



Martin O'Malley Governor
Anthony G. Brown Lt. Governor
Christian S. Johansson Secretary
Dominick E. Murray Deputy Secretary

December 28, 2012

The Honorable Thomas V. Mike Miller, Jr.
President, Maryland Senate
State House, H-107
Annapolis, Maryland 21401-1991

The Honorable Michael E. Busch
Speaker, Maryland House of Delegates
State House, H-101
Annapolis, Maryland 21401-1991

RE: Maryland Employer Security Clearance Costs Tax Credit Annual Report

Dear President Miller and Speaker Busch:

In accordance with the Tax General Article, Section 10-731 the Department of Business and Economic Development is pleased to submit the annual report on the Maryland Employer Security Clearance Costs Tax Credit.

I look forward to your review of this report and will be happy to furnish any additional information that is needed. If my staff or I can be of further assistance, or if you have any questions regarding this report, please contact me at 410-767-6301.

Sincerely,

A handwritten signature in black ink, appearing to be 'C. Johansson', written over a horizontal line.

Christian S. Johansson
Secretary

Enclosure

DIVISION OF FINANCE
MARYLAND EMPLOYER SECURITY CLEARANCE
COSTS TAX CREDIT PROGRAM

ANNUAL STATUS REPORT
TAX YEAR 2012
TAX-GENERAL ARTICLE

SECTION 10-732

Submitted by:

Maryland Department of Business and Economic Development

December 2012

BASIC FACTS ABOUT MARYLAND EMPLOYER SECURITY CLEARANCE COSTS TAX CREDIT

The Maryland Employer Security Clearance Costs Tax Credit (ESCC) was enacted during the 2012 legislative session of the Maryland General Assembly. The statute requires that each business wishing to receive tax credits apply for certification on or before September 15th for security clearance administrative expenses and/or sensitive compartmented information facility costs incurred in the preceding tax year. The Department of Business and Economic Development (DBED) is responsible for administering the certification process. After receiving certification, businesses may then amend their tax returns and receive a refund. If a business receives more ESCC credits than it paid in taxes, the unused portion of the credit may be carried forward until the excess amount is fully used.

The credit is available for eligible expenses for taxable years beginning after December 31, 2012, but before January 1, 2017.

The ESCC tax credit program includes two tax credits: The Security Clearance Administrative Expenses Tax Credit and Sensitive Compartmented Information Facility Costs Tax Credit.

Security Clearance Administrative Expenses Tax Credit- A business may claim a credit against its Maryland income tax of up to \$100,000 per taxable year for qualified security clearance administrative costs. Qualified expenses include but are not limited to:

- *Processing application requests for federal security clearance,*
- *Maintaining, updating or installing computer systems in Maryland that are required to obtain federal security clearance, and*
- *Employee training related to the federal security clearance application process in Maryland.*

Sensitive Compartmented Information Facility (SCIF) Costs Tax Credit- A business may also claim a credit against its Maryland income tax for costs related to the construction or renovation of a SCIF or multiple SCIFs located in Maryland. The SCIF must be accredited by the appropriate federal agency. For costs related to a single SCIF, the credit is equal to the lesser of 50% percent of the costs or \$100,000. For costs related to multiple SCIFs, the credit is the amount of costs up to \$250,000 per calendar year.

ACTIVITY FOR TY2012

The tax credits are for costs incurred after January 1, 2013, therefore, there is no activity to report for calendar year 2012. Since SB 296 passed, DBED has begun implementing the program. Information about the program and how to apply is available on DBED's website at (<http://choosemaryland.org/businessresources/Pages/MarylandESCCTaxCredit.aspx>). The website includes an application, statute, and frequently asked questions and answers. DBED is in the process of drafting regulations.

ESCC is available for expenses incurred after January 1, 2013. The first applications are due September 15, 2014. DBED will issue the first certificates by December 15, 2014.