

Department of Legislative Services
2011 Session

FISCAL AND POLICY NOTE**Revised**

Senate Bill 485

(Senator King, *et al.*)

Budget and Taxation

Ways and Means

Biotechnology Investment Tax Credit - Qualified Maryland Biotechnology Company

This bill provides that, in fiscal 2012 and 2013, a biotechnology company that has been in active business for up to 15 years can qualify as a biotechnology company and be eligible to receive investments for which tax credits can be awarded.

The bill takes effect June 1, 2011, and applies to initial tax credit certificates beginning in fiscal 2012.

Fiscal Summary

State Effect: Allowing additional biotechnology companies to qualify for tax credits will not alter the fiscal impact of the program beyond that provided under current law.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 99 of 2005 established the biotechnology investment tax credit program. Chapter 518 of 2008 and Chapters 605 and 606 of 2009 made several changes to the program. DBED administers the tax credit application, approval, and certification process and is required to submit a report to the Governor and the General Assembly detailing specified information about the tax credit by January 10 of each year. An investor who invests at least \$25,000 in a qualified Maryland biotechnology company can claim a credit equal to 50% of the investment, not to exceed \$250,000. DBED may not certify investments in a single biotechnology company that total more than 15% of the total appropriations to the reserve fund for that fiscal year.

A qualified biotechnology company must (1) have its headquarters and base of operations in the State; (2) have fewer than 50 full-time employees; (3) have been in active business for no longer than 10 years; (4) not be publicly traded on any exchange; and (5) be certified as a biotechnology company by DBED. A qualified biotechnology company includes a company that has been in active business for up to 12 years if DBED determines that the company requires additional time to complete the process of regulatory approval.

Background: According to DBED's January 2011 tax credit status report, DBED received a total of 250 tax credit applications for the time period covered by the report. Of these applications, DBED issued initial tax credit certificates to 193 applicants. Maryland residents accounted for 90 applications with the remaining 103 from nonresidents. As of December 31, 2010, DBED issued a total of \$6.3 million in final tax credit certificates. Of the 19 biotechnology companies receiving investments, 8 are located in Montgomery County, followed by Baltimore City (3), Baltimore County (3), Howard County (2), Frederick County (2), and Prince George's County (1). The proposed fiscal 2012 State budget includes \$8.0 million in funding for the tax credit.

State Fiscal Effect: The bill allows additional biotechnology companies to qualify for the tax credit program. This provision will not impact State finances as DBED is expected to award the maximum amount of credits in each fiscal year.

Additional Information

Prior Introductions: None.

Cross File: Although HB 587 (Delegate Feldman - Ways and Means) is designated as a cross file, it is different.

Information Source(s): Department of Business and Economic Development, Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - March 8, 2011
mm/jrb Revised - Senate Third Reader - March 28, 2011

Analysis by: Robert J. Rehrmann

Direct Inquiries to:
(410) 946-5510
(301) 970-5510