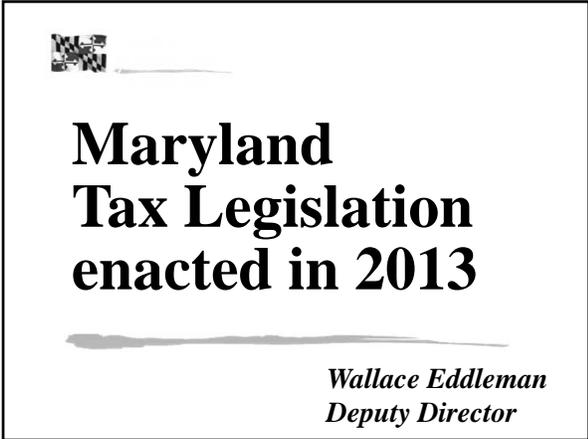
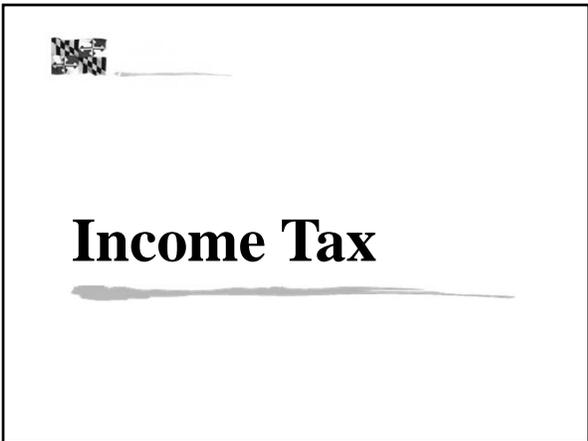


Peter Franchot



**Maryland
Tax Legislation
enacted in 2013**

*Wallace Eddleman
Deputy Director*



Income Tax



Administrative

Senate Bill 243 (Chapter 213) – Maryland Income Tax Refund – Anne Arundel County Warrant Intercept Program Extension

- ✓ Extends termination date of Program by five years from September 30, 2013 to September 30, 2018.



Senate Bill 613 and House Bill 644 (Chapters 506 and 507) – Income Tax – Electronic Filing – Designation to Purchase Federal Savings Bonds

- ✓ Allows electronic filers to use refund to purchase U.S. Series I Savings Bonds.
- ✓ Applicable to taxable years beginning after December 31, 2014.

**Senate Bill 715 (Chapter 309) –
Maryland Highway Safety Act of 2013**

✓ Expands the Motor Vehicle Administration (MVA) authority to issue or renew an identification card, a moped operator's permit, or a license to drive to individuals not having a Social Security number or lawful status by repealing a limitation that the individual must have held one of those documents on April 18, 2009.

**Senate Bill 715 (Chapter 309) –
Maryland Highway Safety Act of 2013
*cont'd***

✓ Individuals newly eligible to be issued one of these documents must provide documentary evidence that they filed a Maryland income tax return, or that the individual resided in Maryland and was claimed as a dependent by an individual who has filed a Maryland income tax return, for each of the preceding two years.
✓ Effective January 1, 2014.

**House Bill 1513 (Chapter 420) – Public
Safety – Response to a State Disaster or
Emergency – Licensing and Taxes**

✓ Establishes that an out-of-state business that performs disaster- or emergency-related work during a disaster period does not establish a level of presence that would require the out-of-state business or its out-of-state employees to be subject to:

- 1) State or local licensing or registration requirements;
- 2) State or county income taxes;
- 3) unemployment insurance contributions;
- 4) personal property tax; or
- 5) any requirement to collect and remit Maryland sales and use tax.

**House Bill 1513 (Chapter 420) –
Public Safety – Response to a State
Disaster or Emergency – Licensing
and Taxes *cont'd***

- ✓ Requires business to provide Comptroller a statement that business is in the State solely for purposes related to performing disaster or emergency-related work. Statement shall also include the business:
 - 1) name;
 - 2) state or domicile;
 - 3) principal address;
 - 4) the federal tax identification number;
 - 5) the date of entry into the State; and
 - 6) contact information.
- ✓ Effective June 1, 2013.



Subtractions

**Senate Bill 404 and House Bill 408
(Chapters 257 and 258) – Income Tax –
Subtraction Modification – Enhanced
Agricultural Management Equipment**

- ✓ Amends existing *conservation tillage equipment* subtraction modification to include qualified purchases of:
 - specified manure spreading equipment,
 - vertical tillage equipment,
 - global positioning system devices used for the management of agricultural nutrient applications,
 - and integrated optical sensing and nutrient application systems.

**Senate Bill 404 and House Bill 408
(Chapters 257 and 258) – Income Tax –
Subtraction Modification – Enhanced
Agricultural Management Equipment *cont'd***

- ✓ Subtraction is 50% of eligible expenses for qualifying purchases of vertical tillage equipment and 100% of eligible expenses for all other types of qualifying enhanced agricultural management equipment.

**Senate Bill 639 (Chapter 513) – Civil
Rights Tax Relief Act**

- ✓ Creates a subtraction modification noneconomic damages as a result of a claim of unlawful discrimination.
- ✓ Noneconomic damages are all amounts received other than compensation for lost pay or punitive damages.
- ✓ Subtraction applies whether damages are received by judgment, order, or settlement; and whether payments are received in lump sum or period payments.

**Senate Bill 774 (Chapter 546) –
Income Tax – Subtraction
Modification – Maryland Civil Air
Patrol**

- ✓ Expands the resident individual subtraction modification for qualifying volunteer fire, rescue, or emergency medical services members to apply to active members of the Maryland Civil Air Patrol.
- ✓ Applicable to taxable years beginning after December 31, 2014.

**House Bill 706 (Chapter 384) –
Natural Resources - Forest
Preservation Act of 2013**

- ✓ Expands income tax subtraction modification for reforestation or timber stand improvement by:
 - making the subtraction modification available for land ranging from 3 to 1,000 acres (instead of 10 to 100 acres) of commercial forest land, and
 - allowing for a broader range of timber stand improvement activities.
- ✓ Effective October 1, 2013.



Credits

**Senate Bill 124 (Chapter 443) –
Income Tax Credit for Qualifying
Employees – Sunset Repeal**

- ✓ Effective June 1, 2013, removes the termination date for the credit against Maryland corporate and personal income tax for employers that hire qualifying employees with disabilities.

**Senate Bill 183 (Chapter 28) – Income Tax
– Business and Economic Development –
Film Production Activity Tax Credit**

- ✓ Extends authority to issue film production activity tax credit certificates from June 30, 2014 until June 30, 2016.
- ✓ Increases the amount of film production activity tax credit certificates that may be granted for fiscal year 2014 to \$25 million, but back to \$7.5 million for fiscal years 2015 and 2016.

**Senate Bill 183 (Chapter 28) – Income Tax
– Business and Economic Development –
Film Production Activity Tax Credit *cont'd***

- ✓ Provides if credit amounts issued total less than the maximum provided in any fiscal year, any excess amount may be carried forward and issued under tax credit certificates in a subsequent fiscal year.
- ✓ Effective immediately from the date of enactment.

**Senate Bill 482 (Chapter 482, Acts of 2013)
– Income Tax Credit – Security Clearances
– Employer Costs**

- ✓ Increases to \$200,000 the maximum credit allowed for security clearance expenses and construction and equipment costs incurred in the construction or renovation of a single SCIF.
- ✓ Increases to \$500,000 the maximum credit allowed for the construction or renovation of multiple SCIFs.
- ✓ Also extends the credit to certain rental payments incurred by a small business that performs security-based contracting.

**Senate Bill 484 and House Bill 184
(Chapters 278 and 279) – Income Tax
Credit – Oyster Shell Recycling**

- ✓ New credit for individuals and corporations of \$1 for each bushel of oyster shells recycled during the taxable year.
- ✓ Maximum credit allowed per taxable year is the lesser of \$750 or the State income tax for that year.
- ✓ Credit is non-refundable and cannot be carried forward or back.

**Senate Bill 484 and House Bill 184
(Chapters 278 and 279) – Income Tax
Credit – Oyster Shell Recycling *cont'd***

- ✓ To claim credit, individual or corporation must provide verification of the amount of oyster shells recycled with the individual or corporation tax return.
- ✓ The Department of Natural Resources and the Comptroller must jointly adopt regulations establishing eligibility criteria and providing for the certification of businesses, landfills, and nonprofit organizations to verify the amount of oyster shells recycled.
- ✓ Effective for five years, before abrogating on June 30, 2018.

**Senate Bill 779 and House Bill 328 (Chapters
75 and 76) – Biotechnology Investment Tax
Credit – Qualified Maryland Biotechnology
Company – Definition**

- ✓ Expands the definition of “Qualified Maryland biotechnology company” for all initial tax credit certificates issued after June 30, 2013 to include a company that has been in active business no longer than 10 years *from the date the company first received a qualified investment.*

House Bill 102 (Chapter 425) – Budget Reconciliation and Financing Act of 2013

- ✓ Provides that tax credits authorized for a commercial rehabilitation project on or after July 1, 2004 expire on July 1, 2014, unless on or before June 30, 2014, the applicant demonstrates project has a valid unexpired building permit.
- ✓ Provides that the Director shall notify, in writing, the owner or developer that received approval of a plan of proposed rehabilitation for a commercial rehabilitation project of the requirements of this section.
- ✓ Provides that the Director report to the Comptroller the number and amount of tax credits that have expired.

House Bill 102 (Chapter 425) – Budget Reconciliation and Financing Act of 2013 *cont'd*

- ✓ Creates a new income tax credit that allows an individual or corporation to claim a credit against the State income tax for the expense of registering a Class F (Tractor) Vehicle described under § 13-923 of the Transportation Article in the State.

House Bill 102 (Chapter 425) – Budget Reconciliation and Financing Act of 2013 *cont'd*

- ✓ Credit allowed may not exceed the lesser of \$400 for each qualified vehicle or the State income tax for that taxable year.
- ✓ Credit may not be carried over to any other taxable year.
- ✓ Credit is effective September 1, 2013 is applicable to all tax years beginning after December 31, 2013, but before January 1, 2017.

House Bill 108 (Chapter 82) – Housing and Community Development – Neighborhood and Community Assistance Program – Project Proposals

- ✓ Increases the maximum contributions eligible from \$2.0 million to \$3.5 million each fiscal year.
- ✓ Authorizes giving preference to a neighborhood conservation district that is locally designated in coordination with the program when considering approval or disapproval of a proposal for a project and in determining the maximum sum of contributions eligible for the tax credit.
- ✓ Effective October 1, 2013.

House Bill 386 (Chapter 109) – Income Tax Credit – Qualified Research and Development Expenses – Credit Amounts and Small Business Refund

- ✓ Expands credit by increasing to \$8 million the aggregate amount of credits that can be approved in each calendar year. (Basic credits and Growth credits are each increased from \$3 million to \$4 million).
- ✓ Allows the credit to be refundable if the business claiming the credit is a small business. “Small business” means a for-profit business with net book value assets totaling less than \$5 million at the beginning or end of the taxable year in which the eligible R&D expenses are incurred.
- ✓ Effective June 1, 2013 and applicable to all Maryland research and development tax credits certified after December 15, 2012.

House Bill 791 (Chapter 389) – Tax Credits - Electric Vehicles - Extensions

- ✓ Extends credit for qualified electric vehicle recharging equipment through tax year 2016.
- ✓ Authorizes, subject to available funding, \$600,000 of tax credits annually for tax years 2013 through 2016.

**House Bill 803 (Chapter 390) – Income Tax
– Business and Economic Development –
Cybersecurity Investment Incentive Tax
Credit**

- ✓ Creates an income tax credit to be claimed by Maryland cybersecurity companies for tax years 2014 through 2018.
- ✓ Credit allowed is equal to 33% of the investment in a qualified Maryland cybersecurity company, not to exceed \$250,000.00.
- ✓ Credits in any taxable year exceeding State income tax for that taxable year are refundable to individuals or corporations.

**House Bill 803 (Chapter 390) – Income Tax
– Business and Economic Development –
Cybersecurity Investment Incentive Tax
Credit *cont'd***

- ✓ Qualified Maryland cybersecurity companies must apply to the Department of Business and Economic Development (DBED) for the credit.
- ✓ Amount of credits DBED can award each year cannot exceed the credit amount appropriated to a reserve fund for that fiscal year.

**House Bill 803 (Chapter 390) – Income Tax
– Business and Economic Development –
Cybersecurity Investment Incentive Tax
Credit *cont'd***

- ✓ A qualified Maryland cybersecurity company is defined as a for-profit entity that is primarily engaged in the development of innovative and proprietary cybersecurity technology and meets specified criteria including requirements that the company:
 - (1) has been in business for no more than five years;
 - (2) has less than 50 full-time employees;
 - (3) has its headquarters and base of operations in Maryland;
 - (4) is not publicly traded on any exchange;
 - (5) has not participated in the tax credit program for more than one prior fiscal year;
 - (6) owns or has properly licensed any proprietary technology; and
 - (7) has an aggregate capitalization of at least \$100,000.

**House Bill 1017 (Chapter 659) –
Income Tax Credit – Wineries and
Vineyards**

- ✓ New credit for an individual or corporation to claim a credit against State income tax in an amount equal to 25% of the qualified capital expenses made in connection with the establishment of new wineries or vineyards or the capital improvements made to existing wineries or vineyards.
- ✓ Individual or corporation must apply to the Department of Business and Economic Development (DBED) by September 15 of the calendar year following the end of the taxable year in which the qualified capital expenses were paid or incurred.

**House Bill 1017 (Chapter 659) –
Income Tax Credit – Wineries and
Vineyards *cont'd***

- ✓ DBED shall certify tax credits approved not to exceed \$500,000 for any taxable year.
- ✓ To claim the credit, individual or corporation must file an amended return for the taxable year in which the qualified capital expenses were paid or incurred and attach a copy of the certification issued by DBED.
- ✓ If credit allowed exceeds the tax payable by for any taxable year, the excess credit may be applied as a credit for succeeding taxable years until the full amount of excess is used or the expiration of the 15th taxable year after the taxable year in which the qualified capital expenses were paid or incurred.

**House Bill 1017 (Chapter 659) –
Income Tax Credit – Wineries and
Vineyards *cont'd***

- ✓ The Act provides DBED and the Comptroller shall adopt regulations.
- ✓ Effective for five years and abrogates June 30, 2018.



Sales and Use Tax

Senate Bill 486 and House Bill 523 (Chapters 483 and 484) – Short-Term Rental of Motorcycles – Sales and Use Tax and Motor Vehicle Law

- ✓ Amends the definition of “short-term vehicle rental” to include motorcycle rentals so that they are subject to the 11.5% sales tax rate applicable to short-term vehicle rentals.

Senate Bill 745 (Chapter 313) – Public Safety – 9-1-1 Emergency Telephone Systems – Collection of Surcharge

- ✓ Creates a “Prepaid Wireless E 9-1-1 Fee” for prepaid wireless telecommunications services.
- ✓ “Prepaid wireless telecommunications” services means a commercial mobile radio service that:
 - 1) allows a consumer to dial or access 9-1-1;
 - 2) must be paid in advance; and
 - 3) is sold in predetermined units that decline with use in a known amount.
- ✓ The Prepaid Wireless E 9-1-1 Fee is collected by the seller from the consumer for each retail transaction in Maryland.

Senate Bill 745 (Chapter 313) – Public Safety – 9-1-1 Emergency Telephone Systems – Collection of Surcharge *cont'd*

- ✓ The Prepaid Wireless E 9-1-1 Fee is 60 cents per retail transaction.
- ✓ The Prepaid Wireless E 9-1-1 Fee is not subject to Maryland sales and use tax.
- ✓ Comptroller is to deposit all reported and remitted Prepaid Wireless E 9-1-1 Fees into the 9-1-1 Trust Fund within 30 days of receipt to be used for purposes of enhancing, maintaining and operating the 9-1-1 systems.

House Bill 232 (Chapter 609) – Sales and Use Tax – Exemptions – Parent-Teacher Organization Fundraisers

- ✓ Adds a new exemption for sales by a parent-teacher organization or other organization within an elementary or secondary school in the state or within a school system in the state.
