



Maryland

*Cyber*

OPEN FOR  BUSINESS

Cybersecurity Investment  
Incentive Tax Credit (CIITC)

# Agenda

- Maryland Commerce Cyber Program
- Buy Maryland Cyber Tax Incentive
- Investor Cyber Tax Incentive
- For More Information



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Program Manager  
Cyber Security





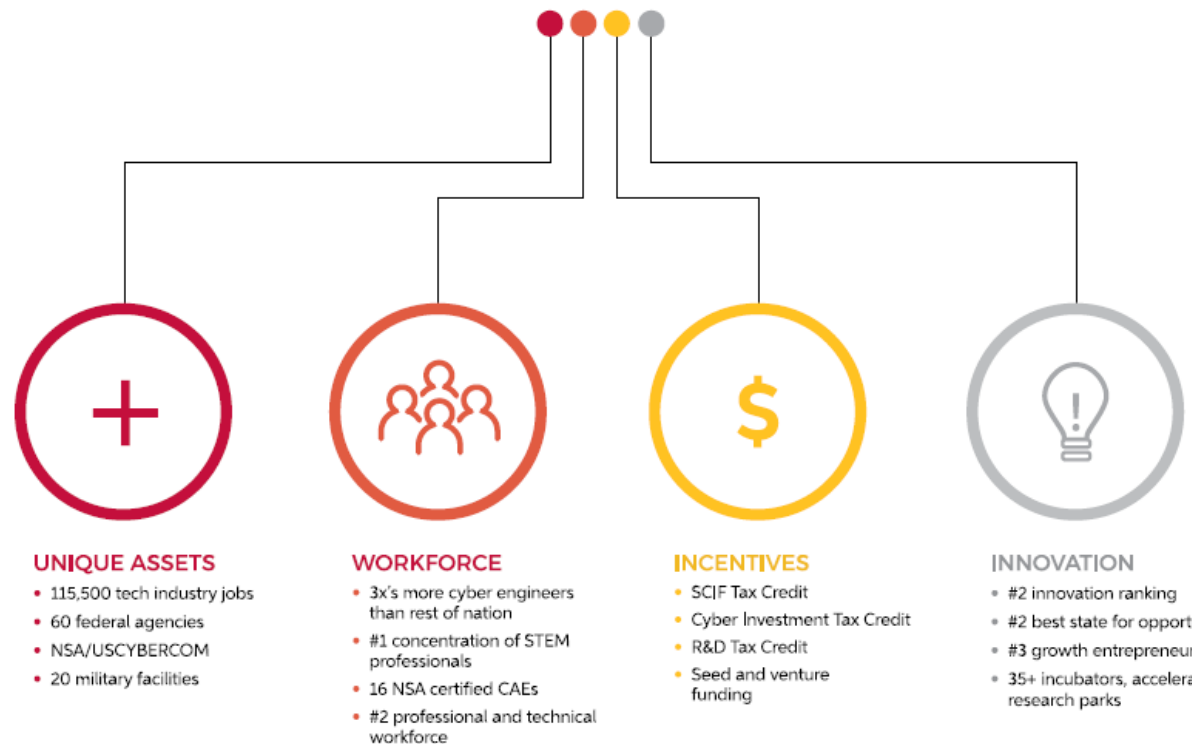
# Stay Cyber Safe

## SIMPLE TIPS

- Make sure all of your computers are equipped with **antivirus software and antispyware**.
- Use new software and **update** frequently
- **Backup** you programs, data and configurations
- Secure your Internet connection by using a **firewall, encrypt information, and password protect your Wi- Fi network**.
- Know your assets and establish **security practices and policies** to protect sensitive information.
- **Educate employees** about cyber threats and how to protect your organization's data.
- Require employees to use **strong passwords** and to change them often.
- Invest in **data loss protection** software, use **encryption technologies** to protect data in transit, and use two-factor authentication where possible.

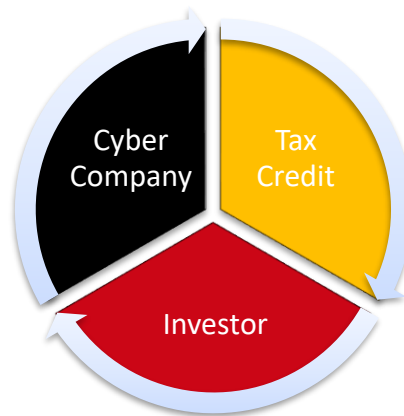


# Maryland's Cybersecurity Innovation Ecosystem

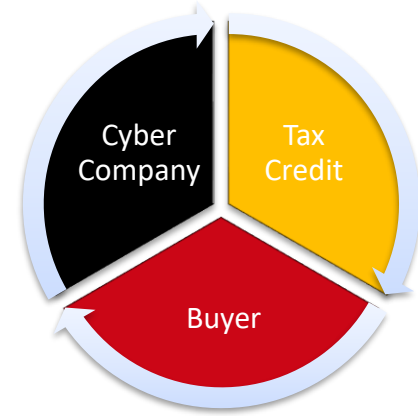


# June 1, 2018

- The state legislature passed a landmark Cybersecurity Investment and Buy Maryland Tax credit!
  - Attract investment in Maryland Cyber
  - Help them grow, create jobs and IP



**Cybersecurity Investment  
Incentive Tax Credit (CIITC)**



**Buy Maryland Cybersecurity  
Incentive Tax Credit (BMC)**

# Program Definitions

## Investor Tax Credit

► **Cybersecurity Investment Incentive Tax Credit (CIITC)**

- provides a refundable income tax credit. The purpose of this program is to attract investment in Maryland cybersecurity.

**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.

A **Qualified Investor** is an individual or entity that invests at least \$25,000 in a QMCC and is required to file an income tax return in any jurisdiction.

A **Qualified Maryland Cybersecurity Company** (QMCC) is a company that has been certified by the Department of Commerce



# Cyber Company Certification for Investment

- ▶ A Qualified Maryland Cybersecurity Company (QMCC) is a company that meets the following requirements and has been certified by the Department of Commerce (Commerce):
  - Is a going concern, organized **for profit**, and engaged **primarily** in the development of innovative and **proprietary cybersecurity technology**;
  - Has its headquarters and base of operations **in Maryland**;
  - Has an aggregate **capitalization** of at least \$100,000;
  - Has **fewer than 50** employees;
  - Has not participated in the CIITC for more than **2 years**;
  - Has **no publicly traded securities** on any exchange; and
  - Is in **good standing** with the Department of Assessments and Taxation and is current on the payment of all tax obligations and not in default under any contract with the State of Maryland or any of its units or subdivisions.



# Tax Benefit to Investor

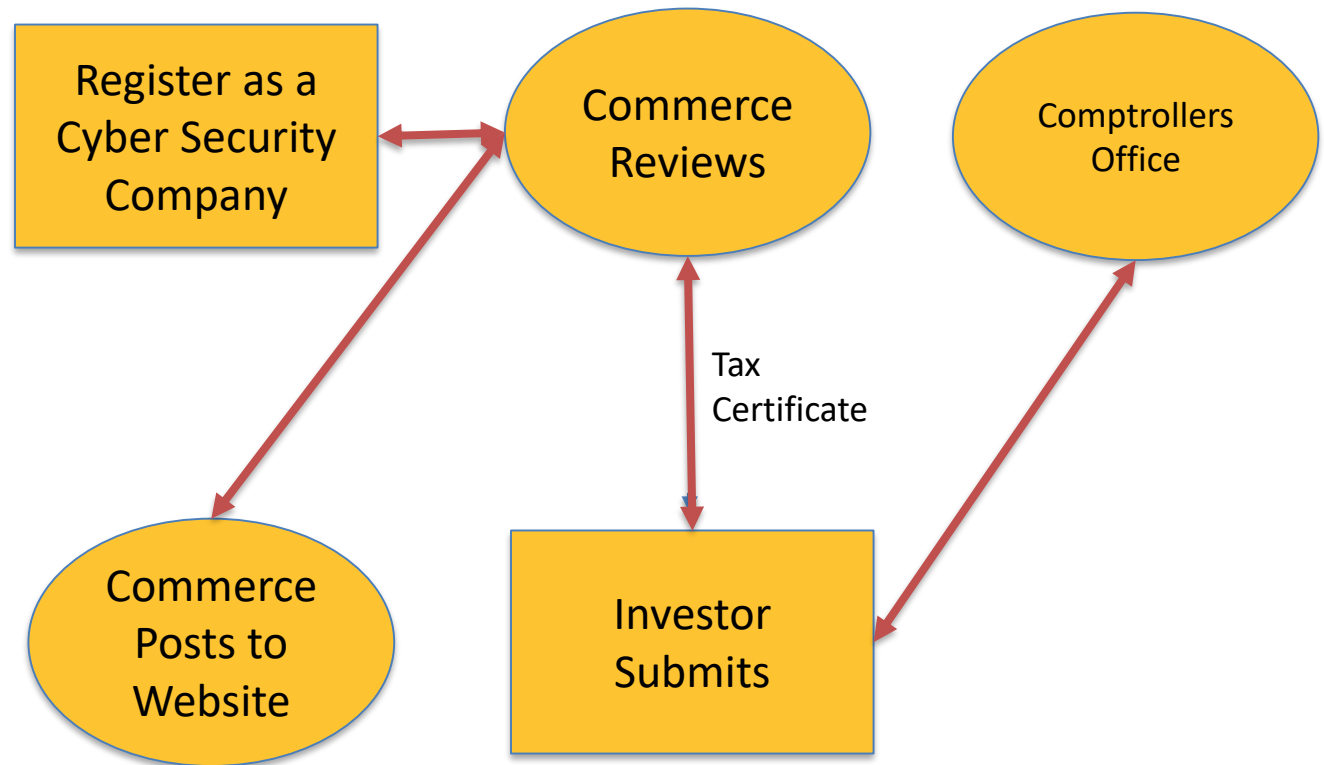
- ▶ Qualified investors receive a credit equal to 33% of an eligible investment in a Qualified Maryland Cybersecurity Company (QMCC)
  - Limit of **\$250,000** for the tax credit for a Qualified Investor in a fiscal year.
  - Cannot receive total credits exceeding 15% of the total program appropriation for each fiscal year
  - Total credits issued issued on **a first come basis**.
  - The credit is refundable to the extent that the amount of the credit **exceeds the Qualified Investor's Maryland income tax liability**.

*For Qualified Investors who invest in a QMCC located in Allegany, Dorchester, Garrett or Somerset Counties, the amount of the credit is 50% of the investment in the QMCC, not to exceed **\$500,000**.*





# Investor Process



# Program Definitions

## Buy MD Tax Credit

- ▶ **Buy Maryland Cybersecurity Incentive Tax Credit** - provides an income tax credit for 50% of the cost of purchasing cybersecurity products and services from Qualified Maryland Cybersecurity Sellers.

A **Qualified Maryland Cybersecurity Seller** (QMCS) is a cybersecurity company that has been certified by the Department of Commerce as meeting the requirements established by law for this tax incentive.

A **Qualified Maryland Cybersecurity Buyer** is a Maryland company with less than 50 employees that is required to file an income tax return in the state.



# Qualified Maryland Cyber Seller

- ▶ A Qualified Maryland Cybersecurity Seller (QMCS) is a company that meets the following requirements and has been certified by the Department of Commerce:
  - Demonstrates it is in **good standing** with the Maryland Department of Assessment and Taxation (SDAT)
  - Demonstrates that it **is current with its tax obligations**
  - Provides evidence that is a **for profit business** with at least **51% of its business** in the development of innovative and proprietary **cybersecurity technology** or the provision of **cybersecurity service**
  - Demonstrate that **its headquarters and base of operations** are located in Maryland
  - Provide evidence that the company has **less than \$5.0 million** in annual revenue, **or** is a **minority-owned, woman-owned, veteran-owned, or service-disabled** veteran-owned business, or is located in a Historically Underutilized Business (HUB) Zone
  - Provide evidence that the company owns or licenses **proprietary cybersecurity technology** or **primarily provides a cybersecurity service**.



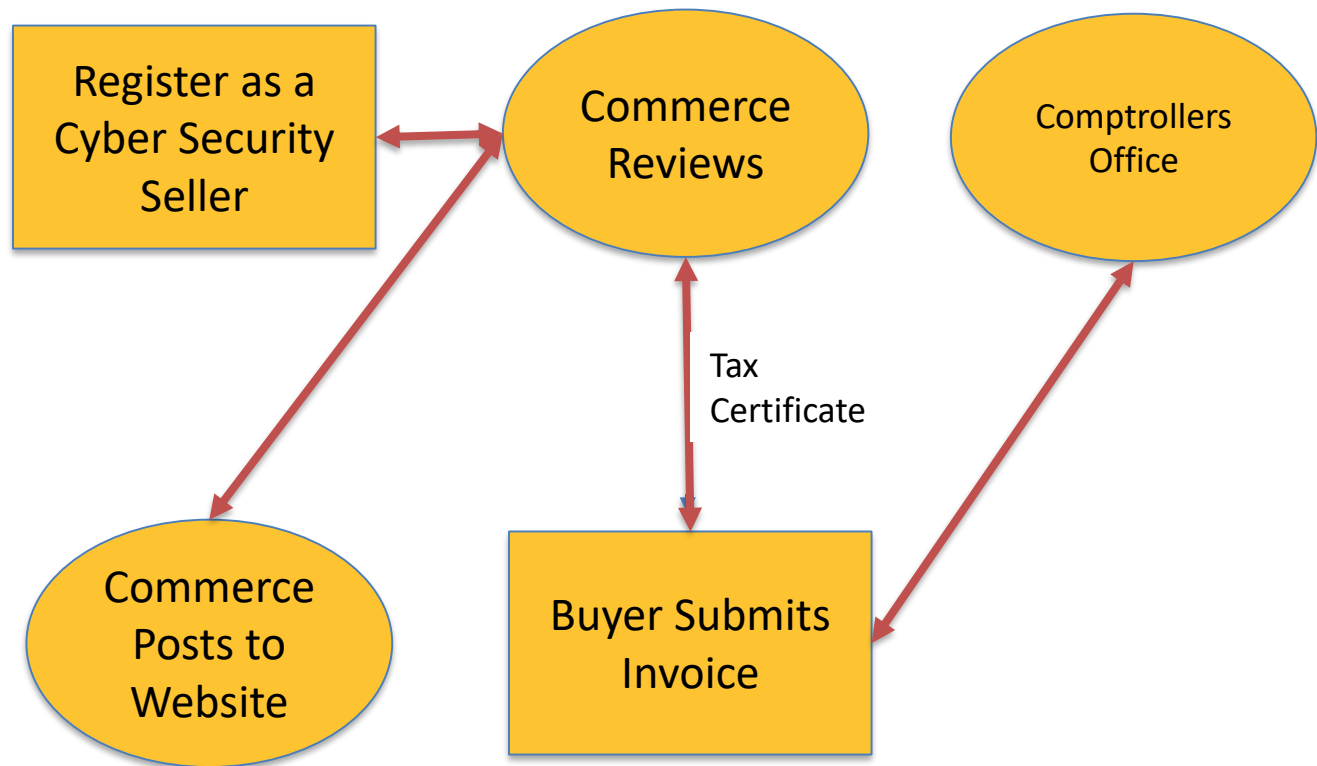
# Tax Benefit to Buyer

- ▶ A Qualified Maryland Cyber Security Buyer that purchases cybersecurity technologies or services from a Qualified Maryland Cybersecurity Seller
  - may claim up to **\$50,000** in tax credits in a single tax year
  - There is no limit on the number of years a Qualified Maryland Company may claim the tax credit
  - If the cost of an **extended service contract** is paid in full at the beginning of the contract, then the amount of the tax credit will be the amount paid for the contract up to \$50,000
  - Taxes and fees must be subtracted from the purchase price before calculating the amount of the tax credit

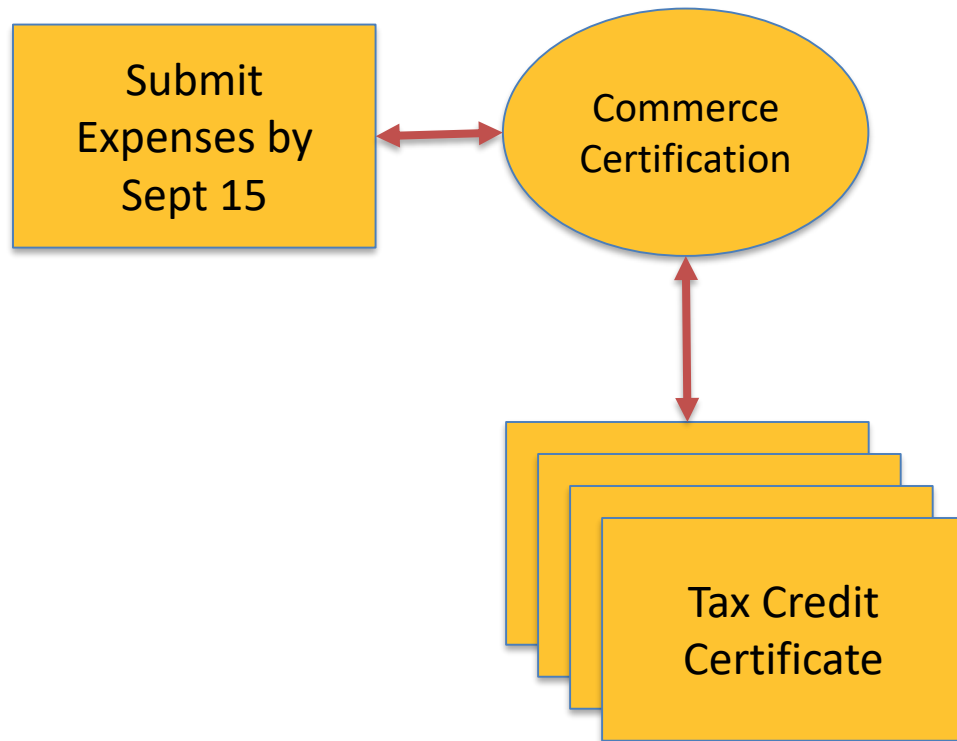




# Buy Maryland Process



# Buy Maryland Process



# For more Information

<http://commerce.maryland.gov/fund>

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[commerce.maryland.gov](https://commerce.maryland.gov)





## ► Applications to be a Seller

Submit application

(<http://commerce.maryland.gov/Documents/FinanceDocument/buy-maryland-cyber-BMC-tax-credit-qualified-seller-application.pdf>)

## Buyer Submissions of Invoice

► Submit application

<http://commerce.maryland.gov/Documents/FinanceDocument/buy-maryland-cyber-BMC-tax-credit-qualified-buyer-application.pdf>

# Cybersecurity Investment Incentive Tax Credit (CIITC)

► **Qualified Maryland Cybersecurity Company Form B for  
FY2019:**

[Form B](#) – Print out and submit via hard copy.

Note: Multiple Attachment 11 (Form B) is not required for investor applications if prospective QMCC has a current Form B on file with the Department of Commerce and is less than 30 days old



# Investment Incentive Tax Credit Forms

## ► **Investor Tax Credit Forms**

To qualify for the credit, please complete and submit the CIITC application forms to the Department of Commerce. Include Investor Form (Form A1, A2 or A3) and the QMCC Form (Form B)

### **Qualified Investor Forms:**

Form A1 – Qualified Investor, Individual

Form A2 – Qualified Investor, Corporation (all kinds including Sub-Chapter S)

Form A3 – Non Sub-Chapter S Corporation Pass-Through Entities

### **Qualified Cyber Company Form:**

Form B3 – Qualified Maryland Cybersecurity Company (QMCC)

### **Download Site:**

[Program Forms](#)

# CIITC Tax Form Samples

**MARYLAND CYBERSECURITY INVESTMENT INCENTIVE TAX CREDIT**  
**APPLICATION FOR CERTIFICATION**  
**FORM A.1 – QUALIFIED INVESTOR, INDIVIDUAL**  
APPLICATION FOR CERTIFICATION -TAX YEAR 201\_\_ or for Fiscal Year Taxpayers, Tax Year \_\_\_\_  
**IMPORTANT!** - Because the Maryland Cybersecurity Investment Tax Credit is limited and capped,  
applications are accepted on a first come, first served basis. Signature(s) required

WARNING: False statements made knowingly and willfully in this tax credit application, including affidavits or other supporting documents submitted therewith, are punishable by law. All statements and documents are subject to verification.		For Internal Use Only
<b>1. Name of Applicant</b>		
Last Name	Suffix (Jr., Sr., III)	
First Name	Middle Name	
<b>2. Date of Birth (mm-dd-yyyy)</b>	<b>3. Social Security Number</b>	
<b>4. Email Address</b>		
If property is to be jointly owned, complete the following duplicate items 1b through 4b:		
<b>1b. Name of Spouse (if property is to be jointly owned)</b>		
Last Name	Suffix (Jr., Sr., III)	
First Name	Middle Name	
<b>2b. Date of Birth (mm-dd-yyyy)</b>	<b>3b. Social Security Number</b>	
<b>4b. Email Address</b>		

**MARYLAND CYBERSECURITY INVESTMENT INCENTIVE TAX CREDIT**  
**APPLICATION FOR CERTIFICATION**  
**FORM A.3 – NON SUB-CHAPTER 5 CORPORATION PASS-THROUGH ENTITIES**  
APPLICATION FOR CERTIFICATION-TAX YEAR 201\_\_ or for Fiscal Year Taxpayers, Tax Year \_\_\_\_  
**IMPORTANT!** - Because the Maryland Cybersecurity Investment Tax Credit is limited and capped,  
applications are accepted on a first come, first served basis. Signature(s) required.

WARNING: False statements made knowingly and willfully in this tax credit application, including affidavits or other supporting documents submitted therewith, are punishable by law. All statements and documents are subject to verification.		For Internal Use Only
<b>1. Full Legal Name of Organization</b>		
<b>2. Email Address</b>		
<b>3. Federal Tax Identification</b>		
<b>4. Legal Form of Entity</b>		
<input type="checkbox"/> LLC <input type="checkbox"/> LLP <input type="checkbox"/> Limited Partnership <input type="checkbox"/> General Partnership <input type="checkbox"/> Trust <input type="checkbox"/> Other (specify):		
<b>5. Primary Contact Person</b>		
Last Name	Suffix (Jr., Sr., III)	
First Name	Middle Name	
Title/ Occupation		
Main Telephone (Include Area Code)		
Business Telephone (Include Area Code)		
Email Address		
<b>6. Secondary Contact Person</b>		
Last Name	Suffix (Jr., Sr., III)	
First Name	Middle Name	

**MARYLAND CYBERSECURITY INVESTMENT INCENTIVE TAX CREDIT**  
**APPLICATION FOR CERTIFICATION**  
**FORM A.2 – QUALIFIED INVESTOR, CORPORATION (ALL KINDS INCLUDING SUB-CHAPTERS)**  
APPLICATION FOR CERTIFICATION-TAX YEAR 201\_\_ or for Fiscal Year Taxpayers, Tax Year \_\_\_\_  
**IMPORTANT!** - Because the Maryland Cybersecurity Investment Tax Credit is limited and capped,  
applications are accepted on a first come, first served basis. Signature required

WARNING: False statements made knowingly and willfully in this tax credit application, including affidavits or other supporting documents submitted therewith, are punishable by law. All statements and documents are subject to verification.		For Internal Use Only
<b>1. Full Legal Name of Organization</b>		
<b>2. Email Address</b>		
<b>3. Federal Tax Identification</b>		
<b>4. Legal Form of Entity</b>		
<input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Other (specify):		
<b>5. Primary Contact Person</b>		
Last Name	Suffix (Jr., Sr., III)	
First Name	Middle Name	
Title/ Occupation		
Main Telephone (Include Area Code)		
Business Telephone (Include Area Code)		
Email Address		
<b>6. Secondary Contact Person</b>		
Last Name	Suffix (Jr., Sr., III)	
First Name	Middle Name	

**MARYLAND CYBERSECURITY INVESTMENT INCENTIVE TAX CREDIT APPLICATION FOR CERTIFICATION**  
**FORM B – QUALIFIED MARYLAND CYBERSECURITY COMPANY**

APPLICATION FOR CERTIFICATION-TAX YEAR 201\_\_ or for Fiscal Year Taxpayers, Tax Year \_\_\_\_  
**IMPORTANT!** - Because the Maryland Cybersecurity Investment Tax Credit is limited and capped,  
applications are accepted on a first come, first served basis. Signature required.

WARNING: False statements made knowingly and willfully in this tax credit application, including affidavits or other supporting documents submitted therewith, are punishable by law. All statements and documents are subject to verification.		For Internal Use Only
<b>1. Full Legal Name of Organization</b>		
<b>2. Email Address</b>		
<b>3. Federal Tax Identification</b>		
<b>4. Unemployment Insurance Number</b>		
<b>5. Number of Full-time Maryland Employees</b>		
<b>6. Legal Form of Entity</b>		
<input type="checkbox"/> C Corp <input type="checkbox"/> S Corp <input type="checkbox"/> LLC <input type="checkbox"/> LLP <input type="checkbox"/> Limited Partnership <input type="checkbox"/> General Partnership <input type="checkbox"/> Other		
<b>7. Primary Contact Person</b>		
Last Name	Suffix (Jr., Sr., III)	
First Name	Middle Name	
Title/ Occupation		
Main Telephone (Include Area Code)		
Business Telephone (Include Area Code)		
Email Address		



# Applications to be a Seller

► Submit application

(<http://commerce.maryland.gov/Documents/FinanceDocument/buy-maryland-cyber-BMC-tax-credit-qualified-seller-application.pdf>)

► Documents required to support application:

- SDAT Certificate of Status (also called a Good Standing Certificate)
- Good Standing Certificate from the Comptroller to show tax obligations have been met
- Evidence that cybersecurity constitutes at least 51% of the business' revenues
  - Web sites
  - Business Plan
  - Financial Statements
- If a cybersecurity product company, evidence of proprietary technology (patents, copyrights, licenses)
- If a minority or woman-owned business: Minority Business Enterprise Certification
- If Veteran or Service-Disabled Veteran business: DD214 or Certification as a Veteran-owned Small Business or Service-Disabled Veteran-Owned Small Business from the US Department of Veterans Affairs
- If in a HUB Zone: HUB Zone Certification from US Small Business Administration



# Applying to Become a Qualified Maryland Cybersecurity Buyer

- ▶ Submit application  
<http://commerce.maryland.gov/Documents/FinanceDocument/buy-maryland-cyber-BMC-tax-credit-qualified-buyer-application.pdf>
- ▶ Documents required to support application:
  - Copy of invoice for a cybersecurity technology or service purchased from a QMCS
  - Proof of payment for that invoice
- ▶ Application provides affidavit attesting that the applicant has fewer than 50 employees in Maryland and is required to file an income tax return in the state.
- ▶ Upon approval of the application, Commerce will provide a tax credit certificate that must be submitted when the company files its state income tax return

