

Letter of Information**Senate Bill 91 – Economic Development – Income Tax Benefit Transfer Program -
Establishment**
Budget and Taxation
January 15, 2025

We thank Senator Feldman for introducing Senate Bill 91 (SB91), Economic Development – Income Tax Benefit Transfer Program – Establishment, which would provide incentives for eligible technology companies to operate in Maryland. Our burgeoning technology sector represents a key part of Maryland's economy, and encouraging its growth will help secure our place as a center of innovation.

SB91 establishes the Income Tax Benefit Transfer program, a new initiative which would allow qualified technology companies to apply to transfer unused income tax benefits, including net operating loss subtraction modifications and income tax credits, to other businesses in exchange for consideration equal to at least 80% of the amount of the transferred tax benefit.

While the program's application process is largely administered by the Department of Commerce, implementation of SB91 would have significant impact on the Office of the Comptroller. In addition to the development of forms, instructions, guidance and processing, the Comptroller would need to establish a process for validating the amount of net operating loss within a certain time frame and determining the amount eligible to be sold. The recapture process outlined on page 8, lines 12 through 24, will also require significant time and resources for the Comptroller's compliance division, including the development of a dedicated corporate audit group. Finally, as SB91 would involve multiple agencies reviewing otherwise confidential financial and tax information, the Comptroller's legal division would need to monitor any such exchanges to ensure this information remains protected and that all data sharing complies with state and federal requirements.

Implementing SB91 would also require significant IT changes, as detailed in our fiscal note. The Office of the Comptroller is currently undergoing substantial system upgrades as we move from our legacy tax system to our new integrated tax system. Currently we are on track to move personal income taxes to this new tax system for tax year 2025, which will see major quality of life improvements for millions of Marylanders. Taking on another large IT project for tax year 2025 may not be feasible with existing resources.

The Comptroller is committed to supporting initiatives that move Maryland forward, and we are happy to work with Senator Feldman and stakeholders to develop an appropriate timeline for implementing an Income Tax Benefit Transfer Program. If you have any questions, please reach out to Matthew Dudzic, Director of State Affairs, at MDudzic@marylandtaxes.gov.

