

SB0702_FAV_MTC_Inc. Tax - Biotechnology Investment

Uploaded by: Drew Vetter

Position: FAV



MARYLAND TECH COUNCIL

TO: The Honorable Guy Guzzone, Chair
Members, Senate Budget and Taxation Committee
The Honorable Pamela Beidle

FROM: Andrew G. Vetter
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DATE: February 14, 2024

RE: **SUPPORT** – Senate Bill 702 – *Income Tax – Biotechnology Investment Incentive Tax Credit Program – Pass-Through Entities*

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 702.

This bill allows a qualified investor that is a pass-through entity (PTE) that pays the State income tax on behalf of all PTE members to claim and allocate the Biotechnology Incentive Tax Credit (BIITC) and any associated refund among PTE members in any manner. The BIITC is a refundable tax credit for investments in qualified biotechnology companies. Maryland has a thriving life science and biotechnology industry, and the MTC has many of these companies among its membership. The MTC consistently encourages Maryland policy makers to find ways to continue to grow this industry and make Maryland one of the top states in the country for life sciences.

In order to grow and expand, early-stage companies need capital and investment. The BIITC seeks to make it more attractive for investors to invest in these early-stage companies. Often, these companies are working on potentially life-saving treatments and therapies for cancers and rare diseases. The bill broadens this incentive and makes it easier to administer. Strengthening this incentive program will lead to more investment in early-stage biotechnology companies, which will lead to greater innovation. For these reasons, we urge a **favorable** report on Senate Bill 702.

SB703 Biotechnology investment.pdf

Uploaded by: Pamela Beidle

Position: FAV

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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

February 14, 2024

SB702

**Income Tax – Biotechnology Investment Incentive Tax Credit Program
Pass-Through Entities**

Chair Guzzone, Vice-Chair Rosapepe and Member of the Budget and Tax Committee;

Thank you for the opportunity to present SB702, Income Tax- Biotechnology Investment Incentive Tax Credit Program – Pass-Through Entities today.

The BIITC program was designed to encourage people to go into Venture Capital (VC). VC is an industry that operates, like all industries, with a certain set of norms. Currently, the Department of Commerce awards the Biotechnology Investment Incentive Tax Credit at the entity level, to the entity soliciting investments, however they issue returns to the individual investors. This disconnects the application and qualification for the credit from those who receive the credit.

SB702 corrects this situation and aligns Maryland with the **Venture Capital Industry Standards**. By collecting the credit at the entity level, Maryland would be adhering to the standard operating practices prevalent in the venture capital industry. This approach is instrumental in attracting venture capital investment and supports the fundamental operations of managing investments and distributions, in line with the expectations of both the industry and other states with similar practices.

I respectfully request a favorable report on SB702.

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Uploaded by: Justin Hayes

Position: INFO

**Letter of Information – Senate Bill 702 – Biotechnology Investment Incentive Tax Credit
Program – Pass-Through Entities**
Budget and Tax Committee
February 14, 2024

We thank Senator Beidle for putting forward this bill focused on allowing Pass-Through Entities to better utilize the Biotechnology Investment Incentive Tax Program. This is an important program aimed at spurring innovation and growing an important sector of Maryland's economy.

This bill would enable PTE's to allocate the BIITC credit to members in a manner other than in accordance with the member's distributive share, or pro-rata share, of the PTE's taxable income. In order to best operationalize this legislation, the Office of the Comptroller is offering two technical corrections.

1. Section 10–725(b)(5) should be amended to state “[t]he credit allowed under this section may be allocated among the members of a pass-through entity in any manner agreed to by those persons in writing.”
 - a. This amendment would make the language more accurate and consistent with HDC § 6-903, the Catalytic Revitalization Tax Credit – which is also allocable to its members in a manner other than in accordance with the member's distributive share.
2. The proposed new language in section 10–725(d)(3)(II) should be stricken in its entirety as it incorrectly reflects how refundable credits are reported by PTEs. No credits, including the biotechnology investment tax credit, are claimed directly by or refunded to PTEs; instead, they are passed through to members on a Form K-1. Each member can claim their share of the credit, as reported on their K-1, on their own income tax return. If the result of the member's return is an overpayment, a member can claim their own refund.

We are thankful the sponsor of this legislation has been open to ongoing conversations with our office to ensure the Comptroller's Office is able to implement this bill as intended. We are committed to providing answers to the sponsor and the committee should any questions arise. As always, the Comptroller's Office remains committed to supporting initiatives that benefit the community and look forward to working with you on this matter. Please contact Justin Hayes, Director of State Affairs at jhayes@marylandtaxes.gov or 410-260-7696, with any questions.

