



Wes Moore | Governor  
Aruna Miller | Lt. Governor  
Kevin A. Anderson | Secretary of Commerce  
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**DATE:** February 29, 2024  
**BILL NO:** House Bill 1294  
**BILL TITLE:** Artificial Intelligence Tools - Income Tax Credit and Sales and Use Tax  
**COMMITTEE:** House Ways and Means  
**POSITION:** **Statement of Information**

House Bill 1294 would effectively sunset the Credit for the Purchase of Cybersecurity Technology or Services (Buy Maryland Cybersecurity Tax Credit) by directing the funding, \$4M each year, instead to a new tax credit to individuals and businesses of \$50 for the purchase of Artificial Intelligence (AI) products. As the Committee reviews this legislation, the Maryland Department of Commerce (Commerce) submits additional information to provide context.

The Buy Maryland Cybersecurity Tax Credit provides an incentive for Qualified Maryland Companies to purchase cybersecurity technologies and services from a Qualified Maryland Cybersecurity Seller. Qualified Maryland Companies may claim a tax credit for 50% of the net purchase price of cybersecurity technologies and services purchased from a Qualified Maryland Cybersecurity Seller. The program was created through legislation in 2018, and \$4M is available annually. In FY 23, 11 companies received a total of \$196,376 in assistance through the program. This supported an estimated two total jobs, \$335,704 in economic activity, and \$5,764 in state income and sales tax revenue.

Throughout 2023 the Department of Legislative Services (DLS) evaluated the Buy Maryland Cybersecurity Tax Credit, and submitted a report with their findings and recommendations in December 2023. DLS noted that the credit is underutilized and did suggest sunsetting the program and instead considering other options, but they suggested the possibility of grants to small businesses to support cybersecurity efforts of the businesses. Instead this legislation would incentivize the purchase of AI products and not cybersecurity. DLS also included recommendations to improve the program that would potentially increase its utilization should the General Assembly decide not to sunset it altogether<sup>1</sup>.

Commerce would also like to note that the tax credit program created through House Bill 1294 is available to individuals as well as businesses. While Commerce does have experience in administering tax credit programs, the Department's programs are available to businesses or to investors in specified businesses. The Department does not have experience in administering tax credit programs targeted toward individuals for purchases made. Additionally, incentivizing the purchase of AI products is outside the scope of the mission of the Department of Commerce – to stimulate private investment and create jobs by attracting new businesses, encouraging the expansion and retention of existing companies, and providing workforce training and financial

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[https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation\\_Credit\\_for\\_Purchase\\_of\\_Cybersecurity\\_Technology\\_or\\_Services.pdf](https://dls.maryland.gov/pubs/prod/TaxFiscalPlan/Evaluation_Credit_for_Purchase_of_Cybersecurity_Technology_or_Services.pdf)

assistance to Maryland companies. Lastly, the credit is capped at \$50 per certificate with an overall program cap of \$4M per year, meaning that if fully subscribed Commerce would issue 80,000 tax credit certificates per year through this program. In an average year, Commerce issues approximately 400 tax credit certificates. While this program would require less detailed review for approval, the administration of this program as proposed would represent a significant increase in workload for the Department with little economic impact for the State overall.