



Eastern Shore Entrepreneurship Center

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**TESTIMONY PRESENTED TO THE
WAYS AND MEANS COMMITTEE**

**HOUSE BILL 360
ANGEL INVESTOR TAX CREDIT PROGRAM**

JANUARY 15, 2021

The Eastern Shore Entrepreneurship Center is a private sector 501(c)(3) nonprofit organization that serves the entrepreneurial 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 and talent.

Angel 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 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.

The idea of tax credits for angel investors is not unique. Many states across the country have or have had angel investor tax credit programs, many with great success. Maryland's Angel Investor Tax Credit Program is a very useful opportunity for Maryland. The targeted industry sectors, include agriculture and aquaculture technologies, the next emerging tech sector in the US in which Maryland should be a recognized leader. The intent of this bill is to provide additional incentive to attract and expand industry sectors other than cyber and biotechnology to all jurisdictions across the state, in part encouraging needed investment in the rural counties of Maryland.

House Bill 360 seeks to spur growth in other regions of the State, to include rural Eastern Shore.

The Eastern Shore lacks the maturity of angel investment which exists in the rest 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 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 angel investment on the Eastern Shore has been unable to take hold for lack of good investment opportunities. However, major efforts over the past few years in advancing other aspects of our entrepreneurial ecosystem have resulted in an increased deal flow and the ability to sustain a healthy investment environment in our region.

The timing of House Bill 360 could not be more beneficial for Maryland's Eastern Shore.

For these reasons, I urge you to support House Bill 360.

Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Thielke', is written over a light blue horizontal line.

Michael M. Thielke, Executive Director
Executive Director