MARYLAND
Department of Business &
Economic Development

Martin O'Malley Governor

Anthony G. Brown Lt. Governor

Robert L. Walker Acting Secretary

January 7, 2015

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,

Robert L. Walker
Acting Secretary

Enclosure

OFFICE OF FINANCE PROGRAMS

MARYLAND EMPLOYER SECURITY CLEARANCE
COSTS TAX CREDIT PROGRAM

ANNUAL STATUS REPORT
TAX YEAR 2013
TAX-GENERAL ARTICLE

SECTION 10-732-(f)

Submitted by:

Maryland Department of Business and Economic Development

January 2015

BASIC FACTS ABOUT MARYLAND
EMPLOYER SECURITY CLEARANCE COSTS
TAX YEAR 2013

The Maryland Employer Security Clearance Costs Tax Credit program was enacted during the 2012 session of the Maryland General Assembly. The statute requires that each business wishing to receive tax credits apply to the Department of Business and Economic Development (DBED) for certification on or before September 15th of the calendar year following the tax year for which the federal security clearance costs were incurred. For September 15, 2014, businesses applied to DBED for expenses incurred in the Tax Year Ending (TYE) 2013. After receiving certification, a business may amend its tax return to claim a credit. If the credit exceeds the business's tax liability, the unused portion of the credit may be carried forward until the excess amount is fully used.

The Maryland Employer Security Clearance Costs Tax Credit Program includes three tax credits.

> ***Security Clearance Administrative Expense Tax Credit*** – *This credit is 100% of eligible administrative expenses related to obtaining and maintaining federal security clearance for employees up to $200,000. However, if the total amount of credits claimed by all businesses exceeds $2 million, then the tax credit will be prorated.*

> ***Sensitive Compartmented Information Facility Costs Tax Credit*** – *This tax credit is 50% of eligible construction or renovation costs of a single Sensitive Compartmented Information Facility (SCIF) up to $200,000, and costs related to multiple SCIFs up to $500,000. However, if the total amount of credits claimed by all businesses exceeds $2 million, then, the tax credit will be prorated.*

> ***First Year Leasing Costs Tax Credit for Qualified Small Business*** – *This credit is 100% of eligible first year leasing costs for small businesses doing security-based contract work up to $200,000. However, if the total amount of credits claimed by all businesses exceeds $2 million, then, the tax credit will be prorated.*

Special conditions apply to the tax credits for TYE 2013. The program was enacted in 2012 but the following changes were made by the General Assembly during the 2013 session: (1) for the security clearance administrative expenses, the credit amount was increased from the maximum of $100,000 to $200,000, (2) for the SCIF costs, the credit amounts were increased from the maximum of $100,000 to $200,000 for a single SCIF and from $250,000 to $500,000 for multiple SCIFs, and (3) the first-year leasing costs tax credit for the qualified small businesses tax credit up to $200,000 was newly added to the program. Those changes went into effect on July 1, 2013. As a result, eligible costs and credits amounts were broken out between January 1 – June 30 and July 1 – December 31 for the administrative expenses tax credit and SCIFs costs tax credit in order to implement these changes. For the first-year leasing costs tax credit, costs incurred only between July 1 and December 31 were eligible for the credit for TYE 2013.

DBED certified 40 businesses to receive credits for incurring $3.42 million in employer security clearance costs in Maryland for their tax year ending in 2013. At the nominal statutory rates, applicants would have received $2.34 million in tax credits. However the tax credits are limited to $2 million. Therefore, the effective rate for the tax credit is reduced to 85.64 percent.

The applicants and the amount of credits for which they were certified are included in the attached appendix.

Appendix: Maryland Employer Security Clearance Costs Tax Credit, Credits Certified, TY 2013

Business Name	Total Certified Credit Amount
Oakleaf Technology Group, Inc.	7,866
MDA Information Systems LLC	77,558
Mission Essential Personnel, LLC	171,283
Kinsey Consulting, LLC	2,233
Patriot Technologies, Inc.	3,294
Critical Resources Group, LLC	4,932
ClearShark, LLC	5,132
Secure Innovations, LLC	36,687
Sigint Technologies, LLC	16,926
Gray Graphics Corp.	20,528
Sealing Technologies, Inc.	17,860
Spectra Tech, LLC	3,982
CTS Services, LLC	19,730
Facility Support Services, LLC	19,216
Project Enhancement Corp.	2,697
ISIS Government Solutions, LLC	93,288
Tiber Technologies, Inc.	7,512
Lingual Information System Technologies, Inc.	140,086
TeleCommunitation Systems, Inc.	272,560
CACI Technologies, Inc.	5,470
Wilhelm Commercial Builders, Inc.	42,977
Massachusetts TASC, Inc. A/K/A TASC, Inc.	171,283
Asymmetrik Ltd.	51,714
Intelsat General Corporation	106,953
General Dynamics Advanced Information Systems, Inc.	30,396
Novetta, Inc.	32,287
Novetta, LLC	96,269
InfoZen, Inc.	72,364
Tactical Network Solutions, LLC	9,174
Ponte Technologies, LLC	35,181
Quotient, Inc.	48,386
Entegra Systems, Inc.	27,036
WOG, LLC d/b/a WhiteOak Group	43,998
TENSLEY Consulting, Inc.	27,373
Van Kyke Technology Group, Inc.	65,700
LJT & Associates, Inc.	38,949
BCT LLC	54,519
Globecomm Services Maryland, LLC	21,141
VariQ Corporation	38,539
JS, Global, LLC	56,919
Total Credit Amount	*$2,000,000*