

# SENATE BILL 507

C8, Q3

9lr1293

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By: **Senators Eckardt, Bailey, Edwards, Gallion, Guzzone, Hershey, Hough, Klausmeier, Salling, Simonaire, West, and Young**

Introduced and read first time: February 4, 2019

Assigned to: Budget and Taxation

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## A BILL ENTITLED

1 AN ACT concerning

2 **Income Tax – Angel Investor Tax Credit Program**

3 FOR the purpose of allowing a credit against the State income tax for a certain percentage  
4 of an investment, not to exceed a certain amount, made in certain qualified  
5 innovation businesses; requiring qualified innovation businesses to meet certain  
6 certification requirements; requiring a qualified investor to meet certain  
7 requirements in order to be eligible for the credit; requiring the qualified investor to  
8 make a certain application, at least a certain number of days before making an  
9 investment, to the Department of Commerce; requiring the Department to certify,  
10 within a certain number of days of the application, the amount of the credit;  
11 requiring, under certain circumstances, the Secretary of Commerce to issue initial  
12 and final tax credit certificates; requiring a qualified investor to make a certain  
13 investment and provide certain proof within a certain period of time; authorizing,  
14 under certain circumstances, the Department to rescind a tax credit; providing that  
15 the Secretary may not certify eligibility for tax credits for investments in a single  
16 qualified innovation business that in the aggregate exceed a certain percentage of  
17 the total appropriations to a certain Reserve Fund for that fiscal year; requiring the  
18 Secretary to certify a certain percentage of tax credits for investments in certain  
19 qualified innovation businesses; providing for the carryforward of the credit;  
20 establishing the Maryland Angel Investor Tax Credit Reserve Fund as a special,  
21 nonlapsing fund; requiring the Department to administer the Reserve Fund;  
22 requiring the State Treasurer to hold the Reserve Fund; specifying the contents of  
23 the Reserve Fund; requiring the Governor to make an appropriation to the Reserve  
24 Fund each fiscal year; requiring, each quarter, that the Department notify the  
25 Comptroller of a certain amount and the Comptroller to transfer a certain amount  
26 from the Reserve Fund to the General Fund; providing for the recapture of the credit  
27 under certain circumstances; authorizing the Department, after a certain  
28 notification and opportunity for appeal, to revoke a credit; requiring a qualified  
29 innovation business that receives an investment to report certain information each  
30 year to the Department; requiring the Department to report certain information in

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EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 a certain manner on or before a certain date each year; requiring the Department,  
2 in consultation with the Comptroller, to adopt certain regulations; defining certain  
3 terms; providing for the application of this Act; providing for the termination of this  
4 Act; and generally relating to a State income tax credit for certain qualified business  
5 investments.

6 BY repealing and reenacting, with amendments,  
7 Article – Economic Development  
8 Section 2.5–109(a)(4)  
9 Annotated Code of Maryland  
10 (2018 Replacement Volume)

11 BY adding to  
12 Article – Tax – General  
13 Section 10–749  
14 Annotated Code of Maryland  
15 (2016 Replacement Volume and 2018 Supplement)

16 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,  
17 That the Laws of Maryland read as follows:

18 **Article – Economic Development**

19 2.5–109.

20 (a) In this section, “economic development program” means:

21 (4) each of the tax credit programs administered by the Department,  
22 including:

23 (i) the Film Production Activity Tax Credit;

24 (ii) the Job Creation Tax Credit;

25 (iii) the One Maryland Economic Development Tax Credit;

26 (iv) the Biotechnology Investment Incentive Tax Credit;

27 (v) the Research and Development Tax Credit;

28 (vi) the Security Clearance Administrative Expenses and  
29 Construction and Equipment Costs Tax Credit;

30 (vii) the Cybersecurity Investment Incentive Tax Credit; [and]

31 (viii) the Aerospace, Electronics, or Defense Contract Tax Credit; AND

**(IX) THE ANGEL INVESTOR TAX CREDIT.**

**Article – Tax – General**

**10-749.**

**(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.**

**(2) (I) “COMPANY” MEANS ANY ENTITY OF ANY FORM DULY ORGANIZED AND EXISTING UNDER THE LAWS OF ANY JURISDICTION FOR THE PURPOSE OF CONDUCTING BUSINESS FOR PROFIT.**

**(II) “COMPANY” DOES NOT INCLUDE A SOLE PROPRIETORSHIP.**

**(3) “DEPARTMENT” MEANS THE DEPARTMENT OF COMMERCE.**

**(4) (I) “INVESTMENT” MEANS THE CONTRIBUTION OF MONEY IN CASH OR CASH EQUIVALENTS EXPRESSED IN UNITED STATES DOLLARS, AT A RISK OF LOSS, TO A QUALIFIED INNOVATION BUSINESS IN EXCHANGE FOR STOCK, A PARTNERSHIP OR MEMBERSHIP INTEREST, CONVERTIBLE DEBT, OR OTHER OWNERSHIP INTEREST IN THE EQUITY OF THE QUALIFIED INNOVATION BUSINESS, TITLE TO WHICH OWNERSHIP INTEREST SHALL VEST IN THE QUALIFIED INVESTOR.**

**(II) FOR PURPOSES OF THIS SECTION, AN INVESTMENT IS AT RISK OF LOSS WHEN THE REPAYMENT OF THE INVESTMENT DEPENDS ENTIRELY ON THE SUCCESS OF THE BUSINESS OPERATIONS OF THE QUALIFIED INNOVATION BUSINESS.**

**(5) “LEGALLY OWNED OR LICENSED” MEANS PATENTED, PATENT PENDING, SUBJECT OF TRADE SECRETS, OR COPYRIGHTED.**

**(6) “PASS-THROUGH ENTITY” MEANS A BUSINESS ENTITY THAT IS A SUBCHAPTER S CORPORATION, A PARTNERSHIP, A LIMITED LIABILITY COMPANY, OR A TRUST THAT HAS NO BUSINESS OPERATIONS AND IS FORMED FOR THE SOLE PURPOSE OF MAKING INVESTMENTS.**

**(7) (I) “QUALIFIED INNOVATION BUSINESS” MEANS A COMPANY THAT:**

**1. HAS MET THE CRITERIA SET FORTH IN SUBSECTION (C) OF THIS SECTION; AND**

**2. IS IN ONE OF THE FOLLOWING INDUSTRIES:**

1                   A.    ADVANCED   MATERIALS   AND   MANUFACTURING  
2 SYSTEMS;

3                   B.    AEROSPACE;

4                   C.    AGRICULTURAL TECHNOLOGY;

5                   D.    CLEAN ENERGY AND NATURAL RESOURCES;

6                   E.    ELECTRONIC DEVICE TECHNOLOGY;

7                   F.    HEALTH AND MEDICAL TECHNOLOGY;

8                   G.    INFORMATION TECHNOLOGY;

9                   H.    NANOTECHNOLOGY; AND

10                  I.    TRANSPORTATION AND LOGISTICS.

11                  (II)   “QUALIFIED INNOVATION BUSINESS” DOES NOT INCLUDE:

12                   1.    A QUALIFIED MARYLAND BIOTECHNOLOGY COMPANY  
13 UNDER § 10-725 OF THIS SUBTITLE; OR

14                   2.    A QUALIFIED MARYLAND CYBERSECURITY COMPANY  
15 UNDER § 10-733 OF THIS SUBTITLE.

16                  (8)   (I)   “QUALIFIED INVESTOR” MEANS AN ACCREDITED INVESTOR  
17 UNDER 17 C.F.R. § 230.501 THAT IS AN INDIVIDUAL, A MARRIED COUPLE THAT  
18 FILES A JOINT TAX RETURN, OR A PASS-THROUGH ENTITY CERTIFIED BY THE  
19 DEPARTMENT UNDER SUBSECTION (D) OF THIS SECTION.

20                  (II)   “QUALIFIED INVESTOR” DOES NOT INCLUDE:

21                   1.    A QUALIFIED PENSION PLAN, AN INDIVIDUAL  
22 RETIREMENT ACCOUNT, OR ANY OTHER QUALIFIED RETIREMENT PLAN UNDER THE  
23 EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED, OR  
24 FIDUCIARIES OR CUSTODIANS UNDER SUCH PLANS, OR SIMILAR TAX-FAVORED  
25 PLANS OR ENTITIES UNDER THE LAWS OF OTHER COUNTRIES; OR

26                   2.    A CORPORATION SUBJECT TO THE CORPORATE  
27 INCOME TAX.

1           **(9) “RESERVE FUND” MEANS THE MARYLAND ANGEL INVESTOR TAX**  
2 **CREDIT RESERVE FUND ESTABLISHED UNDER SUBSECTION (F) OF THIS SECTION.**

3           **(10) “SECRETARY” MEANS THE SECRETARY OF COMMERCE.**

4           **(B) (1) SUBJECT TO PARAGRAPH (2) OF THIS SUBSECTION AND THE**  
5 **LIMITATIONS UNDER THIS SECTION, FOR THE TAXABLE YEAR IN WHICH AN**  
6 **INVESTMENT IN A QUALIFIED INNOVATION BUSINESS IS MADE, A QUALIFIED**  
7 **INVESTOR MAY CLAIM A CREDIT AGAINST THE STATE INCOME TAX IN AN AMOUNT**  
8 **EQUAL TO THE AMOUNT OF THE TAX CREDIT STATED IN THE FINAL CREDIT**  
9 **CERTIFICATE APPROVED BY THE SECRETARY.**

10           **(2) TO BE ELIGIBLE FOR THE TAX CREDIT DESCRIBED IN PARAGRAPH**  
11 **(1) OF THIS SUBSECTION, THE QUALIFIED INVESTOR MAY NOT, AFTER MAKING THE**  
12 **PROPOSED INVESTMENT, OWN OR CONTROL MORE THAN 20% OF THE EQUITY**  
13 **INTERESTS IN THE QUALIFIED INNOVATION BUSINESS IN WHICH THE INVESTMENT**  
14 **IS TO BE MADE.**

15           **(C) (1) TO BE ELIGIBLE FOR THE TAX CREDIT UNDER SUBSECTION (B) OF**  
16 **THIS SECTION, THE INVESTMENT MUST BE IN A QUALIFIED INNOVATION BUSINESS**  
17 **THAT IS CERTIFIED BY THE DEPARTMENT UNDER THIS SUBSECTION.**

18           **(2) BEFORE RECEIVING AN INVESTMENT FROM A QUALIFIED**  
19 **INVESTOR, A QUALIFIED INNOVATION BUSINESS SHALL SUBMIT AN APPLICATION TO**  
20 **THE DEPARTMENT.**

21           **(3) THE APPLICATION REQUIRED UNDER THIS SUBSECTION SHALL**  
22 **PROVIDE EVIDENCE THAT THE QUALIFIED INNOVATION BUSINESS:**

23                   **(I) IS IN GOOD STANDING AND AUTHORIZED TO CONDUCT**  
24 **BUSINESS IN THE STATE BY INCLUDING A LETTER OF GOOD STANDING FROM THE**  
25 **STATE DEPARTMENT OF ASSESSMENTS AND TAXATION;**

26                   **(II) HAS DEVELOPED OR IS IN THE PROCESS OF DEVELOPING A**  
27 **TECHNOLOGY, PRODUCT, OR SERVICE THAT IS UNIQUE AND LEGALLY OWNED OR**  
28 **LICENSED BY THE QUALIFIED INNOVATION BUSINESS;**

29                   **(III) DOES NOT HAVE ANNUAL REVENUE GREATER THAN**  
30 **\$1,000,000;**

31                   **(IV) HAS BEEN IN ACTIVE BUSINESS NOT LONGER THAN 5 YEARS;**

1 (V) HAS NOT RECEIVED MORE THAN \$3,000,000 IN  
2 INVESTMENTS;

3 (VI) HAS FEWER THAN 15 FULL-TIME EQUIVALENT EMPLOYEES;

4 (VII) HAS ITS HEADQUARTERS AND BASE OF OPERATIONS IN THIS  
5 STATE; AND

6 (VIII) DOES NOT HAVE ITS SECURITIES PUBLICLY TRADED ON ANY  
7 EXCHANGE.

8 (4) (I) DURING THE YEAR IN WHICH AN INVESTMENT IS MADE, A  
9 QUALIFIED INNOVATION BUSINESS SHALL HAVE AT LEAST:

10 1. 51% OF THE QUALIFIED INNOVATION BUSINESS'S  
11 FULL-TIME EQUIVALENT EMPLOYEES EMPLOYED IN THE STATE; AND

12 2. 51% OF THE QUALIFIED INNOVATION BUSINESS'S  
13 PAYROLL PAID TO EMPLOYEES IN THE STATE.

14 (II) THE NUMBER OF FULL-TIME EQUIVALENT EMPLOYEES IS  
15 CALCULATED BY DIVIDING THE TOTAL HOURS PAID IN A YEAR BY THE PRODUCT OF  
16 40 TIMES THE NUMBER OF WEEKS OF PAYROLL INCURRED IN A YEAR.

17 (D) (1) AT LEAST 30 DAYS BEFORE MAKING AN INVESTMENT IN A  
18 QUALIFIED INNOVATION BUSINESS FOR WHICH A QUALIFIED INVESTOR WOULD BE  
19 ELIGIBLE FOR AN INITIAL TAX CREDIT CERTIFICATE UNDER THIS SECTION, THE  
20 QUALIFIED INVESTOR SHALL SUBMIT AN APPLICATION TO THE DEPARTMENT.

21 (2) THE APPLICATION SHALL PROVIDE EVIDENCE THAT:

22 (I) THE QUALIFIED INVESTOR HAS INDIVIDUAL INCOME TAX  
23 LIABILITY IN THE STATE; AND

24 (II) 1. THE QUALIFIED INVESTOR INTENDS TO MAKE AN  
25 INVESTMENT OF AT LEAST \$10,000; OR

26 2. IF THE QUALIFIED INVESTOR IS A PASS-THROUGH  
27 ENTITY OR A MARRIED COUPLE FILING A JOINT RETURN, THE QUALIFIED INVESTOR  
28 INTENDS TO MAKE AN INVESTMENT OF AT LEAST \$20,000.

29 (3) WITH REGARD TO A QUALIFIED INNOVATION BUSINESS IN WHICH  
30 A QUALIFIED INVESTOR INTENDS TO MAKE AN INVESTMENT, THE QUALIFIED

1 INVESTOR MAY NOT:

2 (I) BE A PERSON ELECTED OR APPOINTED BY THE GOVERNING  
3 BODY OF THE QUALIFIED INNOVATION BUSINESS TO MANAGE THE BUSINESS;

4 (II) BE A PERSON HAVING AUTHORITY TO ACT ON BEHALF OF  
5 THE QUALIFIED INNOVATION BUSINESS;

6 (III) HAVE MORE THAN 20% OF THE VOTING SECURITIES OF THE  
7 QUALIFIED INNOVATION BUSINESS, HELD INDIVIDUALLY OR IN COMBINATION WITH  
8 FAMILY MEMBERS; OR

9 (IV) BE A FAMILY MEMBER OF A QUALIFIED INVESTOR THAT IS  
10 PROHIBITED FROM BEING A QUALIFIED INVESTOR UNDER ITEM (I), (II), OR (III) OF  
11 THIS PARAGRAPH.

12 (4) THE DEPARTMENT SHALL:

13 (I) APPROVE ALL APPLICATIONS THAT QUALIFY FOR CREDITS  
14 UNDER THIS SECTION ON A FIRST-COME, FIRST-SERVED BASIS; AND

15 (II) WITHIN 30 DAYS OF RECEIPT OF AN APPLICATION, CERTIFY,  
16 AS PROVIDED IN THIS SECTION, THE AMOUNT OF ANY APPROVED TAX CREDITS TO A  
17 QUALIFIED INVESTOR.

18 (5) (I) SUBJECT TO THE PROVISIONS OF THIS SECTION, THE  
19 SECRETARY SHALL ISSUE AN INITIAL TAX CREDIT CERTIFICATE FOR EACH  
20 APPROVED INVESTMENT IN A QUALIFIED INNOVATION BUSINESS ELIGIBLE FOR A  
21 TAX CREDIT.

22 (II) AN INITIAL TAX CREDIT CERTIFICATE SHALL STATE THE  
23 MAXIMUM AMOUNT OF TAX CREDIT FOR WHICH THE QUALIFIED INVESTOR IS  
24 ELIGIBLE.

25 (III) 1. EXCEPT AS OTHERWISE PROVIDED IN THIS  
26 SUBPARAGRAPH AND SUBJECT TO SUBSUBPARAGRAPH 2 OF THIS SUBPARAGRAPH,  
27 FOR ANY FISCAL YEAR, THE SECRETARY MAY NOT ISSUE INITIAL TAX CREDIT  
28 CERTIFICATES FOR CREDIT AMOUNTS IN THE AGGREGATE TOTALING MORE THAN  
29 THE AMOUNT APPROPRIATED TO THE RESERVE FUND FOR THAT FISCAL YEAR IN  
30 THE STATE BUDGET AS APPROVED BY THE GENERAL ASSEMBLY.

31 2. A. WITH RESPECT TO APPLICATIONS RECEIVED BY  
32 THE DEPARTMENT BEGINNING JULY 1 OF THE FISCAL YEAR BUT BEFORE JANUARY

1 **1 OF THAT FISCAL YEAR, THE SECRETARY MAY NOT ISSUE INITIAL TAX CREDIT**  
2 **CERTIFICATES FOR CREDIT AMOUNTS IN THE AGGREGATE TOTALING MORE THAN**  
3 **50% OF THE FUNDS IN THE RESERVE FUND.**

4 **B. WITH RESPECT TO APPLICATIONS RECEIVED BY THE**  
5 **DEPARTMENT BEGINNING JANUARY 1 OF THE FISCAL YEAR BUT BEFORE JULY 1 OF**  
6 **THE FOLLOWING FISCAL YEAR, THE SECRETARY MAY ISSUE INITIAL TAX CREDIT**  
7 **CERTIFICATES FOR CREDIT AMOUNTS IN THE AGGREGATE NOT EXCEEDING THE**  
8 **REMAINING FUNDS IN THE RESERVE FUND.**

9 **3. IF THE AGGREGATE CREDIT AMOUNTS UNDER INITIAL**  
10 **TAX CREDIT CERTIFICATES ISSUED IN A FISCAL YEAR TOTAL LESS THAN THE**  
11 **AMOUNT APPROPRIATED TO THE RESERVE FUND FOR THAT FISCAL YEAR, ANY**  
12 **EXCESS AMOUNT SHALL REMAIN IN THE RESERVE FUND AND MAY BE ISSUED UNDER**  
13 **INITIAL TAX CREDIT CERTIFICATES FOR THE NEXT FISCAL YEAR.**

14 **4. FOR ANY FISCAL YEAR, IF FUNDS ARE TRANSFERRED**  
15 **FROM THE RESERVE FUND UNDER THE AUTHORITY OF ANY PROVISION OF LAW**  
16 **OTHER THAN UNDER SUBSECTION (F)(5) OF THIS SECTION, THE MAXIMUM CREDIT**  
17 **AMOUNTS IN THE AGGREGATE FOR WHICH THE SECRETARY MAY ISSUE INITIAL TAX**  
18 **CREDIT CERTIFICATES SHALL BE REDUCED BY THE AMOUNT TRANSFERRED.**

19 **(6) (I) AFTER THE DATE ON WHICH THE DEPARTMENT ISSUES AN**  
20 **INITIAL TAX CREDIT CERTIFICATE UNDER THIS SECTION, A QUALIFIED INVESTOR**  
21 **SHALL HAVE 60 CALENDAR DAYS TO MAKE AN INVESTMENT IN A QUALIFIED**  
22 **INNOVATION BUSINESS UNDER THIS SECTION.**

23 **(II) THE DEPARTMENT MAY GRANT AN EXTENSION OF NOT**  
24 **MORE THAN 30 CALENDAR DAYS OF THE TIME PERIOD UNDER SUBPARAGRAPH (I)**  
25 **OF THIS PARAGRAPH.**

26 **(III) WITHIN 10 CALENDAR DAYS AFTER THE DATE ON WHICH A**  
27 **QUALIFIED INVESTOR MAKES THE INVESTMENT, THE QUALIFIED INVESTOR SHALL**  
28 **PROVIDE TO THE DEPARTMENT NOTICE AND PROOF OF THE MAKING OF THE**  
29 **INVESTMENT, INCLUDING:**

30 **1. THE DATE OF THE INVESTMENT;**

31 **2. THE AMOUNT INVESTED;**

32 **3. PROOF OF THE RECEIPT OF THE INVESTED FUNDS BY**  
33 **THE QUALIFIED INNOVATION BUSINESS;**

1                   4.     A COMPLETE DESCRIPTION OF THE NATURE OF THE  
2 OWNERSHIP INTEREST IN THE EQUITY OF THE QUALIFIED INNOVATION BUSINESS  
3 ACQUIRED IN CONSIDERATION OF THE INVESTMENT; AND

4                   5.     ANY       SUPPORTING       DOCUMENTATION       THE  
5 DEPARTMENT MAY REQUIRE.

6                   (IV) IF A QUALIFIED INVESTOR DOES NOT PROVIDE THE NOTICE  
7 AND PROOF OF THE MAKING OF THE INVESTMENT REQUIRED IN SUBPARAGRAPH  
8 (III) OF THIS PARAGRAPH WITHIN 100 CALENDAR DAYS AFTER THE DATE ON WHICH  
9 THE DEPARTMENT ISSUES AN INITIAL TAX CREDIT CERTIFICATE UNDER THIS  
10 SECTION:

11                   1.     THE DEPARTMENT SHALL RESCIND THE INITIAL TAX  
12 CREDIT CERTIFICATE; AND

13                   2.     THE CREDIT AMOUNT ALLOCATED TO THE RESCINDED  
14 CERTIFICATE SHALL REVERT TO THE RESERVE FUND AND SHALL BE AVAILABLE IN  
15 THE APPLICABLE FISCAL YEAR FOR ALLOCATION BY THE DEPARTMENT TO OTHER  
16 INITIAL TAX CREDIT CERTIFICATES.

17                   (7)    BASED ON THE ACTUAL AMOUNT OF AN INVESTMENT MADE BY A  
18 QUALIFIED INVESTOR, THE SECRETARY SHALL ISSUE A FINAL TAX CREDIT  
19 CERTIFICATE TO THE QUALIFIED INVESTOR.

20                   (E)   (1)   THE TAX CREDIT ALLOWED IN AN INITIAL TAX CREDIT  
21 CERTIFICATE ISSUED UNDER THIS SECTION:

22                   (i)   1.    IS 50% OF THE INVESTMENT IN A QUALIFIED  
23 INNOVATION BUSINESS LOCATED IN ANNE ARUNDEL COUNTY, BALTIMORE  
24 COUNTY, BALTIMORE CITY, HOWARD COUNTY, MONTGOMERY COUNTY, OR  
25 PRINCE GEORGE'S COUNTY; OR

26                   2.    IS 66% OF THE INVESTMENT IN A QUALIFIED  
27 INNOVATION BUSINESS LOCATED IN ANY OTHER COUNTY; AND

28                   (II) MAY NOT EXCEED:

29                   1.    \$50,000; OR

30                   2.    \$100,000 FOR A QUALIFIED INVESTOR THAT IS A  
31 PASS-THROUGH ENTITY OR A MARRIED COUPLE THAT FILES A JOINT RETURN.

1           **(2) DURING ANY FISCAL YEAR, THE SECRETARY MAY NOT CERTIFY**  
2 **ELIGIBILITY FOR TAX CREDITS FOR INVESTMENTS IN A SINGLE QUALIFIED**  
3 **INNOVATION BUSINESS THAT IN THE AGGREGATE EXCEED 15% OF THE TOTAL**  
4 **APPROPRIATIONS TO THE RESERVE FUND FOR THAT FISCAL YEAR.**

5           **(3) IF THE CREDIT ALLOWED UNDER THIS SECTION IN ANY TAXABLE**  
6 **YEAR EXCEEDS THE STATE INCOME TAX FOR THAT TAXABLE YEAR, THE QUALIFIED**  
7 **INVESTOR MAY APPLY THE EXCESS AS A CREDIT AGAINST THE STATE INCOME TAX**  
8 **FOR SUCCEEDING TAXABLE YEARS UNTIL THE EARLIER OF:**

9                   **(I) THE FULL AMOUNT OF THE EXCESS IS USED; OR**

10                   **(II) THE EXPIRATION OF THE FOURTH TAXABLE YEAR AFTER**  
11 **THE TAXABLE YEAR IN WHICH THE QUALIFIED INVESTOR FIRST CLAIMED THE TAX**  
12 **CREDIT ALLOWED UNDER THIS SECTION.**

13           **(F) (1) THERE IS A MARYLAND ANGEL INVESTOR TAX CREDIT RESERVE**  
14 **FUND THAT IS A SPECIAL, NONLAPSING FUND THAT IS NOT SUBJECT TO § 7-302 OF**  
15 **THE STATE FINANCE AND PROCUREMENT ARTICLE.**

16                   **(2) THE DEPARTMENT SHALL ADMINISTER THE RESERVE FUND.**

17                   **(3) (I) THE MONEY IN THE RESERVE FUND SHALL BE INVESTED**  
18 **AND REINVESTED BY THE TREASURER, AND INTEREST AND EARNINGS SHALL BE**  
19 **CREDITED TO THE GENERAL FUND.**

20                   **(II) THE RESERVE FUND CONSISTS OF MONEY APPROPRIATED**  
21 **IN THE STATE BUDGET FOR THE RESERVE FUND.**

22                   **(III) FOR EACH FISCAL YEAR, IT IS THE INTENT OF THE GENERAL**  
23 **ASSEMBLY THAT THE GOVERNOR INCLUDE IN THE BUDGET BILL AN**  
24 **APPROPRIATION OF AT LEAST \$5,000,000 FOR THE RESERVE FUND.**

25                   **(4) NOTWITHSTANDING THE PROVISIONS OF § 7-213 OF THE STATE**  
26 **FINANCE AND PROCUREMENT ARTICLE, THE GOVERNOR MAY NOT REDUCE AN**  
27 **APPROPRIATION FOR THE RESERVE FUND IN THE STATE BUDGET AS APPROVED BY**  
28 **THE GENERAL ASSEMBLY.**

29                   **(5) (I) EXCEPT AS PROVIDED IN THIS PARAGRAPH, MONEY**  
30 **APPROPRIATED FOR THE RESERVE FUND SHALL REMAIN IN THE RESERVE FUND.**

31                   **(II) 1. WITHIN 15 DAYS AFTER THE END OF EACH CALENDAR**  
32 **QUARTER, THE DEPARTMENT SHALL NOTIFY THE COMPTROLLER AS TO EACH FINAL**

1 CREDIT CERTIFICATE ISSUED DURING THE QUARTER OF:

2 A. THE MAXIMUM CREDIT AMOUNT STATED IN THE  
3 INITIAL TAX CREDIT CERTIFICATE FOR THE INVESTMENT; AND

4 B. THE FINAL CERTIFIED CREDIT AMOUNT FOR THE  
5 INVESTMENT.

6 2. ON NOTIFICATION THAT AN INVESTMENT HAS BEEN  
7 CERTIFIED, THE COMPTROLLER SHALL TRANSFER AN AMOUNT EQUAL TO THE  
8 CREDIT AMOUNT STATED IN THE INITIAL TAX CREDIT CERTIFICATE FOR THE  
9 INVESTMENT FROM THE RESERVE FUND TO THE GENERAL FUND.

10 (G) (1) THE CREDIT CLAIMED UNDER THIS SECTION SHALL BE  
11 RECAPTURED AS PROVIDED IN PARAGRAPH (2) OF THIS SUBSECTION IF WITHIN 1  
12 YEAR FROM THE CLOSE OF THE TAXABLE YEAR FOR WHICH THE CREDIT IS CLAIMED:

13 (I) THE QUALIFIED INVESTOR SELLS, TRANSFERS, OR  
14 OTHERWISE DISPOSES OF THE OWNERSHIP INTEREST IN THE QUALIFIED  
15 INNOVATION BUSINESS THAT GAVE RISE TO THE CREDIT;

16 (II) THE QUALIFIED INVESTOR IS EMPLOYED BY THE QUALIFIED  
17 INNOVATION BUSINESS THAT GAVE RISE TO THE CREDIT; OR

18 (III) THE QUALIFIED INNOVATION BUSINESS THAT GAVE RISE TO  
19 THE CREDIT NO LONGER MAINTAINS ITS HEADQUARTERS AND BASE OF OPERATIONS  
20 IN THE STATE.

21 (2) THE AMOUNT REQUIRED TO BE RECAPTURED UNDER THIS  
22 SUBSECTION IS THE PRODUCT OF MULTIPLYING:

23 (I) THE TOTAL AMOUNT OF THE CREDIT CLAIMED OR, IN THE  
24 CASE OF AN EVENT DESCRIBED IN PARAGRAPH (1)(I) OF THIS SUBSECTION, THE  
25 PORTION OF THE CREDIT ATTRIBUTABLE TO THE OWNERSHIP INTEREST DISPOSED  
26 OF; AND

27 (II) 1. 100%, IF THE EVENT REQUIRING RECAPTURE OF THE  
28 CREDIT OCCURS DURING THE TAXABLE YEAR FOR WHICH THE TAX CREDIT IS  
29 CLAIMED; OR

30 2. 50%, IF THE EVENT REQUIRING RECAPTURE OF THE  
31 CREDIT OCCURS DURING THE FIRST YEAR AFTER THE CLOSE OF THE TAXABLE YEAR  
32 FOR WHICH THE TAX CREDIT IS CLAIMED.

1           **(3) THE QUALIFIED INVESTOR THAT CLAIMED THE CREDIT SHALL**  
2 **PAY THE AMOUNT TO BE RECAPTURED AS DETERMINED UNDER PARAGRAPH (2) OF**  
3 **THIS SUBSECTION AS TAXES PAYABLE TO THE STATE FOR THE TAXABLE YEAR IN**  
4 **WHICH THE EVENT REQUIRING RECAPTURE OF THE CREDIT OCCURS.**

5           **(H) (1) THE DEPARTMENT MAY REVOKE ITS INITIAL OR FINAL**  
6 **CERTIFICATION OF AN APPROVED CREDIT UNDER THIS SECTION IF ANY**  
7 **REPRESENTATION IN CONNECTION WITH THE APPLICATION FOR THE**  
8 **CERTIFICATION IS DETERMINED BY THE DEPARTMENT TO HAVE BEEN FALSE WHEN**  
9 **MADE.**

10           **(2) THE REVOCATION UNDER PARAGRAPH (1) OF THIS SUBSECTION**  
11 **MAY BE IN FULL OR IN PART AS THE DEPARTMENT MAY DETERMINE AND, SUBJECT**  
12 **TO PARAGRAPH (3) OF THIS SUBSECTION, SHALL BE COMMUNICATED TO THE**  
13 **QUALIFIED INVESTOR AND THE COMPTROLLER.**

14           **(3) BEFORE NOTIFICATION TO THE COMPTROLLER, THE QUALIFIED**  
15 **INVESTOR SHALL HAVE AN OPPORTUNITY TO APPEAL ANY REVOCATION TO THE**  
16 **DEPARTMENT.**

17           **(4) THE COMPTROLLER MAY MAKE AN ASSESSMENT AGAINST THE**  
18 **QUALIFIED INVESTOR TO RECAPTURE ANY AMOUNT OF TAX CREDIT THAT THE**  
19 **QUALIFIED INVESTOR HAS ALREADY CLAIMED.**

20           **(I) ON OR BEFORE FEBRUARY 1 EACH YEAR FOLLOWING THE YEAR IN**  
21 **WHICH A QUALIFIED INNOVATION BUSINESS RECEIVES AN INVESTMENT, THE**  
22 **QUALIFIED INNOVATION BUSINESS SHALL SUBMIT TO THE DEPARTMENT A REPORT**  
23 **THAT DETAILS THE TOTAL:**

24           **(1) NUMBER AND AMOUNT OF INVESTMENTS RECEIVED DURING THE**  
25 **PRIOR YEAR;**

26           **(2) NUMBER OF DIRECT JOBS CREATED OR SUPPORTED BY**  
27 **INVESTMENTS MADE DURING THE PRIOR YEAR; AND**

28           **(3) AMOUNT OF ADDITIONAL INVESTMENTS LEVERAGED BY**  
29 **INVESTMENTS MADE DURING THE PRIOR YEAR.**

30           **(J) (1) IN ACCORDANCE WITH § 2.5-109 OF THE ECONOMIC**  
31 **DEVELOPMENT ARTICLE, THE DEPARTMENT SHALL REPORT ON THE TAX CREDIT**  
32 **CERTIFICATES ISSUED UNDER THIS SECTION.**

1           **(2) THE REPORT REQUIRED UNDER PARAGRAPH (1) OF THIS**  
2 **SUBSECTION SHALL INCLUDE FOR EACH INITIAL TAX CREDIT CERTIFICATE ISSUED:**

3                   **(I) THE NAME OF THE QUALIFIED INVESTOR AND THE AMOUNT**  
4 **OF CREDIT ISSUED OR ALLOCATED TO EACH INVESTOR;**

5                   **(II) THE NAME AND ADDRESS OF THE QUALIFIED INNOVATION**  
6 **BUSINESS THAT RECEIVED THE INVESTMENT GIVING RISE TO THE CREDIT UNDER**  
7 **THIS SECTION AND THE COUNTY WHERE THE QUALIFIED INNOVATION BUSINESS IS**  
8 **LOCATED; AND**

9                   **(III) THE DATES OF RECEIPT AND APPROVAL BY THE**  
10 **DEPARTMENT OF ALL APPLICATIONS FOR INITIAL TAX CREDIT CERTIFICATES.**

11           **(3) THE REPORT REQUIRED UNDER PARAGRAPH (1) OF THIS**  
12 **SUBSECTION SHALL SUMMARIZE FOR THE CATEGORY OF QUALIFIED INVESTORS:**

13                   **(I) THE TOTAL NUMBER OF APPLICANTS FOR INITIAL TAX**  
14 **CREDIT CERTIFICATES UNDER THIS SECTION IN EACH CALENDAR YEAR;**

15                   **(II) THE NUMBER OF APPLICATIONS FOR WHICH INITIAL TAX**  
16 **CREDIT CERTIFICATES WERE ISSUED IN EACH CALENDAR YEAR; AND**

17                   **(III) THE TOTAL INITIAL TAX CREDIT CERTIFICATES**  
18 **AUTHORIZED UNDER THIS SECTION FOR ALL CALENDAR YEARS.**

19           **(K) THE DEPARTMENT, IN CONSULTATION WITH THE COMPTROLLER,**  
20 **SHALL ADOPT REGULATIONS TO CARRY OUT THE PROVISIONS OF THIS SECTION AND**  
21 **TO SPECIFY CRITERIA AND PROCEDURES FOR APPLICATION FOR, APPROVAL OF,**  
22 **AND MONITORING OF CONTINUING ELIGIBILITY FOR THE TAX CREDIT UNDER THIS**  
23 **SECTION.**

24           SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July  
25 1, 2019, and shall be applicable to all taxable years beginning after December 31, 2018, but  
26 before January 1, 2023. It shall remain effective for a period of 5 years and, at the end of  
27 June 30, 2024, this Act, with no further action required by the General Assembly, shall be  
28 abrogated and of no further force and effect.