

**Electronic Format** The paper version of Maryland Form 500CR is no longer available. You must file your Maryland return electronically to claim the business income credits available from Form 500CR.



**Tax-exempt organizations** Organizations that are tax-exempt under Internal Revenue Code 501(c)3 may be eligible to claim certain business tax credits against their withholding taxes. These qualified organizations no longer will use Form 500CR, but **will use Form 508CR** as an attachment to Form MW508 (Annual Employer Withholding Reconciliation Return). See Administrative Release 34.



**GENERAL INSTRUCTIONS**

**Purpose** Maryland Form 500CR is used to claim the following business tax credits against corporation and individual income tax.

Tax Credit	Part
Bio-Heating Oil Tax Credit**	R
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Research and Development Tax Credits**	K
RESERVED FOR FUTURE USE	H
Sustainable Communities Tax Credit from Form 502S	Z

**\*\*Required Certification must be included with Form 500CR.**

**Pass-through entities (PTEs)** If the business is a PTE, an electronic Form 510 must be filed and the Form 500CR section must be completed through line 23, Part W, for the PTE to pass on these business tax credits to its members. The PTE must provide a Maryland Form 510 Schedule K-1 to each partner, shareholder, or member, or beneficiary with a statement showing their share of each credit in Parts W, Y and Z. In addition, if the PTE is passing on the Sustainable Communities Tax Credit, it must complete the Form 502S section and enter the amount on line 1 of Part Z. Required certification must be included.

If you are a PTE claiming the One Maryland Economic Development Tax Credit, refer to the instructions in Part P before completing the Maryland Form 510 Schedule K-1 for your members. There are additional reporting requirements unique to the One Maryland Credit.

**PTE member** Any credit from a PTE filing a fiscal year return is considered to be received by the member(s) on the last day of the PTE's fiscal year. The PTE member should claim the credit on the member's tax return for the same year as the PTE's fiscal year end. Even though the K-1 listing the credit may reflect the tax year for the beginning of the fiscal year, the credit is still claimed in the year in which the PTE's fiscal year ends.

**Special Note for PTE Members:** If you are a PTE member receiving a distributive or pro rata share of credits, the required certification will have a different Taxpayer Identification Number than you have listed on your return for yourself, or for the business. Please be sure to check the box as you begin to enter Form 500CR information into your return. It is important that you provide the PTE's Federal Employer Identification Number (FEIN) to ensure your credit is not disallowed. Check the box on page 1 of Form 500CR to indicate that credits are from a PTE and enter the PTE's FEIN. Include the Maryland Form 510 Schedule K-1 from the PTEs showing your share of the credit and any credits passing through to you.

**Note:** Some state agencies will only provide certification to the parent of a corporation, which in turn passes the information down to its subsidiaries. It is important to identify FEINs and business names in this situation to avoid processing delays.

If credits are received from more than one entity, include a list of the other entities with names, FEINs, type of credit and the amount of credit for each entity providing credit information.

**Exception: Credits received from PTEs** If you have received distributive or pro rata share of tax credits reported on a Form 510 Schedule K-1, you do not need to complete the calculations for the credit. The amount which you enter in each section should be carried over to the appropriate fields in the Summary, Parts W, X or Y. In addition, PTE members that are corporations or PTEs should complete Part Z.

**Credits claimed by both spouses on a joint return** Only one Form 500CR is completed, which will combine the amounts for both spouses.

**Other Information** If a FEIN is to be used and has not been secured, enter "APPLIED FOR" followed by the date of application. If you have not applied for a FEIN, please do so immediately.

**Amended Returns** You will need to file an electronic Maryland amended return to make changes affecting Form 500CR.

**PART A - ENTERPRISE ZONE TAX CREDIT**

**General Requirements** Businesses located in an enterprise zone may be eligible for tax credits based upon wages paid to qualifying employees. For businesses located in a focus area (an area within an enterprise zone that is especially in need) the credit amounts are higher.

Businesses that own, operate, develop, construct or rehabilitate property intended for use primarily as single- or multi-family residential property are **not** eligible for the enterprise zone tax credit.

Qualifying employees are those employees who:

1. Are new employees or employees rehired after being laid off for more than one year;
2. Were employed at least 35 hours per week by the business for at least six months before or during the business entity's tax year for which a credit is claimed;

3. Spent at least one-half of their working hours in the enterprise zone on activities of the business resulting directly from its location in the enterprise zone;
4. Earn 150% or more of the federal minimum wage; and
5. Were hired by the business after the later of the date on which the enterprise zone was designated or the date on which the business entity located in the enterprise zone.

In addition, an employee may not have been hired to replace an individual employed by the business in that or the three previous tax years except an economically disadvantaged employee hired to replace a previously qualified economically disadvantaged employee, for whom the business received the corresponding first- or second-year credit in the immediately preceding tax year.

For information on the location of enterprise zones and focus areas and the standards which businesses must meet to qualify, contact:

Maryland Department of Business and Economic Development  
Office of Finance Programs, Tax Incentives Group  
401 E. Pratt St.  
Baltimore, MD 21202  
410-767-6438 or 410-767-4041  
taxincentives@choosemaryland.org

Economically disadvantaged employees are those who are certified as such by:

Maryland Department of Labor, Licensing and Regulation  
Division of Workforce Development and Adult Learning  
1100 N. Eutaw Street  
Baltimore, MD 21201  
410-767-2047

That office will provide information relating to certification requirements for such employees.

**Specific Requirements**

Complete Parts A-I and A-II if the business is located in an enterprise zone but **not** in a focus area.

Complete Parts A-III and A-IV if the business is located in a focus area.

**Part A-I - Credit for economically disadvantaged employees not located in a focus area.** A credit is allowed for each new economically disadvantaged employee for a three-year period beginning with the year the employee was qualified. The credits are limited to the following amounts of wages paid to the economically disadvantaged employee: \$3,000 in the first year, \$2,000 in the second year and \$1,000 in the third year. If the employee replaced a previously qualified economically disadvantaged employee, the credit for the new employee will be the same as would have been allowed for the replaced employee.

On line 1, Part A-I, enter the number of economically disadvantaged qualified employees not located in a focus area in their first year of employment in the "First Year" box. Also, enter the number of these qualified employees in their respective second and third year boxes.

On line 2, Part A-I, enter the credit equal to the wages paid to each first year employee up to a maximum of \$3,000 per employee.

On line 3, Part A-I, enter the credit equal to the wages paid to each second year employee up to a maximum of \$2,000 per employee.

On line 4, Part A-I, enter the credit equal to the wages paid to each third year employee up to a maximum of \$1,000 per employee.

On line 5, Part A-I, enter the sum of lines 2 through 4.

**Part A-II - Credit for other qualified employees not located in a focus area.** A credit is allowed for each **new** qualified employee not located in a focus area not provided in Part A-I. The credit is limited to \$1,000 of wages paid and is applicable **for only the first year** the employee was qualified.

On line 6, Part A-II, enter the number of first-year qualified employees who are not located in a focus area who were not claimed in Part A-I.

On line 7, Part A-II, enter the amount of wages for these employees up to a maximum of \$1,000 per employee.

**Part A-III - Credit for economically disadvantaged employees located in a focus area.** A credit is allowed for each new economically disadvantaged employee for a three-year period beginning with the first year the employee was qualified.

The credits are limited to the following amounts of wages paid to the same economically disadvantaged employee: \$4,500 in the first year, \$3,000 in the second year and \$1,500 in the third year. If the employee replaced a previously qualified economically disadvantaged employee, the credit for the new employee will be the same as would have been allowed for the replaced employee.

On line 8, Part A-III, enter the number of economically disadvantaged qualified employees located in a focus area in their first year of employment in the "First Year" box. Also, enter the number of these qualified employees in their respective second and third year boxes.

On line 9, Part A-III, enter the credit equal to the wages paid to each first year employee up to a maximum of \$4,500 per employee.

On line 10, Part A-III, enter the credit equal to the wages paid to each second year employee up to a maximum of \$3,000 per employee.

On line 11, Part A-III, enter the credit equal to the wages paid to each third year employee up to a maximum of \$1,500 per employee.

On line 12, Part A-III, enter the sum of lines 9 through 11.

**Part A-IV - Credit for other qualified employees located in a focus area.** A credit is allowed for each new qualified employee located in a focus area not provided in Part A-III. The credit is limited to \$1,500 of wages paid and is applicable for only the first year the employee was qualified.

On line 13, Part A-IV, enter the number of first-year qualified employees located in a focus area who were not claimed in Part A-III.

On line 14, Part A-IV, enter the amount of wages for these employees up to a maximum of \$1,500 per employee.

**Part A - Summary**

Add lines 5, 7, 12 and 14 and enter total on line 15, Part A.

Also the amount on line 15, Part A, becomes an addition modification. Whenever an Enterprise Zone Tax Credit is claimed, an addition modification must be made in the amount of the credit claimed.

This credit is not refundable and is applied only against the Maryland State tax. To the extent the credit is earned in any year and it exceeds the State income tax, the business is entitled to an excess carryover of the credit until it is used, or the expiration of five years, whichever comes first.



Business must include certification with the return which shows the business is located in a Maryland enterprise zone.

Maryland has more than 30 enterprise zones. Counties and municipalities are responsible for certifying a business as eligible for the tax credits. Contact the county or municipal enterprise zone administrator for more information. Department of Business and Economic Development (DBED) has a list of jurisdictions with enterprise zones on its Web site. Go to [www.choosemaryland.org](http://www.choosemaryland.org) to see the list of Maryland Enterprise Zones by Region.



**PART B – HEALTH ENTERPRISE ZONE HIRING TAX CREDIT**

**General Requirements** A Health Enterprise Zone (HEZ) Practitioner may be eligible for tax credits based on wages paid to qualified employees.

A “Health Enterprise Zone Practitioner” is a health care practitioner who is licensed or certified under the Maryland Health Occupations Article and who provides:

- Primary care, including obstetrics, gynecological services, pediatric services, or geriatric services;
- Behavioral health services, including mental health or alcohol and substance abuse services; or,
- Dental services.

A “qualified employee” is a HEZ practitioner, community health worker, or interpreter who:

- (1) Provides direct support to a HEZ practitioner; and
- (2) Expands access to services in a HEZ.

A qualified position is a full-time position of indefinite duration, which pays at least 150% of the federal minimum wage, is located in a HEZ, and is newly created as a result of the establishment or expansion of services in a HEZ and is filled. A qualified position does not include a position that is filled for a period of less than 12 months.

A HEZ practitioner may claim a refundable credit of \$10,000 for hiring a qualified employee in a qualified position in a HEZ, as certified by the Department of Health and Mental Hygiene (DHMH).

To be eligible for the credit, the HEZ practitioner may create one or more qualified positions within a 24-month period. The \$10,000 credit must be taken over a 24-month period, with half of the credit amount allowed beginning with the first year certified.

**Recapture Provision** If the qualified position is filled for a period of less than 24 months, the tax credit will be recaptured. The tax credit will be reduced on a prorated basis, based on the period of time the position was filled.

For information on the location of HEZs and the standards which HEZ practitioners must meet to qualify, contact:

Maryland Department of Health and Mental Hygiene  
Health Systems & Infrastructure Administration  
201 West Preston Street  
Baltimore, MD 21201  
410-767-5612  
raquel.samson@maryland.gov or  
dhmh.hez@maryland.gov

**Specific Requirements**

Complete lines 1 through 6 in Part B of Form 500CR if the HEZ practitioner is located in a HEZ.

- Line 1: Enter the amount of qualified employees certified by the Department of Health and Mental Hygiene (DHMH) in the First Year box.
- Line 2: Enter \$5,000 for each qualified employee certified by the DHMH in their first year of employment.
- Line 3: (Reserved for 2014)
- Line 4: Enter the sum of lines 2 and 3.
- Line 5: Enter the refund recapture amount, if applicable as a positive number.
- Line 6: Subtract line 5 from line 4 and enter the result on line 6 and on line 4, Part Y. If the result is less than 0, enter as a negative number.

**Note:** A copy of the DHMH certification must be included with your

tax return when claiming this tax credit.

**No credit may be earned for any tax year beginning on or after January 1, 2016.**

A nonrefundable HEZ Practitioner Tax Credit is available on Maryland Form 502CR, Tax Credits for Individuals. Go to [www.marylandtaxes.com](http://www.marylandtaxes.com) to download a copy of that form.

For more information about the HEZ Hiring Tax Credit certification, contact: DHMH.

**PART C - MARYLAND DISABILITY EMPLOYMENT TAX CREDIT**

**General Requirements** Businesses that employ persons with disabilities, as determined by the Division of Rehabilitation Services (DORS) in the Maryland State Department of Education and/or by the Maryland Department of Labor, Licensing and Regulation (DLLR), may be eligible for tax credits for wages paid to, and for child care expenses and transportation expenses paid on behalf of, qualified employees.

Qualifying employees with a disability are those who are certified as such by the DORS (or by the DLLR for a disabled veteran).

For certification or for additional information, contact:

Maryland State Department of Education  
Division of Rehabilitation Services  
2301 Argonne Drive  
Baltimore, MD 21218  
1-888-554-0334 or 410-554-9442  
[www.dors.state.md.us](http://www.dors.state.md.us)  
or,  
Department of Labor, Licensing and Regulation  
1100 N. Eutaw St., Room 201  
Baltimore, MD 21201  
410-767-2047

A “Qualified Employee” with a disability means an individual who:

1. Meets the definition of an individual with a disability as defined by the Americans with Disability Act;
2. Has a disability that presently constitutes an impediment to obtaining or maintaining employment or to transitioning from school to work; and,
3. Is ready for employment; or,
4. Is a veteran who has been discharged or released from active duty by the American Armed Forces for a service-connected disability.

An employee must not have been hired to replace a laid-off employee or to replace an employee who is on strike or for whom the business simultaneously receives federal or state employment training benefits.

Qualifying child care expenses are those expenses incurred by a business to enable a qualified employee with a disability to be gainfully employed.

Transportation expenses are those expenses incurred by a business entity to enable a qualified employee with a disability to travel to and from work.

**Specific Requirements**

**Part C-I - Credit for employees with a disability hired.** A credit is allowed for each new employee with a disability for a two-year period beginning with the year the employee was qualified. The credit for each disabled employee hired is equal to 30% of the first \$6,000 of qualified first year wages and 20% of the first \$6,000 of qualified second year wages.

The employer is not entitled to claim the credit until employment has continued for at least one full year unless the employee:

- (a) Voluntarily leaves the employer;
- (b) Becomes further disabled or death occurs; or,
- (c) Is terminated for cause. The credit must be prorated for the portion of the year the employee worked unless the employee voluntarily left to take another job.

On line 1, Part C-I, enter the number of qualified employees in their first year of employment in the "First Year" box. Enter the number of qualified employees in their second year of employment in the "Second Year" box.

On line 2, Part C-I, enter the credit equal to 30% of the first \$6,000 of wages paid to each first year qualified employee.

On line 3, Part C-I, enter the credit equal to 20% of the first \$6,000 of wages paid to each second year qualified employee.

On line 4, Part C-I, enter the sum of lines 2 and 3.

**Part C-II - Credit for Child Care and Transportation Expenses**

An additional credit is allowed for expenses incurred by the employer for approved day care services for a child or children of a qualified employee, or for transportation expenses that are incurred to enable a qualified employee to travel to and from work.

A credit of up to \$600 is allowed for the first year of employment and up to \$500 for the second year. To verify if a child care center qualifies as an approved provider, contact the Department of Human Resources, Child Care Administrator for the county or city in which the child care center is located.

On line 5, Part C-II, enter the number of qualified employees in their first year of employment in the "First Year" box. Enter the number of qualified employees in their second year of employment in the "Second Year" box.

On line 6, Part C-II, enter the credit equal to a combined total of \$600 in child care and transportation expenses per each first year qualified employee with a disability.

On line 7, Part C-II, enter the credit equal to a combined total of \$500 in child care and transportation expenses per each second year qualified employee with a disability.

On line 8, Part C-II, enter the sum of lines 6 and 7.

**Part C - Summary**

On line 9 Part C, enter the sum of lines 4 and 8.

Also the amount on line 9, Part C, becomes an addition modification. Whenever this credit is claimed against the income tax, an addition modification must be made in the amount of the credit claimed.

This credit is not refundable and is applied only against the Maryland State tax. To the extent the credit is earned in any year and it exceeds the State income tax, the business is entitled to an excess carryover of the credit until it is used, or the expiration of five years, whichever comes first.

**PART D - JOB CREATION TAX CREDIT**

**General Requirements** Certain businesses that create new qualified positions in Maryland may be eligible for tax credits based on the number of qualified positions created or wages paid for these positions.

The business facility must be certified as having created at least 60 qualified positions, 30 high-paying qualified positions, or 25 qualified positions if the business facility established or expanded is in a State Priority Funding Area.

A qualified position is a full-time position which pays at least 150% of the federal minimum wage, is located in Maryland, is newly created as a result of the establishment or expansion of

a business facility in a single location in the state and is filled. Qualified business entities are those certified as such by the Maryland Department of Business and Economic Development. A qualified employee is an employee filling a qualified position.

This credit is not refundable and is applied only against the Maryland State tax. To the extent the credit is earned in any year and it exceeds the State income tax, the business is entitled to an excess carryover of the credit until it is used, or the expiration of five years after the credit was earned, whichever comes first.

**Recapture Provision** If, at any time during the three tax years after the year the credit was earned, the average number of qualified positions falls more than 5% below the average number of qualified positions during the year in which the credit was earned, a portion of the credit will be recaptured for the tax year in which this occurs.

The amount to be recaptured is the amount originally claimed multiplied by the percentage reduction in the number of qualified employees. The credit to be recaptured is reported on line 26, Part W of Form 500CR.

Certification must be included with the Form 500CR when claiming this credit.

For certification or for information on the standards that businesses must meet to qualify, contact:

Maryland Department of Business and Economic Development  
Office of Finance Programs, Tax Incentives  
401 E. Pratt St.  
Baltimore, MD 21202  
410-767-6438 or 410-767-4980  
taxincentives@choosemaryland.org

**Specific Requirements**

**Part D-I - Credit for employees of a qualified business.** A credit is allowed for each newly created qualified filled position. The credit is the lesser of \$1,000 multiplied by the number of filled qualified positions during the credit year or 2.5% of the wages paid for these positions for the credit year.

Part D-I reflects the calculation of the credit for employees of a qualified business that is not located in a Revitalization Area.

Enter the number of qualified positions for the current year on line 1, Part D-I.

Multiply line 1 by \$1,000 and enter the result on line 2, Part D-I.

Enter on line 3, Part D-I, 2.5% of the wages paid for each of the qualified positions on line 1.

On line 4, Part D-I, enter the lesser of line 2 or line 3.

**Part D-II - Credit for employees working in a Facility Located in a Revitalization Area.** A credit is allowed for each newly-created qualified filled position located in a Revitalization Area. The credit is the lesser of \$1,500 multiplied by the number of filled qualified positions or 5% of the wages paid for these positions.

Part D-II reflects the calculation of the credit for employees of a qualified business working in a facility located in a Revitalization Area.

Enter the number of qualified positions working in a Revitalization Area for the current year on line 5, of Part D- II.

Multiply line 5 by \$1,500 and enter the result on line 6, Part D-II.

Enter on line 7, Part D-II, 5% of the wages paid for each of the qualified positions on line 5.

On line 8, Part D-II, enter the lesser of line 6 or line 7.

**Part D - Summary**

The total credit will be taken over a two-year period. One-half of

the credit will be allowed each year. The amount allowed for any credit year cannot exceed \$1,000,000.

Enter the total credits calculated for the current year by taking the sum of line 4 and line 8 and entering the result on line 9, Part D.

On line 10, Part D, enter the lesser of line 9 or \$1,000,000.

Calculate the current year credits available by multiplying the amount on line 10 by 50% and entering the result on line 11, Part D.

Enter on line 12, Part D, 50% of the amount of credits from the prior year.

Add lines 11 and 12 to obtain the amount of Job Creation Tax Credits that may be claimed this year. Enter the result on line 13, Part D.

**No credits may be earned for any tax year beginning on or after January 1, 2020.**

**PART E - COMMUNITY INVESTMENT TAX CREDIT**

Businesses or individuals who contribute to approved Community Investment Programs may be eligible for a credit against the State income tax. Contributions must be made to a nonprofit organization approved by the Department of Housing and Community Development (DHCD). The taxpayer must apply to and receive approval by the DHCD for each contribution for which a credit is claimed. The credit is limited to 50% of the approved contributions (including real property) not to exceed \$250,000.

**Note:** A copy of the required approval from the DHCD must be included with Form 500CR.

**Specific Instructions**

Enter the amount of approved contributions on line 1, Part E.

Enter 50% of line 1 on line 2, Part E.

On line 3, enter the lesser of line 2 or \$250,000.

Also, enter this amount on line 5, Part W.

This credit is not refundable and is applied only against the Maryland State tax. To the extent the credit is earned in any year and it exceeds the State income tax, the individual or business is entitled to an excess carryover of the credit until it is used, or it expires five years after the credit was earned, whichever comes first.

For more information contact:

Department of Housing and Community Development  
Division of Neighborhood Revitalization  
10 N. Calvert St., Suite 444  
Baltimore, MD 21202  
410-260-5800  
citc@mdhousing.org

**PART F - BUSINESSES THAT CREATE NEW JOBS TAX CREDIT**

To qualify, businesses must be located in Maryland and create new positions or establish or expand business facilities in the state. If a property tax credit (or an enhanced property tax credit) as defined in Section 9-230 of the Tax-Property Article is granted by the Mayor and City Council of Baltimore City or the governing body of a county or municipal corporation, certain businesses may be entitled to an income tax credit.

These credits are based on percentages of the property tax liability as certified by the State Department of Assessments and Taxation (SDAT).

Businesses certified by SDAT for the Businesses that Create New

Jobs Property Tax Credit will enter the amount of income tax credit for which they have been certified on line 1, Part F.

Businesses certified by SDAT for the Businesses that Create New Jobs Enhanced Property Tax Credit will enter the amount of income tax credit for which they have been certified on line 2, Part F.

Enter the total of the certified amount by adding lines 1 and 2 and entering the result on line 3, Part F.

Also enter this amount on line 6, Part W.

This credit is not refundable and is applied only against the Maryland State tax. To the extent the credit is earned in any year and it exceeds the State income tax, the individual or business is entitled to an excess carryover of the credit until it is used, or it expires five years after the credit was earned, whichever comes first.

**Recapture Provision** If, at any time during the three tax years after the year the credit was earned, the business fails to satisfy the thresholds to qualify for the credit, the credit must be recaptured. The income tax credit to be recaptured is reported on line 26, Part W, of Form 500CR and filed with the tax return for the tax year in which the business failed to satisfy the applicable thresholds.

For more information contact:

State Department of Assessments and Taxation  
301 W. Preston Street  
Baltimore, MD 21201-2395  
410-767-1191  
taxcredits@dat.state.md.us

**PART G - LONG-TERM EMPLOYMENT OF QUALIFIED EX-FELONS TAX CREDIT** (for employees hired from 1/1/07 through 12/31/2011)

A credit is allowed to businesses that hired qualified ex-felons under a program approved by Maryland Department of Labor, Licensing and Regulation. This credit may not be claimed if the Maryland Disability Employment Tax Credit has been claimed for that employee.

A qualified employee is a "qualified ex-felon" in accordance with Section 51(d)(4) of the Internal Revenue Code. A business may not claim a credit for an employee who was hired to replace a laid off employee or to replace an employee on strike, or for which the business simultaneously received federal or state employment training benefits.

A credit is allowed for each qualified ex-felon for a two-year period beginning with the first year the employee was qualified.

**This credit expired as of December 31, 2011. The first year credit is no longer allowed to be claimed on this form as a current credit.**

The credit for each qualified employee hired is equal to 20% of the first \$6,000 of qualified wages during the qualified employee's second year of employment.

The employer cannot claim the credit until employment has continued for at least one full year unless the employee:

- (a) Voluntarily leaves the employer;
- (b) Becomes disabled or death occurs; or,
- (c) Is terminated for cause. The credit must be prorated for the portion of the year the employee worked unless the employee voluntarily left to take another job.

**Specific Instructions**

On line 1, Part G, enter the number of qualified ex-felons who are in their second year of employment in the box that is labeled, "Second Year."

On line 2, Part G, enter 20% of the first \$6,000 of wages for each employee referenced on line 1. Enter this amount on line 7, Part W.

The amount of the credit from line 2, Part G, also is an addition modification. Whenever a Long-term Employment of Qualified Ex-Felons Tax Credit is claimed against the income tax, an addition modification must be made in the amount of the credit claimed.

This credit is not refundable and is applied only against the Maryland State tax. To the extent the credit is earned in any year and it exceeds the State income tax, the business is entitled to an excess carryover of the credit until it is used, or the expiration of five years after the credit was earned, whichever comes first. For more information, contact:

Maryland Department of Labor, Licensing and Regulation  
Division of Workforce Development and Adult Learning  
1100 N. Eutaw Street  
Baltimore, MD 21201  
410-767-2047

**PART H - WORK-BASED LEARNING PROGRAM CREDIT**

The Work-Based Learning Program Credit expired December 31, 2012. No more credits may be earned for this program.

This credit had a five-year carryover provision. You may carryover any unused portion of the tax credit from line 7, Part X, of your 2012 Form 500CR to line 24 of Part W.

**PART I - EMPLOYER-PROVIDED LONG-TERM CARE INSURANCE TAX CREDIT**

A credit is allowed for premiums paid by employers to provide long-term care insurance to their employees as part of their benefits package. The employer may claim a credit of 5% of the premiums paid during the tax year or \$100 for each Maryland employee covered by long-term care insurance provided, whichever is less, but cannot be more than \$5,000.

**Specific Instructions**

On line 1, Part I, enter 5% of the long-term care insurance premiums paid as part of an employee benefit package.

On line 2, Part I, enter the number of employees within Maryland covered under the employee benefit package in the box provided.

Multiply this by \$100 and enter the result on line 2.

On line 3, Part I, enter the lesser of line 1 or line 2.

On line 4, Part I, enter the lesser of line 3 or \$5,000.

Also enter the amount from line 4, Part I, on line 9, Part W.

This credit is not refundable and is applied only against the Maryland State tax. To the extent the credit is earned in any year and it exceeds the State income tax, the business is entitled to an excess carryover of the credit until it is used, or the expiration of five years after the credit was earned, whichever comes first.



**PART J – MARYLAND EMPLOYER SECURITY CLEARANCE COST (ESCC) TAX CREDIT**

A business may be eligible to claim credits against the State income tax for certain costs related to federal-based security contracting. For a business to be eligible, it must apply to and be certified by the Maryland Department of Business and Economic Development (DBED).

**Part J-I – Credits for Sensitive Compartmented Information Facilities (SCIFs) and Security Clearance Administrative Expenses**

A business may claim a credit against its Maryland State income tax for costs related to the construction or renovation of SCIF

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% 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.

Also, a business may claim a credit against its Maryland State income tax up to \$200,000 per tax year for qualified security clearance administrative expenses.

Qualified expenses include:

- Processing application requests for federal security clearance;
- Maintaining, upgrading or installing computer systems in Maryland that are required to obtain federal security clearance; and,
- Training employees in the State to administer the clearance application process.

Whenever a credit is claimed against the income tax, an addition modification must be made in the amount of the credit claimed in Part J-I, line 3.

**Claiming the Tax Credit**

To claim the ESCC tax credit, a business must submit an application to DBED by September 15th following the tax year in which the related expenses and costs were incurred. By December 15th of that year, DBED will certify the approved amount for which the applicant will be required to file an electronic amended Maryland income tax return with the Comptroller of Maryland to claim the credit and include a copy of the DBED certification.

The business will enter the DBED-certified amount of construction and equipment costs incurred to construct or renovate SCIFs on line 1, Part J-I.

On line 2, Part J-I, the business will enter the amount of certified Security Clearance Administrative expenses, not to exceed \$200,000.

Line 3, Part J-I, will reflect the sum of line 1 and line 2. This amount also is an addition modification on the tax return.

**Part J-II – The First Year Leasing Costs Tax Credit for Qualified Small Business**

A qualified small business also may 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.

In Part J-II, a qualified small business will claim the amount of First Year Leasing Costs Tax Credit approved by DBED.

The total ESCC tax credit approved by DBED may not exceed \$2 million for any calendar year. If the total amount of credits applied for by all businesses exceeds \$2 million, the credits will be approved on a pro rata basis.

Excess credit may be carried forward until the excess amount is fully used.

**No credits may be earned for any tax year beginning on or after January 1, 2017.**

**Note: Special Rules for Calendar Year 2013.**

Because the new law goes into effect July 1, 2013, special rules apply for ESCC for the calendar year 2013.

For more information, contact:

Maryland Department of Business and Economic Development  
Office of Finance Programs, Tax Incentives  
401 E. Pratt St.  
Baltimore, MD 21202  
410-767-6438 or 410-767-4041  
taxincentives@choosemaryland.org

**PART K - RESEARCH AND DEVELOPMENT TAX CREDITS**

Businesses that incur qualified research and development expenses in Maryland may be entitled to tax credits. The total of research and development credits for all businesses may not exceed \$8,000,000 per year.

**Part K-I – Research and Development Tax Credits for Businesses Not Certified as a “Small Business”**

There are two credits. The Basic Credit is 3% of the qualified Maryland research and development expenses paid during the tax year, up to a base amount. The Growth Credit is 10% of the Maryland research and development expenses paid during the tax year that **exceed** the base amount.

Certification must be obtained from the Maryland Department of Business and Economic Development (DBED) before the credit can be claimed. The credit must be taken for the tax year in which the expenses were incurred. Therefore, an electronic **amended return** may need to be filed. A copy of the certification from DBED must be included with the return.

Whenever this credit is claimed against the income tax, an addition modification must be made for the tax year in which the research and development expenses were paid.

**Claiming the Tax Credit**

The business will enter the DBED-certified Basic Credit (3%) on line 1, Part K-I.

On line 2, Part K-I, the business will enter the amount of the DBED-certified Growth Credit (10%).

Line 3, Part K-I, will reflect the sum of line 1 and line 2. This amount is carried to line 11, Part W. Also, this amount is an addition modification on the tax return.



**Part K-II – Research and Development Tax Credits for Businesses Certified as a “Small Business”**

If a business that is eligible to claim the Research and Development Tax Credit is a “small business,” the credit is calculated in basically the same manner, but Part K-II is used.

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 tax year for which the Maryland qualified research and development expenses are incurred, as reported on the balance sheet, less than \$5,000,000.

**Claiming the Tax Credit**

The business will enter the DBED-certified Basic Credit (3%) on line 4, Part K-II.

On line 5, Part K-II, the business will enter the amount of the DBED-certified Growth Credit (10%).

Line 6, Part K-II, will reflect the sum of line 4 and line 5. This amount is carried to line 6, Part Y. Also, this amount is an addition modification on the tax return.

For certification and further information contact:

Maryland Department of Business and Economic Development  
Office of Finance Programs, Tax Incentives Group  
401 E. Pratt St.  
Baltimore, MD 21202  
410-767-6438 or 410-767-4980  
taxincentives@choosemaryland.org

**PART L - BIOTECHNOLOGY INVESTMENT INCENTIVE TAX CREDIT**

**General Requirements** A credit is available for an investment in a qualified Maryland biotechnology company (QMBC). To

qualify, a company can be any entity of any form (except a sole proprietorship) that is duly organized and existing under the laws of any jurisdiction for the purpose of conducting business for profit, and must be primarily engaged in the research, development, or commercialization of innovative and proprietary technology that comprises, interacts with, or analyzes biological material including biomolecules (DNA, RNA, or protein), cells, tissues or organs.

The QMBC must:

- Have its headquarters and base of operations in Maryland;
- Have fewer than 50 full-time employees;
- Have been in active business no longer than 10 years;
- Have been certified as a biotechnology company by DBED; and,
- Must not have any securities publicly traded on any exchange.

A QMBC includes:

- A company that has been in active business for up to 12 years, with DBED approval;
- For fiscal years 2012 and 2013 only, a company that has been in active business for up to 15 years; or,
- A company that has been in active business no longer than 10 years from the date the company first received a **qualified** investment.

The investor:

- Can be an individual or any entity (except a retirement plan), and must make an investment of at least \$25,000 in a QMBC (but not own more than 25% of the equity interests in the company after making the investment);
- Must be required to file an income tax return in any jurisdiction; and,
- Must apply for and receive final certification from DBED to claim the Biotechnology Investment Incentive Tax Credit.

The amount of the credit is 50% of the investment in the qualified Maryland biotechnology company, not to exceed \$250,000. The investment must be the contribution of money in cash or cash equivalents expressed in United States dollars, at risk of loss, to a QMBC in exchange for stock, a partnership or membership interest, or other ownership interest in the equity of the company title to which ownership shall vest in the qualified investor. The investment cannot include debt. See §10-725 of the Tax-General Article and Code of Maryland Regulations 24.05.03.

For questions on application and certification processes or for additional information on this credit program, contact:

Maryland Department of Business and Economic Development  
Office of Finance Programs, Tax Incentives Group  
401 E. Pratt St.  
Baltimore, MD 21202  
410-767-6438 or 410-767-4980  
taxincentives@choosemaryland.org

**Specific Requirements**

The investor may claim the tax credit for the amount provided in the final certificate. If the credit amount exceeds the tax due, then a refund for the excess amount may be claimed. The credit cannot be claimed until the date of issuance of the final certificate. It must be claimed on the Maryland income tax return for the tax year in which the investor makes the investment in the QMBC.

Both the final certificate received from DBED and a statement of affidavit (see below) as prepared by the investor are required to be included with your return for the Biotechnology Investment Incentive Tax Credit to be allowed. Complete Part L using the

information provided in the final certificate and enter the amount of the approved investment on line 1.

On line 2, Part L, enter 50% of the approved investment.

Line 3, Part L, reflects the maximum dollar amount of credit per investment (\$250,000) and no entry is made on this line.

On line 4, Part L, enter the lesser of line 2 or line 3.

On line 5, Part L, enter any applicable recapture amount. See more information below about recapture amounts.

On line 6, Part L, subtract line 5 from line 4. If the amount is less than zero, enter a negative amount.

Enter the amount from line 6, Part L, on line 2, Part Y.

**Note:** If you are claiming a credit for more than one investment, another separate Part L must be completed for each investment.

Total the amount from line 6, from each separate Part L. Using only one summary section, combine the total on line 2, Part Y. To claim the total credit, you must complete a second Part L at the time you file your electronic income tax return.

**Required Statement and Recapture of Credit** The statement of affidavit must include the Taxpayer Identification Number and name of the investor, signature of the investor under penalties of perjury (or its authorized representative), and date.

The statement of affidavit must stipulate that if, within 2 years after the close of the tax year for which the credit is claimed, (1) the investor sells, transfers or disposes of the ownership interest in the QMBC, for which this tax credit was certified, or, (2) the QMBC ceases operating as an active business with its headquarters and base of operations in Maryland, the investor must notify the Comptroller by reporting the applicable recapture amount on the investor's Maryland tax return for the tax year in which the event causing the recapture occurred.

The applicable recapture amount is calculated by multiplying the total amount of the credit claimed (or in the case of a sale, transfer or other disposition of the ownership interest, the portion of the credit attributable to the ownership interest disposed of), by one of the following percentages:

- 100%, if the event requiring recapture of the credit occurs during the tax year for which the tax credit is claimed;
- 67%, if the event requiring recapture of the credit occurs during the first year after the close of the tax year for which the tax credit is claimed; or,
- 33%, if the event requiring recapture of the credit occurs more than 1 year but not more than 2 years after the close of the tax year for which the tax credit is claimed. The amount of recapture is entered onto line 5, Part L.

An investor's credit also may be subject to a recapture if the certificate is rescinded by DBED due to the investor failing to provide the required notice to DBED of having made the investment, or if DBED revokes the final certificate due to false representations made in connection with application for the certification. See Code of Maryland Regulations 24.05.03 for rescission and revocation procedures.

**Pass-through entities** If the credit is earned by an investor that is a PTE, the members of the PTE may claim the distributive or pro rata shares of the credit amount subject to the \$250,000 limitation. A PTE that earned the Biotechnology Investment Incentive Tax Credit must electronically file the Maryland Form 510, Form 500CR and all other required attachments for members to be permitted to claim the credit. See Form 510 instructions.

For a member of the PTE to be allowed the credit, the member must complete the Form 500CR section of their electronically-filed Maryland return and include the following: copies of the final certification from DBED and statement of affidavit; and Maryland

Form Schedules K-1 showing the allocated share of credit amount.

**PART M - COMMUTER TAX CREDIT**

A credit is allowed for businesses that conduct or operate a trade or business in Maryland and provide commuter benefits for their employees.

The business must pay a portion of the cost of travel between the employee's home and the workplace. Qualified commuter benefits include the cost of transit instruments (tickets, passes, vouchers, fare cards, smartcards and tokens) used to transport an employee of the business to or from home and the workplace. The portion of the cost an employer pays to provide a "Guaranteed Ride Home" program or for a parking "Cash-Out" program for their employees also are qualified commuter benefits.

Travel must be on a qualified mass transit vehicle or system, or in a vanpool. The vanpool vehicle must seat at least 8 adults and be used primarily to transport employees between home and the workplace.

The credit is the lesser of 50% of the cost of providing commuter benefits or \$50 per month for each employee.

**Specific Instructions**

On line 1, Part M, enter the amount of qualified commuter benefits paid on behalf of employees.

On line 2, Part M, enter 50% of the amount entered on line 1.

On line 3, Part M, enter the number of employees for which commuter benefits were paid.

On line 4, Part M, calculate the number of months covered by the employees (employee months) listed on line 3 by \$50.

On line 5, Part M, enter the lesser of line 2 or line 4. This is the credit amount.

Enter the amount from line 5, Part M, to line 13, Part W.

The amount of this credit is limited to the Maryland State tax on the return and is not carried forward to another tax year.

For more information contact:

Mass Transit Administration, Marketing Division  
6 St. Paul Street, 2nd Floor  
Baltimore, MD 21202-1614  
410-767-8755  
[www.commuterchoicemaryland.com](http://www.commuterchoicemaryland.com)

**PART N - CLEAN ENERGY INCENTIVE TAX CREDIT**

This credit is allowed if a Maryland facility is originally placed in service or initially began co-firing, during the period of 1/1/2006 through 12/31/2015 and produces electricity during the tax year primarily using qualified energy resources derived from:

- Wind
- Open and Closed Loop Biomass
- Geothermal
- Solar
- Small Irrigation
- Municipal Solid Waste
- Qualified Hydropower

The credit is 0.85 cents for each kilowatt hour of electricity

produced at a Maryland facility using qualified energy resources during the five-year period specified in the initial credit certificate. If the facility produces electricity from qualified energy resources co-fired with coal, the credit is 0.5 cents for each kilowatt hour of electricity produced during the five-year period, specified in the initial credit certificate.

You must obtain an initial credit certificate from Maryland Energy Administration before claiming this credit.

**Specific Instructions**

On line 1, Part N, enter in the box provided the number of kilowatt hours of electricity that **was not co-fired** with coal. Multiply this number by .0085. Enter the result on line 1, Part N.

On line 2, Part N, enter in the box provided the number of kilowatt hours of electricity that **was co-fired** with coal. Multiply this number by .005. Enter the result on line 2, Part N.

Enter the total of lines 1 and 2 on line 3, Part N.

On line 4, Part N, enter one-fifth of the amount stated on the initial credit certificate.

Enter the lesser of line 3 or line 4 on line 5, Part N. Also enter this amount on line 3, Part Y.

The credit claimed each year can not exceed one-fifth of the maximum amount stated in the initial credit certificate. If the credit amount exceeds the tax due, then a refund for the excess amount may be claimed.

For information concerning qualifications for the credit, contact the

Maryland Energy Administration  
60 West St., Suite 300  
Annapolis, MD 21401  
410-260-7655  
meinfo@energy.state.md.us

**Note:** A copy of the certification by the Maryland Energy Administration must be included.

**PART O - MARYLAND-MINED COAL TAX CREDIT**

A credit is allowed for a qualified cogenerator, small power producer or an electricity supplier (as defined under §1-101 of the Public Utilities Article) for the purchase of Maryland-mined coal. An electricity supplier may not have been a public utility before July 1, 1999. A cogenerator or an electricity supplier must not be subject to the public service company franchise tax. The credit is \$3 for each ton of Maryland-mined coal purchased in the current tax year.

**Specific Instructions**

Enter on line 1, Part O, the number of tons of Maryland-mined coal purchased in the current year.

Multiply line 1 by \$3 and enter the result on line 2, Part O, and also on line 15, Part W.

The credit is limited to the amount of Maryland State tax on the return. No carryover of excess credits exists for this tax credit.

The amount of this credit must be certified by the State Department of Assessments and Taxation.

For more information contact:

State Department of Assessments and Taxation  
301 W. Preston Street  
Baltimore, MD 21201-2395  
410-767-1191  
taxcredits@dat.state.md.us

**Note:** A copy of the certification by the State Department of Assessments and Taxation must be included.

**PART P - ONE MARYLAND ECONOMIC DEVELOPMENT TAX CREDIT**

**General requirements** Credits may be claimed for eligible project costs and for eligible start-up costs incurred to establish, relocate or expand a business facility in a distressed Maryland county. To qualify for the credit for project costs, a minimum of \$500,000 must be spent on eligible project costs. **At least 25 newly hired qualified employees must be employed for at least one year at the new or expanded facility.**

This credit may also be claimed by tax-exempt nonprofit organizations that are qualified business entities against their unrelated business taxable income.

If claiming a credit for multiple projects, complete a separate Part P for each project.

For information on distressed counties, qualified employees, eligible costs, and other requirements, businesses must satisfy to qualify for credit, contact:

Maryland Department of Business and Economic Development  
Office of Finance Programs, Tax Incentives Group  
401 E. Pratt St.  
Baltimore, MD 21202  
410-767-6438 or 410-767-4980  
taxincentives@choosemaryland.org

Pass-through entities (PTEs), filing Maryland Form 510 with eligible project costs and eligible start-up costs must follow the additional instructions following Part P-IV Summary.

**Note:** For tax years beginning after December 31, 2010, a qualified business entity, which has been certified for the tax credit, may claim a prorated share of this credit, if: (1) the number of qualified positions falls below 25, but does not fall below 10, and (2) the qualified business entity has maintained at least 25 qualified positions for at least five years.

**PART P-I - CALCULATION OF TAXABLE INCOME, WITHHOLDING, QUALIFIED EMPLOYEES AND TAX LIABILITY**

**Note:** Part P-I has two columns. Column 1 is used by all qualified business entities, except PTE members. Column 2 is used by PTE members only and should reflect a member's distributive or pro rata share of the reported items, except lines 4a through 4d (see the instructions below for Part P-I, Section A). **PTEs complete only Sections A and C of Part P-I.**

**Read the Special Instructions-I For Qualified Entities That Are Pass-Through Entities, following Part-IV Summary.**

**PTE members** must read the Special Instructions-II For Members Of Qualified Business Entities That Are Pass-Through Entities **BEFORE** completing Part P-I.

**Section A** This section is used to separate the qualified business entity's Maryland taxable income from the project (the "project taxable income") from the Maryland taxable income not associated with the project (the "non-project taxable income"). Project taxable income is the income generated by or arising out of the eligible economic development project.

For taxpayers that are not PTE members, enter your Maryland taxable net income from your return on line 1.

For PTE members of a qualified business entity, enter your Maryland taxable net income from the PTE on line 1.

On line 2, enter your share of the Maryland taxable income from the project ("project taxable income") of the qualified business entity.

To calculate the project taxable income, proceed as follows:

1. If the project is a totally separate facility, then project income is figured by using separate accounting, reflecting only the gross income, deductions, expenses, gains, and losses directly attributable to the facility and overhead

expenses apportioned to the facility.

2. If the project is an expansion to a previously existing facility, then figure net income attributable to the entire facility by using separate accounting reflecting only the gross income, deductions, expenses, gains, and losses directly attributable to the facility and overhead expenses apportioned to the facility and net income attributable to the project. Next, figure the project income by apportioning the entire facility income to the project.

Or,

3. If separate accounting method is shown to be not practicable, use an alternate method approved by the Comptroller of Maryland or the Maryland Department of Business and Economic Development (DBED).

Enter the non-project Maryland taxable income on line 3. This result is determined by subtracting line 2 from line 1. If less than 0, enter 0.

Enter on line 4a the number of qualified employees. This number is not allocated or pro-rated; a PTE would report this same number on Maryland Form 510 Schedule K-1 to all PTE members.

A qualified employee is an employee filling a qualified position. Generally, this is a position that is full-time and of indefinite duration, is paid at least 150% of the federal minimum wage, is located in a qualified distressed Maryland county, and is newly created as a result of the establishment of a business facility.

**Note:** If the number of employees entered on line 4a is fewer than 10, do not continue. You are not eligible to claim the tax credit for this year.

Enter a "Yes" or a "No" to the question on line 4b, whether the qualified business entity had maintained at least 25 qualified positions for at least five years. If the answer is "No" **AND** the number of employees entered on line 4a is fewer than 25, a credit may not be claimed for this year.

Enter in the box on line 4c the tax year the project was put into service.

Calculate the prorate factor on line 4d. If line 4a is greater than or equal to 25, enter 1.000000.

A PTE will report the same numbers and information that appear on lines 4a through 4d of its Form 500CR to its members using Maryland Form 510 Schedule K-1. Do not report the distributive share of this information on the K-1.

Enter on line 5 the amount of Maryland income tax the qualified business entity was required to withhold during this tax year from the wages of qualified employees under §10-908 of the Tax-General Article.

**If you are a PTE, skip Section B. Continue to Section C. All other taxpayers complete Part B.**

**Section B** This section is used to calculate the qualified business entity's total State tax liability, and to separate the State tax liability on project taxable income (the amount computed on line 2, Section A) and the State tax liability on non-project taxable income (the amount on line 3, Section A).

Enter on line 6:

- The total tax liability from line 14 of Maryland Corporation Form 500;
- The total tax liability from line 22 less any amounts from lines 23 through 25 of Form 502 (if you are **not a PTE member** of a qualified business entity); or,
- The total tax liability from line 32c less any amounts from lines 33 through 35 of Form 505 (if you are **not a PTE member** of a qualified business entity).

If you are a **PTE member** of a qualified business entity, multiply the

amount on line 1, Section A, by the highest rate used to calculate the tax on your Maryland tax return. Enter this amount on line 6.

Enter on line 7a, Section B, the State tax on the amount of income reported on line 2, Section B. Corporations multiply this income by 8.25%. Individuals may use the highest tax rate used to calculate tax on their individual returns if they have no other reasonable basis for determining the tax amount.

PTE members of qualified business entities must multiply the amount on line 2 by the highest rate used to calculate the tax on their Maryland tax returns. Enter this amount on line 7a.

This section also reflects the application of the prorate factor to the tax liabilities computed on line 7a and 8a, when a qualified business entity has between 10 and 24 employees, but has had at least 25 qualified employees for at least five years since they have been eligible for this tax credit.

Multiply the tax amount entered on line 7a by the prorate factor on line 4d and enter the result on line 7b.

Calculate the tax on nonproject income by subtracting line 7a from line 6 and enter the result on line 8a. If the amount is less than 0, enter 0.

Multiply the amount of tax calculated on line 8a by the prorate factor on line 4d and enter the result on line 8b.

### Section C

**Note:** PTE members will enter the distributive or pro rata share of the total eligible project and start-up costs as stated on their Maryland Form 510 Schedule K-1 when completing Column 2.

**Project costs** Eligible project costs are the costs and expenses that a qualified business entity incurs to acquire, construct, rehabilitate, install, or equip the eligible economic development project.

Enter on line 9, the total eligible project costs for the eligible economic development project.

Enter on line 10 the lesser of the amount reported on line 9 or \$5,000,000. The total eligible project costs must be at least \$500,000, and cannot exceed \$5,000,000.

**Start-up costs** Eligible start-up costs to furnish and equip a new or expanding location for ordinary business functions and those expenses for moving costs, separation costs, and any other expenses directly related to a move from an existing non-Maryland location to a location in a qualified distressed Maryland county.

Enter on line 11, the total eligible start-up costs to establish or expand a business facility in a qualified distressed county.

Enter on line 12, the lesser of the amount reported on line 11 or \$500,000. The total amount of eligible start-up costs cannot exceed \$500,000.

Enter on line 13 the number of qualified employees employed at the new or expanded business facility (from line 4a, Part P-I) multiplied by \$10,000.

**PTEs stop here.** PTEs do not complete the remainder of Part P.

### PART P-II - CREDITS AGAINST TAX LIABILITY AND TAX ON INCOME FROM THE PROJECT

Beginning with Part P-II, the computation returns to one column and is used by all taxpayers eligible to claim this credit except for PTEs.

Part P-II is used to calculate the credits that can be claimed for the project credit and the start-up credit during nonrefundable tax years for the One Maryland Economic Development Tax Credit.

The nonrefundable tax years consist of the initial tax year and any carryover years. During this period, these credits are limited up to a certain amount of the entity's State tax liability.

A carryover credit may be claimed for the project tax credit against the State income tax on the project taxable income until the earlier of the full amount of excess eligible project costs is used, or until the

14th tax year following the tax year in which the eligible economic project is placed in service. A carryover credit may be claimed for the start-up tax credit against State income tax until the earlier of the full amount of the excess eligible startup costs, or until the 14th tax year following the tax year in which the entity locates in a qualified distressed county.

Part P-II also is used to calculate a certain nonrefundable portion of the project credit and the nonrefundable start-up credit that may be claimed during the tax years when these credits may have refundable portions.

**Section A - Project Costs Tax Credit**

On line 14, enter the sum of the amount of the project credits allowed for the eligible project costs in the initial tax year (the first tax year in which this credit was claimed), prior carryover tax years, and any refundable tax year amounts.

On line 15, subtract line 14 from line 10 and enter the result. If the result is 0 or less, enter 0.

The amount on line 15 is the amount of remaining excess eligible project costs that are available to be claimed by the qualified business entity as a project credit for this tax year. The project credit that may be claimed in Part P-II is limited up to the amount of your Maryland **State tax** liability on the project taxable income.

Enter on line 16 the amount of the Maryland State tax liability attributable to income from the project (line 7b).

Enter on line 17, the lesser of line 15 or line 16. This amount is the "Credit against tax on income from the project."

**Section B - Start-up Costs Tax Credit**

On line 18, enter the sum of the amount of the start-up credits allowed in the initial tax year, prior carryover tax years, and any refunds (these are the amounts claimed as refunds for the start-up credit during the tax years when this credit becomes a refundable credit).

On line 19, subtract line 18 from line 12 and enter the result. If the result is 0 or less, enter 0.

The amount calculated on line 19 is the excess amount available to be claimed by the qualified business entity as a start-up credit.

On line 20, enter the lesser of line 13 or line 19. The start-up credit is equal to the lesser of the amount on line 19 or line 13 (qualified employees multiplied by \$10,000).

On line 21, subtract line 17 from line 6 and enter the result. If the result is 0 or less, enter 0.

On line 22, enter the lesser of line 20 or line 21.

The start-up credit that may be claimed in Part P-II is limited to the qualified business entity's Maryland State tax liability. If a project credit was claimed in Part P-II, then the amount of the start-up credit on line 22 is limited to the remaining Maryland State tax liability after taking the nonrefundable project credit (line 21).

**PART P-III - REFUNDABLE ONE MARYLAND ECONOMIC DEVELOPMENT TAX CREDIT**

Generally, at any time after the 4th tax year but before the expiration of the 15th tax year after the project was placed in service or the business locates to a qualified distressed county, the business may apply the excess to the entity's total Maryland State income tax liability and may request a refund of any excess credit.

If the majority of the qualified positions are paid at least 250% of the federal minimum wage, then the refundable years will begin after the 2nd tax year rather than the 4th tax year.

**Section A - Project Costs**

The refundable portion of the project credit for the tax year is calculated after the nonrefundable portions of the credit are

claimed.

The refundable portion is calculated by subtracting the amount allowed as the nonrefundable portion of this credit (line 17, Part P-II) claimed for this tax year from the remaining available project credit amount (line 15, Part P-II).

Subtract line 17, Part P-II, from line 15, Part P-II, and enter result on line 23, Part P-III. If the result is 0 or less, enter 0.

This amount is the remaining excess eligible project costs for the eligible economic development project. This project credit amount is applied against the remaining, available State tax liability.

This section is used to calculate the portion of the nonrefundable tax credit that is allowed against the State tax on non-project taxable income during the refundable tax years of the One Maryland Economic Development Tax Credit.

On line 24, re-enter the amount of the tax on non-project income that you had previously entered on line 8b, Part P-I.

Subtract line 17 and line 22 from line 6 and enter the result on line 25, Part P-III. If the result is 0 or less, enter 0. This is the amount of tax available for application of the tax credit.

On line 26, calculate the credit against non-project income by entering the lesser of lines 23, 24, or 25.

Enter the tentative refund amount on line 27, Part P-III. This amount is calculated by subtracting line 26 from line 23. If the result is 0 or less, enter 0.

The tentative refund is the amount, if any, by which any unused excess project credit amount exceeds the State tax liability.

The refundable portion is limited to the amount of Maryland income tax withheld during this tax year from the wages of qualified employees (line 5).

On line 28, Part P-III, re-enter the amount of Maryland income tax required to be withheld from the qualified employees. This is the amount that you entered on line 5, Part P-I.

Enter the refund from project costs allowable this year. Calculate this amount by subtracting line 26 from line 28 (if less than 0, you will use 0) and enter that result or line 27, whichever is less.

**Section B - Start-up Costs**

The refundable portion of the startup credit is calculated after the nonrefundable portion of this credit is claimed.

Subtract line 22 from line 20 and enter the result on line 30, Part P-III. If the result is 0 or less, enter 0. This is the tentative refund amount for start-up costs.

On line 31, Part P-III, re-enter the amount of Maryland income tax required to be withheld from the qualified employees. This is the amount that you entered on line 5, Part P-I.

The tentative refund is the amount of the remaining excess start-up credit. The refundable portion of the start-up credit is limited to the amount of Maryland income tax withheld during this tax year from the wages of qualified employees (line 5).

Enter the refund from start-up costs allowable this year. Calculate this amount by entering the lesser of line 30 or line 31.

**PART P-IV - SUMMARY**

Complete the summary of credit amounts claimed for the project credits and start-up credit for the One Maryland Economic Development Tax Credit.

Enter on line 35 the nonrefundable portions of the project and start-up costs credits from lines 33 and 34. This is the total nonrefundable One Maryland Economic Development Tax Credit.

This amount should also be entered on line 16, Part W. Add lines 36 and 37 and enter this amount on line 38. This is the total refundable

One Maryland Economic Development Tax Credit.

This amount should also be entered on line 1, Part Y.

**Note:** A copy of the final credit certification from the Department of Business and Economic Development must be included.

**SPECIAL INSTRUCTIONS-I FOR QUALIFIED BUSINESS ENTITIES THAT ARE PASS-THROUGH ENTITIES (PTEs)**

A qualified business entity that is a PTE (partnership, LLC, S corporation, or business trust) must complete the Form 500CR section of the electronic PTE income tax return, Form 510.

PTEs must provide the following information on Form 500CR if they are eligible for the One Maryland Economic Development Tax Credit:

1. Maryland taxable income;
2. Maryland taxable income from the project;
3. Non-project taxable income;
4. Number of qualified employees;
5. If the number of employees is fewer than 25 employees, a PTE must state whether or not the qualified business entity had 25 filled qualified positions for at least five years from the time they have been eligible for the credit;
6. The tax year the project was put into service;
7. Amount of Maryland income tax required to be withheld from these qualified employees;
8. Total eligible project costs;
9. \$5,000,000 maximum;
10. Total eligible start-up costs;
11. \$500,000 maximum.

Therefore, a PTE must complete Sections A and C of Part P-I. The distributive or pro rata portion of these items must be furnished to each member of the PTE on the member's respective Maryland Form 510 Schedule K-1. The PTE also must indicate on the Schedule K-1 whether or not the PTE is a qualified business entity which would be entitled to pass on a refundable credit or whether the credit is nonrefundable only. The PTE must provide a copy of the final certification to each member.

**SPECIAL INSTRUCTIONS-II FOR MEMBERS OF QUALIFIED BUSINESS ENTITIES THAT ARE PASS-THROUGH ENTITIES**

Based on the Maryland Form 510 Schedule K-1, a member then may file the applicable Maryland income tax return, completing the Form 500CR section of their electronic Maryland income tax return, to claim the One Maryland Economic Development Tax Credit. The member should complete Part P of Form 500CR in its entirety to compute the credit amounts and claim any of the credits allowed for the tax year.

For the sections in Part P-I, the member would complete Column 2 only.

The PTE member (the member of the qualified business entity) must limit the amounts claimed for the project credit and start-up credit to the distributive or pro rata portion of the PTE's taxable income as reported on Maryland Form 510 Schedule K-1.

The PTE member computes the tax on the member's share of the PTE's Maryland taxable income (line 1) using the highest rate actually used on the member's return and enter the result on line 6. The PTE member then will enter on line 7a that portion of line 6 which is attributable to the member's share of project taxable income. The tax on non-project income on line 8a is calculated by taking the tax calculated on line 7a, prorating it further on line 7b, and then subtracting line 7a from line 6; if the amount on line 8a is less than 0, enter 0. Line 8a also is further prorated by the factor on line 4b, to arrive at line 8b.

All amounts (except for line 13) entered in Section C of Part P-I, should reflect the PTE member's share of items as reported on the Maryland Form 510 Schedule K-1.

For Parts P-II, P-III, and P-IV, the PTE member should follow the preceding instructions for the respective parts.

**Note:** The member must include a copy of the PTE's final credit certification to claim the credit.



**PART Q – OYSTER SHELL RECYCLING TAX CREDIT**

An individual or corporation may claim a credit against the State income tax in an amount equal to \$1 for each bushel of oyster shells recycled during the tax year. The credit may not exceed \$750 per taxpayer.

**Any unused credit amount for the tax year may not be carried forward to any other tax year.**

To claim the credit, an individual or corporation must submit certification from the Department of Natural Resources, which verifies the amount of oyster shells recycled during the year.

This credit is claimed on line 1, Part Q, and also is entered on line 17, Part W, Business Tax Credit Summary.

**No credit may be earned for any tax year beginning on or after January 1, 2018.**

For additional information, contact:

Maryland Department of Natural Resources  
Tawes State Office Building  
580 Taylor Avenue  
Annapolis, MD 21401  
410-260-8300  
meainfo@energy.state.md.us

**PART R - BIO-HEATING OIL TAX CREDIT**

An individual or corporation may claim a credit against the State income tax in an amount equal to 3¢ per gallon of bio-heating oil purchased for space or water heating. The credit may not exceed \$500 per taxpayer.

**Any unused credit amount for the tax year may not be carried forward to any other tax year.**

To claim the credit, an individual or corporation shall apply to the Maryland Energy Administration (MEA) for an initial credit certificate for the number of gallons of bio-heating oil purchased for space or water heating. This credit is claimed on line 1, Part R, and also is entered on line 18, Part W, Business Income Tax Summary.

**No credit may be earned for any tax year beginning on or after January 1, 2018.**

For additional information, contact:

Maryland Energy Administration  
60 West St., Suite 300  
Annapolis, MD 21401  
410-260-7655  
meainfo@energy.state.md.us

**Note:** A copy of the certification by the Maryland Energy Administration must be included.

**PART S - CELLULOSIC ETHANOL TECHNOLOGY RESEARCH AND DEVELOPMENT TAX CREDIT**

An individual or corporation may claim a credit against the State income tax in an amount equal to 10% of the qualified research and development (R&D) expenses paid or incurred by the individual or corporation during the tax year. By September 15 of the calendar

year following the end of the tax year in which the expenses were paid or incurred, an individual or corporation may apply to the Department of Business and Economic Development (DBED) for the credit allowed. By December 15 of the same calendar year, DBED will certify the amount of the tax credit approved. The total amount of credits approved by DBED for any tax year may not exceed \$250,000.

To claim the approved credit, an individual or corporation must file an **electronic** amended income tax return for the tax year in which the qualified R&D expenses were paid or incurred.

The amount of the approved credit is entered onto line 1, Part S, and on line 19, Part W, Business Tax Credit Summary. Also, this amount is an addition modification on the tax return.

The individual or corporation must include a copy of the DBED certification of the approved credit amount to the amended income tax return. Any credit in excess of the State income tax may be carried forward to succeeding tax years until the earlier of the full amount of the excess is used, or the expiration of the 15th tax year after the tax year in which the qualified R&D expenses were paid or incurred.

**No credits may be earned for any tax year beginning on or after January 1, 2017.**

For more information, contact:

Maryland Department of Business and Economic Development  
Office of Finance Programs, Tax Incentives  
401 E. Pratt St.  
Baltimore, MD 21202  
410-767-6438 or 410-767-4980  
taxincentives@choosemaryland.org



**PART T – MARYLAND WINERIES AND VINEYARDS  
TAX CREDIT**

Businesses may claim a credit against the State income tax for qualified capital expenses made in connection with the establishment of new wineries or vineyards, or the capital improvements made to existing wineries or vineyards in Maryland.

The business may apply for tax credit in an amount equal to but not more than 25% of incurred costs. The total amount of credits awarded to each business depends on the amount of eligible expenses and costs incurred with a limit of \$500,000 for all businesses that apply. If the total amount of credits applied for exceeds \$500,000 in a year, the credit will be prorated among the certified applicants.

“Qualified Capital Expenses” are all expenditures made by the business for the purchase and installation of equipment or agricultural materials for use in the production of agricultural products at a vineyard or in a winery. A list of a number of expenses that may be considered is available on the Department of Business and Economic Development’s (DBED) Web site at choosemaryland.org.

Utilities, labor costs, service costs, repair costs, maintenance costs, construction costs, and general supplies are NOT eligible expenses.

A business must be certified as a qualified business entity that is eligible for the tax credit. Applications for certification are available from the DBED Web site. The business must submit an application, report of expenses and supporting documents to DBED by September 15 of the calendar year following the end of the tax year in which the expenses were incurred. DBED will review the application package and will certify the amount of tax credit the taxpayer may claim by December 15th of the same year.

The business must file an **electronic** amended tax return with the Comptroller of Maryland for the year in which the expenses were incurred and include the certification from DBED.

This credit is claimed on line 1, Part T, and also is entered on line 20, Part W, Business Tax Credit Summary.

If the Wineries and Vineyards tax credits exceed the State tax imposed for that year, the credits may be carried forward for 15 years.

**No credit may be earned for any tax year beginning on or after July 1, 2018.**

For additional information, contact:

Maryland Department of Business and Economic Development  
Office of Finance Programs, Tax Incentives  
401 E. Pratt St.  
Baltimore, MD 21202  
410-767-6438 or 410-767-4041  
taxincentives@choosemaryland.org

**PART U - FILM PRODUCTION ACTIVITY TAX CREDIT**

A qualified film production entity may claim a credit against the State income tax for film production activities in the state in an amount equal to the amount stated in the final tax credit certificate approved by the Department of Business and Economic Development (DBED).

If the tax credit allowed exceeds the total tax otherwise payable by the qualified film production entity for that tax year, the qualified film production entity may claim a refund in the amount of the excess.

To claim the credit, before beginning a film production activity, a qualified film production entity shall apply with DBED for an initial credit certificate for the estimated production costs. To qualify as a film production entity, the estimated total direct costs incurred in Maryland must exceed \$500,000. The credit claimed cannot exceed the amount stated in the final certificate.

Enter on line 1, Part U, the amount of tax credit certified by DBED. This amount is also entered on line 5, Part Y.

**No credit may be earned for any fiscal year beginning on or after July 1, 2016.**

For additional information, contact:

Catherine Batavik, Deputy Director  
Maryland Film Office  
Maryland Department of Business and Economic Development  
401 E. Pratt St., 14th Floor  
Baltimore, MD 21201  
410-767-6342  
cbatavik@choosemaryland.org

**Note:** A copy of the certification by DBED must be included.

**PART V - ELECTRIC VEHICLE RECHARGING EQUIPMENT TAX CREDIT**

An individual or corporation may claim a credit against the State income tax in an amount equal to 20 percent of the cost of any qualified electric vehicle recharging equipment placed in service by the taxpayer during the tax year. The credit may not exceed \$400 for each individual recharging system or the State income tax for the tax year.

**Any unused credit amount for the tax year may not be carried forward to any other tax year.**

To claim the credit, an individual or corporation shall apply with the Maryland Energy Administration (MEA) for initial credit certificate for the number of individual recharging systems.

**No credit may be earned for any tax year beginning on or after January 1, 2017.**

For additional information, contact:

Maryland Energy Administration  
60 West Street, Suite 300  
Annapolis, MD 21401  
410-260-7655  
meainfo@energy.state.md.us

**Note:** A copy of the certification(s) by Maryland Energy Administration must be included.

**PART W - BUSINESS TAX CREDIT SUMMARY**

This part is used to summarize all available nonrefundable tax credits reported on this form. If the total credits available in a particular tax year exceed the State tax developed for that year, the excess may not be refunded.

Taxpayers will enter their respective current year credits in lines 1 through 22 of Part W, with the following exceptions:

- No entry is to be made on lines 2, 12, 14 and 21 because the credits to which they relate are refundable credits and will be claimed on Part Y.
- No entry is to be made on line 8 – the Work-Based Learning Tax Credit has expired and the line is reserved for a future tax credit.

Enter on line 23, the total of the credits listed on lines 1 through 22.

Enter on line 24 the carryover of excess credits unable to be used on last year's return. This amount comes from line 7, Part X, from 2012 Form 500CR.

Add lines 23 and 24 and enter the result on line 25. This is the tentative tax credit.

On line 26, enter the amount of recaptured tax credits (See instructions for Parts D and F).

Subtract line 26 from line 25 and enter the result on line 27.

On line 28, Part W, enter the State tax from your return. Corporations will enter line 14 of Form 500 on line 28, Part W. Individuals will enter line 22 less amounts from lines 23 through 25 from Form 502 on line 28, Part W, or line 32c less any amounts from lines 33 through 35 from Form 505.

On line 29, enter the lesser of line 27 or 28.

An addition to income is required for credits from Parts A, C, G, J-I, K-I, K-II and S. These additions are comprised of lines 1, 3, 7, 10a, 11 and 19 from Part W; and line 6 from Part Y. The totals of these amounts are included on line 7f of Form 500, line 5 of Form 502, and line 19 of Form 505. Pass-through entities will report the distributive or pro rata share of any of these items as additions on the Maryland Form 510 Schedule K-1 issued to members.

**PART X - EXCESS CREDIT CARRYOVER CALCULATION**

Most credits may not exceed the Maryland income tax liability, but may be carried forward for a specified number of successive tax

years or until fully applied. It is your responsibility to maintain a record of credits for which you qualify, credits that have been taken in prior years, and the amount of each credit that may be carried forward. To assist you, we have provided a table with the number of years for which each credit may be carried forward.

**PART Y - REFUNDABLE BUSINESS INCOME TAX CREDITS**

Part Y is used to report the refundable portion of business income tax credits:

On line 1, enter the One Maryland Economic Development Tax Credit from line 38, Part P-IV.

On line 2, enter the Biotechnology Investment Incentive Tax Credit from line 6, Part L.

On line 3, enter the Clean Energy Incentive Tax Credit from line 5, Part N.

On line 4, enter the Health Enterprise Zone Hiring Tax Credit from line 6, Part B.

On line 5, enter the Film Production Activity Tax Credit from line 1, Part U.

On line 6, enter the Small Business Research and Development Tax Credit from line 6, Part K-II.

On line 7, enter the total of all of the business income tax credits from lines 1 through 6.

If you are filing Form 502 or Form 505, enter this amount on line 7 and on Part I, line 3 of Form 502CR.

If line 7 is less than 0, enter the result on the appropriate return as a negative number.

If you are filing Form 500 or Form 510, continue to Part Z.

**PART Z – CORPORATION AND PASS-THROUGH ENTITY(PTE) REFUNDABLE TAX CREDIT SUMMARY**

Part Z is used by corporations and PTEs to summarize the refundable portion of business income tax credits.

On line 1, enter the amount from Line 1, Section II of Maryland Form 502S -- Sustainable Communities Tax Credit.

On line 2, enter the refundable business income tax credits from Part Y, line 7. If this number is less than 0, enter as a negative number.

Add lines 1 and 2 and enter the amount on line 3. If this number is less than 0, enter as a negative number. This is the total refundable business income tax credit. If you are filing Maryland Form 500, enter this amount on Form 500, line 15d.

**Note:** If you are filing Form 510, you will **not** report the total amount from line 7 to your members.

A PTE will report on Maryland Form 510 Schedule K-1 the distributive or pro rata share of each tax credit to its members.

**Reminder:** One Maryland Economic Development Tax Credit requires additional entries on Maryland Form 510 Schedule K-1.

Part	Credit	No carry-over	5 years	7 years	10 years	14 years	15 years	Until Fully Used
A	Enterprise Zone Tax Credit		X					
B	Health Enterprise Zone Hiring Tax Credit	X						
C	Maryland Disability Employment Tax Credit		X					
D	Job Creation Tax Credit		X					
E	Community Investment Tax Credit		X					
F	Businesses That Create New Jobs Tax Credit		X					
G	Long-Term Employment of Qualified Ex-Felons Tax Credit		X					
H	RESERVED FOR FUTURE USE							
I	Employer-Provided Long-Term Care Insurance Tax Credit		X					
J-I	Maryland Employer Security Clearance Costs Tax Credit							X
J-II	First-Year Leasing Costs Tax Credit for Qualified Small Business							X
K-I	Research and Development Tax Credit*			X				
K-II	Research and Development Tax Credits for Businesses Certified as a "Small Business"	X						
L	Biotechnology Investment Incentive Tax Credit	X						
M	Commuter Tax Credit	X						
N	Clean Energy Incentive Tax Credit	X						
O	Maryland-Mined Coal Tax Credit	X						
P	One Maryland Economic Development Tax Credit					X		
Q	Oyster Shell Recycling Tax Credit	X						
R	Bio-Heating Oil Tax Credit	X						
S	Cellulosic Ethanol Technology Research & Development Tax Credit						X	
T	Maryland Wineries and Vineyards Tax Credit						X	
U	Film Production Activity Tax Credit	X						
V	Electric Vehicle Recharging Equipment Tax Credit	X						

\* The carryforward period for unused Research and Development Tax Credits from tax years prior to 2005 remains 15 years. The same credit cannot be applied against more than one type of tax by the same taxpayer.

**Expired Tax Credits**

The following credits have expired, but are eligible for the following carryover periods to the extent that the credit exceeds the tax.

Part	Credit	No carry-over	5 years	7 years	10 years	14 years	15 years	Until Fully Used
	Employment Opportunity Tax Credit		X					
	Green Building Tax Credit				X			
	Work-Based Learning Tax Credit		X					