



## Financing & Incentives

The Maryland Department of Commerce Office of Finance Programs provides the business community financing and incentive-based solutions for economic development projects to maximize job creation and retention, leverage capital investment and encourage growth in targeted business sectors and specific geographic areas throughout the state. See [business.maryland.gov/fund](http://business.maryland.gov/fund) for more information.

### Small Business Assistance

#### ***Maryland Small Business Development Financing Authority (MSBDFA)***

MSBDFA promotes the viability and expansion of businesses owned by economically and socially disadvantaged entrepreneurs. The program assists small businesses unable to obtain adequate business financing on reasonable terms through normal financing channels. Meridian Management Group, a private contractor, manages the program's four components and Commerce provides financing for the approved small businesses.

- **Contract Financing Program** – Provides loan guarantees and direct working capital and equipment loans to socially or economically disadvantaged businesses awarded contracts mainly funded by government agencies and/or public utilities.
- **Equity Participation Investment Program** – Provides direct loans, equity investments and loan guarantees to small businesses.
- **Long-Term Guaranty Program** – Provides loan guarantees and interest rate subsidies.
- **Surety Bonding Program** – Assists small contractors in obtaining bonding for primarily funded government or public utility contracts that require bid, performance and payment bonds.

#### ***Small, Minority and Women-Owned Business Account – Video Lottery Terminal Fund***

For this program, 1.5 percent of the proceeds from video lottery terminals (slots) is provided to Eligible Fund Managers that oversee the distribution of the funds. At least 50 percent of their allocations is to be deployed to small, minority, and women-owned businesses located within a 10-mile radius of Maryland casinos. The other 50 percent is available to small, minority, and women-owned businesses located throughout Maryland.

#### ***State Small Business Credit Initiative (SSBCI)***

SSBCI is a component of the federal Small Business Jobs Act of 2010 that created \$1.5 billion in direct funding of state credit enhancement programs. Within the act, Maryland is allocated a total of \$23 million available in three installments subject to performance. These funds must target an average borrower size of 500 employees or less and loans averaging \$5 million.

#### ***Military Personnel and Veteran-Owned Small Business No-Interest Loan Program (MPVSBLP)***

MPVSBLP provides no-interest loans of up to \$50,000, from one to eight years, for businesses owned by military reservists, veterans, National Guard personnel, and for small businesses that employ or are owned by such persons.

#### ***Maryland Economic Adjustment Fund (MEAF)***

MEAF assists small businesses with upgrading manufacturing operations, developing commercial applications for technology, or entering into and competing in new economic markets. Eligible businesses include manufacturers, wholesalers, service companies and skilled trades. Funds can be used for working capital, machinery and equipment, building renovations, real estate acquisitions and site improvements.

## Economic Development Incentives

### ***Maryland Economic Development Assistance Authority and Fund (MEDAAF)***

A flexible and broad-based program, MEDAAF funds grants, loans and investments to support economic development initiatives. Uses include business attraction and retention, infrastructure support, brownfield redevelopment, arts and entertainment districts, daycare, revolving loan funds and local strategic planning. Projects must be within Priority Funding Areas and eligible industry sectors. Awards are made on a competitive basis.

Five financing capabilities are offered through MEDAAF to assist the business community and local jurisdictions.

- **Strategic Economic Development Opportunities** – Assistance is available on a statewide or regional level and is provided to the business as a loan.
- **Local Economic Development Opportunity** – Funding is provided to businesses for extraordinary economic development opportunities. The local jurisdiction must sponsor the business and can participate in the form of a guarantee, direct loan or grant equal to at least 10 percent of the state's financial assistance.
- **Direct Assistance to Local Jurisdictions or MEDCO** – The use of funds includes land acquisition, infrastructure improvements, acquisition of fixed assets, leasehold improvements, up to 70 percent of the cost of a feasibility study and up to 50 percent of the cost of preparing a local economic development strategic plan.
- **Regional or Local Revolving Loan Fund** – Eligible applicants include county or regional development agencies. A jurisdiction may transfer all or part of its allocation to a regional revolving loan fund. The local government must provide matching grant funds to local revolving loan funds.
- **Special Purpose Funds** – This program targets specific funding initiatives deemed critical to the state. The program determines the level and type of financial assistance. Special purpose programs include Brownfields, Arts & Entertainment, Child Care Centers, Seafood & Aquaculture, and Animal Waste.

### ***Economic Development Opportunities Fund (Sunny Day Fund)***

The Sunny Day Fund supports extraordinary economic development opportunities that create and retain employment as well as create significant capital investments. Projects must generate significant jobs in areas of high unemployment; they are evaluated on a competitive basis.

## Credit Enhancements

### ***Maryland Industrial Development Financing Authority (MIDFA)***

MIDFA encourages private sector investments with insurance and the issuance of tax-exempt and taxable revenue bonds. Insurance reduces the lender's credit risk. All projects must be in a Priority Funding Area.

#### **Credit Insurance**

- **Bond Program** – Insures bonds up to 100 percent not to exceed \$7.5 million of taxable or tax-exempt bonds.
- **Conventional Program** – Insures up to 80 percent not to exceed \$2.5 million of a transaction made by a financial institution. Export transactions may be insured up to 90 percent.

#### **Private Activity Revenue Bonds**

- **Taxable Bond** – Provides access to long-term capital markets primarily for fixed asset financing.
- **Tax-Exempt Bond** – Provides access to long-term capital markets for fixed asset financing at tax-exempt rates. Eligibility is limited by federal tax law to 501(c)(3) non-profit organizations, manufacturing facilities and certain solid waste projects. Additional limitations apply to the specific transaction type.

## Other Financing Resources

### ***Community Development Block Grant (CDBG)***

The Community Development Block Grant Program assists local governments in implementing commercial and industrial economic development projects. Approved program funds are disbursed to eligible local jurisdictions as conditional grants and used for public improvements for business startup or expansion, or for business loans. Projects must create jobs with the majority targeted to individuals of low to moderate income, or eliminate blight conditions that impeded commercial and industrial development. Fund uses include acquiring fixed assets, infrastructure and feasibility studies.

### ***BRAC Revitalization and Incentive Zone***

The BRAC program is used to focus growth in areas already designated for growth and provide local governments with financial assistance for public infrastructure in these well-defined areas. The program also aligns other state resources and programs to local governments and businesses located in the BRAC Zones for a coordinated state effort on making the Zones the focus of BRAC growth. Funds must be used for infrastructure improvements. Each year, the amount to be paid to all local jurisdictions is the amount appropriated in the state budget up to \$5 million. If the total amount applied for exceeds the cap, each jurisdiction receives a pro rate share.

## Investment Programs

### ***Maryland Venture Fund***

The Maryland Venture Fund (MVF), started in 1994, is a state-funded seed and early-stage equity fund. The Fund is an evergreen fund and makes direct investments in technology and life science companies and indirect investments in venture capital funds. Approximately 67 percent of the Fund is invested in technology companies in the areas of software, communications, and IT security, and 33 percent of the Fund is invested in life sciences companies in the areas of therapeutics, medical devices, and diagnostics. The Fund has invested as a limited partner in a total of nine venture funds since 1994.

The Maryland Venture Fund has established a track record of investing in some of the most promising technologies that the state has to offer. Combined, the Fund has invested over \$45 million since 1994 in more than 175 companies.

The Maryland Venture Fund makes direct equity investments in emerging technology companies, usually at the first round of institutional financing. MVF has led investment rounds for approximately 30 percent of its companies and works with emerging companies to move them into their next stage of development as viable businesses. The amount of investment ranges from \$100,000 to \$1,000,000. Investments are generally in the form of equity, but also include convertible debt.

#### **Requirements:**

- Applicants must be in a technology industry. Areas of technology include life sciences, software, communications, clean tech, education technology and IT security.
- The applicant must agree to maintain its principal place of business in Maryland for an agreed upon period of time.

### ***InvestMaryland***

InvestMaryland is a funding source for early, mid and late stage growth companies. Through a premium insurance tax credit auction sale, the State of Maryland raised \$84 million to invest in early stage technologies in the areas of software, communications, cyber-security and life sciences. Starting in 2012, InvestMaryland funds are apportioned through the Maryland Venture Fund (24.75 percent), the Equity Participation Investment Program (8.25 percent) and private venture capital firms (67 percent).

In order to qualify for investment, a business must:

- Have an industry focus in software, IT, cyber security, communications, life sciences or green technology
- Have fewer than 250 employees

- Have principal business operations in Maryland
- Use funds to support existing or new operations

### ***FIPS Certification Grant Program***

In FY05, the Department of Commerce (formerly DBED) initiated a program that would provide small grants to technology companies needing proper security certification to do business with the federal government. The Maryland Federal Information Processing Standards (“FIPS”) certification grant program assists Maryland companies working to obtain FIPS 140-1 and FIPS 140-2 certification for encryption. Commerce will also consider, on a case by case basis, assisting companies seeking certification for other FIPS standards (e.g., FIPS 197: Advanced Encryption Standard [AES] of November 2001).

Maryland-based companies with no more than 30 full-time employees and annual revenues that do not exceed \$5 million are eligible to apply for a FIPS certification grant. Once approved, the company may receive up to 40 percent, not to exceed \$50,000 of the eligible costs involved in FIPS certification, such as consulting, engineering, and testing and evaluation fees, as well as other costs directly related to the certification process. Funding will be provided to the company once it has submitted expense reports relating to FIPS certification.

### ***Maryland/Israel Development Fund (MIDF)***

A Maryland/Israel international research and development partnership was established in November 2004. Israel has similar international R&D funds at the national level with 20 countries including the United States, Canada, Britain, Finland, South Korea and Singapore.

Investment may range from \$100,000 to \$300,000, half from Commerce for the Maryland company and half from the Ministry of Industry, Trade and Labor (“MOIT”) for the Israeli firm. The funds can be used for the R&D expenses of the project. Company matching funds are required, equal to minimum of 50 percent of total project costs. For products successful in the market, investments will be repaid with interest.

The mission of the MIDF is to encourage collaboration between Maryland and Israeli companies creating high technology products. Funding for this program will be provided in equal amounts by each government.

## **Technology Transfer and Collaboration Funding Programs**

Programs available through the Maryland Technology Development Corporation (TEDCO) [www.TEDCO.md](http://www.TEDCO.md).

### **Technology Commercialization Fund (TCF)**

(410) 715-4165 / (800) 305-5556

Supports projects that advance a technology toward market, enabling Maryland companies to achieve early technical milestones that are critical to securing follow-on investment.

### **Maryland Innovation Initiative (MII)**

(410) 715-4173 / (800) 305-5556

Promotes the commercialization of research conducted in five qualifying Maryland Universities: Johns Hopkins, Morgan State, UMCP, UMBC and UMB.

### **Technology Validation Program**

(410) 715-4175 / (800) 305-5556

Provides funding for proof-of-principle studies that confirm the commercial viability of a technology and/or market analyses to establish that a technology meets a significant market need.

### **Patent Assistance Program**

(410) 715-4175 / (800) 305-5556

Provides matching funding to pay ongoing patent expenses due to a Maryland University while the company raises capital.

## **TEDCO Capital Partners**

(410) 715-4180 / (800) 305-5556

Specialized venture capital funds including Propel Baltimore Fund and Veterans Opportunity Fund.

## **Tax Incentive Programs**

### ***Job Creation Tax Credit***

Maryland's Job Creation Tax Credit (JCTC) program provides income tax credits to businesses that create new jobs. The purpose of these incentives is to encourage businesses to expand or relocate in Maryland.

### **Calculating the Credit**

In most cases, the credit is 2.5 percent of aggregate annual wages for all newly created, full-time jobs, subject to a limit of \$1,000 per new job. In a state enterprise zone, a federal empowerment zone, or a Department of Housing and Community Development (DHCD) sustainable communities, the credit is increased to five percent of annual wages for all newly created full-time jobs, subject to a limit of \$1,500 per new job. The credit earned by a qualified business entity may not exceed \$1 million per credit year.

If the credit is more than the tax liability the unused credit may be carried forward for five years following the credit year. The credit may be recaptured if the business experiences job losses.

### **Qualifying for the Credit**

- Declaration of Intent – A business may not claim any employees hired prior to the business notifying the Department of Commerce of its intent to seek certification for the Job Creation Tax Credit.
- Certification – A business must be certified as a qualified business entity eligible for the tax credit. To be certified, a business must submit applications to the Department of Commerce.
- Job Creation Minimums – The business must create 60 new, full-time jobs at the expanding or new facility during a 24-month period. In designated “JCTC Priority Funding Areas” (defined below), the minimum is 25. Outside “JCTC Priority Funding Areas” the requirement may be reduced to as few as 30 new jobs if the aggregate annual salary of the new employees exceeds 60 multiplied by the State’s average annual salary. The positions must be filled for 12 months.
- The facility must be engaged in an eligible activity. For specifics see [business.maryland.gov/fund/programs-for-businesses/job-creation-tax-credit](https://business.maryland.gov/fund/programs-for-businesses/job-creation-tax-credit)
- The expansion or establishment of a business must be at a single location in the state. A single firm may have more than one eligible location, provided that each is certified and meets the requirements of the statute.

Job Creation Tax Credit Priority Funding Areas include State Enterprise Zones, Federal Empowerment Zones, DHCD Sustainable Communities, incorporated municipalities, areas inside the I-495 and I-695 beltways, and a single growth area designated by each county for the purpose of this credit.

The Job Creation Tax Credit remains in effect until January 1, 2020, subject to extension by the Maryland General Assembly. More information on the Job Creation Tax Credit may be found at [business.maryland.gov/fund/programs-for-businesses/job-creation-tax-credit](https://business.maryland.gov/fund/programs-for-businesses/job-creation-tax-credit).

### ***One Maryland Tax Credit***

Businesses can qualify for up to \$5.5 million in income tax credits under the One Maryland Tax Credit Program. Businesses that invest in an economic development project in a “qualified distressed county” may qualify for project tax credits of up to \$5 million and start-up tax credits of up to \$500,000.

- Project Tax Credit – Project tax credits of up to \$5 million are based on qualifying costs and expenses incurred by the business entity in connection with the acquisition, construction, rehabilitation, installation, and equipping of an eligible economic development project. Eligible costs may include, among others, land acquisition, performance and contract bonds, insurance, architectural and engineering services, environmental mitigation, and utility installation. Eligible project costs must be at least \$500,000; project costs in excess of \$5 million are not eligible for the project tax credit.



- **Start-up Tax Credit** – The start-up tax credit is for the expense of moving a business from outside Maryland and for the costs of furnishing and equipping a new location for ordinary business functions. Examples of eligible start-up costs include the cost of fixed telecommunications equipment, office equipment, or office furnishings. The start-up credit earned may not exceed the lesser of \$500,000 of eligible start-up costs or \$10,000 times the number of new, qualified positions created.

### **Qualifying for the Credits**

In order to claim the One Maryland project and start-up tax credits, a business entity must meet the following requirements:

- **Location** – A business must locate or expand in a “Priority Funding Area” in a “qualified distressed county.” Qualified distressed counties are subject to change; please verify with Commerce.
- **Declaration of Intent** – A business may not claim any employees hired or any project or start-up expenses incurred prior to notifying the Department of Commerce of its intent to seek certification for the One Maryland tax credits.
- **Certification** – A business must be certified as a qualified business entity eligible for the One Maryland tax credits. To be certified, a business must submit applications to Commerce.
- **Job Creation Minimums** – The business must create at least 25 new, full-time positions at the project within 24 months of the date the project is placed in service, and the positions must be filled for 12 months.
- The project must be engaged in an eligible activity. For specifics see [business.maryland.gov/fund/programs-for-businesses/one-maryland-tax-credit](https://business.maryland.gov/fund/programs-for-businesses/one-maryland-tax-credit)

### **Claiming the Credits**

A qualified business entity may claim both the project and start-up tax credits. The credit can be carried forward 14 years and is refundable, subject to certain limitations. Special provisions apply to non-profits and insurance companies.

More information on the One Maryland Tax Credit Program may be found at [business.maryland.gov/fund/programs-for-businesses/one-maryland-tax-credit](https://business.maryland.gov/fund/programs-for-businesses/one-maryland-tax-credit).

### ***Enterprise Zones including enhanced Focus Area Credits***

Businesses locating in a Maryland Enterprise Zone may be eligible for income tax credits and real property tax credits in return for job creation and investments made in the zone. Businesses that locate in one of Maryland’s focus areas may also be eligible for personal property tax credits.

### **Enterprise Zone Tax Credits**

- **Real property tax credits** – 10-year credit against local real property taxes on a portion of real property improvements. Credit is 80 percent the first five years, and decreases 10 percent annually thereafter to 30 percent in the tenth and last year.
- **Income tax credits** – One- or three-year credit for wages paid to new employees. The general credit is a one-time \$1,000 credit per new worker. For economically disadvantaged employees, the credit increases to a total of \$6,000 per worker distributed over three years.

### **Focus Area Tax Credits**

Businesses locating in a focus area within the Baltimore City or Prince George’s County enterprise zones may be eligible for the following tax credits:

- **Real property tax credits** – 10-year, 80 percent credit against local real property taxes on a portion of real property improvements. (Credit does not decline in a focus area).
- **Personal property tax credits** – 10-year, 80 percent credit against local personal property taxes on new investment in personal property within a focus area.

- Income tax credits – One- or three-year credit for wages paid to new employees. The general credit is a one-time \$1,500 credit per new employee. For economically disadvantaged employees, the credit increases to a total of \$9,000 per employee distributed over three years.

#### Maryland Enterprise Zones by Region

Enterprise Zone	County	Acres
<b>Greater Baltimore Region</b>		
<b>Baltimore City</b>	Baltimore City	13,453
Chesapeake	Baltimore	6,988
Southwest Baltimore County	Baltimore	1,304
Woodlawn	Baltimore	395
Aberdeen/Havre de Grace	Harford	8,936
Edgewood/Harford County	Harford	3,959
<b>Capital Region</b>		
Long Branch/Takoma Park	Montgomery	125
Wheaton	Montgomery	491
Old Towne	Montgomery	284
Glenmont	Montgomery	235
<b>Prince George's County</b>	Prince George's	9,385
<b>Eastern Shore</b>		
Federalsburg	Caroline	534
Cecil County	Cecil	5,968
Cambridge/Dorchester County	Dorchester	1,661
Hurlock	Dorchester	658
Crisfield	Somerset	433
Princess Anne/Somerset County	Somerset	1,155
Salisbury/Wicomico County	Wicomico	4,220
Berlin/Worcester County	Worcester	1,134
Pocomoke City	Worcester	926
Snow Hill	Worcester	233
<b>Western Maryland</b>		
Gateway/Allegany County	Allegany	7,783
Frostburg/Allegany County	Allegany	346
Rt. 220 South/Allegany County	Allegany	380
Northern Garrett Industrial Park	Garrett	107
Southern Garrett Industrial Park	Garrett	254
Hagerstown/Washington County	Washington	4,094
Town of Hancock	Washington	1,850

Notes: Acres calculated with GIS may include undevelopable areas. Boldface type indicates that a portion or all of an Enterprise Zone contains a designated Focus Area.

Source: Maryland Department of Commerce, June 2015.

Counties and municipalities are responsible for certifying a business as eligible for the tax credits. More information on the Enterprise Zone Program may be found at [business.maryland.gov/fund/programs-for-businesses/enterprise-zone-tax-credit](http://business.maryland.gov/fund/programs-for-businesses/enterprise-zone-tax-credit).

### ***Regional Institution Strategic Enterprise Zones (RISE)***

Recent legislation authorizes the establishment of RISE Zones near qualified regional institutions that may include colleges and universities, regional higher education centers, and nonprofit organizations affiliated with a federal agency. Beginning July 1, 2015, qualified institutions may apply jointly with a county, municipality or the economic development agency of a county or municipality to designate RISE zones which will be effective for five years, renewable for an additional five. The program provides real property and income tax credits that are similar to those offered in Enterprise Zones.

#### **Property Tax Credit**

- Five-year real property tax credit on property improvement; 50 percent in year one, 10 percent in years two through five. Local jurisdictions can offer a higher percentage credit at their discretion.
- If the RISE Zone is in also an Enterprise Zone, the real property tax credit is 80 percent per year for years one through five.
- If the RISE Zone is in also an Enterprise Zone Focus Area, the real property tax credit is 100 percent per year for years one through five.

#### **Income Tax Credit**

- Income tax credit is the same as the Enterprise Zone income tax credit.

### ***Maryland Research and Development Tax Credit***

Businesses that incur qualified research and development expenses in Maryland are entitled to a tax credit. For a business to be eligible, it must apply to and be certified by the Maryland Department of Commerce.

- Basic R&D tax credit – Three percent of eligible R&D expenses that do not exceed the firm's average R&D expenses over the last four years. However, if the total amount of credits claimed by all firms exceeds \$4.5 million, then the Basic R&D tax credit will be prorated.
- Growth R&D tax credit – 10 percent of eligible R&D expenses that exceed the firm's average R&D expenses over the last four years. However, if the total amount of credits claimed by all firms exceeds \$4.5 million, then the Growth R&D tax credit will be prorated.

#### **Qualifying for the Credits**

To qualify for the Basic R&D tax credit and the Growth R&D tax credit, a business must submit an application to the Department of Commerce for the credits NO LATER THAN SEPTEMBER 15th of the year following the tax year in which the expenses were incurred. Commerce is required to certify the amount of Basic and Growth R&D tax credits approved by the Department by December 15, following the submission date. Eligible expenses for both the Basic and the Growth R&D credits are restricted to "Maryland qualified research and development." By statute and regulation, this means qualified research, as defined in §41(d) of the Internal Revenue Code and regulations there under (the federal R&D tax credit), that is conducted in Maryland.

The application date for R&D tax credits follows the filing date for taxes. Therefore, a firm will submit its annual tax return as though there were no Maryland R&D tax credit. Then, after receiving the certification stating the amount of each credit, the firm may file an amended tax return.

#### **Small Business Refund**

R&D tax credits certified after December 15, 2012 are refundable for "small business" to the extent that the tax credits exceed the income tax liability for that taxable year. A small business means a for profit corporation, limited liability company, partnership or sole proprietorship with net book value assets totaling, at the beginning or the end of the taxable year for which the Maryland Qualified Research and Development expenses are incurred, as reported on the balance sheet, less than \$5 million.

More information on the R&D Tax Credit may be found at [business.maryland.gov/fund/programs-for-businesses/research-and-development-tax-credit](http://business.maryland.gov/fund/programs-for-businesses/research-and-development-tax-credit).



### ***Biotechnology Investment Tax Credit***

Maryland's Biotechnology Investment Tax Credit program provides income tax credits for investors in Qualified Maryland Biotechnology Companies (QMBCs). This tax credit program supports investments in seed and early stage, privately held biotech companies to promote and grow the biotech industry in Maryland.

The value of the credit is equal to 50 percent of an eligible investment made in a QMBC during the taxable year. The maximum amount of the credit cannot exceed \$250,000 for investors. The total amount of initial credit certificates issued in each fiscal year cannot exceed the amount appropriated to the reserve fund in the state budget. All applications will be reviewed and approved on a first come, first served basis.

#### **Qualifying for the Credit**

- A Qualified Investor is an individual or any entity that invests at least \$25,000 in a QMBC, and is required to file an income tax return in any non-tax haven jurisdiction.
- A QMBC is a company that (1) has its headquarters and base of operations in the State of Maryland; (2) has fewer than 50 employees; (3) has been in active business no longer than 10 years (up to 12 if approved by Commerce) and once certified as a QMBC may remain eligible for a qualified investment for up to 10 years; and (4) has been certified as a biotechnology company by Commerce.

The Investor must complete and mail the Maryland Biotechnology Investment Incentive Application Forms to the Maryland Department of Commerce.

#### **Certification Process**

All applications are reviewed and approved based on the order in which they were received. At least 30 calendar days but no more than 60 calendar days prior to making a qualifying investment, the investor must submit a completed application to Commerce. Within 30 calendar days of receiving the application, Commerce will issue an initial credit certificate certifying the amount of any approved tax credits to a Qualified Investor or a Qualified Maryland Venture Capital Firm or offer rejection.

After Commerce has issued an initial tax credit certificate the investor has 30 days to make an investment in a QMBC. Within 10 days of making an investment in a QMBC the investor shall provide written notice with supporting documentation to Commerce. If the investor fails to provide notice of investment to Commerce within 30 days after the issuance of the initial tax credit certificate Commerce shall rescind the certificate. Based on the actual amount of an investment made by the investor, Commerce shall issue a final tax credit certificate to the investor. A qualified investor may redeem a final tax credit certificate for the taxable year in which the investment is made.

For more information on the Biotechnology Investment Tax Credit program, please visit [business.maryland.gov/fund/programs-for-businesses/bio-tax-credit](https://business.maryland.gov/fund/programs-for-businesses/bio-tax-credit).

### ***Cybersecurity Investment Tax Credit***

Maryland provides a refundable tax credit to Qualified Maryland Cybersecurity Companies (QMCCs) that secure investment from an in-state or out-of-state investor. The purpose of this new program is to attract cybersecurity companies to start-up in or move to Maryland; and to attract investment to cybersecurity companies in order to help them grow, create jobs and retain intellectual property in Maryland.

Cybersecurity technology means products or goods intended to detect or prevent activity intended to result in unauthorized access to, exfiltration of, manipulation of, or impairment to the integrity, confidentiality, or availability of an information system or information stored on or transiting an information system.

#### **Qualifying for the Credit**

- A Qualified Investor is an Individual or any entity who invests at least \$25,000 in a QMCC, and is required to file an income tax return in any non-tax haven jurisdiction.

- A QMCC is a company that (1) has its headquarters and base of operations in the State of Maryland; (2) has been organized for profit and engaged primarily in the development of innovative and proprietary cybersecurity technology; (3) has fewer than 50 employees; (4) has been in active business no longer than five years and once certified as a QMCC, a QMCC may remain eligible for a qualified investment for up to two years; (5) has no publicly traded securities on any exchange; and (6) has been certified as a cybersecurity company by Commerce.

Complete and submit the Maryland Cybersecurity Investment Incentive Tax Credit Application Forms to the Department of Commerce.

### **Certification Process**

Applications are reviewed and approved based on the order received. At least 30 calendar days but no more than 60 calendar days prior to making a qualifying investment, the qualified investor submits a completed application to Commerce. Within 30 calendar days of receiving the application, Commerce will issue an initial tax credit certificate certifying the amount of any approved tax credits to a QMCC or offer rejection. A qualified investor has 30 days after the date Commerce issues the tax credit to make an investment in QMCC. Within 10 days of making the investment, the QMCC shall provide written notice with supporting documentation to Commerce. If the QMCC fails to provide notice of investment to Commerce within 40 days after the issuance of the initial tax credit certificate Commerce shall rescind the certificate. Based on the actual investment Commerce shall issue a final tax credit certificate.

For more information on the Cybersecurity Investment Tax Credit program, please visit [business.maryland.gov/fund/programs-for-businesses/cyber-tax-credit](https://business.maryland.gov/fund/programs-for-businesses/cyber-tax-credit).

### ***Employer Security Clearance Costs (ESCC) Tax Credit***

The ESCC Tax Credit provides income tax credits for expenses related to federal security clearance costs, construction of Sensitive Compartmented Information Facilities (SCIFs) and first-year leasing costs for small businesses doing security-based contract work.

- Security Clearance Administrative Expenses Tax Credit – A business may qualify for an income tax credit up to \$200,000 per taxable year for qualified security clearance administrative expenses. Qualified expenses include (1) processing application requests for federal security clearance; (2) maintaining, upgrading or installing computer systems in Maryland that are required to obtain federal security clearance; and (3) training employees in the State to administer the clearance application process.
- Sensitive Compartmented Information Facility Costs Tax Credit – A business may also claim a credit against its Maryland income tax for costs related to the construction or renovation of a SCIF located in Maryland. The SCIF must be accredited by the appropriate federal agency. For costs related to a single SCIF, the credit is equal to the lesser of 50 percent of the costs or \$200,000. For costs related to multiple SCIFs, the credit is the amount of costs up to \$500,000 per calendar year.
- The First Year Leasing Costs Tax Credit for Qualified Small Business – A qualified small business may also claim a credit against its Maryland income tax up to \$200,000 for costs for rental payments during the first year of a rental agreement for leasing spaces to perform security-based contracting work. A qualified small business means a firm that (1) is independently owned and operated; (2) is not a subsidiary of another firm; (3) is not dominant in its field or operation; and (4) in its most recently completed fiscal year, did not employ in its operations more than 25 individuals.

### **Qualifying for the Credits**

To claim the ESCC tax credit, a business must submit an application to the Department of Commerce by September 15th following the tax year in which the related expenses and costs were incurred. A business claiming the First Year Leasing Costs Tax Credit for Qualified Small Business must submit a Small Business Affidavit with its application. By December 15th, Commerce will certify the approved credit amount. The applicant will be required to file an amended Maryland income tax return with the Comptroller of Maryland to claim the credit and attach a copy of the Commerce certification.

The total ESCC tax credit approved by Commerce may not exceed \$2 million for any calendar year. If the total amount of credits applied for by all businesses exceeds \$2 million, the credits will be approved on a pro-rata basis. Excess credit may be carried forward until the excess amount is fully used.

More information on the Employer Security Clearance Costs Tax Credit may be found at [business.maryland.gov/fund/programs-for-businesses/employer-security-clearance-costs-tax-credit](https://business.maryland.gov/fund/programs-for-businesses/employer-security-clearance-costs-tax-credit).

### ***Maryland Wineries and Vineyards Tax Credit***

Maryland Wineries and Vineyards Tax Credit provides an income tax credit of 25 percent of qualified capital expenses related to a Maryland winery or vineyard.

#### **Qualifications**

- A qualified winery is defined as an establishment licensed by the Comptroller of Maryland as either a Class 3 or Class 4 winery.
- A qualified vineyard is defined as agricultural lands located in Maryland consisting of at least one contiguous acre used solely to grow grapes and other plants that will be used in the production of wine by a winery licensed by the Comptroller of Maryland.
- Qualified capital expenses must be made in connection with the establishment of new wineries or vineyards, or capital improvements made to existing wineries or vineyards in Maryland.
- Qualified capital expenses include expenditures made by the taxpayer for the purchase and installation of equipment or agricultural materials for use in the production of agricultural products at a vineyard or in a winery. Qualified capital expenses do not include the cost of construction or installation of buildings or structures.

#### **Qualifying for the Credit**

For a winery or a vineyard to claim a tax credit, an individual or corporation on behalf of the winery or vineyard must apply to and be certified by Commerce. The winery or vineyard must submit an application to Commerce by September 15th following the tax year in which the costs were incurred. By December 15th, Commerce will certify the approved amount of credit. The applicant will be required to file an amended Maryland income tax return to claim the credit and attach a copy of the Commerce certification.

The total Maryland Wineries and Vineyards Tax Credit approved by Commerce may not exceed \$500,000 for any calendar year. If the total amount of credits applied for by all businesses exceeds \$500,000, the credits will be approved on a pro-rata basis. The excess credit may be carried forward for 15 years.

More information on the Maryland Wineries and Vineyards Tax Credit may be found at [business.maryland.gov/fund/programs-for-businesses/wineries-and-vineyards-tax-credit](https://business.maryland.gov/fund/programs-for-businesses/wineries-and-vineyards-tax-credit).

### ***Cellulosic Ethanol Technology Research & Development Tax Credit***

CETRD provides an income tax credit for expenses related to cellulosic ethanol technology research and development conducted in the state. The amount of the tax credit is equal to 10 percent of the eligible expenses incurred by businesses during the taxable year. The credit to all businesses is limited to \$250,000 for each calendar year. If the amount that all businesses apply for exceeds this cap, the credit will be prorated. Businesses must submit an application to Commerce by September 15 for expenses incurred in the previous tax year.

More information on the Cellulosic Ethanol Technology R&D Tax Credit can be found at [business.maryland.gov/fund/programs-for-businesses/cellulosic-ethanol-technology-tax-credit](https://business.maryland.gov/fund/programs-for-businesses/cellulosic-ethanol-technology-tax-credit)

### ***Brownfields Revitalization Incentive Program***

A site that qualifies for incentives from the Department of Commerce's Brownfields Revitalization Incentive Program (BRIP) may qualify for real property tax credits as well. The site must be located in a jurisdiction that has elected to participate in the BRIP, and must be owned by an inculpable person. For five years after cleanup of the site, the site may qualify for a real property tax credit between 50 percent and 70 percent of the increased value of the site. (In an Enterprise Zone, the tax credit may last for up to 10 years.) This credit, combined with other real property tax credits, may not exceed 100 percent of the tax on the increased value of the site.

Additional information on Maryland's Voluntary Brownfields Cleanup Program is available through the Maryland Department of the Environment ([www.mde.state.md.us](http://www.mde.state.md.us)).

### ***Export Assistance***

For information on programs and services for Maryland's exporters, please see the International section of this document.

### ***Other credits***

- Maryland Disability Employment Tax Credit
- Employer Commuter Tax Credit
- Clean Energy Incentive Act
- Sustainable Communities Tax Credit
- Community Investment Tax Credit

Further information on these and other programs is available through the office of the Comptroller of Maryland ([taxes.marylandtaxes.com/Business\\_Taxes/General\\_Information/Business\\_Tax\\_Credits/](http://taxes.marylandtaxes.com/Business_Taxes/General_Information/Business_Tax_Credits/)).