



Please Print using blue or black ink

or fiscal year beginning \_\_\_\_\_ 2009 ending \_\_\_\_\_

Taxpayer Identification Number

[Empty box for Taxpayer Identification Number]

Name as shown on Form

[Empty box for Name as shown on Form]

SEE INSTRUCTIONS Note\*\* Indicates Certification Must Be Attached

Check here if any of the following credits are derived from an entity other than that shown above. Enter the entity's federal employer identification number. If from more than one, see instructions. FEIN

PART A - ENTERPRISE ZONE TAX CREDIT

PART A - I CREDIT FOR ECONOMICALLY DISADVANTAGED EMPLOYEES NOT LOCATED IN A FOCUS AREA

1. Number of qualified employees. First year [ ] Second year [ ] Third year [ ]

Table with 5 rows for credit calculations (lines 2-5) and columns for amount and percentage.

PART A - II CREDIT FOR OTHER QUALIFIED EMPLOYEES NOT LOCATED IN A FOCUS AREA

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

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

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

8. Number of qualified employees. First year [ ] Second year [ ] Third year [ ]

Table with 4 rows for credit calculations (lines 9-12) and columns for amount and percentage.

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

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

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

PART A - SUMMARY

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



**PART B - EMPLOYMENT OPPORTUNITY TAX CREDIT FOR EMPLOYEES HIRED BEFORE JULY 1, 2009**

**PART B - I CREDIT FOR EMPLOYMENT OPPORTUNITY EMPLOYEES**

1. Number of qualified employees. First year  Second year  Special AFDC/FIP

2	Credit for first year (30% of first \$6,000 of wages paid to each employee) .....		
3	Credit for second year (20% of first \$6,000 of wages paid to each employee).....		
4	Special AFDC or FIP 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 EMPLOYMENT OPPORTUNITY EMPLOYEES**

6. Number of qualified employees. First year  Second year

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

**PART C - I CREDIT FOR EMPLOYEES WITH A DISABILITY**

1. Number of qualified employees. First year  Second year

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

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

5. Number of qualified employees. First year  Second year

6	Credit for first year (limited to a combined total of \$600 in child care and transportation expenses per qualified employee with a disability) .....		
7	Credit for second year (limited to a combined total of \$500 in child care and transportation expenses per qualified employee with a disability) .....		
8	Total (Add lines 6 and 7.).....		

**PART C - SUMMARY**

9. Total Maryland Disability Employment Tax Credit for the current tax year (Add lines 4 and 8.) .....

9		
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**PART D - JOB CREATION TAX CREDIT** \*\* Must Attach Required Certification

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

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

1			
2			
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 .....
6. Multiply line 5 by \$1,500 .....
7. Enter 5% of wages paid for each position on line 5 .....
8. Enter the lesser of lines 6 or 7 .....

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7			
8			

**PART D - SUMMARY**

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

9			
10			
11			
12			
13			

**PART E - COMMUNITY INVESTMENT TAX CREDIT** \*\* Must Attach Required Certification

1. Amount of approved contributions .....
2. Enter 50% of line 1 .....
3. Enter the amount from line 2 or \$250,000, whichever is less .....

1			
2			
3			

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

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

1			
2			
3			

**PART G - LONG-TERM EMPLOYMENT OF QUALIFIED EX-FELONS TAX CREDIT  
(FOR EMPLOYEES HIRED FROM 1/1/07 THROUGH 12/31/11)**

1. Number of qualified employees. First year  Second year
2. Credit for first year (30% of first \$6,000 of wages paid to each employee) .....
3. Credit for second year (20% of first \$6,000 of wages paid to each employee) .....
4. Total (Add lines 2 and 3) .....

2			
3			
4			

**PART H - WORK-BASED LEARNING PROGRAM CREDIT** \*\* Must Attach Required Certification

1. Number of eligible student employees .....
  2. Multiply Line 1 x \$1,500.00 .....
  3. Enter 15% of wages paid to all eligible student employees .....
  4. Enter the lesser of line 2 or 3 .....
- (Cumulative credit for this year and all prior years may not exceed \$1,500 per employee.)

1			
2			
3			
4			



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

1. Enter 5% of long-term care insurance costs .....	1		
2. Multiply the number of eligible employees <input type="text"/> by \$100 .....	2		
3. Enter the lesser of line 1 or line 2 .....	3		
4. Enter the lesser of line 3 or \$5,000 .....	4		

**PART J - TELECOMMUNICATIONS PROPERTY TAX CREDIT**

1. Enter 60% of the total state, county and municipal corporation property taxes.....	1		
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**PART K - RESEARCH AND DEVELOPMENT TAX CREDITS \*\* Must Attach Required Certification**

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

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

\*\* Must Attach Required Certification

1. Amount of approved investment.....	1		
2. Enter 50% of line 1 .....	2		
3. Maximum Credit.....	3	250,000	
4. Tentative refund (Enter the amount from line 2 or line 3, whichever is less) .....	4		
5. Enter any amount of recapture. See instructions.....	5		
6. Total Biotechnology Investment Incentive Tax Credit (Subtract line 5 from line 4 and enter this amount here and in PART V, line 2. If less than zero, enter negative amount.) .....	6		

**PART M - COMMUTER TAX CREDIT**

1. Amount of commuter benefits paid.....	1		
2. Enter 50% of line 1 .....	2		
3. Number of employees for which commuter benefits were paid .....	3		
4. Multiply the number of employee months <input type="text"/> by \$50.....	4		
5. Enter the lesser of line 2 or line 4 .....	5		

**PART N - CLEAN ENERGY INCENTIVE TAX CREDIT \*\* Must Attach Required Certification**

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

1. not co-fired with coal <input type="text"/> . Multiply this number by .85 cents (.0085) .....	1		
2. co-fired with coal <input type="text"/> . Multiply this number by .5 cents (.005) .....	2		
3. Total (Add lines 1 and 2.) .....	3		
4. Enter one-fifth of the amount stated on the initial credit certificate .....	4		
5. Enter the lesser of line 3 or line 4.....	5		

**PART O - MARYLAND-MINED COAL TAX CREDIT \*\* Must Attach Required Certification**

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



PART P - ONE MARYLAND ECONOMIC DEVELOPMENT TAX CREDIT \*\* Must Attach Required Certification

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

If you are a member of a Pass-through Entity (PTE), read the special instructions that pertain to PTE members BEFORE completing PART P.

Section A

- 1. Enter your Maryland taxable income (See instructions for PART P-I)
2. Enter your share of Maryland taxable income from the project
3. Non-project Maryland taxable income (Subtract line 2 from line 1. If less than 0, enter 0.)
4. Enter the number of qualified employees
5. Enter the amount of Maryland income tax required to be withheld from qualified employees

Grid for Section A with 5 rows and 2 columns for data entry.

If you are a PTE, do not complete Section B. Continue to PART P-II.

Section B

- 6. Total tax liability: line 9 of Form 500; line 24 less any amounts from lines 25-27 of Form 502; line 32c less any amounts from lines 33, 34 and 35 of Form 505; line 30 less any amount from line 39 of Form 504 for a resident fiduciary; or line 32 less any amount from line 39 of Form 504 for a nonresident fiduciary. If less than 0, enter 0
7. Tax on income from the project (See instructions for PART P-I)
8. Tax on non-project income (Subtract line 7 from line 6. If less than 0, enter 0.)

Grid for Section B with 3 rows and 2 columns for data entry.

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

COMPLETE PART P-II to calculate the portion of the credits allowable for this tax year that will reduce your tax liability

Section A - Project Costs

- 9. Total eligible project costs (\$500,000 minimum)
10. Enter the lesser of line 9 or \$5,000,000. If you are a PTE, do not complete lines 11 through 14
11. Enter the sum of project cost credits and refunds taken in prior tax years
12. Subtract line 11 from line 10. If less than 0, enter 0.
13. Maryland tax liability on income from the project (Enter the amount from line 7.)
14. Credit against tax on income from the project (Enter the lesser of line 12 or line 13.)

Grid for Section A with 6 rows and 2 columns for data entry.

Section B - Start-up Costs

- 15. Total eligible start-up costs
16. Enter the lesser of line 15 or \$500,000. If you are a PTE, do not complete lines 17 through 22
17. Enter the sum of start-up cost credits and refunds taken in prior tax years
18. Subtract line 17 from line 16. If less than 0, enter 0.
19. Multiply the number on line 4 by \$10,000
20. Enter the lesser of line 18 or line 19
21. Remaining tax liability after deducting credits taken for project costs in Section A (Subtract line 14 from line 6. If less than 0, enter 0.)
22. Nonrefundable portion of the start-up credit. This amount cannot exceed any remaining tax liability. Enter the lesser of line 20 or line 21

Grid for Section B with 8 rows and 2 columns for data entry.



**PART P - III REFUNDABLE ONE MARYLAND ECONOMIC DEVELOPMENT TAX CREDIT (Complete only if eligible for refund)** Use PART III to calculate the portion of the credit that will be refunded this tax year. If you are a PTE, do **NOT** complete this part.

**IMPORTANT:** Complete PART P-III only if this is a year in which a portion of this credit may be refunded (See instructions). Otherwise, leave PART P-III blank and continue to PART P-IV.

**Section A - Project Costs**

23. Credit remaining after deducting credit against tax on income from the project (Subtract line 14 from line 12. If less than 0, enter 0.) .....	23		
24. Tax on non-project income (Enter the amount from line 8.) .....	24		
25. Tax available for application of credit (Subtract line 14 and line 22 from line 6. If less than 0, enter 0.) .....	25		
26. Credit against tax on non-project income (Enter the lesser of line 24 or line 25.) .....	26		
27. Tentative refund (Subtract line 26 from line 23. If less than 0, enter 0.) .....	27		
28. Maryland income tax required to be withheld during this tax year from qualified employees. Enter the amount from line 5.....	28		
29. Refund allowable for this tax year. Subtract line 26 from line 28 (If less than 0, use 0) and enter this amount or line 27, whichever is less.....	29		

**Section B - Start-up Costs**

30. Tentative refund (Subtract line 22 from line 20. If less than 0, enter 0) .....	30		
31. Maryland income tax required to be withheld during this tax year from qualified employees. Enter the amount from line 5.....	31		
32. Refund allowable for this tax year (Enter the lesser of line 30 or line 31) .....	32		

**PART P - IV SUMMARY**

33. Total nonrefundable credit for project costs (Enter the sum of line 14 and line 26) .....	33		
34. Total nonrefundable credit for start-up costs. (Enter amount from line 22) .....	34		
35. Total nonrefundable One Maryland Economic Development Tax Credit. (Add lines 33 and 34.) .....	35		
36. Total refundable credit for project costs. (Enter amount from line 29).....	36		
37. Total refundable credit for start-up costs. (Enter amount from line 32) .....	37		
38. Total refundable One Maryland Economic Development Tax Credit. (Add lines 36 and 37.) .....	38		

**PART Q - GREEN BUILDING TAX CREDIT \*\* Must Attach Required Certification**

1. Credit (certified by the Maryland Energy Administration) .....	1		
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**PART R - BIO-HEATING OIL TAX CREDIT \*\* Must Attach Required Certification**

1. Credit (certified by the Maryland Energy Administration), may not exceed \$500 per taxpayer .....	1		
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**PART S - CELLULOSIC ETHANOL TECHNOLOGY RESEARCH AND DEVELOPMENT TAX CREDIT \*\* Must Attach Required Certification**

1. Credit (certified by Department of Business and Economic Development) .....	1		
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**PART T - BUSINESS TAX CREDIT SUMMARY**

1. Total Enterprise Zone Tax Credit from Part A, line 15.....	1		
2. Total Employment Opportunity Tax Credit from Part B, line 10.....	2		
3. Total Maryland Disability Employment Tax Credit from Part C, line 9.....	3		
4. Total Job Creation Tax Credit from Part D, line 13.....	4		
5. Total Community Investment Tax Credit from Part E, line 3.....	5		
6. Total Businesses that Create New Jobs Tax Credit from Part F, line 3.....	6		
7. Total Long-Term Employment of Qualified Ex-Felons Tax Credit from Part G, line 4.....	7		
8. Total Work-Based Learning Program Credit from Part H, Line 4.....	8		
9. Total Employer-Provided Long-Term Care Insurance Tax Credit from Part I, line 4.....	9		
10. Total Telecommunications Property Tax Credit from Part J, line 1.....	10		
11. Total Research and Development Tax Credits from Part K, line 3.....	11		
12. Total Biotechnology Investment Incentive Tax Credit (See Part V, line 2).....	12	XXXXXXXXXX	
13. Total Commuter Tax Credit from Part M, line 5.....	13		
14. Total Clean Energy Incentive Tax Credit from Part N, line 5.....	14		
15. Total Maryland-Mined Coal Tax Credit from Part O, line 2.....	15		
16. Total nonrefundable One Maryland Economic Development Tax Credit from Part P, line 35; if more than one project, see instructions.....	16		
17. Total Green Building Tax Credit from Part Q, line 1.....	17		
18. Total Bio-Heating Oil Tax Credit from Part R, Line 1.....	18		
19. Total Cellulosic Ethanol Technology Research & Development Tax Credit from Part S, Line 1.....	19		
20. Total of current year credits (Add lines 1 through 19).....	20		
21. Carryover of excess credits from Part U, line 7, of tax year 2008 Form 500CR.....	21		
22. Tentative credit. (Add lines 20 and 21.).....	22		
23. Enter amount of any credit recapture. (See instructions for Part D and Part F).....	23		
24. Tentative credit after recapture. (Subtract line 23 from line 22.) If less than 0, enter negative amount.....	24		
25. Enter tax from: line 9 of Form 500; line 24 less any amounts from lines 25-27 of Form 502; line 32c less any amounts from lines 33, 34 and 35 of Form 505; line 30 less any amount from line 39 of Form 504 for a resident fiduciary; or line 32 less any amount from line 39 of Form 504 for a nonresident fiduciary. If less than 0, enter 0.....	25		
26. Allowable credit (Enter line 24 or line 25, whichever is less.)..... Also enter this amount on line: 10c of Form 500, 28 of Form 502, 41 of Form 504 or 36 of Form 505.	26		

**NOTE: An addition to income is required for credits from Parts A, B, C, G, J, K and S.  
Add lines 1, 2, 3, 7, 10, 11 and 19. Enter the result on line 2G of Form 500, line 5 of Form 502,  
line 19 of Form 505 or line 3 of Form 504.**



**PART U - EXCESS CREDIT CARRYOVER CALCULATION**

If line 24 is less than or equal to line 25 of Part T, do not complete this section.

1. Enter amount from line 25 of Part T .....
2. Add lines 10, 13, 15 and 16 of Part T.....
3. Subtract line 2 from line 1. (If less than 0, enter 0.).....
4. Subtract line 2 from line 24 of Part T .....
5. Tentative excess credit carryover (Subtract line 3 from line 4.) .....
6. Enter any amount included in line 5 that will expire by the end of this tax year.....
7. Subtract line 6 from line 5. (If less than 0, enter 0). This is your credit carryover.....

1		
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3		
4		
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7		

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

1. Total refundable One Maryland Economic Development Tax  
Credit from Part P, line 38; if more than one project, see instructions .....
2. Total Biotechnology Investment Incentive Tax Credit from Part L, line 6 .....
3. Total refundable business income tax credits (Add lines 1 and 2).....

1		
2		
3		

Also enter this amount on:

Line 10d of Form 500 or Part H, line 3 of Form 502CR. If line 3 is less than zero, enter the negative amount on the appropriate form. Fiduciaries should add this amount to any other credits from Forms 500CR and 502H and enter on line 41 of Form 504.

# MARYLAND BUSINESS INCOME TAX CREDITS

## GENERAL INSTRUCTIONS

**Purpose** 500CR is used to claim the following business tax credits against corporation, personal or fiduciary income tax, or employer withholding tax (tax-exempt organizations only).

Tax Credit	Part
Bio-Heating Oil Tax Credit**	R
Biotechnology Investment Incentive Tax Credit**	L
Businesses That Create New Jobs Tax Credit	F
Cellulosic Ethanol Technology Research & Development Tax Credit**	S
Clean Energy Incentive Tax Credit**	N
Community Investment Tax Credit**	E
Commuter Tax Credit*	M
Employer-Provided Long-Term Care Insurance Tax Credit	I
Employment Opportunity Tax Credit*	B
Enterprise Zone Tax Credit	A
Green Building Tax Credit**	Q
Job Creation Tax Credit**	D
Long-Term Employment of Qualified Ex-Felons Tax Credit*	G
Maryland Disability Employment Tax Credit*	C
Maryland-Mined Coal Tax Credit**	O
One Maryland Economic Development Tax Credit**	P
Research and Development Tax Credits**	K
Telecommunications Property Tax Credit	J
Work-Based Learning Program Credit**	H

**\*Tax-exempt organizations** For application of these credits against employer withholding tax, complete and attach Form 500CR to Form MW508 (Annual Employer Withholding Reconciliation Return). See Administrative Release 34.

**\*\*Required Certification must be attached to Form 500CR.**

**Pass-through entities (PTEs)** If the business is a PTE, Form 500CR must be completed through line 20, Part T and submitted with the PTE income tax return (Form 510). The PTE must provide each partner, shareholder, member or beneficiary with a statement showing their share of the credit.

Note: If you are a PTE claiming the One Maryland Economic Development Tax Credit, refer to the instructions in Part P before submitting Form 500CR. There are additional reporting requirements.

**Credits received from PTEs** Check the box on page 1 of Form 500CR to indicate that credits are from a PTE and enter the PTE's federal employer identification number (FEIN). Attach the K-1 and statements from the PTEs showing your share of the credit and any credits passing through and Form 500CR to the tax return to be filed.

If credits are received from more than one entity, prepare a schedule that provides the 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 T. Complete Part T and Part U.

Note: If a PTE has issued you a Schedule K-1 or other statement stating that you are entitled to claim a distributive or pro rata portion of a One Maryland Economic Development Tax Credit, refer to the instructions in Part P before submitting Form 500CR. There are additional entries you must make on Form 500CR to claim your share of the credit.

**Credits claimed by both spouses on a joint return** Complete only one Form 500CR combining the amounts for both spouses.

**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.

**Tax 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 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 the Maryland Department of Business and Economic Development, Division of Business Development, Tax Incentives Group, 217 E. Redwood Street, Baltimore, MD 21202 (410-767-6438).

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 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.

### **Part A-II Credit for other qualified employees not located in a focus area**

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 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.

### **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 amount of the credit claimed.

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

**General Requirements** Businesses that employ persons receiving "Aid to Families with Dependent Children" (AFDC) or "Family Investment Program" (FIP) entitlements 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 or FIP. 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 prior to claiming the credit.

For further information on certification of 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 or ghee@careernet.state.md.us by e-mail).

## Specific Requirements

**Part B-I Credit for Employment Opportunity Employees** A credit is allowed for each new AFDC or FIP recipient employee for a two-year period beginning with the first year the employee was qualified. The credit for each AFDC or FIP 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 was a recipient of temporary assistance under the AFDC program or FIP 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 can not 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**

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 amount of the credit claimed.

A credit will be allowed only for employees hired before July 1, 2009.

*No credits may be earned for any tax year beginning on or after January 1, 2012.*

## **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 the Division of Rehabilitation Services, 2301 Argonne Drive, Baltimore, MD 21218 (1-888-554-0334, or 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 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 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.

**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.

**Part C-Summary** Add lines 4 and 8.

Whenever this credit is claimed against the income tax, an addition modification must be made in the amount of the credit claimed.

A credit will be allowed only for employees hired before July 1, 2010.

*No credits may be earned for any tax year beginning on or after January 1, 2013.*

#### **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 that are certified as such by the Maryland Department of Business and Economic Development. A qualified employee is an employee filling a qualified position.

**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 23, Part T of Form 500CR.

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-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-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. 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, 2014.*

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

#### **PART E - COMMUNITY INVESTMENT TAX CREDIT**

Businesses that 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. 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 (including real property) not to exceed \$250,000.

In 2010, individuals who make a non-business contribution may be eligible for this tax credit.

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

Note: A copy of the required approval from the Department of Housing and Community Development must be included with Form 500CR.

## **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. Enter the certified amount on lines 1 or 2 as applicable.

**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 23, Part T of Form 500CR and filed with the tax return for the tax year in which the business failed to satisfy the applicable thresholds.

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 1/1/07 through 12/31/2011)

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 who is hired to replace a laid-off employee or an employee who is on strike, or 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 first year the employee was qualified. 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 can not 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.

For further information, contact the Maryland Department of Labor, Licensing and Regulation, Division of Employment and Training, 1100 N. Eutaw Street, Baltimore, MD 21201 (410-767-2047).

## **PART H - 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 after 12/31/2008.*

**NOTE:** A copy of the certification from the Maryland State Department of Education must be included with Form 500CR.

## **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.

## **PART J - 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 K - RESEARCH AND DEVELOPMENT TAX CREDIT**

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 \$6,000,000 per year.

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 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.

*The credits are applicable to tax years beginning after December 31, 1999 but before January 1, 2011.*

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 L - BIOTECHNOLOGY INVESTMENT INCENTIVE TAX CREDIT**

**General Requirements** A credit is available for an investment in a qualified Maryland biotechnology company. 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 biotechnology company 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 (or 12 years if the Maryland Department of business and Economic Development (DBED) determines that the company requires additional time to complete the process of regulatory approval); have been certified as a biotechnology company by DBED; and must not have any securities publicly traded on any exchange.

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 qualified Maryland biotechnology company (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 an receive final certification from DBED in order 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 qualified Maryland biotechnology company 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 DBED, Division of Business Development, Tax Incentive Group, 217 E. Redwood Street, Baltimore, MD 21202 (410-767-4980).

**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 qualified Maryland biotechnology company.

Both the final certificate received from DBED and a statement of affidavit (see below) as prepared by the investor are required to be attached to the 500CR in order for the Biotechnology Investment Incentive Tax Credit to be allowed. Complete Form 500CR using the information provided in the final certificate and enter the amount calculated from line 6 to line 2 of Part V.

**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, transfer or disposes of the ownership interest in the qualified Maryland biotechnology company, for which this tax credit was certified, or (2) the qualified Maryland biotechnology company ceases operating as an active business with its headquarters and base of operations in Maryland, the investor shall give notice to 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 taxable 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 taxable 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 taxable year for which the tax credit is claimed.*

In addition, an investor's credit may be subject to a recapture if the certificate is rescinded by DBED due to the investor failing to provide the required notice 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 pro rata or distributive shares of the credit amount subject to the \$250,000 limitation. A PTE that earned the Biotechnology Investment Incentive Tax Credit must file the Maryland Form 510, Form 500CR and all other required attachments in order for the members to be permitted to claim the credit. See Form 510 instructions. In order for a member of the PTE to be allowed the credit, the member must attach to the filed Maryland return the following: a completed Form 500CR; copies of the final certification from DBED and statement of affidavit; and Schedule K-1 or other statement showing the allocated share of credit amount.

Note: During the 2009 Legislative Session, the Maryland General Assembly passed a law making the current requirements and procedures for the credit, which are described in these instructions, retroactive to July 1, 2008. If this change affects an investment made during the last six months of 2008, the investor should file an amended 2008 Maryland income tax return.

Note: For taxable years beginning after December 31, 2008, the eligibility requirements for this credit have changed and the maximum credit that any qualified investor may claim shall not exceed \$250,000.

## **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.

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

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

This credit is allowed if a Maryland facility is originally placed in service, or that initially began co-firing, during the period of 1/1/2006 through 12/31/2010 and produces electricity during the tax year primarily using qualified energy resources derived from:

- forest-related resources (mill residues except sawdust or wood shavings, thinnings, slash, or brush),
- waste pallets, crates, and dunnage and landscape or right-of-way trimmings;
- agricultural sources (orchard tree crops, vineyard, grain, legumes, sugar and other crop by-products or residues); or
- Methane or other combustible gases resulting from the decomposition of organic materials from an agricultural operation, or from a landfill or wastewater treatment plant using anaerobic or thermal decomposition.

The credit is 0.85 cents for each kilowatt hour of electricity produced at a Maryland facility using waste materials during the five-year period specified in the initial credit certificate. 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 five-year period, specified in the initial credit certificate. You must obtain an initial credit certificate from Maryland Energy Administration before claiming this Clean Energy Incentive Tax Credit.

The credit claimed each year can not exceed one fifth of the maximum amount stated in the initial credit certificate.

For information concerning qualifications for the credit, contact the Maryland Energy Administration, 1623 Forest Drive, Annapolis, MD 21403 (410-260-7183)

Note: A copy of the certification by the Maryland Energy Administration must be included with Form 500CR.

#### **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 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 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.

For all tax years beginning after 12/31/2006, the amount of this credit must be certified by the State Department of Assessments and Taxation.

For further information contact the State Department of Assessments and Taxation, 301 W. Preston Street, Baltimore, MD 21201-2395 (410-767-1940 or [taxcredits@dat.state.md.us](mailto:taxcredits@dat.state.md.us) by e-mail).

Note: A copy of the certification by the State Department of Assessments and Taxation must be included with Form 500CR.

#### **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. In order 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 non-profit organizations.

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 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).

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.

#### **Specific Requirements**

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

**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 non-project Maryland taxable income. Project taxable income is the income generated by or arising out of the eligible economic project.

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 that are 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 not practicable, and shown to the Comptroller of Maryland or the Maryland Department of Business and Economic Development, then an alternative approved method may be used.

Enter on line 4, the number of qualified employees. 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. 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.

**Section B** This section is used to calculate the qualified business entity's total state tax liability, and separates the state tax liability on income from the project (This is the Maryland income tax imposed against project taxable income, which is the amount computed on Section A, line 2.) and the state tax liability on the non-project income.

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

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 start-up costs, or until the 14th tax year following the tax year in which the entity locates in a qualified distressed county.

Part P-II is also 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 also may have refundable portions.

**Section A – Project Costs Tax Credit** Enter on line 9 the total eligible project costs for the eligible economic development project. Eligible project costs are the expenses incurred by the qualified business entity in connection with the acquisition, construction, rehabilitation, installation, and equipping of the eligible economic development project. The total eligible project costs must be at least \$500,000, but cannot exceed \$5,000,000.

On line 11 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. The amount calculated 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 tax liability on the project taxable income.

**Section B – Start-up Costs Tax Credit** Enter on line 15 the total eligible start-up costs associated with establishing or expanding a business facility in a qualified distressed county. The total amount of eligible start-up costs cannot exceed \$500,000. Eligible start-up costs are those costs to furnish and equip a new 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.

On line 17 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). The amount calculated on line 18 is the excess amount available to be claimed by the qualified business entity as a start-up credit. Multiply the number of qualified employees employed at the new or expanded business facility (from PART P-I, line 4) by \$10,000, and enter this amount on line 19.

The start-up credit is equal to the amount on line 18 or line 19, whichever is less. The start-up credit that may be claimed in Part P-II is limited to the qualified business entity's Maryland tax liability. If a project credit was claimed in Part P-II, then the amount of the start-up credit 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 following the tax year after the project was placed in service, 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.

The refundable years include any tax year after the 4th tax year following the tax year in which the project is placed in service, for the project credit, or in which the business locates to a qualified distressed Maryland county for the start-up credit but must be before the 15th tax year following the tax year in which for the project credit the project is placed in service or in which for the start-up credit the business locates to a qualified distressed county.

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 (PART P – II, line 14) claimed for this tax year from the amount (PART P – II, line 12) remaining available project credit amount. 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. 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.

**Section B – Start-up Costs** The refundable portion of the start-up credit is calculated after the nonrefundable portion of this credit is claimed. 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 that you withheld during this tax year from the wages of qualified employees under § 10-908 of the Tax General Article.

### **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 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 of Part T.

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 of Part V.

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

### **SPECIAL INSTRUCTIONS 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 attach Form 500CR to the 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) Amount of Maryland income tax required to be withheld from these qualified employees; (6) Total eligible project costs; (7) \$5,000,000 maximum; (8) Total eligible start-up costs; (9) \$500,000 maximum. Therefore, the following lines are to be completed: PART P-I, Lines 1 through 5 and PART P-II, Lines 9, 10, 15, and 16.

The allocable or pro-rata portion of these lines must be furnished to each member of the PTE on the member's respective Schedule K-1. The PTE must also provide a copy of the final certification to each member.

The member then may file the applicable Maryland income tax return, including Form 500CR in order to claim the One Maryland Economic Development Tax Credit. The member is to complete PART P of Form 500CR to compute the credit amounts and claim any of the credits allowed. The members of the PTE (the qualified business entity) must limit the amounts claimed for the project credit and start-up credit to the allocated portion of the qualified business entity's taxable income from the operations of that qualified business entity as reported on the Schedule K-1. The member must attach a copy of the final certification to claim the credit.

### **PART Q - GREEN BUILDING TAX CREDIT**

A credit is available for the construction or rehabilitation of a building that conforms to specific standards intended to save energy and to mitigate environmental impact. The total amount of the credits certified for all taxpayers each year (calendar years 2003 through 2011) is limited. Credits are allowed for amounts spent on or after July 1, 2001.

The newly constructed or rehabilitated building must be located in a priority funding area or qualified "brownfields" site. If a rehabilitated building is not located in these areas, the building's square footage may not increase by more than 25%.

A copy of the initial credit certificate and a copy of an eligibility certificate issued by an architect or engineer must be included with the Form 500CR. The final certificate that will certify the maximum amount of credit available and the tax year it may be taken will provide satisfactory evidence that the taxpayer is entitled to the credit and must also be submitted.

For additional information, contact the Maryland Energy Administration, 1623 Forest Drive, Suite 300, Annapolis, MD 21403 (410-260-7204 or [wauburn@energy.state.md.us](mailto:wauburn@energy.state.md.us) by e-mail).

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

To claim the credit, an individual or corporation shall apply with 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.

No credit may be earned for any tax year beginning on or after January 1, 2013.

For additional information, contact the Maryland Energy Administration, 1623 Forest Drive, Suite 300, Annapolis, MD 21403 (410-260-7204).

Note: A copy of the certification by the Maryland Energy Administration must be included with Form 500CR.

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

To claim the approved credit, an individual or corporation shall file an amended income tax return for the taxable year in which the qualified R&D expenses were paid or incurred. The individual or corporation must attach 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 taxable years until the earlier of the full amount of the excess is used, or the expiration of the 15th taxable year after the taxable year in which the qualified R&D expenses were paid or incurred.

Whenever this credit is claimed against the income tax, an addition modification must be made in the amount of the credit claimed.

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

For more information, contact the Maryland Department of Business and Economic Development, 217 E. Redwood Street, Baltimore, MD 21202 (410-767-4980.)

**PART T - 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, J, K and S.

**PART U - 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.

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

Part V is used to report the refundable portion of the One Maryland Economic Development Tax Credit from Part P and also used for the Biotechnology Investment Incentive Tax Credit from PART L.

Part	Credit	No carryover	5 years	7 years	10 years	14 years	15 years
A	Enterprise Zone Tax Credit		X				
B	Employment Opportunity 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	Work-Based Learning Program Credit		X				
I	Employer-Provided Long-Term Care Insurance Tax Credit		X				
J	Telecommunications Property Tax Credit	X					
K	Research and Development Tax Credits*			X			
L	Biotechnology Investment Incentive Tax Credit	X					
M	Commuter Tax Credit	X					
N	Clean Energy Incentive Tax Credit (effective 7/1/06)				X		
O	Maryland-Mined Coal Tax Credit	X					
P	One Maryland Economic Development Tax Credit					X	
Q	Green Building Tax Credit				X		
R	Bio-Heating Oil Tax Credit	X					
S	Cellulosic Ethanol Technology Research & Development 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.