

# MARYLAND FORM 500CR

ATTACH TO:  
Maryland Form  
500, 502, 504, 505 or 510

# BUSINESS TAX CREDITS

FOR TAX YEARS BEGINNING IN 2002  
TAX YEAR BEGINNING \_\_\_\_\_, 2002  
ENDING \_\_\_\_\_, \_\_\_\_\_

# 2002

Name as shown on Form 500, 502, 504, 505 or 510

Taxpayer identification number

## SEE INSTRUCTIONS

Check here if any of the following credits are derived from a pass-through entity and enter the entity's federal employer identification number.

--

FEIN

### PART A - ENTERPRISE ZONE TAX CREDIT

#### PART A - I CREDIT FOR ECONOMICALLY DISADVANTAGED EMPLOYEES

1. Number of employees eligible. First year  Second year  Third year

2. Credit for first year (limited to \$3,000 of wages paid to each employee) .....

3. Credit for second year (limited to \$2,000 of wages paid to each employee) .....

4. Credit for third year (limited to \$1,000 of wages paid to each employee) .....

5. Total (Add lines 2, 3 and 4.) .....

2			
3			
4			
5			

#### PART A - II CREDIT FOR OTHER QUALIFIED EMPLOYEES

6. Number of employees eligible for credit but not included in Part A-I .....

7. Credit (limited to \$1,000 of wages paid to each employee) .....

6			
7			

#### PART A - III CREDIT FOR ECONOMICALLY DISADVANTAGED EMPLOYEES LOCATED IN A FOCUS AREA

8. Number of employees eligible. First year  Second year  Third year

9. Credit for first year (limited to \$4,500 of wages paid to each employee) .....

10. Credit for second year (limited to \$3,000 of wages paid to each employee) .....

11. Credit for third year (limited to \$1,500 of wages paid to each employee) .....

12. Total ( Add lines 9, 10 and 11.) .....

9			
10			
11			
12			

#### PART A - IV CREDIT FOR OTHER QUALIFIED EMPLOYEES LOCATED IN A FOCUS AREA

13. Number of employees eligible for credit but not included in Part A-III .....

14. Credit (limited to \$1,500 of wages paid to each employee) .....

13			
14			

#### PART A - SUMMARY

15. Total Enterprise Zone Tax Credit for the current tax year (Add lines 5, 7, 12 and 14.) ..

15			
----	--	--	--

---

**PART B - EMPLOYMENT OPPORTUNITY TAX CREDIT**

---

**PART B - I CREDIT FOR EMPLOYMENT OPPORTUNITY EMPLOYEES  
HIRED ON OR AFTER 6/1/98**

1. Number of employees eligible. First year  Second year  Special AFDC

2		
3		
4		
5		

2. Credit for first year (30% of first \$6,000 of wages paid to each employee) (Prorate if required)

3. Credit for second year (20% of first \$6,000 of wages paid to each employee) .....

4. Special AFDC credit (40% of first \$10,000 of wages paid to each employee) .....

5. Total ( Add lines 2, 3 and 4.) .....

---

**PART B - II CREDIT FOR CHILD CARE AND TRANSPORTATION  
EXPENSES FOR EMPLOYEES HIRED ON OR AFTER 6/1/98**

6. Number of employees eligible. First year  Second year

7		
8		
9		

7. Credit for first year (limited to a total of \$600 in child care and transportation expenses incurred for each qualified employee) .....

8. Credit for second year (limited to a total of \$500 in child care and transportation expenses incurred for each qualified employee) .....

9. Total (Add lines 7 and 8.) .....

---

**PART B - SUMMARY**

10. Total Employment Opportunity Tax Credit for the current tax year (Add lines 5 and 9.) ..... 

10		
----	--	--

---

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

---

**PART C - I CREDIT FOR EMPLOYEES WITH A DISABILITY  
HIRED PRIOR TO 7/1/00**

1		
2		
3		

1. Credit for first year (20% of first \$6,000 of wages paid to each employee) .....

2. Credit for second year (20% of first \$6,000 of wages paid to each employee) .....

3. Total (Add lines 1 and 2.) .....

---

**PART C - II CREDIT FOR EMPLOYEES WITH A DISABILITY  
HIRED ON OR AFTER 7/1/00**

4		
5		
6		

4. Credit for first year (30% of first \$6,000 of wages paid to each employee) .....

5. Credit for second year (20% of first \$6,000 of wages paid to each employee) .....

6. Total (Add lines 4 and 5.) .....

---

**PART C - III CREDIT FOR CHILD CARE AND TRANSPORTATION EXPENSES**

7		
8		
9		

7. Credit for first year (limited to a combined total of \$600 in child care and transportation expenses per qualified employee with a disability) .....

8. Credit for second year (limited to a combined total of \$500 in child care and transportation expenses per qualified employee with a disability) .....

9. Total (Add lines 7 and 8.) .....

**PART C - SUMMARY**

10. Total Maryland Disability Employment Tax Credit for the current tax year  
 (Add lines 3, 6 and 9.) ..... 

10		
----	--	--

**PART D - JOB CREATION TAX CREDIT**

**PART D - I CREDIT FOR EMPLOYEES OF A QUALIFIED BUSINESS**

1. Total number of qualified positions for the current year .....	1	
2. Multiply line 1 by \$1,000 .....	2	
3. Enter 2.5% of wages paid to each position on line 1 .....	3	
4. Enter the lesser of lines 2 or 3 .....	4	

**PART D - II CREDIT FOR EMPLOYEES WORKING IN A FACILITY LOCATED IN A REVITALIZATION AREA**

5. Total number of qualified positions for the current year .....	5	
6. Multiply line 5 by \$1,500 .....	6	
7. Enter 5% of wages paid to each position on line 5 .....	7	
8. Enter the lesser of lines 6 or 7 .....	8	

**PART D - SUMMARY**

9. Total credits calculated for the current year (Add lines 4 and 8.) .....	9	
10. Enter lesser of line 9 or \$1,000,000 .....	10	
11. Total current year credits available (Multiply line 10 by 50%.) .....	11	
12. Enter remaining 50% of credits from prior year .....	12	
13. Total Job Creation Tax Credits that may be claimed this year (Add lines 11 and 12.) ...	13	

**PART E - NEIGHBORHOOD PARTNERSHIP PROGRAM TAX CREDIT**

1. Amount of approved contributions .....	1	
2. Enter 50% of line 1 .....	2	
3. Enter the amount from line 2 or \$125,000, whichever is less .....	3	

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

1. Property tax credit (certified by the Department of Assessments and Taxation) .....	1	
2. Enhanced property tax credit (certified by the Department of Assessments and Taxation) ..	2	
3. Total (Add lines 1 and 2.) .....	3	

**PART G - LONG-TERM EMPLOYMENT OF QUALIFIED EX-FELONS TAX CREDIT  
 (FOR EMPLOYEES HIRED FROM 7/1/02 THROUGH 12/30/04)**

1. Number of employees eligible. First year  Second year

2. Credit for first year (30% of first \$6,000 of wages paid to each employee) (Prorate if required)	2	
3. Credit for second year (20% of first \$6,000 of wages paid to each employee) .....	3	
4. Total (Add lines 2 and 3) .....	4	

**PART H - WATER QUALITY IMPROVEMENT CREDIT**

1. Credit (certified by the Department of Agriculture - may not exceed \$4,500) .....

1		
---	--	--

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

- 1. Enter 5% of long-term care insurance costs .....
- 2. Multiply the number of eligible employees  by \$100 .....
- 3. Enter the lesser of line 1 or line 2 .....
- 4. Enter the lesser of line 3 or \$5,000 .....

1		
2		
3		
4		

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

- 1. Number of eligible student employees .....
  - 2. Enter 15% of wages paid to each student employee .....
- (Cumulative credit for this year and all prior years may not exceed \$1,500 per employee.)

1		
2		

**PART K - TELECOMMUNICATIONS PROPERTY TAX CREDIT**

1. Enter 60% of the total state, county and municipal corporation property taxes .....

1		
---	--	--

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

- 1. Basic credit (3%) as certified by the Department of Business and Economic Development .
- 2. Growth credit (10%) as certified by the Department of Business and Economic Development
- 3. Total (Add lines 1 and 2.) .....

1		
2		
3		

**PART M - ELECTRIC AND GAS UTILITY TAX CREDITS**

- 1. Enter 60% of the total state, county and municipal corporation property taxes .....
- 2. Enter 25% of the wages paid to employees at the company's Maryland headquarters  
(may not exceed \$2,000,000. If the headquarters in Maryland is not the principal place  
of business, the limitation is \$500,000.) .....
- 3. Total (Add lines 1 and 2.) .....

1		
2		
3		

**PART N - COMMUTER TAX CREDIT**

- 1. Amount of commuter benefits paid .....
- 2. Enter 50% of line 1 .....
- 3. Number of employees for which commuter benefits were paid .....
- 4. Multiply the number of employee months  by \$50 .....
- 5. Enter the lesser of line 2 or line 4 .....

1		
2		
3		
4		
5		

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

**PART O - I CREDIT FOR PHOTOVOLTAIC AND SOLAR WATER HEATING PROPERTY**

- 1. Enter 15% of the cost of photovoltaic property (may not exceed \$2,000) .....
- 2. Enter 15% of the cost of solar water heating property (may not exceed \$1,000) .....
- 3. Total (Add lines 1 and 2.) .....

1		
2		
3		

**PART O - II CREDIT FOR ELECTRICITY PRODUCED FROM ALTERNATIVE ENERGY RESOURCES**

Enter in the box(es) below the number of kilowatt hours of electricity that was:

- 1. not co-fired with coal . Multiply this number by .85 cents (.0085) and enter here
- 2. co-fired with coal . Multiply this number by .5 cents (.005) and enter here.....
- 3. Total (Add lines 1 and 2.) .....

1		
2		
3		

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

- 1. Number of tons of Maryland-mined coal purchased in the current tax year .....
- 2. Multiply line 1 by \$3 .....

1	<input type="text"/>	
2	<input type="text"/>	

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

**PART Q - I CREDIT FOR PROJECT COSTS**

- 1. Cumulative amount of qualified project costs (\$500,000 minimum) .....
- 2. Enter the lesser of line 1 or \$5,000,000 .....
- 3. Enter the project cost credits taken in prior tax years (see instructions) .....
- 4. Subtract line 3 from line 2 .....
- 5. Maryland tax liability on income from this project .....
- 6. Enter the lesser of line 4 or line 5 .....

1		
2		
3		
4		
5		
6		

**PART Q - II CREDIT FOR START-UP COSTS**

- 7. Cumulative amount of qualified start-up costs .....
- 8. Enter the lesser of line 7 or \$500,000 .....
- 9. Enter the start-up cost credits taken in prior years (see instructions) .....
- 10. Subtract line 9 from line 8 .....
- 11. Enter the number of qualified employees  and multiply by \$10,000 .....
- 12. Enter the lesser of line 10 or line 11 .....

7		
8		
9		
10		
11		
12		

**PART Q - SUMMARY**

- 13. Total credit for One Maryland Economic Development (Add lines 6 and 12.) .....

13	<input type="text"/>	
----	----------------------	--

**PART R - BUSINESS TAX CREDIT SUMMARY**

- 1. Total credit for PART A (Enter amount from Part A, line 15) .....
- 2. Total credit for PART B (Enter amount from Part B, line 10) .....
- 3. Total credit for PART C (Enter amount from Part C, line 10) .....
- 4. Total credit for PART D (Enter amount from Part D, line 13) .....
- 5. Total credit for PART E (Enter amount from Part E, line 3) .....
- 6. Total credit for PART F (Enter amount from Part F, line 3) .....
- 7. Total credit for PART G (Enter amount from Part G, line 4) .....
- 8. Total credit for PART H (Enter amount from Part H, line 1) .....
- 9. Total credit for PART I (Enter amount from Part I, line 4) .....
- 10. Total credit for PART J (Enter amount from Part J, line 2) .....
- 11. Total credit for PART K (Enter amount from Part K, line 1) .....
- 12. Total credit for PART L (Enter amount from Part L, line 3) .....
- 13. Total credit for PART M (Enter amount from Part M, line 3) .....
- 14. Total credit for PART N (Enter amount from Part N, line 5) .....

1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		

15. Total credit for PART O - I (Enter amount from Part O - I, line 3) .....	15		
16. Total credit for PART O - II (Enter amount from PART O - II, line 3) .....	16		
17. Total credit for PART P (Enter amount from Part P, line 2) .....	17		
18. Total credit for PART Q (Enter amount from Part Q, line 13) .....	18		
19. Total of current year credits (Add lines 1 through 18) .....	19		
20. Carryover of excess credits from previous years .....	20		
21. Tentative credit. (Add lines 19 and 20.) .....	21		
22. Enter amount of any credit recapture. (See instructions for Part D and Part F.) .....	22		

23. Tentative credit after recapture. (Subtract line 22 from line 21.) If less than 0, enter negative amount .....	23		
---	----	--	--

24. Enter tax from: line 9 of Form 500; line 24 less any amounts from lines 25-27 of Form 502; line 35 less any amounts from lines 36, 37 and 38 of Form 505; or line 30 less any amount from line 38 of Form 504. If less than 0, enter 0 .....	24		
25. Allowable credit (Enter line 23 or line 24, whichever is less.) .....	25		

Also enter this amount on line:  
10c of Form 500, 28 of Form 502, or 39 of Form 504 or Form 505.

**NOTE: An addition to income is required for credits from Parts A, B, C, G, K, L and M.  
Add lines 1, 2, 3, 7, 11, 12 and 13. Enter the result on line 2d of Form 500, line 5 of Form 502,  
line 19 of Form 505 or line 3 of Form 504.**

**PART S - EXCESS CREDIT CARRYOVER CALCULATION**

If line 23 is less than or equal to line 24 of Part R, do not complete this section.

1. Enter amount from line 24 of Part R .....	1		
2. Add lines 11, 13, 14, 15, 17 and 18 of Part R. ....	2		
3. Subtract line 2 from line 1. (If less than 0, enter 0.) .....	3		
4. Subtract line 2 from line 23 of Part R .....	4		
5. Tentative excess credit carryover (Subtract line 3 from line 4.) .....	5		
6. Enter any amount included in line 5 that expired during this tax year. ....	6		
7. Subtract line 6 from line 5. (If less than 0, enter 0). This is your credit carryover. ....	7		

# BUSINESS TAX CREDITS

## GENERAL INSTRUCTIONS

**Purpose of Form.** Form 500CR is used to claim business tax credits against corporation, personal or fiduciary income tax.

The tax credits available to be reported on this form are: **Enterprise Zone Tax Credit, Employment Opportunity Tax Credit\*, Maryland Disability Employment Tax Credit\*, Job Creation Tax Credit, Neighborhood Partnership Program Tax Credit, Businesses that Create New Jobs Tax Credit, Long-Term Employment of Qualified Ex-Felons Tax Credit\*, Water Quality Improvement Credit, Employer Provided Long-term Care Insurance Credit, Work-based Learning Program Credit, Telecommunications Property Tax Credit, Research and Development Tax Credit, Electric and Gas Utility Tax Credit, Commuter Tax Credit\*, Clean Energy Incentive Tax Credit, Maryland-mined Coal Tax Credit and One Maryland Economic Development Tax Credit.**

**\*Tax-exempt organizations.** For application of these credits against employer withholding tax. Complete and attach Form 500CR to Form MW508 (Annual Employer Withholding Reconciliation Report). See Administrative Release No. 34.

**Pass-through entities (PTE's).** If the business is a pass-through entity, Form 500CR must be completed through line 19, Part R and submitted with the pass-through entity tax return (Form 510). The pass-through entity must provide each individual partner, shareholder or member with a statement showing their share of the credit.

**Credits received from pass-through entities.** Check the box on page 1 of Form 500CR to indicate credits are from a PTE and enter the PTE's federal employer identification number (FEIN).

If credits are received from more than one entity, prepare a schedule that provides each entity name, FEIN, type of credit and amount of the credit for each entity. Total the amounts for each credit and enter on the appropriate lines of Form 500CR, Part R. Complete Part R and Part S. Attach the schedule, statements from the PTEs showing any credits passing through and Form 500CR to the tax return to be filed.

**Name and Other Information.** Enter the name as shown on Form 500, 502, 504, 505, 510 or MW508 in the designated area. Enter the taxpayer identification number (social security number or FEIN). If a federal employer identification number (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.

**Taxable Year or Period.** Enter the beginning and ending dates in the space provided at the top of Form 500CR. The form used for filing must reflect the same tax year as the annual tax return.

**When and Where to File.** Form 500CR must be attached to the annual return (Form 500, 502, 504, 505, 510 or MW508) and filed with the Comptroller of Maryland, Revenue Administration Division, Annapolis, Maryland 21411-0001.

## 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 owning, operating, developing, constructing or rehabilitating 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 taxable 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. earns 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 the standards which businesses must meet to qualify, contact the Maryland Department of Business and Economic Development, Division of Business Development, Tax Incentives Group, 217 E. Redwood Street, Baltimore, MD 21202 (410-767-4980).

Economically disadvantaged employees are those who are certified as such by the Maryland Department of Labor, Licensing and Regulation, Division of Employment and Training, 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 you are located in an enterprise zone but not in a focus area. Complete Parts A-III and A-IV if you are located in a focus area.

**Part A-I Credit for economically disadvantaged employees.** 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 same 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.

**Part A-II Credit for other qualified employees.** A credit is allowed for each new qualified employee 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.

**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 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.

**Part A-IV Credit for other qualified employees located in a focus area.** A credit is allowed for each new qualified employee 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.

**Part A-Summary.** Add lines 5,7,12 and 14 and enter total.

Whenever an Enterprise Zone Tax Credit is claimed, an addition modification must be made in the tax year for which the wages claimed as a credit were paid.

## **PART B - EMPLOYMENT OPPORTUNITY TAX CREDIT**

**General Requirements.** Businesses that employ persons receiving "Aid to Families with Dependent Children" (AFDC) may be eligible for tax credits based upon wages paid to qualified employees and child care and transportation expenses paid on behalf of qualified employees.

Qualifying employees are those who are residents of Maryland and who, immediately before going to work for the business, were Maryland residents and recipients of state benefits from the AFDC Program. Qualified employment opportunity employees are those who are certified as such by the Maryland Department of Labor, Licensing and Regulation, Division of Employment and Training, 1100 N. Eutaw Street, Baltimore, MD 21201 (410-767-2080).

Qualifying child care expenses are those expenses incurred by a business to enable a qualified employment opportunity employee of the business to be gainfully employed.

Qualifying transportation expenses are those expenses incurred by a business to enable a qualified employment opportunity employee to travel to and from work.

In addition, an employee may 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.

A business must also notify the Maryland Department of Business and Economic Development that the qualified employment opportunity employee has been hired.

For further information on qualified individuals and the requirements businesses must meet to qualify, contact the Maryland Department of Labor, Licensing and Regulation, Division of Employment and Training, 1100 N. Eutaw Street, Baltimore, MD 21201 (410-767-2047).

### **Specific Requirements**

**Part B-I Credit for Employment Opportunity Employees (hired on or after June 1, 1998).** A credit is allowed for each new AFDC recipient employee for a two-year period beginning with the year the employee was qualified. The credit for each AFDC recipient hired shall be equal to 30% of the first \$6,000 of qualified wages for the first year of employment and 20% of the first \$6,000 of qualified wages for the second year of employment. A special one-year credit may be taken for 40% of the first \$10,000 of wages paid to an employment opportunity employee if:

1. the employee has been a recipient of temporary assistance under the AFDC program for at least 18 of the last 48 months (whether consecutive or not); and

2. has been employed for a full year by the employer claiming the credit.

The same employee may not be used to qualify for both the two-year and special one-year credits.

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 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.

**Part B-II Credit for Child Care and Transportation Expenses (for employees hired on or after June 1, 1998).** A credit is allowed for the child care expenses incurred by the employer for the children of qualified employees. If the employer provides or pays for approved day care services for a child or children of the employee, or pays for transportation expenses that are incurred to enable a qualified employee with a disability to travel to and from work, the employer shall be eligible for an additional credit of up to \$600 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.

**Part B-Summary.** Add lines 5 and 9.

Whenever an Employment Opportunity Tax Credit is claimed against the income tax, an addition modification must be made in the tax year for which the wages or child care expenses claimed as a credit were paid.

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

**General Requirements.** Businesses who 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, please contact the Division of Rehabilitation Services, 2301 Argonne Drive, Baltimore, MD 21218 (1-888-554-0334, or [dors@msde.state.md.us](mailto:dors@msde.state.md.us) by e-mail) or the Department of Labor, Licensing and Regulation at 410-767-2047 or [ghee@careernet.state.md.us](mailto:ghee@careernet.state.md.us) by e-mail.

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.

This credit may not be claimed if the Employment Opportunity Tax Credit has been claimed for that Employee. In addition, an employee must not have been hired to replace a laid-off employee or to re-

place 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 on or after 7/1/00.** 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 shall be equal to and may not exceed 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.

**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 pays 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.

**Part C-Summary.** Add lines 3 and 6.

Whenever this credit is claimed against the income tax, an addition modification must be made in the taxable year for which the wages, child care or transportation expenses claimed as a credit were paid.

A credit will be allowed only for employees hired before July 1, 2003.

*No credits may be earned for any tax year beginning on or after January 1, 2006.*

### 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 qualified positions.

The business facility must be certified as having created at least 60 qualified positions or at least 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 that are certified as such by the Maryland Department of Business and Economic Development. A qualified employee is an employee filling a qualified position.

This credit has a provision for recapture if the entity does not maintain the number of qualified positions upon which the credit was based.

For certification or for information on the standards that businesses must meet to qualify, contact the Maryland Department of Business and Economic Development, Division of Business Development, Tax Incentives Group, 217 E. Redwood Street, Baltimore, MD 21202 (410-767-4980).

### Specific Requirements

**Part D-1 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-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 - Summary.** Add lines 4 and 8 and enter total on line 9. The total credit will be taken over a two-year period. One-half of the credit will be allowed each year. This credit cannot exceed the Maryland tax but any excess may be carried forward for up to 5 years, or until used. The amount allowed for any credit year cannot exceed \$1,000,000.

*No credits may be earned for any tax year beginning on or after January 1, 2007.*

**NOTE:** A copy of the certification from the Department of Business and Economic Development must be included with Form 500CR.

### PART E - NEIGHBORHOOD PARTNERSHIP PROGRAM TAX CREDIT

Businesses that contribute to approved Neighborhood Partnership 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. The business must apply to and receive approval by the Department of Housing and Community Development for each contribution for which a credit is claimed. The credit is limited to 50% of the approved contributions not to exceed \$125,000. This credit cannot exceed the Maryland tax but any excess may be carried forward for up to 5 years, or until used.

For further information contact the Department of Housing and Community Development, 100 Community Place, Crownsville, MD 21032-2023 (410-514-7241).

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

These 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) 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. Enter the certified amount on lines 1 or 2 as applicable.

This credit has a provision for recapture if during the three (3) tax years after the year in which a credit was earned the business fails to satisfy the applicable thresholds to qualify for the tax credit.

For further information contact the State Department of Assessments and Taxation, 301 W. Preston Street, Baltimore, MD 21201-2395 (410-767-1191 or taxcredits@dat.state.md.us by e-mail).

**PART G - LONG-TERM EMPLOYMENT OF QUALIFIED EX-FELONS TAX CREDIT** (for employees hired from 7/1/02 through 12/30/04)

A credit is allowed to businesses that hire qualified ex-felons under a program approved by Maryland Department of Labor, Licensing and Regulation. This credit may not be claimed if the Employment Opportunity Tax Credit or 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 1) who is hired to replace a laid-off employee or an employee who is on strike, or 2) for which the business simultaneously receives federal or state employment training benefits.

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

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.

**PART H - WATER QUALITY IMPROVEMENT CREDIT**

A credit is allowed for 50% of the certified additional commercial fertilizer costs necessary to convert agricultural production to a nutrient management plan. The credit may not exceed \$4,500 per tax year and may be claimed for up to a maximum of 3 consecutive years. Certification of the credit must be obtained from the Maryland Department of Agriculture.

*No credits may be earned for any tax year beginning on or after January 1, 2009.*

For further information contact the Department of Agriculture, Nutrient Management Program, 50 Harry S. Truman Parkway, Annapolis, MD 21401 (410-841-5863).

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

A credit is allowed for certain costs incurred 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 costs of the premiums paid during the tax year. The credit is \$100 for each Maryland employee covered by long-term care insurance provided (up to \$5,000).

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

A credit is allowed for wages paid to each student employee under an approved paid work-based learning program. The credit is 15% of the wages paid to each student not to exceed a cumulative amount of \$1,500 per student for the duration of the program.

For further information on qualified students and the requirements employers must meet to qualify, contact the Maryland State Department of Education, Division of Career Technology and Adult Learning, 200 W. Baltimore St., Baltimore, MD 21201 (410-767-0182).

*This credit is allowed for wages paid prior to July 1, 2004.*

**PART K - TELECOMMUNICATIONS PROPERTY TAX CREDIT**

A credit is allowed for a public utility that is a telecommunications company equal to 60% of the total property taxes paid on its operating real property in Maryland, other than operating land, used in the telecommunications business. This credit is applied after all other credits.

Whenever a Telecommunications Property Tax Credit is claimed against the income tax, an addition modification must be made in the amount of the credit claimed.

**PART L - RESEARCH AND DEVELOPMENT TAX CREDIT**

Businesses that incur qualified research and development expenses in Maryland may be entitled to tax credits. The cumulative total of research and development credits for all businesses may not exceed \$6,000,000 per year.

There are 2 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). An amended return must be filed in the tax year after the qualified expenses are incurred to claim the tax credits. A copy of the certification from DBED must be included with the amended 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.

*The credits are applicable to tax years beginning after December 31, 1999 but before January 1, 2005.*

For certification and further information contact the Maryland Department of Business and Economic Development, Division of Business Development, Tax Incentives Group, 217 E. Redwood Street, Baltimore, MD 21202 (410-767-4980).

**PART M - ELECTRIC AND GAS UTILITY TAX CREDIT**

There are two credits allowed for electric and gas companies that are public utilities.

The first credit is 60% of the total property taxes paid by the public utility on its operating real property in Maryland, other than operating land, used to generate electricity for sale.

The second credit is 25% of the wages paid during the tax year to employees who work at the company's Maryland headquarters. The credit cannot exceed \$2,000,000 (\$500,000 if the headquarters in Maryland is **not** the principal place of business.)

**PART N - 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 monthly commuter benefits or \$50 per month for each employee.

For more information contact the Mass Transit Administration, Marketing Division, 6 St. Paul Street, 3rd Floor, Baltimore, MD 21202-1614 (410-767-8755).

## **PART O - CLEAN ENERGY INCENTIVE TAX CREDITS**

**General requirements.** A credit is allowed for up to 15% of the cost of photovoltaic or solar water heating property placed in service during the tax year. Another credit is allowed for electricity generated using alternative energy sources. For information concerning qualifications for these credits, contact the Maryland Energy Administration, 1623 Forest Drive, Annapolis, MD 21403 (410-260-7183).

### **Specific Requirements**

**Part O - I Credit for photovoltaic and solar water heating property.** A credit is allowed for 15%, not to exceed \$2,000, of the cost of photovoltaic property (up to \$2,000) or solar water heating property (up to \$1,000) placed in service during the tax year. Photovoltaic property is solar energy property that uses a solar photovoltaic process to generate electricity. Solar energy property means equipment that uses solar energy to generate electricity, heat or cool a structure, provide hot water for use in a structure or provide solar process heat. It does not include a swimming pool, hot tub or other energy storage medium that has a function other than storage. The property must be placed in service on or after July 1, 2000 and before January 1, 2005.

**Part O - II Credit for electricity produced using alternative energy sources.** This credit is allowed if a Maryland facility produces electricity during the tax year primarily using waste materials including:

- forest-related resources (mill residues, pre-commercial thinnings, slash, or brush);
- waste pallets, crates, and dunnage, landscape or right-of-way trimmings, not including unsegregated municipal solid waste and post-consumer waste paper;
- agricultural sources (orchard tree crops, vineyard, grain, legumes, sugar, and other crop by-products or residues); or
- methane gas resulting from the anaerobic decomposition of organic materials in a landfill or wastewater treatment plant.

The credit is 0.85 cents for each kilowatt hour of electricity produced at a Maryland facility using waste materials during the ten-year period after the facility is originally placed in service. If the facility produces electricity from waste products co-fired with coal, the credit is 0.5 cents for each kilowatt hour of electricity produced during the ten-year period beginning on the date of the initial co-firing.

## **PART P - MARYLAND-MINED COAL TAX CREDIT**

A credit is allowed for a qualified co-generator, small power producer or an electricity supplier (as defined under §1-101 of the Public Utility Company Article) for the purchase of Maryland-mined coal. An electricity supplier may not have been a public utility before July 1, 1999. A co-generator 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.

## **PART Q - ONE MARYLAND ECONOMIC DEVELOPMENT TAX CREDIT**

**General requirements.** A credit may be claimed for project costs to expand a business located in a distressed Maryland county or for start-up costs for relocating to a distressed Maryland county. In order to qualify for the credit for project costs, a minimum of \$500,000 must be spent on eligible project costs. As part of the expansion or relocation, at least 25 newly-hired qualified employees must be employed for at least one year. This credit may also be claimed by tax-exempt, non-profit organizations.

For information on distressed counties, qualified employees and costs, and other requirements businesses must meet to qualify, contact the Maryland Department of Business and Economic Development, Division of Business Development, Tax Incentives Group, 217 E. Redwood Street, Baltimore, MD 21202 (410-767-4980).

### **Specific Requirements**

**Part Q - I Credit for project costs.** A credit is allowed for 100% of the cumulative qualified project costs (less credits taken in the prior years), not to exceed the state tax liability on income from the project for the current tax year or \$5,000,000, whichever is less. For procedures in calculating the state tax liability for the project, contact the Department of Business and Economic Development (410-767-4980).

A carryover is allowed for the excess of the credit over the state income tax liability on the income from the project for up to 14 years following the year in which the project was placed in service.

At any time after the 4th tax year\* following the tax year after the project was placed in service, but before the expiration of the 15th tax year after the project was placed in service, the business may apply the excess to the entity's total state income tax liability and may request a refund of any excess credit. The total of the refund and all credits previously claimed may not exceed the employer withholding taxes for qualified employees for the current tax year.

**Part Q - II Credit for start-up costs.** A credit is allowed for 100% of the cumulative qualified start-up costs (less credits taken in prior years), limited to \$10,000 times the number of qualified employees or \$500,000, whichever is less.

A carryover is allowed against the entity's state income tax liability for up to 14 years following the year in which the project was placed in service.

At any time after the 4th tax year\* following the tax year after the project was placed in service, but before the expiration of the 15th tax year after the project was placed in service, the business may apply the excess to the entity's total state income tax liability and may request a refund of any excess credit. The total amount claimed as a refund may not exceed the employer withholding taxes for the qualified employees for the current tax year.

\*For either credit, if the majority of the qualified positions are paid at least 250% of the federal minimum wage, the years during which the business may apply the excess to the entity's total state income tax liability and request a refund of any excess credit will begin at the 2nd year rather than the 4th year.

Tax exempt organizations that are eligible for the One-Maryland Economic Development Tax Credit must file a corporation income tax return in order to claim the credit and related refunds and are subject to the same time limitations as other corporations.

**NOTE:** A copy of the certification from the Department of Business and Economic Development must be included with Form 500CR.

**PART R - BUSINESS TAX CREDIT SUMMARY**

This part is to summarize all available tax credits reported on this form. If the total credits available in a particular tax year exceed the tax developed for that year, the excess may not be refunded. An addition to income is required for credits from PARTS A, B, C, G, K, L and M.

**NOTE:** A portion of the Part Q credit may be refunded. See instructions for Part Q.

**PART S - 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, the following table provides the number of years for which each credit may be carried forward.

	<b>No carryover</b>	<b>5 years</b>	<b>10 years</b>	<b>14 years</b>	<b>15 years</b>
Part A		X			
Part B		X			
Part C		X			
Part D		X			
Part E		X			
Part F		X			
Part G		X			
Part H		X			
Part I		X			
Part J		X			
Part K	X				
Part L					X
Part M	X				
Part N	X				
Part O- I	X				
Part O - II			X		
Part P	X				
Part Q				X	

The same credit cannot be applied against more than one type of tax by the same taxpayer.