

SB0019 -- 01.27.21 -- Economic Development – Biote

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Position: FAV



TESTIMONY PRESENTED TO THE SENATE BUDGET & TAXATION COMMITTEE

SENATE BILL 19– Economic Development – Biotechnology Investment Incentive Tax Credit Program – Alterations

Sponsor: Department of Commerce

January 27, 2021

**DONALD C. FRY
PRESIDENT & CEO
GREATER BALTIMORE COMMITTEE**

Position: Support

The Greater Baltimore Committee (GBC) supports Senate Bill 19, which reduces the percentage of investment eligible for the Biotechnology Investment Incentive Tax Credit (BIITC) from 50% to 33%, and reduces the amount of the annual appropriation that one company may receive to allow more biotechnology companies to benefit from the tax credit in a given year. In addition, the bill caps lifetime participation for a total of \$7 million of tax credits paid to investors per company.

BIITC is a popular tax credit and demand for the credit has exceeded available funding nearly every year since it was enacted. An evaluation found that a relatively few biotechnology companies disproportionately benefited from the tax credit. In fact, from 2009 to 2019, 50% of funding for the credit benefited only ten companies, which represented only 9% of all companies that participated in the program during that time. The changes in the bill will allow for more companies to benefit from the BIITC, and the \$7 million lifetime cap per company will ensure that the incentive is going to early stage companies.

In the GBC report *Gaining the Competitive Edge: Keys to Economic Growth and Job Creation in Maryland*, eight core pillars were identified for a competitive business environment. Senate Bill 19 is consistent with one of these pillars:

Strategic and effective state investments in business growth. The state must commit to substantive strategic investments, leveraged with capital assets, to nurture business and job growth. Investments should include competitive and effective tax credits, business development incentives, and tactical initiatives to nurture private investment in industry growth.

Finally, Senate Bill 19 is consistent with the Greater Baltimore Committee’s [2021 Legislative Priorities](#) which call for maintaining state investment in Maryland’s most innovative industries. The bill makes the tax credit more competitive by allowing more companies, particularly early stage companies, to participate in the program and allow more flexibility for biotechnology companies.

For these reasons, the Greater Baltimore Committee urges a favorable report on Senate Bill 19.

The Greater Baltimore Committee (GBC) is a non-partisan, independent, regional business advocacy organization comprised of hundreds of businesses -- large, medium and small -- educational institutions, nonprofit organizations and foundations located in Anne Arundel, Baltimore, Carroll, Harford, and Howard counties as well as Baltimore City. The GBC is a 66-year-old, private-sector membership organization with a rich legacy of working with government to find solutions to problems that negatively affect our competitiveness and viability.

GREATER BALTIMORE COMMITTEE

111 South Calvert Street • Suite 1700 • Baltimore, Maryland • 21202-6180

(410) 727-2820 • www.gbc.org

BIO Statement Maryland SB 19 Biotech Tax Incentive

Uploaded by: Marczyk, Bernard

Position: FAV



January 25, 2021

The Honorable Guy Guzzone
Chairman, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Re: Support Senate Bill 19

Dear Chairman Guzzone and Members of the Committee:

BIO is the world's largest trade association representing biotechnology companies, academic institutions, state biotechnology centers and related organizations across the United States and in more than 30 other nations. BIO members are involved in the research and development of innovative healthcare, agricultural, industrial and environmental biotechnology products. The Biotechnology Innovation Organization (BIO) would like to express our **support** for Senate Bill 19, legislation to change the eligibility and the tax calculation for the state's Biotechnology Investment Incentive Tax Program.

Preserving tax incentives for the biotechnology industry helps the Maryland economy.

- The bioscience industry in Maryland is a strategic and growing technology component of the state economy. Bioscience innovation in health, energy, and agriculture support state & local communities in a variety of ways ranging from job creation, construction, tax revenues, and other economic impact values. Access to capital is especially vital for R&D-intensive bioscience companies facing long time horizons to guide innovations through to commercial outcomes and steady revenues. Biotechnology Investment Incentive Tax Credits can help grow the more than 39,000 bioscience jobs in Maryland.
- The goals of the Biotechnology Investment Incentive Tax Program are to: (a) increase the number of Maryland-based companies developing biotechnology products in the state; (b) increase overall investments in the biotechnology sector; and (3) increase individual investors who invest in Maryland-based biotechnology companies.

Senate Bill 19 Will Ensure that the Biotechnology Investment Incentive Tax Credit Program is sustainable and effective.

- The current Biotechnology Investment Incentive Tax Program is a very attractive and highly sought after program. Provisions in Senate Bill 19 expand access so that more companies can take advantage of the program.
- The provisions in Senate Bill 19 will help to strengthen the bioscience community in Maryland so that it continues to be a driver of the state's economy.

Maryland is a national leader in biotechnology because of the continuing cooperation between policymakers, academic research organizations, and our companies large and small to advance this vital technology sector. Support for Senate Bill 19 would reassure companies that Maryland state government is partnering with them to improve the overall economic vitality in the state through company creation and employment opportunities for its citizens. We strongly urge support for this legislation.

Respectfully Submitted,

Ben Chandhok
Eastern Region, State Government Affairs Director
Biotechnology Innovation Organization (BIO)
1201 Maryland Ave., SW
Washington, DC 20024

SB0019_FAV_MTC_Biotechnology Investment Tax Credit

Uploaded by: Rosendale, Martin

Position: FAV



MARYLAND TECH COUNCIL

TO: The Honorable Guy Guzzone, Chair
Members, Senate Budget and Taxation Committee
The Maryland Department of Commerce

FROM: Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman

DATE: January 27, 2021

RE: **SUPPORT** – Senate Bill 19 – *Economic Development – Biotechnology Investment Incentive Tax Credit Program – Alterations*

The Maryland Tech Council (MTC) is a collaborative community, actively engaged in building stronger life science and technology companies by supporting the efforts of our individual members who are saving and improving lives through innovation. We support our member companies who are driving innovation through advocacy, education, workforce development, cost savings programs, and connecting entrepreneurial minds. The valuable resources we provide to our members help them reach their full potential making Maryland a global leader in the life sciences and technology industries. On behalf of MTC, we submit this letter of **support** for Senate Bill 19.

The Biotechnology Investment Incentive Tax Credit (BIITC) is intended to foster the growth of Maryland's biotechnology industry by incentivizing investment in early-stage companies. Senate Bill 19 proposes alterations to the BIITC in order to improve the effectiveness of the program. To ensure there is no ambiguity, the legislation defines in law the policy goals and objectives of the tax credit. It states: "THE BIOTECHNOLOGY INVESTMENT INCENTIVE TAX CREDIT IS INTENDED TO FOSTER THE GROWTH OF MARYLAND'S BIOTECHNOLOGY INDUSTRY BY INCENTIVIZING INVESTMENT IN EARLY STAGE COMPANIES WITH THE GOAL OF INCREASING THE NUMBER OF COMPANIES DEVELOPING BIOTECHNOLOGIES IN MARYLAND, INCREASING OVERALL INVESTMENTS IN THE BIOTECHNOLOGY SECTOR, AND INCREASING THE NUMBER OF INDIVIDUAL INVESTORS ACTIVELY INVESTING IN MARYLAND'S LIFE SCIENCES COMPANIES".

To better achieve those goals and objectives, the legislation reduces the percentage of investment eligible for the tax credit from 50% to 33%, and from 75% to 50% in Allegany, Dorchester, Garrett, and Somerset counties to leverage additional investor funding. It reduces the annual benefit for one company from 15% to 10% of the annual appropriation to increase the number of companies who may have access to the tax credits. It also caps lifetime participation to a total of \$7 million of tax credits paid to investors per company.

The proposed changes will expand access to more companies to meet the demand that has repeatedly exceeded available funding for the BIITC and will enhance the biotechnology industry presence in the State. MTC requests a favorable report.

For more information call:

Pamela Metz Kasemeyer
J. Steven Wise
Danna L. Kauffman
410-244-7000

LSAB letter of support - BIITC.pdf

Uploaded by: Schulz, Kelly

Position: FAV



January 25, 2021

The Honorable Guy Guzzone
Chair, Senate Budget and Taxation Committee
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Dear Chair Guzzone,

The Maryland Life Sciences Advisory Board is submitting this letter in support of Senate Bill 19, Economic Development – Biotechnology Investment Incentive Tax Credit Program – Alterations.

The Biotechnology Investment Incentive Tax Credit is intended to foster the growth of Maryland’s biotechnology industry by incentivizing investment in early stage companies. The program’s goal is to increase: 1) the number of companies developing biotechnologies in Maryland; 2) overall investments in the biotechnology sector; and 3) the number of individual investors actively investing in Maryland’s life sciences companies.

The proposed changes would improve the ability to evaluate the effectiveness of this program by further defining its policy goals and objectives. The changes will also expand access to this popular tax credit to more companies to meet the demand that has repeatedly exceeded available funding nearly every year since it was enacted. We believe these changes will have a positive effect on Maryland’s life sciences ecosystem.

The Board supports Senate Bill 19 and requests a favorable report from the Committee.

Sincerely,

The Maryland Life Sciences Advisory Board

1. Jay Perman, MD, University System of Maryland [Chair]
2. Chris Austin, MD, National Center for Advancing Translational Sciences, U.S. National Institutes of Health
3. Rich Bendis, BioHealth Innovation
4. Jarrod Borkat, MBA, Emergent Biosolutions
5. Jesse Christopher, MBA - Longevity Neuro Solutions
6. Rebecca Fisher, PhD - U.S. Army Medical Research and Development Command
7. Laurie Locascio, PhD, University of Maryland, College Park
8. Ted Olsen, Neowise, LLC
9. Wendy Perrow, MBA, Oncogenomics, LLC
10. Sanjay Rai, PhD, Montgomery College
11. Kelly Schulz, Secretary of Commerce (Ex-Officio)
12. Marty Rosendale, Maryland Tech Council
13. Brian Stamper, Kite Pharma
14. Joe Sanchez, AstraZeneca
15. Arti Santhanam PhD, TEDCO (Ex-Officio)
16. Bob Storey, The MVR Company
17. Frank Weichold, MD, PhD, Office of the Commissioner, U.S. Food and Drug Administration
18. Christy Wyskiel, MBA, Johns Hopkins Technology Ventures, Johns Hopkins University

SB 19_BIITC_Support.pdf

Uploaded by: Schulz, Kelly

Position: FAV



Larry Hogan | Governor
Boyd Rutherford | Lt. Governor
Kelly M. Schulz | Secretary of Commerce

DATE: January 27, 2021 **COMMITTEE:** Senate Budget and Taxation
BILL NO: Senate Bill 19
BILL TITLE: Economic Development – Biotechnology Investment Incentive Tax Credit – Alterations
POSITION: Support

The Maryland Department of Commerce (Commerce) supports Senate Bill 19 – Economic Development – Biotechnology Investment Incentive Tax Credit – Alterations.

Bill Summary:

Senate Bill 19 alters the Biotechnology Investment Incentive Tax Credit (BIITC) to: allow more early stage biotechnology companies to participate in the program; leverage more private investment with State funds; and establish a policy goal for the tax credit. The specific changes to BIITC proposed by Senate Bill 19 include:

- Establishing the lifetime participation cap for biotechnology companies to a total tax credit benefit limit of \$7 million per company;
- Removing two provisions limiting program participation based on the age of a company;
- Reducing the percentage of investment eligible for the tax credit from 50% to 33%, and from 75% to 50% in Allegany, Dorchester, Garrett, and Somerset counties;
- Lowering the tax credit benefit one company may receive in a year from 15% to 10% of the annual appropriation; and
- Establishing a policy goal for the tax credit.

These changes reflect concepts identified by legislators, Commerce’s own analysis of the program, as well as findings identified in DLS’ 2018 evaluation of the program.

Background:

The Biotechnology Investment Incentive Tax Credit was enacted in 2005 to attract private investment in Maryland life sciences and biotechnology companies. Investors in Qualified Maryland Biotechnology Companies (QMBC), which are certified by Commerce, may receive a certified tax credit up to 50% of their investment, or 75% of their investment if a QMBC is located in Allegany, Dorchester, Garrett, and Somerset counties.

BIITC has been very successful at attracting private investment in QMBCs, having attracted over \$250 million of private investment from the first year it received in appropriation in FY 2007 through FY 2021. The typical appropriation has increased four times during this time period, increasing the initial annual appropriations of \$6 million to the program’s current FY 2021 appropriation of \$12 million, which was first appropriated in FY 2015.

The tax credit is awarded on a first-come, first-served basis, and funding for the program is fully subscribed each year within seconds of the online application portal being opened. Many QMBCs' investors are often unable to apply for a tax credit each year because funding for the program is so quickly subscribed.

Commerce analyzed the first twelve years (FY 2007- FY 2019) of certified tax credits for the BIITC program to determine if marginal improvements to the program could be made to improve its effectiveness. This analysis found that a few companies were more effective at applying for and securing the credit, which resulted in a relatively few QMBCs benefitting from a disproportionate amount of the program's funding over the twelve year period. The analysis also identified that the lack of a stated policy goal for the program made it difficult to fully determine its effectiveness.

Rationale:

Marginal changes to the BIITC program will allow Commerce to better meet the demand for the program and allow more QMBCs to participate in it. These changes include: (1) reducing the percentage of investment eligible for the tax credit from 50% of investment to 33% of investment; (2) lowering the annual tax credit benefit for one company from 15% of the annual appropriation to 10% of the annual appropriation; and (3) instituting a lifetime limit of \$7 million in total tax credit benefits per QMBC.

Lowering the amount of investment eligible for a tax credit from 50% to 33% will allow more companies to participate in the program every year, and increase the amount of private investment limited State funds are able to leverage. As part of its analysis of the BIITC program, Commerce reviewed biotechnology tax credits offered by other states and found that most states that offer a biotechnology investment tax credit provide a tax credit between 25% and 33% of investment.

Currently, QMBCs may benefit from up to \$1.8 million in tax credits based upon the \$12 million appropriation for BIITC. Reducing the annual limit from 15% to 10% will still allow companies to benefit from a significant tax credit of up to \$1.2 million (per year) while allowing State resources to go further by allowing more companies to participate in the program each year.

Implementing a \$7 million lifetime tax credit benefit limit for a company will allow more QMBCs to participate in BIITC during the life of the program. The limit will also prevent a relatively few number of QMBCs to receive a prolonged and disproportionate benefit from the program.

One of the challenges with evaluating the effectiveness of BIITC is that the program does not lend itself to being measured by traditional economic development metrics like job creation and economic multipliers. BIITC is designed to attract investment in Maryland life sciences companies, which use that investment to develop new biotechnologies. Having a stated policy goal for the program that can be measured with clear and appropriate metrics will assist the General Assembly and Commerce with evaluating the program's effectiveness in the future.

Commerce respectfully requests a favorable report on Senate Bill 19.

bwtech-testimony Bill 19 1-24-2021.pdf

Uploaded by: Wahler, Megan

Position: FAV



January 24, 2021

Senate Budget and Taxation Committee
The Honorable Guy Guzzone
3 West Miller Senate Office Building
Annapolis, Maryland 21401

Dear Chair Guzzone:

bwtech@umbc supports the Senate Bill 19, "Economic Development Investment Incentive Tax Credit Program – Alterations" to expand the scope and accessibility of the tax benefits to more investors and their corresponding companies.

bwtech@UMBC supports over 40 companies in the life sciences and biotech industries. UMBC leads the nation in African American graduates earning MD-PhDs. The biotech and life sciences industries are significant sources of jobs and opportunities across the state, with increasing numbers of students enrolling in STEM programs, faculty developing research, and successful companies starting and staying in the State.

The cap of participation at \$7 million combined with reduction in percentage of eligible investment means the State money will go farther and have a greater multiplying effect. The proposed Alterations to Senate Bill 19 will allow more investors to participate in the incentive, drive investment, and fosters the growth and success of more life sciences and biotech companies across the State.

bwtech@umbc supports Senate Bill 19 and requests a favorable report from the Finance Committee.

Sincerely,

A handwritten signature in black ink, appearing to read "Megan E Wahler".

Megan E Wahler
Director of Venture Strategy and Development
bwtech@UMBC
Start Here. Grow Here. Stay Here.

Biotech Tax Credit .pdf

Uploaded by: Cohen, Jonathan

Position: FWA

Testimony of Jonathan M Cohen
President & CEO
20/20 GeneSystems, Inc.
Rockville, MD

In Support of SB 19—Biotechnology Investment Incentive Tax Credit Program—Alternations

January 26, 2021

Mr. Chairman and members of this Committee. I offer my testimony in support of SB 19 to alter the extraordinarily effective Biotech Tax Credit program. I proudly recall that more than 15 years ago I conceived of this program and convinced my State Delegate (now Senator) Brian Feldman to introduce it. Since then, directly because of this incentive, over one hundred Maryland biotech companies have survived the “valley of death” faced by start-ups and prospered. Our own company—20/20 GeneSystems, Inc. or Rockville—which graduated from the tax credit program several years ago saw about 700% revenue growth last year, mostly due to Covid testing, and doubled in size to 25 employees. (According to *Inc.* magazine that would make us one of the 1,000 fastest growing companies in America.)

Simply put, the changes to the program offered by the Administration would “spread the peanut butter thinner” thereby impacting more companies. Year after year demand for the credits by investors substantially exceeds supply.

It should be noted that the basis for the program was not limited to economic development but also included advancing new disease cures. For that reason, I would respectfully urge that the larger 50% credit be extended to investors in companies primarily engaged in the development of treatments to rare or orphan diseases in addition to companies located in the four rural counties. Federal statutes and regulations provide clear definitions of orphan drugs that can be incorporated into this statute. See [Designating an Orphan Product: Drugs and Biological Products | FDA](#)

Thank you for considering my testimony.

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SB19.UNFAVORABLE.MDRTL.LBogley.pdf

Uploaded by: Bogley, Laura

Position: UNF



Opposition Statement SB0019
By Laura Bogley-Knickman, JD
Director of Legislation, Maryland Right to Life

We Oppose SB19 as written

On behalf of our members across the state, we respectfully object to SB19 as written. Taxpayer funds should not be used to fund the procurement of and research on human fetal tissue obtained through the brutality of abortion. No disease has been cured as a result of unnecessary use of human fetal tissue.

Pregnancy is not a Disease

Abortion is not healthcare. It is violence and brutality that ends the lives of unborn children through suction, dismemberment or chemical poisoning. The fact that 85% of OB-GYNs in a representative national survey do not perform abortions on their patients is glaring evidence that abortion is not an essential part of women's healthcare. Women have better options for comprehensive health care. There are 14 federally qualifying health care centers for every Planned Parenthood in Maryland. Abortion has a disproportionate impact on Black Americans who have long been targeted by the abortion industry for eugenics purposes. As a result abortion is the leading cause of death of Black Americans, more than gun violence and all other causes combined.

No public funding for abortions

Fetal and embryonic tissue harvesting and research creates an artificial demand for aborted babies. State funding for abortion on demand with taxpayer funds is in direct conflict with the will of the people. A 2019 Marist poll showed that 54% of Americans, both "pro-life" and "pro-choice" oppose the use of tax dollars to pay for a woman's abortion. Never has more than 40% of the American public supported taxpayer funding of abortion regardless of the context or way in which the question is asked.

Funding restrictions are constitutional

The Supreme Court has held that the alleged constitutional "right" to an abortion "*implies no limitation on the authority of a State to make a value judgment favoring childbirth over abortion, and to implement that judgment by the allocation of public funds.*" When a challenge to the constitutionality of the Hyde Amendment reached the Supreme Court in 1980 in the case of *Harris v. McRae*, the Court ruled that the government may distinguish between abortion and other procedures in funding decisions -- noting that "*no other procedure involves the purposeful termination of a potential life*" -- and affirmed that *Roe v. Wade* had created a limitation on government, not a government funding entitlement.

We respectfully ask for your specific amendment to prohibit application to the harvesting, procurement or research on human embryonic and fetal tissue or ask for your unfavorable report. Thank you.