



Larry Hogan | Governor  
Boyd Rutherford | Lt. Governor  
Kelly M. Schulz | Secretary of Commerce

**DATE:** January 21, 2021  
**BILL NO:** Senate Bill 246  
**BILL TITLE:** Income Tax – Angel Investor Tax Credit Program  
**COMMITTEE:** House Ways and Means

### Statement of Information

Senate Bill 246 creates a new tax incentive program to be administered by Commerce, the Angel Investor Tax Credit Program (AITC). As drafted, the AITC program would be similar to two existing investor tax credits administered by Commerce. The Biotechnology Investment Incentive Tax Credit (BIITC) and the Cybersecurity Investment Incentive Tax Credit (CIITC) serve as an incentive to encourage investment into seed and early stage companies, thereby promoting the continued growth of these two important industries in Maryland. The AITC would have similar administration to the BIITC program. It should also be noted that Senate Bill 160 will be heard by this Committee on January 27 and if passed would alter and expand the existing CIITC to include additional technology sectors in order to qualify for the credit.

Through the AITC, a Qualified Investor who makes an investment in a Qualified Innovation Business would be eligible to receive a non-refundable tax credit equal to 50% of the investment against their Maryland income tax liability. The minimum investment is \$10,000, with a maximum credit that may be claimed of \$50,000 by an individual (minimum of \$20,000 and maximum of \$100,000 for married couples filing a joint tax return and pass-through entities as defined). The AITC would assist start-up companies in finding investors to provide capital.

Senate Bill 246 requires an annual appropriation \$5 million for the AITC each fiscal year, and the creation of a special reserve fund.

The BIITC and the CIITC programs only serve businesses in their respective industries and apply more to institutional investors that are making larger investments in companies (requiring a minimum investment of \$25,000, with a maximum credit of \$250,000). Senate Bill 246, with a lower minimum investment and smaller maximum credit, is intended to support investment at a much smaller level, known as the Angel Investment, which often comes from individual investors, rather than institutional investors, at an earlier stage in the company's life cycle. While Senate Bill 246 would be applicable to a broader array of industries, it differs from previous versions of this bill in that the specific industry sectors are defined in the legislation. These sectors include advanced materials and manufacturing systems, aerospace, agricultural technology, clean energy and natural resources, education, electronic device technology, health and medical technology, information technology, nanotechnology and transportation and logistics. These industries are aligned with Commerce's current strategic industry sectors, and represent sectors with strong opportunities for innovation and startup activity. However since the

industry sectors have been specifically defined, as new industry sectors emerge there is a limit to the flexibility of this program to respond to changing economic trends.