

# Maryland Department of Commerce

## Buy Maryland Cybersecurity Tax Credit

### *FAQs for Sellers*

#### **1. What is a Qualified Maryland Cybersecurity Seller?**

A Qualified Maryland Cybersecurity Seller is a for profit company that:

- Is primarily engaged in the development of innovative and proprietary cybersecurity technology or the provision of cybersecurity service;
- Has its headquarters and base of operations in Maryland;
- Has less than \$5 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; and
- Provides proprietary cybersecurity technologies or services which it owns or has properly licensed.

The Department of Commerce must certify a cybersecurity company as a Qualified Maryland Cybersecurity Seller for the sale of its cybersecurity technologies or services to be eligible for the tax credit. [Apply Online](#) to fill out an application on the portal. The Department must recertify the cybersecurity company as a Qualified Maryland Cybersecurity Seller each year.

#### **2. What information does a cybersecurity company have to provide in its application for certification as a Qualified Maryland Cybersecurity Seller?**

To be certified as a Qualified Maryland Cybersecurity Seller, a cybersecurity company must:

- a) Demonstrate it is in good standing with the Maryland Department of Assessment and Taxation (SDAT);
- b) Demonstrate that it is current with its tax obligations;
- c) Provide evidence that is a for profit business with at least 51% of its business is the development of innovative and proprietary cybersecurity technology or the provision of cybersecurity service;
- d) Demonstrate that its headquarters and base of operations are located in Maryland;
- e) Provide evidence that the company has less than \$5 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; and
- f) Provide evidence that the company owns or licenses proprietary cybersecurity technology or provides a cybersecurity service.

Each of these requirements are explained below:

a) SDAT Good Standing: A cybersecurity company may provide the Department of Commerce with a Certificate of Status (also called a Good Standing Certificate) from SDAT. To avoid the \$20 cost for a

Certificate of Status, a cybersecurity company may instead submit a screen shot from the SDAT website stating that the cybersecurity company is in good standing. A screen shot may be obtained by following these steps:

- Visit the [Maryland Business Express](#) website.
- Enter the name of the business in the search engine;
- Click on “View Business Detail” once the name of the business is found in the search results. Print the screen showing that the business is in good standing.

b) Current with Tax Obligations: A cybersecurity company must provide a [Good Standing Certificate from the Comptroller of Maryland](#) to show that it is current in all of its Maryland tax obligations.

c) Primarily engaged in cybersecurity activities: A cybersecurity company must submit a business plan and complete financial statement to determine that it meets the minimum threshold for a cybersecurity company and to verify that it has its headquarters and base of operations in Maryland.

At a minimum, a business plan should include:

- Executive Summary
- History of Entity
- Description of Technologies or Services
- Intellectual Property
- Market Analysis
- Product Development
- Pricing Strategy
- Competition
- Company Leadership
- Financials
  - Historical Revenues and Expenses
  - Present and Projected Revenues and Expenses
    - Segregate Research and Development Expenses from Sales, General and Administrative Expenses
- Appendices as necessary

d) Owns or licenses a cybersecurity technology or provides a cybersecurity service: A cybersecurity company must submit documentation showing it has patented or patent pending intellectual property, a license, copyright, trademark, or other evidence that the company possess trade secrets.

A company’s business plan is used to certify companies that provide an eligible cybersecurity service consistent with the NIST cybersecurity framework.

e) Applications for Cybersecurity Companies Owned by a Minority, Woman, Veteran, or Service-Disabled Veteran

- i) Minority and Women-Owned Businesses: Cybersecurity companies must submit a copy of their [Minority Business Enterprise \(MBE\) certification](#) from the Maryland Department of Transportation.
- ii) Veteran or Service-Disabled Veteran-Owned Businesses: Cybersecurity companies must provide either: (1) a copy the veteran owner's DD 214 and attest that a veteran has principal ownership of the cybersecurity company; or (2) a copy of the United States Department of Veteran's Affairs [certification as a Veteran Owned-Small Business or Service-Disabled Veteran Owned-Small Business](#).
- iii) Applications for Cybersecurity Companies Located in a Historically Underutilized Business (HUB) Zone: Cybersecurity companies must submit a copy of its [HUB Zone certification](#) from the United States Small Business Administration (SBA). A company can determine if it is located in a HUB Zone by using the [SBA's HUB Zone Map](#).

**3. How long does the certification of a cybersecurity company as a Qualified Maryland Cybersecurity Seller last?**

The certification as a Qualified Maryland Cybersecurity Seller is good for one year, and the company must apply for recertification every year.

**4. Is there a deadline for applying for certification as a Qualified Maryland Cybersecurity Seller?**

No. A cybersecurity company may apply for certification as a Qualified Maryland Cybersecurity Seller at any time during the year.

**5. Does a cybersecurity company need to provide both cybersecurity technologies and services to be certified as a Qualified Maryland Cybersecurity Seller?**

No, the cybersecurity company may sell technologies alone, services alone, or both.

## **6. What cybersecurity services are eligible for the tax credit?**

To be eligible for the Buy Maryland Cybersecurity tax credit a cybersecurity service company must primarily perform an activity identified by the National Institute of Standards and Technology's (NIST) most recent [Cybersecurity Framework: Framework Core](#).

## **7. Is a buyer eligible for the tax credit if it buys a cybersecurity technology or service from a third-party or reseller?**

A buyer is eligible for the tax credit if it buys the cybersecurity technology or service of the Qualified Maryland Cybersecurity Seller through a third party reseller. However, the tax credit will not be 50% of the full purchase price of the cybersecurity technology or service purchased from the third-party reseller. The Department of Commerce will deduct 20% from the net purchase price before calculating the tax credit.

When applying for the tax credit, the buyer must be able to demonstrate that it purchased the cybersecurity technology or service of the Qualified Maryland Cybersecurity Seller from the third-party reseller. The invoice must include the name of the Qualified Maryland Cybersecurity Seller as well as a description of the cybersecurity technology or service that was purchased.