

Chapter 438

(Senate Bill 721)

AN ACT concerning

**Income Tax – Credit for Federal Security Clearance Costs – ~~Extension~~
Alterations**

FOR the purpose of ~~extending the termination date for~~ reestablishing for a certain period of taxable years a credit against the Maryland income tax for certain costs incurred by employers to obtain federal security clearances for employees, rent certain spaces, and construct or renovate certain sensitive compartmented information facilities in the State; limiting eligibility for the income tax credit to individuals or corporations who employ not more than a certain number of employees; and generally relating to an income tax credit for costs related to federal security clearances.

BY repealing and reenacting, without amendments,

Article – Tax – General
Section 10–732(a)
Annotated Code of Maryland
(2022 Replacement Volume)

BY repealing and reenacting, with amendments,

Article – Tax – General
Section 10–732(b)
Annotated Code of Maryland
(2022 Replacement Volume)

SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
That the Laws of Maryland read as follows:

Article – Tax – General

10–732.

(a) (1) In this section the following words have the meanings indicated.

(2) “Costs” means the costs to an individual or corporation for:

(i) security clearance administrative expenses incurred with regard to an employee in the State including, but not limited to:

1. processing application requests for clearances for employees in the State;

2. maintaining, upgrading, or installing computer systems in the State required to obtain federal security clearances; and

3. training employees in the State to administer the application process; and

(ii) construction and equipment costs incurred to construct or renovate a sensitive compartmented information facility (“SCIF”) located in the State as required by the federal government.

(3) “Department” means the Department of Commerce.

(4) “Secretary” means the Secretary of Commerce.

(5) “Small business” has the meaning stated in § 7–218 of this article.

(b) (1) Subject to the limitations of this section, for a taxable year beginning after December 31, ~~2019~~ **2022**, but before January 1, [2022] **2028**, an individual or a corporation **THAT EMPLOYS NOT MORE THAN 500 EMPLOYEES** may claim credits against the State income tax for:

(i) security clearance administrative expenses, not to exceed \$200,000;

(ii) 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 \$200,000; and

(iii) subject to paragraph (2) of this subsection, construction and equipment costs incurred to construct or renovate a single SCIF in an amount equal to the lesser of 50% of the costs or \$200,000.

(2) The total amount of construction and equipment costs incurred to construct or renovate multiple SCIFs for which an individual or a corporation is eligible to claim as a credit against the State income tax is \$500,000.

SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July 1, 2023, and shall be applicable to all taxable years beginning after December 31, ~~2021~~ **2022**.

Approved by the Governor, May 8, 2023.