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Howard and Montgomery Counties

Education, Energy, and
Environment Committee

Chair, Joint Committee on
Cybersecurity, Information Technology
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Testimony in Support of SB826- Income Tax – Angel Investor Tax Credit for Investments in Emergent Technology

March 2, 2026

Chair Guzzone, Vice-Chair Rosapepe, and members of the Budget and Taxation Committee:

Thank you for your consideration of Senate Bill 826, which would establish an Angel Investor Tax Credit to foster the growth of Maryland's emergent technologies by incentivizing investment in early-stage companies or small businesses that are expanding.

The technology sector is integral to our State, contributing approximately $37.8 billion — nearly 9% of Maryland's overall economy. High-growth startups are among the largest contributors to net new job creation nationally, particularly in technology and research-intensive industries. Yet, many startups fail not because their ideas lack promise, but because they run out of capital before proving their viability — entering what is often called the "Valley of Death," when companies struggle to demonstrate traction and secure follow-on investment.

Evidence from other states demonstrates that angel investor tax credits leverage significant private capital and accelerate company growth. Legislative evaluations in states such as Minnesota[1] and New Jersey[2] have found that every dollar of state tax credit typically attracts between $4.10 and nearly $9.00 in private investment. These investments allow companies to hire earlier, secure follow-on venture funding, and expand operations locally — generating payroll, income tax, and business tax revenue that strengthens the long-term tax base. A 2020 study found that angel tax credits increase the number of angel investments by about 18% and the number of individual angel investors by 32%.[3]

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[1] https://mn.gov/deed/assets/2024-atc-annual-report_tcm1045-682557.pdf
[2] https://pub.njleg.gov/Bills/2024/A2500/2365_E1.PDF
[3] https://www.nber.org/system/files/working_papers/w27751/w27751.pdf

SB826 supports these ventures by offering a targeted income tax credit to individual investors who invest in qualified Maryland companies in emergent technologies.

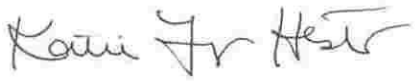
Specifically, the bill:

1. Creates an Angel Investor Tax Credit equal to 25% of a qualified investment, up to $1 million, against the State income tax, with the goal of increasing the number of companies developing in Maryland and the number of individual investors actively investing in Maryland companies;
2. Designates a special continuing, nonlapsing Angel Investor Tax Credit Reserve Fund to finance the tax credit, not less than $25,000,000 annually;
3. Establishes eligibility criteria for Maryland investors and Maryland companies, clarifying size, revenue, ownership, age, and technology focus requirements;
4. Tasks the Department of Commerce with implementing an application and oversight process that allocates Tax Credits on a first-come, first-served basis; and
5. Establishes guidelines for recapturing funds if recipients of the credit do not continue to meet the designated criteria.

Maryland leads the nation in emerging technologies. Ensuring that companies emerging from our universities and federal research ecosystem can access early-stage capital here, rather than growing elsewhere, is essential to capturing the full economic return on those public and private investments. Without competitive incentives, Maryland risks losing promising companies to neighboring states such as New Jersey and Connecticut, which have already established Angel Investor Tax Credit programs to attract and retain innovation-driven businesses. Passing SB826 will help ensure that Maryland is not only competitive, but positioned as the clear destination for emerging technology growth.

For these reasons, I respectfully request a favorable report on SB826.

Sincerely,



Senator Katie Fry Hester
Howard and Montgomery Counties