



TESTIMONY PRESENTED TO THE SENATE BUDGET AND TAXATION COMMITTEE

SENATE 246 – INCOME TAX - ANGEL INVESTOR TAX CREDIT PROGRAM

JANUARY 21, 2021

POSITION: SUPPORT

The Maryland Technology Development Corporation (TEDCO) was created by the Maryland General Assembly in 1998 and is dedicated to economic growth through the fostering of an inclusive entrepreneurial and innovation ecosystem. TEDCO discovers, invests in, and helps build great Maryland based technology companies.

Angel investors play a very important role in the entrepreneurial community by providing much needed early-stage funding to start-up companies. The Kauffman Foundation estimates that angel investors provide up to 90 percent of early-stage equity that is not provided by friends or family and tend to invest in a wider range of innovation than traditional venture capitalists.

According to the Angel Capital Association's 2020 Report on Angel Funders, angel portfolio companies leveraged their angel investments to raise \$2 billion in follow-on funding in 2019 – 7X their initial investment. The report also confirms that angel investors are most attracted to those types of industry in which Maryland excels: healthcare technology; eCommerce; green technology; and financial technology.

The idea of tax credits for angel investors is not unique. Many states across the country have angel investor tax credit programs, many with great success. There are several challenges associated with creating a successful technology start-up. Among those are the challenges associated with finding pre-seed and seed financing to get companies launched. An angel investor tax credit program will help to encourage additional investments in our companies, which will enhance our state economic development efforts. Senate Bill 246 seeks to spur growth in Maryland's emerging industries by creating a tax credit that can be broadly used to invest in many kinds of innovative and growing businesses. **For these reasons, TEDCO urges a favorable report on Senate Bill 246.**

Troy LeMaile-Stovall
CEO/Executive Director