business and Economic Development  
World Trade Center  
401 E. Pratt Street, 14<sup>th</sup> Floor  
Baltimore, MD 21202  
410-767-6343  
800-333-6632  
[http://www.marylandfilm.org/  
filminfo@marylandfilm.org](http://www.marylandfilm.org/filminfo@marylandfilm.org)

### *Green Building Tax Credit*

*This program is no longer accepting applications. Legislation for the program expired December 31, 2011.*

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 credits certified for all taxpayers each year is limited. Credits are allowed for amounts spent on or after July 1, 2010.

### 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 nonresidential 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% or less.

You can find out if your building or site is located in a priority funding area online by visiting Maryland Department of Planning’s website at <http://planning.maryland.gov/ourproducts/pfamap.shtml>

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

Before construction begins 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 issue a final credit certificate stating the amount of the tax credit to which the applicant is entitled.

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## HOW THE CREDIT IS CALCULATED

Allowable costs for construction or rehabilitation, commissioning costs, interest paid or incurred during the construction or rehabilitation period, closing costs for construction, rehabilitation, or mortgage loans, recording taxes and filing fees incurred with respect to construction or rehabilitation, and finishes and furnishings may not exceed in the aggregate:

- \$120 per square foot for that portion of the building that comprises the base 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.
  - Whole building component: 8% of the allowable costs paid for or incurred by the owner or tenant; or
    - If not a whole green building:
      - Base building (area not intended to be occupied): 6% of the allowable costs. The maximum credit amount is \$7.20 per square foot for the area that comprises the base building; and
  - Tenant space: 6% of the allowable costs. The maximum credit amount is \$3.60 square foot. The credit cannot be claimed by the owner if the owner occupies less than 10,000 square feet of the building or by the tenant if the tenant occupies less than 5,000 square feet.
- **Fuel cell credit component:** 30% 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% (20% 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% 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 up to ten years.

### DOCUMENTATION REQUIRED

A copy of the initial credit certificate and a copy of the eligibility certificate issued by an architect or engineer must be included with the Form 500CR, Maryland Business Income Tax Credits.

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return, or Form 505, Maryland Non Resident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with the entity's income tax return, Form 51 in addition to a Schedule K-1 separately stating each member's share of the credit.

### FOR MORE INFORMATION CONTACT

Maryland Energy Administration  
60 West Street, Suite 300  
Annapolis, MD 21401  
410-260-7655  
[meainfo@energy.state.md.us](mailto:meainfo@energy.state.md.us)

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Comptroller of Maryland  
Revenue Administration Division  
110 Carroll Street  
Annapolis, MD 21411  
410-260-7980  
1-800-MDTAXES (800-638-2937)  
[taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

### *Heritage Structure Rehabilitation Tax Credit*

*As of June 1, 2010, the Sustainable Communities Tax Credit replaces the Heritage Structure Rehabilitation Tax Credit.*

### *Job Creation Tax Credit*

Certain businesses that create new qualified positions in Maryland before January 1, 2020 may be eligible for tax credits based on the number of qualified positions created or wages paid for these positions.

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

### TO QUALIFY FOR THE CREDIT

The business facility must be certified as having created at least 60 qualified positions, 30 high-paying qualified positions, or 25 qualified positions if the business facility established or expanded is in a Maryland Priority Funding Area.

A qualified position is a full-time position which pays at least 150% of the federal minimum wage, is located in Maryland, is newly created as a result of the establishment or expansion of a business facility in a single location in the state and is filled. Qualified business entities are those that are certified as such by the Maryland Department of Business and Economic Development. A qualified employee is an employee filling a qualified position.

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

## 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% of the wages paid to those employees.

If the facility is not located in a revitalization area, the credit is reduced to the lesser of \$1,000 for each employee hired to fill the new positions, or 2.5% of the wages paid to those employees.

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.

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

## DOCUMENTATION REQUIRED

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared and submitted with the entity's Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

**Insurance premium tax:** Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Maryland 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.

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**Public service company franchise tax:** Form 11, Public Service Company Franchise Tax Return Electric and Gas Companies, or Form 11T, Public Service Company Franchise Tax Return Telephone Companies submitted along with Form AT3-74, Business Tax Credits.

#### FOR MORE INFORMATION CONTACT

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
401 East Pratt Street, 17<sup>th</sup> Floor  
Baltimore, MD 21202  
1-888-ChooseMD or 410-767-4980  
[taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)  
<http://www.choosemaryland.org/businessresources/Pages/JobCreationTaxCredit.aspx>

#### *Job Creation and Recovery Tax Credit*

A tax credit is available to businesses that operate or conduct business in Maryland that hire certain workers for newly created or certain vacant positions in the State.

The amount of the credit is based on the number of employees hired and the number of months they were employed during the tax year.

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

All employees must be Maryland residents hired on or after March 25, 2010, but before January 1, 2011. At the time of hire, individuals must be receiving unemployment insurance benefits or have exhausted their benefits in the previous 12 months and not working full-time immediately preceding the date of hire.

The new positions must be:

- Full-time;
- Positions that require an employee to be continuously employed for 12 months or more;

- Located in Maryland; and
- Newly created or have been vacant for at least 6 months.

The business must certify each employee with the Department of Labor, Licensing and Regulation (DLLR) by submitting an on-line application. The application includes such information as the social security number of each employee and the date of hire.

### HOW THE CREDIT IS CALCULATED

The credit allowed depends on the number of months the employee was in the position. The credit is \$5,000 for each employee hired by the employer on or after March 25, 2010, but before January 1, 2011.

The amount of the credit that may be claimed each year is prorated based on the number of employees and number of months employed during the business' tax year. For each employee multiply \$416.67 by the number of months an individual was employed during that tax year and claim the sum of the credits on their return.

The total credit cannot exceed \$250,000 for any employer.

### DOCUMENTATION REQUIRED

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

For tax year 2009 only, you must attach Form 500JR, Job Creation and Recovery Tax Credit, to your income tax return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared and submitted with the entity's Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each members share of the credit.

For tax year 2009 only, you must attach Form 500JR, Job Creation and Recovery Tax Credit to your income tax return.

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## FOR MORE INFORMATION CONTACT

Maryland Department of Labor, Licensing and Regulation  
Tax Credit Programs  
1100 N. Eutaw Street  
Baltimore, MD 21201  
410-767-2996  
[taxcredit@dllr.state.md.us](mailto:taxcredit@dllr.state.md.us)

Department of Labor, Licensing and Regulation website:  
[www.dllr.state.md.us/taxcredit](http://www.dllr.state.md.us/taxcredit)

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

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 for a portion of the wages paid to those employees.

A qualified employee is a “qualified ex-felon” in accordance with Section 51(d)(4) of the Internal Revenue Code. A business may not claim a credit for an employee who is hired to replace a laid-off employee or an employee who is on strike, or for which the business simultaneously receives federal or state employment training benefits.

This credit may not be claimed if the Employment Opportunity Tax Credit or Maryland Disability Employment Tax Credit has been claimed for that employee.

## HOW THE CREDIT IS CALCULATED

A credit is allowed for each qualified ex-felon for a two-year period beginning with the first year the employee was qualified. The credit for each qualified employee hired is equal to 30% of the first \$6,000 of qualified first year wages and 20% of the first \$6,000 of qualified second year wages.

If the credit is more than the state tax liability, the unused credit may be carried forward for up to 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.

The tax-exempt organization could apply the credit against the tax on unrelated business tax income.

### DOCUMENTATION REQUIRED

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared and submitted with the entity's Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

**State and local income taxes withheld:** Form 500CR, Maryland Business Income Tax Credits must be submitted with Form MW508, Maryland Annual Employer Withholding Reconciliation Return.

### FOR MORE INFORMATION CONTACT

Maryland Department of Labor, Licensing and Regulation  
Division of Employment and Training  
1100 N. Eutaw Street  
Baltimore, MD 21201  
410-767-2080  
[taxcredit@dllr.state.md.us](mailto:taxcredit@dllr.state.md.us)

### *Maryland Disability Employment Tax Credit*

Businesses that hire certain disabled individuals including an individual who was discharged or released from active duty in the armed forces of the United States for a service-connected disability may be entitled to a tax credit for wages paid to those employees and for childcare or transportation expenses paid on behalf of those employees.

### TO QUALIFY FOR THE CREDIT

The business 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

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Regulation for a disabled veteran, indicating the individual is a qualified employee with a disability.

The credit will only be allowed for employees hired on or after October 1, 1997, but before July 1, 2013.

#### HOW THE CREDIT IS CALCULATED

##### **First year:**

- Wages – 30% of the first \$6,000 paid in the first year, for a maximum allowable credit of \$1,800 (20% 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% 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 up to 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 tax year. The total amount of the estimated credit should be divided evenly over the number of periods for filing withholding returns, Form MW506.

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

#### DOCUMENTATION REQUIRED

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.



**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**State and local income taxes withheld:** Form 500CR, Maryland Business Income Tax Credits must be submitted with Form MW508, Maryland Annual Employer Withholding Reconciliation Return.

**Pass-Through Entity:** Form 500CR must be prepared and submitted with the entity's Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

An organization that is exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code may apply the credit as a credit against:

- Income tax due on unrelated business tax income; or
- The payment to the Comptroller of taxes that the organization is required to withhold from the wages of employees. (see State and local income taxes withheld above)

**Insurance premium tax:** Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Maryland 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.

**Public service company franchise tax:** Form 11, Public Service Company Franchise Tax Return Electric and Gas Companies, or Form 11T, Public Service Company Franchise Tax Return Telephone Companies, submitted along with Form AT3-74, Business Tax Credits.

#### FOR MORE INFORMATION CONTACT

Maryland Department of Labor, Licensing and Regulation  
Division of Employment and Training  
1100 N. Eutaw Street  
Baltimore, MD 21201  
410-767-2080  
[taxcredit@dllr.state.md.us](mailto:taxcredit@dllr.state.md.us)

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

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

### *Maryland-Mined Coal Tax Credit*

A qualified cogenerator, 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 or personal income tax, public service franchise tax. The same credit may not, however, be applied to more than one tax type.

#### 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 may not have been a public utility before July 1, 1999, and both cogenerators and electricity suppliers must not be subject to the public service company franchise tax.

#### HOW THE CREDIT IS CALCULATED

The credit is \$3 for each ton of Maryland-mined coal purchased in the current tax year.

A cogenerator or electricity supplier may only apply the credit against the State income tax for the tax year in which the credit was earned. The amount of the credit may not exceed the State income tax for that tax year.

DOCUMENTATION REQUIRED

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared and submitted with the entity's Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

**Public service company franchise tax:** Computation and schedule must be submitted with the franchise tax return, Form 11, Public Service Company Franchise Tax Return Electric and Gas Companies, or Form 11T.

FOR MORE INFORMATION CONTACT

Comptroller of Maryland  
Revenue Administration Division  
110 Carroll Street  
Annapolis, MD 21411  
410-260-7980  
1-800-MDTAXES (800-638-2937)  
[taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

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

*One Maryland Economic Development Tax Credit*

The One Maryland Tax Credit Program provides two income tax credits to businesses that initiate major investment projects in Maryland's most economically distressed jurisdictions. The Project Tax Credit can be as much as \$5 million and the Start-Up Tax Credit can be as much as \$500,000.

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## TO QUALIFY FOR THE CREDIT

The business must notify the Department of Business and Economic Development (DBED) of its intent to seek certification before either any project or start-up expenses have been incurred or include toward certification any employee hired prior to notifying the department.

A business must be certified by DBED as a qualified business entity eligible for the One Maryland Tax Credit.

The business must create at least 25 new, full-time qualified positions at the project within 24 months of the date the project is placed in service.

The business must locate or expand in a priority funding area in a qualified distressed county.

The project must be primarily engaged in an eligible activity as defined by the statute.

Only employees hired to fill the new positions that are paid more than 150% of the federal minimum wage are counted toward the credit. A position must be filled for 12 months before it is a "qualified position" for the tax credit.

## HOW THE CREDIT IS CALCULATED

The credit for start-up costs is the lesser of 100% of eligible start-up costs (up to \$500,000), less any credits taken in prior years, or \$10,000 for each employee working in the qualified positions.

The credit for project costs is the lesser of 100% 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 credits may be claimed against the insurance premium tax for the first year or for up to four years after the project is placed in service.

If the credit is more than the tax liability, the unused credit may be carried forward for the next 14 tax years. At any time after the 4th 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 tax income and a portion of excess unused credits for both project and start-up costs may be refunded.

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

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return, or Form 505, Maryland Nonresident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared and submitted with the entity's Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

An organization that is exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code may apply the credit as a credit against:

- Income tax due on unrelated business tax income; or
- The payment to the Comptroller of taxes that the organization is required to withhold from the wages of employees.

**Insurance premium tax:** Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Maryland 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.

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## FOR MORE INFORMATION CONTACT

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
401 East Pratt Street, 17<sup>th</sup> Floor  
Baltimore, MD 21202  
1-888-ChooseMD or 410-767-4980  
[taxincentives@choosemaryland.org](mailto:taxincentives@choosemaryland.org)  
<http://www.choosemaryland.org/businessresources/Pages/OneMarylandTaxCredit.aspx>

### *Research and Development Tax Credit*

Businesses that invest in research and development in Maryland may be entitled to a tax credit. Businesses must first submit an application to the Department of Business and Economic Development (DBED) by September 15 of the year following the tax year in which the Maryland qualified research and development expenses were incurred. DBED may not approve more than \$8 million in credits for any calendar year.

This credit is available for tax years beginning after December 31, 1999, but before January 1, 2020.

## HOW THE CREDIT IS CALCULATED

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

- Basic Research and Development credit: 3% of the lesser of its Maryland qualified research and development expenses incurred during the tax year or the Maryland base amount, subject to statutory limits on the total amount of credits to all firms;
- Growth Research and Development credit: 10% of the Maryland qualified research and development expenses incurred during the year that exceeds the Maryland base amount, subject to statutory limits on the total amount of credits to all firms.

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 allowed in any tax year exceeds the State income tax for that tax year, a taxpayer may apply the excess as a credit against the State income tax for succeeding tax years until the earlier of:

- The full amount of the excess is used;
- The expiration of the 7<sup>th</sup> tax year in which the Maryland qualified research and development expense was incurred.

For certain small businesses, the amount in excess of the state tax liability may be refunded.

### DOCUMENTATION REQUIRED

Certification from Department of Business and Economic Development must be attached to the Form 500CR, Maryland Business Income Tax Credits.

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500X, Maryland Amended Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502X, Amended Maryland Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared and submitted with the entity's Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

### FOR MORE INFORMATION CONTACT

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
401 East Pratt Street, 17<sup>th</sup> Floor  
Baltimore, MD 21202  
1-888-ChooseMD or 410-767-4980  
<http://www.choosemaryland.org/businessresources/Pages/ResearchandDevelopmentTaxCredit.aspx>

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## *Security Clearances – Employer Costs*

Businesses may be eligible to claim a credit against the State income tax for a portion of the costs incurred to obtain federal security clearances and to construct or renovate certain sensitive compartmented information facilities.

### TO QUALIFY FOR THE CREDIT

Businesses must submit an application to the Department of Business and Economic Development by September 15 of the calendar year following the end of the tax year for which the costs were incurred.

The Department of Business and Economic Development (DBED) shall certify the amount of the approved credit by December 15 of the calendar year following the end of the tax year in which the costs were incurred. DBED may not approve more than \$2 million in credits for any calendar year.

The credit can be taken for tax years beginning after December 31, 2012, but before January 1, 2017.

### HOW THE CREDIT IS CALCULATED

The credit is the sum of:

- Security clearance administrative expenses, not to exceed \$200,000;
- Expenses incurred for rental payments owed during the first year of a rental agreement for spaces leased in the State if the individual or corporation is a small business that performs security-based contracting, not to exceed \$200,00; and
- 50% of the construction and equipment costs to construct or renovate a single Sensitive Compartmented Information Facility (SCIF) not to exceed \$200,000-- the total amount of construction and equipment costs incurred to construct or renovate multiple SCIFs for which a credit can be claimed may not exceed \$500,000.

If the credit is more than the state tax liability, the unused credit may be claimed for succeeding tax years until fully used.

### DOCUMENTATION REQUIRED

A copy of the certification received from the Maryland Department of Business and Economic Development must be submitted with the income tax return.



**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500X, Maryland Amended Corporation Income Tax Return, along with the certification received from DBED.

**Individual:** Form 500CR must be completed and submitted with the amended income tax return, Form 502X, Amended Maryland Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

#### FOR MORE INFORMATION CONTACT

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
401 East Pratt Street, 17<sup>th</sup> Floor  
Baltimore, MD 21202  
1-888-ChooseMD or 410-767-4980  
<http://www.choosemaryland.org/businessresources/Pages/MarylandESCCTaxCredit.aspx>

#### *Sustainable Communities Tax Credit*

A refundable credit may be allowed for a portion of substantial expenditures incurred to rehabilitate certified structures in Maryland on or after June 1, 2010, but before July 1, 2014.

#### TO QUALIFY FOR THE CREDIT

The business must undertake the rehabilitation of a qualified historic structure that is located in a certified heritage area, or that receives a Gold rating under the current version of the U.S. Green Building Council's LEED (Leadership in Energy and Environmental Design) green building rating system or a similar sustainable development rating system.

The business must receive certification from the Maryland Historical Trust (MHT). A credit will not be approved if work has already begun on a project prior to submission of the application, or if the applicant for a commercial rehabilitation has previously submitted three or more applications for commercial rehabilitations exceeding a total of \$500,000 in the same year.

A qualified rehabilitated structure is a building (other than a single-family, owner-occupied residence) that is located in either a commercial area

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designated by the Secretary of Housing and Community Development or by the Mayor of Baltimore City as a "Main Street Maryland Community," or - beginning in fiscal 2012 - designated as a "Sustainable Community." A sustainable community is a geographic area that demonstrates a need for reinvestment and whose development is supported by the local government of that community.

The rehabilitation project, the rehabilitation expenses incurred during the 24-month rehabilitation period must meet certain thresholds. For single-family, owner-occupied residential property, rehabilitation expenses must exceed \$5,000. For a structure located in a Main Street Maryland Community, qualified expenses must exceed the greater of \$25,000, or 50% of the adjusted basis of the structure.

#### HOW THE CREDIT IS CALCULATED

Depending on the type of rehabilitation project undertaken, an individual or business entity may claim a tax credit for a portion of the qualified rehabilitation expenditures:

- 25% if the certified project is a certified historic structure and a high performance building;
- 10% if the certified rehabilitation is a qualified rehabilitated structure;
- 20% for all other certified rehabilitation projects.

For certified commercial rehabilitation projects, the credit is limited to \$3 million. For all other certified rehabilitation projects, the credit is limited to \$50,000. The amount of the credit that exceeds tax liability in the year the credit is claimed may be refunded.

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

A prorated percentage of the credit is subject to recapture if disqualifying work is performed, or the certified rehabilitation is disposed of, during a five-year period that begins with the year in which the certified rehabilitation was completed.

## DOCUMENTATION REQUIRED

Within 18 months of a credit certificate being issued, the business or individual undertaking the rehabilitation must notify the Maryland Historical Trust that work on the project has begun. In general, without additional approval by the Maryland Historical Trust, commercial rehabilitations must be completed within 30 months of the issuance of the initial credit certificate.

**Corporation:** Form 502S, Maryland Sustainable Communities Tax Credit must be completed and submitted with Form 500, Maryland Corporation Income Tax Return, and the Maryland Historical Trust certification.

For applications received on or before May 31, 2010, complete Form 502H, Maryland Heritage Structure Rehabilitation Tax Credit, and submit with Form 500, Maryland Corporation Income Tax Return, and the Maryland Historical Trust certification.

**Individual:** Form 502S, Maryland Sustainable Communities Tax Credit must be completed and submitted with Form 502, Maryland Resident Income Tax Return, or Form 505, Maryland Nonresident Income Tax Return, and the Maryland Historical Trust certification.

**Pass-Through Entity:** Form 502S must be prepared and submitted with the entity's Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit and the Maryland Historical Trust certification.

**Insurance premium tax:** Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Maryland 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.

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## FOR MORE INFORMATION CONTACT

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

### *Telecommunications Property Tax Credit*

In the 2012 Special Session, a credit for a portion of telecommunications property taxes paid was repealed, beginning in tax year 2012.

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

When a Telecommunications Property Tax Credit is claimed against the income tax, an addition modification must be made in the amount of the credit claimed.

The credit may only be taken against corporate income tax.

## 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, which is used in its telecommunications business.

## HOW THE CREDIT IS CALCULATED

The credit is 60% 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

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

FOR MORE INFORMATION CONTACT

Comptroller of Maryland  
Revenue Administration Division  
110 Carroll Street  
Annapolis, MD 21411  
410-260-7980  
1-800-MDTAXES (800-638-2937)  
[taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

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

*Wineries and Vineyards Tax Credit*

Individuals and corporations may be eligible for a tax credit for expenses made to establish or make capital improvements to a winery or vineyard.

The tax credit is available for tax years beginning after December 31, 2012, and remains in effect through June 30, 2018.

TO QUALIFY FOR THE CREDIT

A vineyard must be located in the State and consist of at least one contiguous acre used solely to grow grapes that will be used in the production of wine by a winery licensed by the Comptroller.

Individuals and businesses must submit an application to the Department of Business and Economic Development by September 15 of the calendar year following the end of the tax year in which the expenses were incurred.

The Department of Business and Economic Development (DBED) will certify the amount of the approved credit by December 15 of the calendar year following the end of the tax year in which the expenses were incurred. DBED may not approve more than \$500,000 in credits for any tax year.

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## HOW THE CREDIT IS CALCULATED

An individual or corporation may claim a credit against the State income tax equal to 25% of the qualified capital expenses made in the connection with establishing a new winery or vineyard or capital improvements to an existing winery or vineyard.

If the credit is more than the state tax liability, the unused credit may be carried forward for up to fifteen tax years.

## DOCUMENTATION REQUIRED

A copy of the certification received from the Maryland Department of Business and Economic Development must be submitted with the income tax return.

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500X, Maryland Amended Corporation Income Tax Return, along with the certification received from DBED.

**Individual:** Form 500CR must be completed and submitted with the amended income tax return Form 502X, Amended Maryland Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared for the pass-through entity and submitted with Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1 which separately states each member's share of the credit.

## FOR MORE INFORMATION CONTACT

Maryland Department of Business and Economic Development  
Division of Business Development, Tax Incentives Group  
401 East Pratt Street, 17th Street  
Baltimore, MD 21202  
1-888-ChooseMD or 410-767-4980  
<http://www.choosemaryland.org/businessresources/Pages/MarylandWineries.aspx>

### *Work-Based Learning Program Tax Credit*

Maryland offers a tax credit to employers for approved paid work-based learning programs for students that provide a structured employer-supervised learning experience.

The tax credit is authorized for tax years beginning after December 31, 2008. The tax credit is in effect for five years and ends June 30, 2013.

### TO QUALIFY FOR THE CREDIT

Students must be enrolled in private or public, secondary or postsecondary institutions and be between the ages of 16 through 23.

An employer, group of employers, industry trade association, labor organization, or operator of a registered apprenticeship program are eligible for the tax credit.

A Work-Based Learning Certification must be submitted to the Maryland State Department of Education.

### HOW THE CREDIT IS CALCULATED

The credit will equal 15% of the wages paid to a student during the tax year in which the Work-Based Learning Program took place.

The total credit granted to an employer in the current tax year and all previous tax years may not exceed \$1,500 per student.

### DOCUMENTATION REQUIRED

**Corporation:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 500, Maryland Corporation Income Tax Return.

**Individual:** Form 500CR, Maryland Business Income Tax Credits must be completed and submitted with Form 502, Maryland Resident Income Tax Return or Form 505, Maryland Nonresident Income Tax Return.

**Pass-Through Entity:** Form 500CR must be prepared and submitted with the entity's Form 510, Maryland Pass-Through Entity Income Tax Return, in addition to Form 510 Schedule K-1, which separately states each member's share of the credit.

An organization that is exempt from taxation under §501(c)(3) or (4) of the Internal Revenue Code may apply the credit against:

- Income tax due on unrelated business tax income; or
- The payment to the Comptroller of taxes that the organization is required to withhold from the wages of employees.

**Insurance premium tax:** Documentation of the credit shall be maintained by the taxpayer in their files and be made available to the Maryland 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

Maryland State Department of Education  
Division of Career and College Readiness  
200 West Baltimore Street  
Baltimore, MD 21201  
410-767-0182  
[wbltaxcredit@msde.state.md.us](mailto:wbltaxcredit@msde.state.md.us)

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



## MARYLAND FORMS REFERENCED IN THIS GUIDE

### Comptroller of Maryland

- 500 – Maryland Corporation Income Tax Return
- 500CR – Maryland Business Income Tax Credit
- 500JR – Tax Year 2009 Job Creation and Recovery Tax Credit
- 502 – Maryland Resident Income Tax Return
- 502H – Maryland Heritage Structure Rehabilitation Tax Credit
- 502S – Maryland Sustainable Communities Tax Credit
- 504 – Maryland Fiduciary Modified Schedule K-1
- 505 – Maryland Nonresident Income Tax Return
- MW506A – Employer’s Return of Income Tax Withheld
- MW508 – Annual Employer Withholding Reconciliation Return
- 510 – Maryland Pass-Through Entity Income Tax Return
- 510 - Schedule K-1 – Maryland Pass-Through Entity Member’s Information

### Department of Assessments and Taxation

**Contact department - forms not available online.**

- AT3-74 – Business Tax Credits
- No.11 – Public Service Company Franchise Tax Return Electric and Gas Companies
- No. 11T – Public Service Company Franchise Tax Return Telephone Companies

### Department of Business and Economic Development

- [Cellulosic Ethanol Technology R & D Tax Credit Application](#)
- [Enterprise Zone Tax Credit](#)

[Job Creation Tax Credit](#)

Job Creation & Recovery Tax Credit

[One Maryland Tax Credit](#)[Research and Development Tax Credit](#)

Security Clearances - Employer Costs

[A-1 - Qualified Investor, Individual](#)[B - Qualified Maryland Biotechnology Company](#)[A-3 - Non Sub Chapter S Corporation Pass-Through Entities](#)[Maryland State Department of Education](#)[Work-Based Learning Certification](#)[Maryland Energy Administration](#)[Clean Energy Incentive Act Application](#)[Bio-Heating Oil Income Tax Credit Application](#)[Electric Vehicle Supply Equipment](#)

- [Residential Application](#)
- [Commercial Application](#)
- [EVSE Form A](#)

[Green Building Tax Credit Preregistration](#)[Maryland Film Office](#)[Application for Preliminary Tax Credit Certification](#)[Application Addendum](#)[Application for Final Tax Credit Certification](#)

Maryland Historical Trust

[Maryland Sustainable Communities Rehabilitation Tax Credit Application - Homeowner Application](#)

- Part I - Certification of Significance
- Part II - Description of Rehabilitation
- Part III - Request for Certification of Completed Work

[Maryland Sustainable Communities Rehabilitation Tax Credit Application - Commercial Application](#)

- Part I - Certification of Significance
- Part II - Description of Rehabilitation
- Part III - Request for Certification of Completed Work

Maryland Department of Housing and Community Development

[Community Investment Tax Credit Application](#)

[Certification of Contribution for Tax Credit](#)

Maryland Department of Labor, Licensing and Regulation

[Individuals with Barriers to Employment - Applicant Characteristics Form \(ACF\)](#)

[Job Creation and Recovery Tax Credit Employer Application](#)

Maryland Transit Administration

[Maryland Commuter Tax Credit Registration Form](#)



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[taxhelp@comp.state.md.us](mailto:taxhelp@comp.state.md.us)

410-260-7980

1-800-MD-TAXES

TTY users call 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  
<http://business.marylandtaxes.com/taxinfo/taxcredit/default.asp>

Revised July 2013