

1. ~~IS CONDUCTED IN THIS STATE; AND~~

2. ~~IS NOT FUNDED, WITHIN THE MEANING OF § 41(H)(D)(4)(H) § 41(D)(4)(H) OF THE INTERNAL REVENUE CODE, BY ANY GRANT, CONTRACT, OR OTHERWISE BY A PERSON OR GOVERNMENTAL ENTITY OTHER THAN THE PERSON CLAIMING THE CREDIT UNDER THIS SECTION; AND~~

(H) QUALIFY AS:

1. ~~RESEARCH OR EXPERIMENTAL EXPENDITURES DEDUCTIBLE UNDER §174 OF THE INTERNAL REVENUE CODE, DETERMINED WITHOUT REGARD TO § 280C(C) OF THE INTERNAL REVENUE CODE OR ANY ELECTIONS MADE BY A TAXPAYER TO AMORTIZE EXPENSES ON ITS FEDERAL INCOME TAX RETURN THAT WERE OTHERWISE DEDUCTIBLE; OR~~

2. ~~BASIC RESEARCH PAYMENTS AS DEFINED UNDER § 41 OF THE INTERNAL REVENUE CODE.~~

(3) "MARYLAND BASE AMOUNT" MEANS THE BASE AMOUNT AS DEFINED IN § 41(C) OF THE INTERNAL REVENUE CODE THAT IS ATTRIBUTABLE TO MARYLAND, DETERMINED BY:

(I) SUBSTITUTING "MARYLAND QUALIFIED RESEARCH AND DEVELOPMENT EXPENSE" FOR "QUALIFIED RESEARCH EXPENSE";

(II) SUBSTITUTING "MARYLAND QUALIFIED RESEARCH AND DEVELOPMENT" FOR "QUALIFIED RESEARCH"; AND

(III) USING, INSTEAD OF THE "FIXED BASE PERCENTAGE":

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.