

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 2013

BASIC FACTS ABOUT MARYLAND EMPLOYER SECURITY CLEARANCE COSTS TAX CREDIT

The Maryland Employer Security Clearance Costs (ESCC) Tax Credit was enacted during the 2012 legislative session of the Maryland General Assembly and was subsequently amended during the 2013 legislative session. The statute requires that each business wishing to receive tax credits apply for certification on or before September 15th for security clearance administrative expenses, sensitive compartmented information facility costs and/or the first year leasing 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 the following tax credits: The Security Clearance Administrative Expenses Tax Credit, Sensitive Compartmented Information Facility Costs Tax Credit and the First Year Leasing Costs Tax Credit for Qualified Small Business.

Security Clearance Administrative Expenses Tax Credit- A business may claim a credit against its Maryland income tax of up to \$200,000 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 \$200,000. For costs related to multiple SCIFs, the credit is the amount of costs up to \$500,000 per calendar year.

The First Year Leasing Costs Tax Credit for Qualified Small Business- A qualified small business may also claim a credit against its Maryland income tax up to \$200,000 for costs for rental payments during the first year of a rental agreement for leasing spaces to perform security-based contracting work.

ACTIVITY FOR TY2013

The ESCC Tax Credits are for costs incurred after January 1, 2013, and the first applications are not due until September 15, 2014. DBED will issue the first certificates by December 15, 2014. Therefore, there is no activity to report for calendar year 2013. Since enactment, DBED has begun implementing and marketing the program.