



## Eastern Shore Entrepreneurship Center

8737 Brooks Drive, Suite 101  
Easton, MD 21601

410.770.9330  
info@esec.md  
www.esec.md

### TESTIMONY PRESENTED TO THE BUDGET AND TAXATION COMMITTEE

## SENATE BILL 160 CYBERSECURITY INVESTMENT INCENTIVE TAX CREDIT PROGRAM

JANUARY 20, 2021

The Eastern Shore Entrepreneurship Center is a private sector 501(c)(3) nonprofit organization that serves the entrepreneurial, innovation, and startup needs throughout Maryland's Eastern Shore. We target our efforts toward high-growth, innovative, and scalable startups that are most likely to result in jobs and wealth creation. Our growing ecosystem includes entrepreneurs, mentors, coaches, and investors. We make it our mission to connect the Eastern Shore ecosystem to the rest of the statewide ecosystem of resources, talent, and investment.

Investors specifically play a critical role in the Eastern Shore's entrepreneurial community by providing much needed early-stage funding to startup companies. The Kauffman Foundation estimates that 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.

The idea of tax credits for investors is not unique. Many states across the country have or have had investor tax credit programs, many with great success. Maryland's existing Cybersecurity Investment Incentive Tax Credit is one such example. For this reason, we support extending the program until January 1, 2025. We also support the expansion of the existing program to include other technology sectors beyond cybersecurity. Allowing this tax credit to be eligible for additional sectors enables Maryland to remain competitive by diversifying and strengthening the program. This is especially true in our case having a focus on the sector of agriculture and aquaculture technologies (agritech and aquatech), the next emerging tech sector in the US in which Maryland can be a recognized leader.

Senate Bill 160 seeks to spur growth in other industry sectors which can have a special impact on the rural regions of the State, to include the Eastern Shore. By expanding tax credit access to other technology sectors, this bill provides additional incentive to attract and expand investment in all jurisdictions across the state, in part encouraging needed investment in the rural counties of Maryland.

The Eastern Shore lacks the maturity of investment which exists in the urban corridor of Maryland. This is not for lack of capacity. The Eastern Shore is home to a large number of recently relocated qualified individual investors who given the motivation and a mechanism through which to invest in local rural startups would do so. Providing the proper incentive to attract local investors from other states with second homes to invest in Maryland would result in a valuable outcome for the Eastern Shore startup ecosystem.

Deal flow is another critical aspect of providing success to an investment tax incentive. Past efforts to stimulate investment on the Eastern Shore has been unable to take hold for lack of good investment opportunities. However, due to our F<sup>3</sup> Tech Accelerator program attracting early-stage companies in agritech and aquatech recent efforts have resulted in an increased deal flow and the ability to establish and sustain a healthy investment environment in our region.

The timing of Senate Bill 160 could not be more beneficial for Maryland's Eastern Shore.

**For these reasons, we urge you to support Senate Bill 160.**

Sincerely,

Michael M. Thielke  
Executive Director