

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
 First Reader

Senate Bill 826 (Senator Hester)
 Budget and Taxation

Income Tax – Angel Investor Tax Credit for Investments in Emergent Technology

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. A qualified investor that invests at least \$25,000 in a qualified Maryland company engaged in an emergent technology (artificial intelligence, quantum computing, or cybersecurity) may be eligible for a nonrefundable State income tax credit equal to 25% of the amount of the investment, not to exceed \$1.0 million. Any unused credit may be carried forward up to five tax years. The Governor must include an appropriation of at least \$25.0 million to the reserve fund in the annual budget bill. **The bill takes effect July 1, 2026, applies to tax years 2026 through 2029, and terminates June 30, 2030.**

Fiscal Summary

State Effect: General fund expenditures increase by \$25.0 million annually in FY 2027 through 2030 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 2030.**

(\$ in millions)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	25.1	25.0	25.0	25.0	0
Net Effect	(\$25.1)	(\$25.0)	(\$25.0)	(\$25.0)	\$0.0

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 emergent technology by incentivizing investment in early-stage companies or small businesses that are expanding. The goal of the tax credit is to increase the number of companies developing in Maryland, the overall investments in emergent technologies, and the number of individual investors actively investing in Maryland companies.

Qualified Investors

“Qualified investor” means any individual or entity that, before July 1, 2029, 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 venture capital business or other specified financial institution; 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 seven years. To be eligible for a tax credit, a qualified investor may not own or control more than 50% of the equity interests in the qualified Maryland company after making the proposed investment.

Qualified Maryland Companies

A company must apply to the Department of Commerce for approval as a qualified Maryland company in order to receive qualified investments under the program. To be eligible, a company generally must be engaged in one or more emergent technologies; have its headquarters and base of operations in the State; have operated in the State for no more than seven years; have received less than \$2.0 million in investments by a qualified investor; have had gross revenues of less than \$20.0 million in the most recent year of operation; have fewer than 25 full-time employees; 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. Commerce may waive certain requirements (relating to years of operations in the State, previous investments made by a qualified investor, and gross revenues) in the case of a company that has operated in the State for more than seven years but is newly expanding its operations to include emergent technology.

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 in a single qualified Maryland company that in aggregate exceed 15% of the total appropriations to the reserve fund for the fiscal year. Commerce must reserve 50% of available credits for qualified investors that invest in a qualified Maryland company that has been in business for seven or more years and is expanding its operations to include emergent technology.

Tax Credit Application, Certification, and Compliance

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, qualified opportunity funds 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 \$25.0 million in fiscal 2027 (at the Governor's discretion) and by \$25.0 million annually in fiscal 2028 through 2030 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 or expanding their operations to include an emergent technology identified under the bill 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: HB 1128 (Delegates Qi and Spiegel) - Ways and Means.

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

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