

MARYLAND STATE R&D TAX CREDIT

ELIGIBILITY

In general, taxpayers are eligible for the R&D Tax Credit if they have QREs as defined by IRC §41 in Maryland during the tax period.

Taxpayers can claim the R&D Tax Credit to use as a tax offset. The credit is non-refundable, however small businesses may be eligible for a refund of the credit.

Maryland returns can only be amended for current year credits as the credit applications are due annually.

CALCULATING THE BENEFIT

There are two credits available:

1. Basic R&D Credit: the basic credit is calculated as 3% of QREs that do not exceed the Maryland base amount; and
2. Growth R&D Credit: the growth credit is calculated as 10% of QREs in excess of the Maryland base amount.

The base amount is determined by dividing the aggregate QREs by the aggregate MD gross receipts for the 4 years prior to the credit year.

The R&D Credit is claimed by submitting the Maryland Research and Development Tax Credit Application. The application is due by November 15 of the calendar

year following the tax year in which the QREs were incurred.

The credit will be approved by the following February and can be claimed on the amended state return for the tax year in which QREs were incurred or as part of the following year's state return.

UTILIZATION

The tax credit, including any carry forward amount, may be used to offset Maryland state tax liability. Small businesses may be eligible for a refund of the credit.

Any amount in excess of the tax liability may be carried forward for a maximum of 7 consecutive tax periods.

SUMMARY OF STATE CREDIT

- Form: **MD R&D Tax Credit Application**
- Expiration: **June 30, 2022**
- Basic Calc: **3% of QREs under base amt**
- Growth Calc: **10% of QREs over base amt**
- Base Amt: **Aggregate QREs over gross receipts for 4 years prior to credit year.**
- Amendment Period: **Same year only**
- Offset: **state tax liability**
- Refund: **possible for small businesses**
- Carry-forward: **7 years**

YR	TOTAL QREs	GROSS RECEIPTS	CREDIT CALCULATION	MD CREDIT
2019	\$750k	\$900k	1) $FB\% = [(650 + 500 + 400 + 300) / [(800 + 700 + 600 + 550)] = 70\%$	\$42.6k
Prior Year Amounts			2) $AAGR = [(800 + 700 + 600 + 550) / 4] = 662.5$	
2018	\$650k	\$800k	3) $Base\ Amount = 662.5 \times 70\% = 462.5$	
2017	\$500k	\$700k	Basic R&D Credit: $462.5 \times 3\% = \$13.9k$	
2016	\$400k	\$600k	Growth R&D Credit: $(750 - 462.5) \times 10\% = \$28.8k$	
2015	\$300k	\$550k		

*Total Credit is calculated as Basic Credit + Growth Credit