

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

House Bill 1256
 Ways and Means

(Delegate Nkongolo, *et al.*)

Income Tax - Angel Investor Tax Credit

This bill reinstates, alters, and renames the Innovation Investment Incentive Tax Credit (IIITC) Program and Reserve Fund as the Angel Investor Tax Credit Program and Reserve Fund and reinstates related opportunity zone enhancements under the Opportunity Zone Enhancement Program. A qualified investor that invests at least \$25,000 in a qualified Maryland company engaged in a specified economic sector (advanced manufacturing, biosciences, cybersecurity, technology, or other Department of Commerce-designated sector) may be eligible for a refundable State income tax credit equal to 33% of the amount of the investment, not to exceed \$250,000 (subject to certain enhancements for specified investments). The Governor must include an appropriation of at least \$2.0 million to the reserve fund in the annual budget bill. **The bill takes effect July 1, 2026, applies to tax years 2026 through 2035, and terminates June 30, 2036.**

Fiscal Summary

State Effect: General fund expenditures increase by \$2.0 million annually in FY 2027 through 2036 for appropriations to the reserve fund. General fund expenditures increase by an additional \$0.1 million in FY 2027 for one-time programming costs. Revenues are not directly affected. **This bill establishes a mandated appropriation in FY 2028 through 2036.**

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	2.1	2.0	2.0	2.0	2.0
Net Effect	(\$2.1)	(\$2.0)	(\$2.0)	(\$2.0)	(\$2.0)

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

Local Effect: None.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The program is intended to foster the growth of the State's innovative sectors by incentivizing investment in early-stage companies with the goal of increasing the number of innovative companies developing in Maryland, the overall investments in current and emerging economic sectors, and the number of individual investors actively investing in Maryland companies.

Tax Credit Enhancements

The credit percentage increases to 50% for a qualified investment in a qualified Maryland company located in Allegany, Dorchester, Garrett, or Somerset County, subject to a maximum credit of \$500,000. Qualified opportunity fund (QOF) investments in a qualified Maryland company that is newly established in or expands into an opportunity zone in a county other than Allegany, Dorchester, Garrett, or Somerset County are eligible for (1) a Level 1 opportunity zone enhancement equal to 33% of the qualified investment, not to exceed \$300,000, or (2) a Level 2 opportunity zone enhancement equal to 50% of the qualified investment, not to exceed \$500,000.

Qualified Investors

“Qualified investor” means any individual or entity that invests at least \$25,000 in a qualified Maryland company and that is required to file an income tax return in any jurisdiction. It does not include a tax-favored retirement plan or fiduciary or custodian thereof or a founder or current employee of the qualified Maryland company, if the company has been in active business for more than five years. To be eligible for a tax credit, a qualified investor may not own or control more than 25% of the equity interests in the qualified Maryland company after making the proposed investment.

Qualified Maryland Companies

To be eligible to receive qualified investments under the program, a company must be engaged in the research, development, or commercialization of innovative and proprietary ideas in an eligible economic sector; have its headquarters and base of operations in the State; have not participated in the tax credit program for more than three prior fiscal years; have an aggregate capitalization of at least \$100,000; own or have properly licensed any proprietary technology; have fewer than 50 full-time employees; not have its securities publicly traded on any exchange; be in good standing; be current in the payment of all State and local tax obligations; and not be in default under the terms of any contract with, indebtedness to, or grant from the State or any unit or subdivision of the State.

After consultation with Commerce and the Maryland Department of Labor, the Maryland Economic Development Commission must annually evaluate the potential employment and economic growth of the State's economic sectors and recommend additional qualifying economic sectors to Commerce.

Angel Investor Tax Credit Reserve Fund

The reserve fund is a special, nonlapsing fund that retains its interest earnings. The fund may be used by Commerce for program administrative expenses. The Comptroller must transfer the final amount of certified credits from the reserve fund to the general fund on a quarterly basis.

Tax credit awards are subject to annual appropriations to the reserve fund. Commerce may not certify tax credits for investments (1) in a single qualified Maryland company that in aggregate exceed 15% of the total appropriations to the reserve fund for the fiscal year or (2) in a single economic sector that in aggregate exceed 25% of the total appropriations to the reserve fund for the fiscal year.

Tax Credit Application, Certification, and Compliance

Commerce must maintain an online portal that publicly provides information about the tax credit, including a current list of eligible economic sectors; securely manages tax credit applications; and provides application status updates to applicants.

Commerce must approve qualifying tax credit applications on a first-come, first-served basis and certify the amount of any approved tax credits within 30 days of receipt of an application. A qualified investor must make the proposed investment within 30 days after initial certification and provide specified notice and proof of the investment to Commerce within 10 days of making the investment.

The bill specifies circumstances and procedures under which tax credits claimed must be fully or partially recaptured and initial and final tax credit certificates issued may be revoked in whole or in part. Commerce and the Comptroller must jointly adopt regulations to carry out the bill's provisions and to specify criteria and procedures for tax credit application, approval, and compliance monitoring.

Current Law: As discussed above, the bill reinstates, alters, and renames the IIITC Program, which terminated after fiscal 2025. The program offered refundable State income tax credits to qualified investors that invested at least \$25,000 in a qualified Maryland technology company. The credit was generally equal to 33% of the qualified investment, up to \$250,000. Certain enhanced credits were available for investments in qualified Maryland technology companies located in Allegany, Dorchester, Garrett, or

Somerset counties or in a Regional Institution Strategic Enterprise zone. Additionally, QOFs that invested in qualified Maryland technology companies located in an opportunity zone were eligible for certain enhanced credits for tax years after 2018. Tax credit awards were subject to annual appropriations to the IIITC Reserve Fund, to which the Governor was required to appropriate at least \$2.0 million annually.

State Expenditures: General fund expenditures increase by \$2.0 million in fiscal 2027 (at the Governor’s discretion) and by \$2.0 million annually through fiscal 2036 for required appropriations to the reserve fund. This analysis assumes that Commerce utilizes the reserve fund for any program administrative expenses; thus, to the extent the bill necessitates expenditures for personnel or other costs to administer the tax credit program, less funds are available for tax credit awards.

General fund expenditures increase by an additional estimated \$125,000 in fiscal 2027 for one-time programming costs incurred by the Comptroller’s Office.

Small Business Effect: Small businesses engaged in a qualifying economic sector benefit to the extent the bill generates increased investment in these businesses.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Department of Commerce; Comptroller’s Office; Department of Budget and Management; Department of Legislative Services

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