

This Week in State Tax (TWIST)

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Maryland: Tax Court Calls for Discovery and Evidentiary Hearings in Digital Ad Case

Multiple companies have filed challenges to the digital advertising tax in the Maryland Tax Court, claiming it violates the U.S. Constitution and the Internet Tax Freedom Act (ITFA). Recall, the digital advertising tax is a graduated gross receipts tax imposed on digital advertising services in Maryland, and ITFA prohibits states from imposing discriminatory taxes on electronic commerce, meaning generally taxes that are not also imposed on transactions involving similar property or services accomplished through other means.

The Tax Court held hearings last year in cases involving four high-profile taxpayers that had submitted motions for summary judgment based on the various claims. At the hearings, the Maryland Comptroller argued that the state should be allowed to conduct extensive discovery to determine whether the taxpayers' digital advertising methods are, in fact, similar to traditional advertising for purposes of ITFA. Recently, the Tax Court entered a scheduling order allowing six months of discovery in the four cases, up through June 20, 2025. Evidentiary hearings are now scheduled for July 21 through August 1, 2025. For questions, please contact [Jeremy Jester](#).

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