

1. THE PERCENTAGE THAT THE MARYLAND QUALIFIED RESEARCH AND DEVELOPMENT EXPENSE FOR THE 4 TAXABLE YEARS IMMEDIATELY PRECEDING THE TAXABLE YEAR IN WHICH THE EXPENSE IS INCURRED IS OF THE GROSS RECEIPTS FOR THOSE YEARS; OR

2. FOR A TAXPAYER WHO HAS FEWER THAN 4 BUT AT LEAST 1 PRIOR TAXABLE YEAR, THE PERCENTAGE AS DETERMINED UNDER ITEM 1 OF THIS ITEM, DETERMINED USING THE NUMBER OF IMMEDIATELY PRECEDING TAXABLE YEARS THAT THE TAXPAYER HAS.

(4) "MARYLAND GROSS RECEIPTS" MEANS GROSS RECEIPTS THAT ARE REASONABLY ATTRIBUTABLE TO THE CONDUCT OF A TRADE OR BUSINESS IN THIS STATE, DETERMINED UNDER METHODS PRESCRIBED BY THE COMPTROLLER BASED ON STANDARDS SIMILAR TO THE STANDARDS UNDER § 10-402 OF THIS TITLE.

(5) "MARYLAND QUALIFIED RESEARCH AND DEVELOPMENT" MEANS QUALIFIED RESEARCH AS DEFINED IN § 41(D) OF THE INTERNAL REVENUE CODE THAT IS CONDUCTED IN THIS STATE.

(6) "MARYLAND QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES" MEANS QUALIFIED RESEARCH EXPENSES AS DEFINED IN § 41(B) OF THE INTERNAL REVENUE CODE INCURRED FOR MARYLAND QUALIFIED RESEARCH AND DEVELOPMENT.

(B) SUBJECT TO THE LIMITATIONS OF THIS SECTION, AN INDIVIDUAL OR A CORPORATION MAY CLAIM CREDITS AGAINST THE STATE INCOME TAX IN AN AMOUNT EQUAL TO:

(1) 3% OF THE MARYLAND QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES, NOT EXCEEDING THE MARYLAND BASE AMOUNT FOR THE INDIVIDUAL OR CORPORATION, PAID OR INCURRED BY THE INDIVIDUAL OR CORPORATION DURING THE TAXABLE YEAR; AND

(2) 10% OF THE AMOUNT BY WHICH THE MARYLAND QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES PAID OR INCURRED BY THE INDIVIDUAL OR CORPORATION DURING THE TAXABLE YEAR EXCEED THE MARYLAND BASE AMOUNT FOR THE INDIVIDUAL OR CORPORATION.

(C) (1) BY SEPTEMBER 15 OF THE CALENDAR YEAR FOLLOWING THE END OF THE TAXABLE YEAR IN WHICH THE MARYLAND QUALIFIED RESEARCH AND DEVELOPMENT EXPENSES WERE INCURRED, AN INDIVIDUAL OR CORPORATION SHALL SUBMIT AN APPLICATION TO THE DEPARTMENT FOR THE CREDITS ALLOWED UNDER SUBSECTION (B)(1) AND (2) OF THIS SECTION.

(2) (I) THE TOTAL AMOUNT OF CREDITS APPROVED BY THE DEPARTMENT UNDER SUBSECTION (B)(1) OF THIS SECTION MAY NOT EXCEED ~~\$10,000,000~~ \$3,000,000 FOR ANY CALENDAR YEAR.

(II) IF THE TOTAL AMOUNT OF CREDITS APPLIED FOR BY ALL INDIVIDUALS AND CORPORATIONS UNDER SUBSECTION (B)(1) OF THIS SECTION EXCEEDS THE MAXIMUM SPECIFIED UNDER SUBPARAGRAPH (I) OF THIS PARAGRAPH, THE DEPARTMENT SHALL APPROVE A CREDIT UNDER SUBSECTION