



Maryland

DEPARTMENT OF BUDGET
AND MANAGEMENT

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Lieutenant Governor

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Deputy Secretary

HOUSE BILL 1210 Income Tax - Credit for Cybersecurity Measures Undertaken by Small Businesses

STATEMENT OF INFORMATION

DATE: February 29, 2024

COMMITTEE: Ways and Means

SUMMARY OF BILL: House Bill 1210 authorizes a credit against the State income tax for small businesses that employ 50 or fewer employees for costs incurred by the small business during the taxable year for certain cybersecurity measures undertaken by the small business. A small business taxpayer may be eligible to claim a credit up to \$1,000 for costs incurred to conduct or implement the recommendations of an initial cybersecurity assessment, and up to \$500 for costs incurred for recurring cybersecurity measures, including subsequent risk assessments, antivirus software, multifactor authentication, and data encryption. House Bill 1210 would apply to all taxable years beginning after December 31, 2023.

EXPLANATION: According to the Comptroller's Office, 174,746 small businesses would be eligible for this tax credit. Assuming 90% of eligible businesses claimed the \$1,000 credit for the initial assessment, the State would see a cost of \$95.1 million in fiscal 2025, and approximately \$80 million annually going forward. The fiscal 2025 impact is higher as a result of the first group of eligible businesses taking advantage of the new credit, and completing initial assessments. Out-year costs reflect credits for ongoing assessments.

The Department of Budget and Management (DBM) is charged with submitting a balanced budget to the General Assembly annually and will be working with the General Assembly to achieve structural balance over the long-term. In light of current projected general fund deficits in fiscal 2026 forward, the Department urges caution in passing legislation significantly reducing general fund revenues. State government must be intentional, disciplined, and strategic with its allocation of State funding to ensure maximum impact toward priority outcomes. It would be challenging for the State to manage a significant decrease in revenues given the forecasted out-year deficits for the General Fund.

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