

KATIE FRY HESTER
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Carroll and Howard Counties

Education, Health, and
Environmental Affairs Committee

Chair, Joint Committee on
Cybersecurity, Information Technology
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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Sponsor Testimony In Support of SB246 - Income Tax - Angel Investor Tax Credit Program

January 21st, 2021

Good afternoon Chair Guzzone, Vice-Chair Rosapepe, and members of the Senate Budget and Taxation Committee

I am pleased to present Senate Bill 246. This straightforward bill encourages qualifying investors to invest in qualified “innovation businesses” throughout Maryland, by providing a nonrefundable tax credit to prospective angel investors. This tax credit is equal to 50% of the qualified investment by approved investors to qualified innovative businesses, not to exceed \$50,000 for an individual or \$100,000 for married couples filing jointly or for pass-through entities.

The Baltimore-Washington area receives more federal research funding than almost anywhere else in the country. Unfortunately, our region also ranks close to the bottom in terms of available seed funding to grow businesses receiving those Federal research dollars. As a result, many businesses within the State of Maryland receive funding from the federal government, and subsequently leave the State in search of funding at critical stages of business development. In Baltimore alone, [nearly 30 percent of companies launched at some of the city’s incubators leave to find the starting capital they require.](#)

The future strength of Maryland’s economy depends, in large part, on our ability to attract and retain new talent in tech, healthcare, cybersecurity, clean energy, and other innovative industries. Additionally, providing incentives for investments in Maryland companies participating in these innovative industries offers the potential for significant financial return and benefit for the people of Maryland. In 2015, startup firms less than 5 years old [created 2.5 million new jobs](#) throughout the United States, including right here in Maryland. Entrepreneurs and innovative startups have a track record of creating jobs and supporting economic growth, but require the support to do so. In 2012, a [report from the Abell Foundation](#) identified early stage capital investment as one of the key ingredients in creating an entrepreneur friendly environment. The report made one very clear recommendation for our state: encourage early stage investment to expand entrepreneurial opportunities dramatically.

I am proud to say that in the intervening years, our State has made great strides in supporting early stage ventures and opening access to capital. However, the impact of the COVID-19 pandemic has not spared the startup community. Between March and June of last year, start-up companies saw a 44% decrease in VC investments, as compared to the same three-month period the year before. Experts predict that without robust local financing systems, many startups could close their doors or leave our state in search of the support they need to get through these extraordinary times.

This bill is an opportunity for our State to make a critical and cost-effective investment in our innovative small businesses, and make sure they continue to be critical members of our communities. An Angel Investor Tax Credit will help drive investment in small businesses around the State, make sure our economy stays strong and our small businesses flourish, and support a robust recovery from the COVID-19 pandemic for our small, innovative businesses. For that reason, **I respectfully request a favorable report for Senate Bill 246.**

Sincerely,

A handwritten signature in black ink that reads "Katie Fry Hester". The signature is written in a cursive, flowing style.

Senator Katie Fry Hester
Howard and Carroll Counties