

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 681

(Senator Edwards, *et al.*)

Budget and Taxation

Cybersecurity Investment Tax Credit - Investment in Qualified Companies in
Low-Income Areas

This bill increases the value of the cybersecurity investment tax credit if the qualified cybersecurity company in which an investment is made is located in Allegany, Dorchester, Garrett, or Somerset counties or Baltimore City. The value of the credit for investments made in these companies is equal to 50% of the investment, not to exceed \$500,000.

The bill takes effect June 1, 2016, and applies to all initial credit certificates issued after June 30, 2016.

Fiscal Summary

State Effect: Increasing the value of the credit for investments in cybersecurity companies in specified local jurisdictions 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/Background: Chapter 390 of 2013 established a refundable tax credit for investments in qualified cybersecurity companies. The Department of Commerce 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 each year. A qualified Maryland cybersecurity company can claim a

credit equal to 33% of a qualified investment, not to exceed \$250,000. A qualified investment is an at-risk investment of at least \$25,000 in exchange for stock or ownership interest. Generally, the total amount of tax credits issued in the fiscal year cannot exceed the amount appropriated to the Maryland Cybersecurity Investment Tax Credit Reserve Fund in that year. The Department of Commerce may not certify investments in a single cybersecurity company that total more than 15% of the total appropriations to the reserve fund for that fiscal year. The Governor's proposed fiscal 2017 budget includes \$2 million in funding for the program.

State Fiscal Effect: The bill increases the value of the cybersecurity investment tax credit if the qualified cybersecurity company is located in specified local jurisdictions. The bill will not alter the overall fiscal impact of the tax credit program. It is expected that the Department of Commerce will award the maximum amount of any credits available in fiscal 2017.

Additional Information

Prior Introductions: None.

Cross File: HB 1168 (Delegate Buckel, *et al.*) - Ways and Means.

Information Source(s): Department of Legislative Services

Fiscal Note History: First Reader - March 3, 2016
md/jrb

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