SENATE BILL 726

Q3

9lr2627

By: **Senator Guzzone**
Introduced and read first time: February 4, 2019
Assigned to: Budget and Taxation

Committee Report: Favorable
Senate action: Adopted
Read second time: March 7, 2019

CHAPTER _____

1   AN ACT concerning

2   **Income Tax Credit – Purchase of Cybersecurity Technology or Service**

3   FOR the purpose of altering a certain definition under the State income tax credit for the
4   purchase of cybersecurity technology or service to allow purchases by certain buyers
5   to qualify for the credit; providing for the application of this Act; and generally
6   relating to a State income tax credit for the purchase of cybersecurity technology and
7   services.

8   BY repealing and reenacting, with amendments,
9   Article – Tax – General
10   Section 10–733.1(a)
11   Annotated Code of Maryland
12   (2016 Replacement Volume and 2018 Supplement)

13 BY repealing and reenacting, without amendments,
14   Article – Tax – General
15   Section 10–733.1(b)
16   Annotated Code of Maryland
17   (2016 Replacement Volume and 2018 Supplement)

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

20   **Article – Tax – General**

EXPLANATION: **CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.**
    [Brackets**]** indicate matter deleted from existing law.
    Underlining indicates amendments to bill.
    ~~Strike out~~ indicates matter stricken from the bill by amendment or deleted from the law by
    amendment.

1   10–733.1.

2   (a)   (1)   In this section the following words have the meanings indicated.

3   (2)   "Cybersecurity business" means an entity organized for profit that is
4   engaged primarily in the development of innovative and proprietary cybersecurity
5   technology or the provision of cybersecurity service.

6   (3)   "Cybersecurity service" means an activity that is associated with a
7   category or subcategory identified under the Framework Core established by the National
8   Institute of Standards and Technology's Cybersecurity Framework.

9   (4)   "Cybersecurity technology" means products or goods intended to detect
10   or prevent activity intended to result in unauthorized access to, exfiltration of,
11   manipulation of, or impairment to the integrity, confidentiality, or availability of an
12   information system or information stored on or transiting an information system.

13   (5)   "Department" means the Department of Commerce.

14   (6)   "Panel" means the panel that the Department may establish under
15   subsection (c) of this section composed of experts in the areas of cybersecurity technology
16   and cybersecurity service.

17   (7)   "Qualified buyer" means any entity that [has fewer than 50 employees
18   in the State and that] is required to file an income tax return in the State.

19   (8)   "Qualified seller" means a cybersecurity business that:

20   (i)   has its headquarters and base of operations in the State;

21   (ii)   1.   has less than $5,000,000 in annual revenue;

22   2.   is a minority–owned, woman–owned, veteran–owned, or
23   service–disabled–veteran–owned business; or

24   3.   is located in a historically underutilized business zone
25   designated by the United States Small Business Administration;

26   (iii)   1.   owns   or   has   properly   licensed   any   proprietary
27   cybersecurity technology; or

28   2.   provides a cybersecurity service;

29   (iv)   is in good standing;

30   (v)   is current in the payment of all tax obligations to the State or any
31   unit or subdivision of the State; and

1   (vi)   is not in default under the terms of any contract with,
2 indebtedness to, or grant from the State or any unit or subdivision of the State.

3   (b)   (1)   Subject to paragraphs (2) and (3) of this subsection, a qualified buyer
4 may claim a credit against the State income tax in an amount equal to 50% of the cost
5 incurred during the taxable year to purchase cybersecurity technology or a cybersecurity
6 service from one or more qualified sellers.

7   (2)   For any taxable year, the credit allowed under this section may not
8 exceed $50,000 for each qualified buyer.

9   (3)   For any taxable year, the aggregate credits claimed for cybersecurity
10 technology or cybersecurity service purchased from a single qualified seller may not exceed
11 $200,000.

12   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect June
13 1, 2019, and shall be applicable to all tax credit certificates issued after June 30, 2019.

Approved:

_____
                                                      Governor.

_____
                                      President of the Senate.

_____
                                 Speaker of the House of Delegates.