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OFFICE OF FINANCE  
MARYLAND RESEARCH AND DEVELOPMENT TAX CREDIT  
PROGRAM

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ANNUAL STATUS REPORT  
TAX YEAR 2014  
TAX-GENERAL ARTICLE

SECTION 10-721(g)

Maryland Department of Commerce  
December 2015



Larry Hogan | Governor  
Boyd Rutherford | Lt. Governor  
R. Michael Gill | Secretary of Commerce  
Benjamin H. Wu | Deputy Secretary of Commerce

## Maryland R&D Tax Credit Annual Status Report, TYE 2014

The Maryland Research and Development Tax Credit program was enacted during the 2000 session of the Maryland General Assembly. The statute requires that each business wishing to receive tax credits apply to the Department of Commerce for certification on or before September 15<sup>th</sup> of the calendar year following the tax year for which the R&D expenses were incurred. For September 15, 2015, businesses applied for expenses incurred in the Tax Year Ending (TYE) 2014. After receiving certification, a business may amend its tax return and receive a refund. If the credit exceeds the business's tax liability, the unused portion of the credit may be carried forward for up to seven years. A small business may claim a refund. A "small business" is defined as a for-profit corporation, limited liability company, partnership, or sole proprietorship with net book value assets totaling, at the beginning or the end of the taxable year for which Maryland qualified research and development expenses are incurred, as reported on the balance sheet, less than \$ 5,000,000.

The Maryland Research and Development Tax Credit Program includes two tax credits.

**Basic R&D Tax Credit**- This credit is 3% of eligible R&D expenses that do not exceed the Maryland Base Amount. The Maryland Base Amount is a business's average R&D expenses over the last four years. However, if the total amount of credits claimed by all businesses exceeds \$4.5 million, then the Basic R&D tax credit will be prorated.

**Growth R&D Tax Credit**- This credit is 10% of eligible R&D expenses that exceed the Maryland Base Amount. However, if the total amount of credits claimed by all businesses exceeds \$4.5 million, then the Growth R&D tax credit will be prorated.

Commerce certified 231 businesses to receive credits for research conducted in Maryland for their tax year ending in 2014. The businesses applying for the Maryland R&D tax credit incurred \$1,473 million in research and development expenses in TYE 2014. Of the 231 businesses that received certification, 68% increased their R&D expenses in 2014 over their average R&D expenses from the previous four years, and were therefore, able to claim the Growth R&D Tax Credit.

At the nominal statutory rates of 3% for the basic research credit and 10% for the growth credit, applicants would have received \$32.3 million in basic research credits and \$39.8 million in growth credits. However, the credits are limited to \$4.5 million each. The basic R&D credit was 7.2 times oversubscribed and the growth credit was 8.8 times oversubscribed. These limits reduced the effective rate for the basic credit to 0.42 percent and the effective rate for the growth credit to 1.13 percent.

See Report Appendices for information on the businesses and the amount of credits awarded.