

SENATE BILL 584

Q3, C8

5l1394
CF 5l1745

By: **Senators Pugh, Currie, Feldman, King, McFadden, and Rosapepe**

Introduced and read first time: February 6, 2015

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Angel Investor Tax Credit Program**

3 FOR the purpose of allowing a credit against the State income tax for a certain percentage
4 of an investment, not to exceed a certain amount, made in certain qualified
5 innovation businesses; requiring qualified innovation businesses to meet certain
6 certification requirements; requiring a qualified investor to meet certain
7 requirements in order to be eligible for the credit; requiring the qualified investor to
8 make a certain application, at least a certain number of days before making an
9 investment, to the Department of Business and Economic Development; requiring
10 the Department to certify, within a certain number of days of the application, the
11 amount of the credit; requiring, under certain circumstances, the Secretary to issue
12 initial and final tax credit certificates; requiring a qualified investor to make a
13 certain investment and provide certain proof within a certain period of time;
14 authorizing, under certain circumstances, the Department to rescind a tax credit;
15 providing that the Secretary may not certify eligibility for tax credits for investments
16 in a single qualified innovation business that in the aggregate exceed a certain
17 percentage of the total appropriations to a certain Reserve Fund for that fiscal year;
18 requiring the Secretary to certify a certain percentage of tax credits for investments
19 in certain qualified innovation businesses; making the credit nonrefundable;
20 establishing the Maryland Angel Investor Tax Credit Reserve Fund as a special
21 continuing, nonlapsing fund; requiring the Department to administer the Reserve
22 Fund; requiring the State Treasurer to hold the Reserve Fund; specifying the
23 contents of the Reserve Fund; requiring the Governor to make an appropriation to
24 the Reserve Fund each fiscal year; requiring, each quarter, that the Department
25 notify the Comptroller of a certain amount and the Comptroller to transfer a certain
26 amount from the Reserve Fund to the General Fund; providing for the recapture of
27 the credit under certain circumstances; authorizing the Department, after a certain
28 notification and opportunity for appeal, to revoke a credit; requiring a qualified
29 innovation business that receives an investment to report certain information each
30 year to the Department; requiring the Department to report certain information in
31 a certain manner on or before a certain date each year; requiring the Department,

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 in consultation with the Comptroller, to adopt certain regulations; defining certain
2 terms; providing for the application of this Act; and generally relating to a State
3 income tax credit for certain qualified business investments.

4 BY repealing and reenacting, with amendments,

5 Article – Economic Development

6 Section 2–123(a)

7 Annotated Code of Maryland

8 (2008 Volume and 2014 Supplement)

9 BY adding to

10 Article – Tax – General

11 Section 10–737

12 Annotated Code of Maryland

13 (2010 Replacement Volume and 2014 Supplement)

14 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,

15 That the Laws of Maryland read as follows:

16 **Article – Economic Development**

17 2–123.

18 (a) In this section, “economic development program” means:

19 (1) each of the economic development and financial assistance programs
20 established under Title 5 of this article; and

21 (2) each of the tax credit programs administered by the Department,
22 including:

23 (i) the Film Production Activity Tax Credit;

24 (ii) the Job Creation Tax Credit;

25 (iii) the One Maryland Economic Development Tax Credit;

26 (iv) the Invest Maryland Program;

27 (v) the Biotechnology Investment Incentive Tax Credit; [and]

28 (vi) the Research and Development Tax Credit; AND

29 **(VII) THE ANGEL INVESTOR TAX CREDIT.**

30 **Article – Tax – General**

1 10-737.

2 (A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS
3 INDICATED.

4 (2) (I) "COMPANY" MEANS ANY ENTITY OF ANY FORM DULY
5 ORGANIZED AND EXISTING UNDER THE LAWS OF ANY JURISDICTION FOR THE
6 PURPOSE OF CONDUCTING BUSINESS FOR PROFIT.

7 (II) "COMPANY" DOES NOT INCLUDE A SOLE PROPRIETORSHIP.

8 (3) "DEPARTMENT" MEANS THE DEPARTMENT OF BUSINESS AND
9 ECONOMIC DEVELOPMENT.

10 (4) (I) "INVESTMENT" MEANS THE CONTRIBUTION OF MONEY IN
11 CASH OR CASH EQUIVALENTS EXPRESSED IN UNITED STATES DOLLARS, AT A RISK
12 OF LOSS, TO A QUALIFIED INNOVATION BUSINESS IN EXCHANGE FOR STOCK, A
13 PARTNERSHIP OR MEMBERSHIP INTEREST, CONVERTIBLE DEBT, OR OTHER
14 OWNERSHIP INTEREST IN THE EQUITY OF THE QUALIFIED INNOVATION BUSINESS,
15 TITLE TO WHICH OWNERSHIP INTEREST SHALL VEST IN THE QUALIFIED INVESTOR.

16 (II) FOR PURPOSES OF THIS SECTION, AN INVESTMENT IS AT
17 RISK OF LOSS WHEN THE REPAYMENT OF THE INVESTMENT DEPENDS ENTIRELY ON
18 THE SUCCESS OF THE BUSINESS OPERATIONS OF THE QUALIFIED INNOVATION
19 BUSINESS.

20 (5) "LEGALLY OWNED OR LICENSED" INCLUDES PATENTED, PATENT
21 PENDING, SUBJECT OF TRADE SECRETS, OR COPYRIGHTED.

22 (6) "MINORITY-OWNED BUSINESS" MEANS A BUSINESS CERTIFIED
23 UNDER § 14-301 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.

24 (7) "PASS-THROUGH ENTITY" MEANS A BUSINESS ENTITY THAT IS A
25 SUBCHAPTER S CORPORATION, A PARTNERSHIP, A LIMITED LIABILITY COMPANY, OR
26 A TRUST THAT HAS NO BUSINESS OPERATIONS AND IS FORMED FOR THE SOLE
27 PURPOSE OF MAKING INVESTMENTS.

28 (8) (I) "QUALIFIED INNOVATION BUSINESS" MEANS A COMPANY
29 THAT HAS MET THE CRITERIA SET FORTH IN SUBSECTION (C) OF THIS SECTION.

30 (II) "QUALIFIED INNOVATION BUSINESS" DOES NOT INCLUDE:

1 1. A QUALIFIED MARYLAND BIOTECHNOLOGY COMPANY
2 UNDER § 10-725 OF THIS TITLE; OR

3 2. A QUALIFIED MARYLAND CYBERSECURITY COMPANY
4 UNDER § 10-733 OF THIS TITLE.

5 (9) (I) “QUALIFIED INVESTOR” MEANS AN INDIVIDUAL, A MARRIED
6 COUPLE THAT FILES A JOINT TAX RETURN, OR A PASS-THROUGH ENTITY CERTIFIED
7 BY THE DEPARTMENT UNDER SUBSECTION (D) OF THIS SECTION.

8 (II) “QUALIFIED INVESTOR” DOES NOT INCLUDE:

9 1. A QUALIFIED PENSION PLAN, AN INDIVIDUAL
10 RETIREMENT ACCOUNT, OR ANY OTHER QUALIFIED RETIREMENT PLAN UNDER THE
11 EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR
12 FIDUCIARIES OR CUSTODIANS UNDER SUCH PLANS, OR SIMILAR TAX-FAVORED
13 PLANS OR ENTITIES UNDER THE LAWS OF OTHER COUNTRIES; OR

14 2. A CORPORATION SUBJECT TO THE CORPORATION
15 INCOME TAX.

16 (10) “RESERVE FUND” MEANS THE MARYLAND ANGEL INVESTOR TAX
17 CREDIT RESERVE FUND ESTABLISHED UNDER SUBSECTION (F) OF THIS SECTION.

18 (11) “SECRETARY” MEANS THE SECRETARY OF BUSINESS AND
19 ECONOMIC DEVELOPMENT.

20 (12) “VETERAN-OWNED BUSINESS” MEANS A BUSINESS THAT IS
21 CERTIFIED AS A VETERAN-OWNED BUSINESS BY THE UNITED STATES DEPARTMENT
22 OF VETERANS AFFAIRS.

23 (B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION AND THE
24 LIMITATIONS UNDER THIS SECTION, FOR THE TAXABLE YEAR IN WHICH AN
25 INVESTMENT IN A QUALIFIED INNOVATION BUSINESS IS MADE, A QUALIFIED
26 INVESTOR MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN AN AMOUNT
27 EQUAL TO THE AMOUNT OF THE TAX CREDIT STATED IN THE FINAL CREDIT
28 CERTIFICATE APPROVED BY THE SECRETARY.

29 (2) TO BE ELIGIBLE FOR THE TAX CREDIT DESCRIBED IN PARAGRAPH
30 (1) OF THIS SUBSECTION, THE QUALIFIED INVESTOR MAY NOT, AFTER MAKING THE
31 PROPOSED INVESTMENT, OWN OR CONTROL MORE THAN 20% OF THE EQUITY
32 INTERESTS IN THE QUALIFIED INNOVATION BUSINESS IN WHICH THE INVESTMENT
33 IS TO BE MADE.

1 **(C) (1) TO BE ELIGIBLE FOR THE TAX CREDIT UNDER SUBSECTION (B) OF**
2 **THIS SECTION, THE INVESTMENT MUST BE IN A QUALIFIED INNOVATION BUSINESS**
3 **THAT IS CERTIFIED BY THE DEPARTMENT UNDER THIS SUBSECTION.**

4 **(2) BEFORE RECEIVING AN INVESTMENT FROM A QUALIFIED**
5 **INVESTOR, A QUALIFIED INNOVATION BUSINESS SHALL SUBMIT AN APPLICATION TO**
6 **THE DEPARTMENT.**

7 **(3) THE APPLICATION REQUIRED UNDER THIS SUBSECTION SHALL**
8 **PROVIDE EVIDENCE THAT THE QUALIFIED INNOVATION BUSINESS:**

9 **(I) IS IN GOOD STANDING AND AUTHORIZED TO CONDUCT**
10 **BUSINESS IN THE STATE AND INCLUDE A LETTER OF GOOD STANDING FROM THE**
11 **STATE DEPARTMENT OF ASSESSMENTS AND TAXATION;**

12 **(II) HAS DEVELOPED OR IS IN THE PROCESS OF DEVELOPING A**
13 **TECHNOLOGY, PRODUCT, OR SERVICE THAT IS UNIQUE AND LEGALLY OWNED OR**
14 **LICENSED BY THE QUALIFIED INNOVATION BUSINESS;**

15 **(III) DOES NOT HAVE ANNUAL REVENUE GREATER THAN**
16 **\$5,000,000;**

17 **(IV) HAS BEEN IN ACTIVE BUSINESS NO LONGER THAN 5 YEARS;**

18 **(V) HAS NOT RECEIVED MORE THAN \$3,000,000 IN**
19 **INVESTMENTS;**

20 **(VI) HAS FEWER THAN 35 FULL-TIME EQUIVALENT EMPLOYEES;**

21 **(VII) HAS ITS HEADQUARTERS AND BASE OF OPERATIONS IN THIS**
22 **STATE; AND**

23 **(VIII) DOES NOT HAVE ITS SECURITIES PUBLICLY TRADED ON ANY**
24 **EXCHANGE.**

25 **(4) (I) DURING THE YEAR IN WHICH AN INVESTMENT IS MADE, A**
26 **QUALIFIED INNOVATION BUSINESS SHALL HAVE AT LEAST:**

27 **1. 51% OF THE QUALIFIED INNOVATION BUSINESS'S**
28 **FULL-TIME EQUIVALENT EMPLOYEES EMPLOYED IN THE STATE; AND**

1 **2. 51% OF THE QUALIFIED INNOVATION BUSINESS'S**
2 **PAYROLL PAID TO EMPLOYEES IN THE STATE.**

3 **(II) THE NUMBER OF FULL-TIME EQUIVALENT EMPLOYEES IS**
4 **CALCULATED BY DIVIDING THE TOTAL HOURS PAID IN A YEAR BY THE PRODUCT OF**
5 **40 TIMES THE NUMBER OF WEEKS OF PAYROLL INCURRED IN A YEAR.**

6 **(D) (1) AT LEAST 30 DAYS BEFORE MAKING AN INVESTMENT IN A**
7 **QUALIFIED INNOVATION BUSINESS FOR WHICH A QUALIFIED INVESTOR WOULD BE**
8 **ELIGIBLE FOR AN INITIAL TAX CREDIT CERTIFICATE UNDER THIS SECTION, THE**
9 **QUALIFIED INVESTOR SHALL SUBMIT AN APPLICATION TO THE DEPARTMENT.**

10 **(2) THE APPLICATION SHALL PROVIDE EVIDENCE THAT:**

11 **(I) THE QUALIFIED INVESTOR HAS INDIVIDUAL INCOME TAX**
12 **LIABILITY IN THE STATE; AND**

13 **(II) 1. THE QUALIFIED INVESTOR INTENDS TO MAKE AN**
14 **INVESTMENT OF AT LEAST \$10,000; OR**

15 **2. IF THE QUALIFIED INVESTOR IS A PASS-THROUGH**
16 **ENTITY OR A MARRIED COUPLE FILING A JOINT RETURN, THE QUALIFIED INVESTOR**
17 **INTENDS TO MAKE AN INVESTMENT OF AT LEAST \$20,000.**

18 **(3) WITH REGARD TO A QUALIFIED INNOVATION BUSINESS IN WHICH**
19 **A QUALIFIED INVESTOR INTENDS TO MAKE AN INVESTMENT, THE QUALIFIED**
20 **INVESTOR MAY NOT:**

21 **(I) BE A PERSON ELECTED OR APPOINTED BY THE GOVERNING**
22 **BODY OF THE QUALIFIED INNOVATION BUSINESS TO MANAGE THE BUSINESS;**

23 **(II) BE A PERSON HAVING AUTHORITY TO ACT ON BEHALF OF**
24 **THE QUALIFIED INNOVATION BUSINESS;**

25 **(III) HAVE MORE THAN 20% OF THE VOTING SECURITIES OF THE**
26 **QUALIFIED INNOVATION BUSINESS, HELD INDIVIDUALLY OR IN COMBINATION WITH**
27 **FAMILY MEMBERS; OR**

28 **(IV) BE A FAMILY MEMBER OF A QUALIFIED INVESTOR THAT IS**
29 **PROHIBITED FROM BEING A QUALIFIED INVESTOR UNDER ITEMS (I), (II), OR (III) OF**
30 **THIS PARAGRAPH.**

31 **(4) THE DEPARTMENT SHALL:**

1 **(I) APPROVE ALL APPLICATIONS THAT QUALIFY FOR CREDITS**
2 **UNDER THIS SECTION ON A FIRST-COME, FIRST-SERVED BASIS; AND**

3 **(II) WITHIN 30 DAYS OF RECEIPT OF AN APPLICATION, CERTIFY,**
4 **AS PROVIDED IN THIS SECTION, THE AMOUNT OF ANY APPROVED TAX CREDITS TO A**
5 **QUALIFIED INVESTOR.**

6 **(5) (I) SUBJECT TO THE PROVISIONS OF THIS SECTION, THE**
7 **SECRETARY SHALL ISSUE AN INITIAL TAX CREDIT CERTIFICATE FOR EACH**
8 **APPROVED INVESTMENT IN A QUALIFIED INNOVATION BUSINESS ELIGIBLE FOR A**
9 **TAX CREDIT.**

10 **(II) AN INITIAL TAX CREDIT CERTIFICATE SHALL STATE THE**
11 **MAXIMUM AMOUNT OF TAX CREDIT FOR WHICH THE QUALIFIED INVESTOR IS**
12 **ELIGIBLE.**

13 **(III) 1. EXCEPT AS OTHERWISE PROVIDED IN THIS**
14 **SUBPARAGRAPH, FOR ANY FISCAL YEAR, THE SECRETARY MAY NOT ISSUE INITIAL**
15 **TAX CREDIT CERTIFICATES FOR CREDIT AMOUNTS IN THE AGGREGATE TOTALING**
16 **MORE THAN THE AMOUNT APPROPRIATED TO THE RESERVE FUND FOR THAT FISCAL**
17 **YEAR IN THE STATE BUDGET AS APPROVED BY THE GENERAL ASSEMBLY.**

18 **2. IF THE AGGREGATE CREDIT AMOUNTS UNDER INITIAL**
19 **TAX CREDIT CERTIFICATES ISSUED IN A FISCAL YEAR TOTAL LESS THAN THE**
20 **AMOUNT APPROPRIATED TO THE RESERVE FUND FOR THAT FISCAL YEAR, ANY**
21 **EXCESS AMOUNT SHALL REMAIN IN THE RESERVE FUND AND MAY BE ISSUED UNDER**
22 **INITIAL TAX CREDIT CERTIFICATES FOR THE NEXT FISCAL YEAR.**

23 **3. FOR ANY FISCAL YEAR, IF FUNDS ARE TRANSFERRED**
24 **FROM THE RESERVE FUND UNDER THE AUTHORITY OF ANY PROVISION OF LAW**
25 **OTHER THAN UNDER SUBSECTION (F)(5) OF THIS SECTION, THE MAXIMUM CREDIT**
26 **AMOUNTS IN THE AGGREGATE FOR WHICH THE SECRETARY MAY ISSUE INITIAL TAX**
27 **CREDIT CERTIFICATES SHALL BE REDUCED BY THE AMOUNT TRANSFERRED.**

28 **(6) (I) AFTER THE DATE ON WHICH THE DEPARTMENT ISSUES AN**
29 **INITIAL TAX CREDIT CERTIFICATE UNDER THIS SECTION, A QUALIFIED INVESTOR**
30 **SHALL HAVE 60 CALENDAR DAYS TO MAKE AN INVESTMENT IN A QUALIFIED**
31 **INNOVATION BUSINESS UNDER THIS SECTION.**

32 **(II) THE DEPARTMENT MAY GRANT AN EXTENSION OF NOT**
33 **MORE THAN 30 CALENDAR DAYS OF THE TIME PERIOD UNDER SUBPARAGRAPH (I)**
34 **OF THIS PARAGRAPH.**

1 **(III) WITHIN 10 CALENDAR DAYS AFTER THE DATE ON WHICH A**
2 **QUALIFIED INVESTOR MAKES THE INVESTMENT, THE QUALIFIED INVESTOR SHALL**
3 **PROVIDE TO THE DEPARTMENT NOTICE AND PROOF OF THE MAKING OF THE**
4 **INVESTMENT, INCLUDING:**

5 1. **THE DATE OF THE INVESTMENT;**

6 2. **THE AMOUNT INVESTED;**

7 3. **PROOF OF THE RECEIPT OF THE INVESTED FUNDS BY**
8 **THE QUALIFIED INNOVATION BUSINESS;**

9 4. **A COMPLETE DESCRIPTION OF THE NATURE OF THE**
10 **OWNERSHIP INTEREST IN THE EQUITY OF THE QUALIFIED INNOVATION BUSINESS**
11 **ACQUIRED IN CONSIDERATION OF THE INVESTMENT; AND**

12 5. **ANY SUPPORTING DOCUMENTATION THE**
13 **DEPARTMENT MAY REQUIRE.**

14 **(IV) IF A QUALIFIED INVESTOR DOES NOT PROVIDE THE NOTICE**
15 **AND PROOF OF THE MAKING OF THE INVESTMENT REQUIRED IN SUBPARAGRAPH**
16 **(III) OF THIS PARAGRAPH WITHIN 100 CALENDAR DAYS AFTER THE DATE ON WHICH**
17 **THE DEPARTMENT ISSUES AN INITIAL TAX CREDIT CERTIFICATE UNDER THIS**
18 **SECTION:**

19 1. **THE DEPARTMENT SHALL RESCIND THE INITIAL TAX**
20 **CREDIT CERTIFICATE; AND**

21 2. **THE CREDIT AMOUNT ALLOCATED TO THE RESCINDED**
22 **CERTIFICATE SHALL REVERT TO THE RESERVE FUND AND SHALL BE AVAILABLE IN**
23 **THE APPLICABLE FISCAL YEAR FOR ALLOCATION BY THE DEPARTMENT TO OTHER**
24 **INITIAL TAX CREDIT CERTIFICATES.**

25 **(7) BASED ON THE ACTUAL AMOUNT OF AN INVESTMENT MADE BY A**
26 **QUALIFIED INVESTOR, THE SECRETARY SHALL ISSUE A FINAL TAX CREDIT**
27 **CERTIFICATE TO THE QUALIFIED INVESTOR.**

28 **(E) (1) THE TAX CREDIT ALLOWED IN AN INITIAL TAX CREDIT**
29 **CERTIFICATE ISSUED UNDER THIS SECTION IS 50% OF THE INVESTMENT IN A**
30 **QUALIFIED INNOVATION BUSINESS, NOT TO EXCEED:**

31 **(I) \$50,000; OR**

1 **(II) \$100,000 FOR A QUALIFIED INVESTOR THAT IS A MARRIED**
2 **COUPLE THAT FILES A JOINT RETURN OR A PASS-THROUGH ENTITY.**

3 **(2) DURING ANY FISCAL YEAR, THE SECRETARY MAY NOT CERTIFY**
4 **ELIGIBILITY FOR TAX CREDITS FOR INVESTMENTS IN A SINGLE QUALIFIED**
5 **INNOVATION BUSINESS THAT IN THE AGGREGATE EXCEED 15% OF THE TOTAL**
6 **APPROPRIATIONS TO THE RESERVE FUND FOR THAT FISCAL YEAR.**

7 **(3) DURING EACH FISCAL YEAR, THE SECRETARY SHALL CERTIFY**
8 **ELIGIBILITY FOR TAX CREDITS FOR INVESTMENTS IN QUALIFIED INNOVATION**
9 **BUSINESSES THAT ARE WOMEN-, MINORITY-, OR VETERAN-OWNED BUSINESSES**
10 **EQUAL TO AT LEAST 10% OF THE TOTAL APPROPRIATION TO THE RESERVE FUND**
11 **FOR THAT FISCAL YEAR.**

12 **(4) IF THE TAX CREDIT ALLOWED UNDER THIS SECTION IN ANY**
13 **TAXABLE YEAR EXCEEDS THE TOTAL TAX OTHERWISE PAYABLE BY THE QUALIFIED**
14 **INVESTOR FOR THAT TAXABLE YEAR, THE QUALIFIED INVESTOR MAY NOT CLAIM A**
15 **REFUND IN THE AMOUNT OF THE EXCESS.**

16 **(F) (1) THERE IS A MARYLAND ANGEL INVESTOR TAX CREDIT RESERVE**
17 **FUND THAT IS A SPECIAL CONTINUING, NONLAPSING FUND THAT IS NOT SUBJECT**
18 **TO § 7-302 OF THE STATE FINANCE AND PROCUREMENT ARTICLE.**

19 **(2) THE DEPARTMENT SHALL ADMINISTER THE RESERVE FUND.**

20 **(3) (I) THE MONEY IN THE RESERVE FUND SHALL BE INVESTED**
21 **AND REINVESTED BY THE TREASURER, AND INTEREST AND EARNINGS SHALL BE**
22 **CREDITED TO THE GENERAL FUND.**

23 **(II) THE RESERVE FUND CONSISTS OF MONEY APPROPRIATED**
24 **IN THE STATE BUDGET TO THE RESERVE FUND.**

25 **(III) FOR EACH FISCAL YEAR, IT IS THE INTENT OF THE GENERAL**
26 **ASSEMBLY THAT THE GOVERNOR INCLUDE IN THE BUDGET BILL AN**
27 **APPROPRIATION OF AT LEAST \$5,000,000 TO THE RESERVE FUND.**

28 **(4) NOTWITHSTANDING THE PROVISIONS OF § 7-213 OF THE STATE**
29 **FINANCE AND PROCUREMENT ARTICLE, THE GOVERNOR MAY NOT REDUCE AN**
30 **APPROPRIATION TO THE RESERVE FUND IN THE STATE BUDGET AS APPROVED BY**
31 **THE GENERAL ASSEMBLY.**

1 **(5) (I) EXCEPT AS PROVIDED IN THIS PARAGRAPH, MONEY**
2 **APPROPRIATED TO THE RESERVE FUND SHALL REMAIN IN THE RESERVE FUND.**

3 **(II) 1. WITHIN 15 DAYS AFTER THE END OF EACH CALENDAR**
4 **QUARTER, THE DEPARTMENT SHALL NOTIFY THE COMPTROLLER AS TO EACH FINAL**
5 **CREDIT CERTIFICATE ISSUED DURING THE QUARTER:**

6 **A. THE MAXIMUM CREDIT AMOUNT STATED IN THE**
7 **INITIAL TAX CREDIT CERTIFICATE FOR THE INVESTMENT; AND**

8 **B. THE FINAL CERTIFIED CREDIT AMOUNT FOR THE**
9 **INVESTMENT.**

10 **2. ON NOTIFICATION THAT AN INVESTMENT HAS BEEN**
11 **CERTIFIED, THE COMPTROLLER SHALL TRANSFER AN AMOUNT EQUAL TO THE**
12 **CREDIT AMOUNT STATED IN THE INITIAL TAX CREDIT CERTIFICATE FOR THE**
13 **INVESTMENT FROM THE RESERVE FUND TO THE GENERAL FUND.**

14 **(G) (1) THE CREDIT CLAIMED UNDER THIS SECTION SHALL BE**
15 **RECAPTURED AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION IF WITHIN 2**
16 **YEARS FROM THE CLOSE OF THE TAXABLE YEAR FOR WHICH THE CREDIT IS**
17 **CLAIMED:**

18 **(I) THE QUALIFIED INVESTOR SELLS, TRANSFERS, OR**
19 **OTHERWISE DISPOSES OF THE OWNERSHIP INTEREST IN THE QUALIFIED**
20 **INNOVATION BUSINESS THAT GAVE RISE TO THE CREDIT;**

21 **(II) THE QUALIFIED INVESTOR IS EMPLOYED BY THE QUALIFIED**
22 **INNOVATION BUSINESS THAT GAVE RISE TO THE CREDIT; OR**

23 **(III) THE QUALIFIED INNOVATION BUSINESS THAT GAVE RISE TO**
24 **THE CREDIT CEASES OPERATING AS AN ACTIVE BUSINESS WITH ITS HEADQUARTERS**
25 **AND BASE OF OPERATIONS IN THE STATE.**

26 **(2) THE AMOUNT REQUIRED TO BE RECAPTURED UNDER THIS**
27 **SUBSECTION IS THE PRODUCT OF MULTIPLYING:**

28 **(I) THE TOTAL AMOUNT OF THE CREDIT CLAIMED OR, IN THE**
29 **CASE OF AN EVENT DESCRIBED IN PARAGRAPH (1)(I) OF THIS SUBSECTION, THE**
30 **PORTION OF THE CREDIT ATTRIBUTABLE TO THE OWNERSHIP INTEREST DISPOSED**
31 **OF; AND**

1 (ii) 1. 100%, IF THE EVENT REQUIRING RECAPTURE OF THE
2 CREDIT OCCURS DURING THE TAXABLE YEAR FOR WHICH THE TAX CREDIT IS
3 CLAIMED;

4 2. 67%, IF THE EVENT REQUIRING RECAPTURE OF THE
5 CREDIT OCCURS DURING THE FIRST YEAR AFTER THE CLOSE OF THE TAXABLE YEAR
6 FOR WHICH THE TAX CREDIT IS CLAIMED; OR

7 3. 33%, IF THE EVENT REQUIRING RECAPTURE OF THE
8 CREDIT OCCURS MORE THAN 1 YEAR BUT NOT MORE THAN 2 YEARS AFTER THE
9 CLOSE OF THE TAXABLE YEAR FOR WHICH THE TAX CREDIT IS CLAIMED.

10 (3) THE QUALIFIED INVESTOR THAT CLAIMED THE CREDIT SHALL
11 PAY THE AMOUNT TO BE RECAPTURED AS DETERMINED UNDER PARAGRAPH (2) OF
12 THIS SUBSECTION AS TAXES PAYABLE TO THE STATE FOR THE TAXABLE YEAR IN
13 WHICH THE EVENT REQUIRING RECAPTURE OF THE CREDIT OCCURS.

14 (H) (1) THE DEPARTMENT MAY REVOKE ITS INITIAL OR FINAL
15 CERTIFICATION OF AN APPROVED CREDIT UNDER THIS SECTION IF ANY
16 REPRESENTATION IN CONNECTION WITH THE APPLICATION FOR THE
17 CERTIFICATION IS DETERMINED BY THE DEPARTMENT TO HAVE BEEN FALSE WHEN
18 MADE.

19 (2) THE REVOCATION UNDER PARAGRAPH (1) OF THIS SUBSECTION
20 MAY BE IN FULL OR IN PART AS THE DEPARTMENT MAY DETERMINE AND, SUBJECT
21 TO PARAGRAPH (3) OF THIS SUBSECTION, SHALL BE COMMUNICATED TO THE
22 QUALIFIED INVESTOR AND THE COMPTROLLER.

23 (3) BEFORE NOTIFICATION TO THE COMPTROLLER, THE QUALIFIED
24 INVESTOR SHALL HAVE AN OPPORTUNITY TO APPEAL ANY REVOCATION TO THE
25 DEPARTMENT.

26 (4) THE COMPTROLLER MAY MAKE AN ASSESSMENT AGAINST THE
27 QUALIFIED INVESTOR TO RECAPTURE ANY AMOUNT OF TAX CREDIT THAT THE
28 QUALIFIED INVESTOR HAS ALREADY CLAIMED.

29 (I) ON OR BEFORE FEBRUARY 1 OF EACH YEAR FOLLOWING THE YEAR IN
30 WHICH A QUALIFIED INNOVATION BUSINESS RECEIVES AN INVESTMENT, THE
31 QUALIFIED INNOVATION BUSINESS SHALL SUBMIT TO THE DEPARTMENT A REPORT
32 THAT DETAILS THE TOTAL:

33 (1) NUMBER AND AMOUNT OF INVESTMENTS RECEIVED DURING THE
34 PRIOR YEAR;

1 **(2) NUMBER OF DIRECT JOBS CREATED OR SUPPORTED BY**
2 **INVESTMENTS MADE DURING THE PRIOR YEAR; AND**

3 **(3) AMOUNT OF ADDITIONAL INVESTMENTS LEVERAGED BY**
4 **INVESTMENTS MADE DURING THE PRIOR YEAR.**

5 **(J) (1) IN ACCORDANCE WITH § 2-123 OF THE ECONOMIC DEVELOPMENT**
6 **ARTICLE, THE DEPARTMENT SHALL REPORT ON THE TAX CREDIT CERTIFICATES**
7 **ISSUED UNDER THIS SECTION.**

8 **(2) THE REPORT REQUIRED UNDER PARAGRAPH (1) OF THIS**
9 **SUBSECTION SHALL INCLUDE FOR EACH INITIAL TAX CREDIT CERTIFICATE ISSUED:**

10 **(I) THE NAME OF THE QUALIFIED INVESTOR AND THE AMOUNT**
11 **OF CREDIT ISSUED OR ALLOCATED TO EACH INVESTOR;**

12 **(II) THE NAME AND ADDRESS OF THE QUALIFIED INNOVATION**
13 **BUSINESS THAT RECEIVED THE INVESTMENT GIVING RISE TO THE CREDIT UNDER**
14 **THIS SECTION AND THE COUNTY WHERE THE QUALIFIED INNOVATION BUSINESS IS**
15 **LOCATED; AND**

16 **(III) THE DATES OF RECEIPT AND APPROVAL BY THE**
17 **DEPARTMENT OF ALL APPLICATIONS FOR INITIAL TAX CREDIT CERTIFICATES.**

18 **(3) THE REPORT REQUIRED UNDER PARAGRAPH (1) OF THIS**
19 **SUBSECTION SHALL SUMMARIZE FOR THE CATEGORY OF QUALIFIED INVESTORS:**

20 **(I) THE TOTAL NUMBER OF APPLICANTS FOR INITIAL TAX**
21 **CREDIT CERTIFICATES UNDER THIS SECTION IN EACH CALENDAR YEAR;**

22 **(II) THE NUMBER OF APPLICATIONS FOR WHICH INITIAL TAX**
23 **CREDIT CERTIFICATES WERE ISSUED IN EACH CALENDAR YEAR; AND**

24 **(III) THE TOTAL INITIAL TAX CREDIT CERTIFICATES**
25 **AUTHORIZED UNDER THIS SECTION FOR ALL CALENDAR YEARS UNDER THIS**
26 **SECTION.**

27 **(K) THE DEPARTMENT, IN CONSULTATION WITH THE COMPTROLLER,**
28 **SHALL ADOPT REGULATIONS TO CARRY OUT THE PROVISIONS OF THIS SECTION AND**
29 **TO SPECIFY CRITERIA AND PROCEDURES FOR APPLICATION FOR, APPROVAL OF,**
30 **AND MONITORING CONTINUING ELIGIBILITY FOR THE TAX CREDIT UNDER THIS**
31 **SECTION.**

1 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
2 1, 2015, and shall be applicable to all taxable years beginning after December 31, 2014.