Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 25   (Chair, Budget and Taxation Committee)(By Request - Departmental - Commerce)

Budget and Taxation

Income Tax - Cybersecurity Technology and Service Tax Credit - Alterations

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This departmental bill alters the Buy Maryland Cybersecurity Tax Credit by (1) codifying the program name and specifying program intent; (2) making the credit fully refundable; (3) increasing the annual aggregate limit on the amount of credits that may be claimed for cybersecurity technology or cybersecurity services purchased from a single qualified seller from $200,000 to $1.0 million; (4) expanding the definitions of "qualified buyer" and "qualified seller" for purposes of the credit; (5) repealing a requirement that the Secretary of Commerce award 25% of the annual authorized amount of credits to qualified buyers that purchase cybersecurity services; (6) repealing an authorization for the Department of Commerce (Commerce) to establish a specified panel; and (7) sunsetting the program after tax year 2030. **The bill takes effect July 1, 2026, and applies to tax year 2026 and beyond.**

Fiscal Summary

State Effect: In FY 2027, general fund revenues decrease by an estimated $2.8 million, Higher Education Investment Fund (HEIF) revenues decrease by an estimated $0.2 million, and Transportation Trust Fund (TTF) revenues decrease by an estimated $0.6 million, as discussed below. General and special fund revenues decrease by similar amounts annually through FY 2031. Strategic Energy Investment Fund (SEIF) revenues are potentially also affected (not shown below). TTF expenditures for local highway user revenue grants decrease by an estimated $0.1 million annually in FY 2027 through 2031.

($ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	($2.8)	($2.9)	($2.9)	($2.9)	($2.9)
SF Revenue	($0.8)	($0.7)	($0.7)	($0.7)	($0.7)
SF Expenditure	($0.1)	($0.1)	($0.1)	($0.1)	($0.1)
Net Effect	($3.5)	($3.5)	($3.5)	($3.5)	($3.5)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: Local highway user revenues decrease by an estimated $0.1 million annually in FY 2027 through 2031, as discussed below. Local expenditures are not affected.

Small Business Effect: Commerce has determined that this bill has a meaningful impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary: The bill specifies that the tax credit is intended to promote the cybersecurity industry in the State by helping Maryland businesses and nonprofits purchase cybersecurity technologies and services from Maryland cybersecurity companies to protect business and customer information.

The bill expands the definition of "qualified buyer" for purposes of the credit to include businesses with 50 or more employees in the State. The bill also expands the definition of "qualified seller" to include otherwise-eligible cybersecurity businesses with less than $10.0 million in annual revenue or that are owned by an individual or group of individuals who belong to a group that historically has been deprived of access to normal economic or financial resources.

Current Law: Chapter 578 of 2018 established a nonrefundable credit against the State income tax for costs incurred by a qualified buyer (defined as any entity that has fewer than 50 employees in the State and is required to file a Maryland income tax return) to purchase cybersecurity technology or services from a qualified seller. The value of the credit is equal to 50% of the eligible costs incurred, not to exceed $50,000 per qualified buyer. The Secretary of Commerce may approve up to $4.0 million in tax credit certificates annually and must award 25% of the amount of authorized tax credits to qualified buyers that purchase cybersecurity services.

For purposes of the credit, "qualified seller" is defined as a cybersecurity business that (1) has its headquarters and base of operations in the State; (2) has less than $5.0 million in annual revenue, is a minority-owned, woman-owned, veteran-owned, or service-disabled veteran-owned business, or is located in a historically underutilized business zone designated by the U.S. Small Business Administration; and (3) owns or has properly licensed any proprietary cybersecurity technology or provides a cybersecurity service (among other specified requirements). Commerce may establish a panel composed of experts in the areas of cybersecurity technology and cybersecurity service to assist the department in determining if a cybersecurity business is a qualified seller.

Background: On average, Commerce has awarded a little over $400,000 in tax credit certificates annually under the program – well below the program's annual $4.0 million cap on aggregate tax credit awards. Commerce advises that the bill is intended to make the program more flexible and increase utilization of the tax credit.

State Revenues: In fiscal 2027, general fund revenues decrease by an estimated $2.8 million, HEIF revenues decrease by an estimated $0.2 million, and TTF revenues decrease by an estimated $0.6 million due to an increase in credits claimed against the income tax. General fund, HEIF, and TTF revenues decrease by similar amounts annually through fiscal 2031. To the extent credits are claimed by a corporation that operates a qualified data center, SEIF revenues are also affected. This estimate assumes that (1) the bill's changes sufficiently increase utilization of the tax credit to maximize the existing $4.0 million annual limit on tax credit awards and (2) 80% of overall tax credit awards under the program as modified by the bill are claimed against the corporate income tax.

State Expenditures: TTF expenditures for local highway user revenue grants decrease by an estimated $0.1 million annually in fiscal 2027 through 2031 due to an increase in credits claimed against the corporate income tax.

Local Revenues: Local highway user revenues decrease by an estimated $0.1 million annually in fiscal 2027 through 2031 due to an increase in credits claimed against the corporate income tax.

Additional Information

Recent Prior Introductions: Legislation with similar provisions has been introduced within the last three years. See SB 427 and HB 498 of 2025.

Designated Cross File: HB 290 (Chair, Ways and Means Committee)(By Request - Departmental - Commerce) - Ways and Means.

Information Source(s): Department of Commerce; Comptroller's Office; Department of Legislative Services

Fiscal Note History: First Reader - January 19, 2026
caw/jrb

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Income Tax - Cybersecurity Technology and Service Tax Credit – Alterations

BILL NUMBER: SB 25

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PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

___   WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESS

OR

 X   WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed bill affects the Buy Maryland Cybersecurity Tax Credit (BMC) – Proposed alterations are intended to increase the program's flexibility for buyers and sellers of cybersecurity services and technologies. Modifications include:
- Removing the limit on the size of the company that can be considered a Qualified Buyer
- Increasing the limit on annual revenue for a business to be considered a Qualified Seller
- Making the tax credit refundable
- Increasing the amount of aggregate credits that can be claimed for purchases from a single qualified seller
- Eliminating the requirement that 25 percent of the credit be awarded to qualified buyers that purchase cybersecurity services as opposed to products

Maryland's top-tier universities, pipeline of skilled workers, and proximity to multiple major cities make it an attractive location for many research and cybersecurity firms. Data from the Bureau of Labor Statistics' (BLS) Quarterly Census of Employment and Wages (QCEW)[1] show that Maryland has a high concentration of employment in the 'Computer Systems Design and Related Services' industry (NAICS 54151); the state has a location quotient of 2.0 in 2024, indicating that the industry is twice as prevalent when compared to the nation as a whole. Similarly, the 'Scientific Research and Development Services' (NAICS 5417) industry has a location quotient of 2.5, suggesting a concentration of two and half times the U.S. average.

Importantly, several industries most affected by the proposed bill are well represented by small businesses. The Census Bureau's latest Statistics of U.S. Businesses[2] reveal that nearly 64 percent of 'Software Publishers' (NAICS 5112) employ less than 20 people. Nearly 83 percent of 'Computer Systems Design and Related Services' (NAICS 54151) companies report having less than 20 employees. Finally, over 71 percent of Maryland firms in the 'Scientific Research and Development Services' industry (NAICS 5417) employ fewer than 20 people.

NAICS	NAICS Description	Share of Maryland Firms with less than 20 employees
5112	Software Publishers	63.7%
54151	Computer Systems Design and Related Services	82.8%
5417	Scientific Research and Development Services	71.5%

The proposed bill helps reinforce several of Maryland's in-demand industries which rely on highly skilled workforces. Increasing flexibility and removing existing limitations of the BMC program should expand the pool of firms that can benefit. In summary, the proposed bill has the potential to build on the state's existing assets to positively impact small cybersecurity and innovation-related businesses.

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[1] https://www.bls.gov/cew/
[2] https://www.census.gov/data/tables/2022/econ/susb/2022-susb-annual.html