

This Week in State Tax (TWIST)

April 14, 2025



Maryland: General Assembly Adopts Budget with Tax on Data and Information Technology Services

The Maryland legislature enacted the Budget Reconciliation and Financing Act of 2025 (House Bill 352) during its recently concluded spring session as the state attempts to address an estimated \$3 billion budget deficit for fiscal year 2026. The bill that emerged from the conference committee differs in several significant regards from the versions approved earlier in the House and Senate.

The most significant aspect the bill for businesses is the imposition of a new 3 percent tax on certain data and information technology services as well as system software and application software publishing services. The new tax impositions are tied to business establishments that fall within sectors of 518, 519, 5415, and 5132 of the North American Industrial Classification System (NAICS) manual, as follows:

- Sector 518 includes establishments primarily engaged in providing computing infrastructure, data processing services, web hosting services, and other related services.
- Section 519 includes establishments primarily engaged in operating web search portals and information services, as well as establishments primarily engaged in providing library or archive services.
- Sector 5415 includes establishments primarily engaged in providing expertise in the field of information technologies through the writing, modifying, testing, and supporting of software to meet the needs of a particular customer; planning and designing computer systems that integrate computer hardware, software, and communication technologies; on-site management and operation of clients' computer systems and/or data processing facilities; and other professional and technical computer-related advice and services.
- Section 5132 includes establishments primarily engaged in software publishing.

If of the sales and use tax applies to any tangible personal property, digital code, digital product, or service that is also subject to the new 3 percent tax, the higher rate will apply to the sale. The bill also eliminates a sales and use tax exemption for custom computer software and custom computer software-related services. The conference committee added two exemptions to the new 3 percent tax. First, it exempts sales of cloud computing to a qualified cybersecurity business. Second, the bill exempts certain sales to a qualified company located in an emerging technology development area made in connection with the work of the company, or by a qualified company located in an emerging technology development area.

The bill also creates an option for buyers of digital codes, digital products, or services subject to the 3 percent tax to present vendors with a certificate indicating the products will be available for concurrent use in multiple

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jurisdictions. The buyer must know at the time of purchase that the items purchased will be concurrently available for use in more than one taxing jurisdiction or resold in its original form to a member of an affiliated group or a related pass-through entity of which the buyer is also a member. The buyer must deliver to the vendor the multiple points of use certificate at the time of purchase. Subsequently, the vendor is relieved of the obligation to collect or remit tax to the Comptroller, and the buyer is required to assume that obligation. To apportion the tax, the buyer may use any reasonable, but consistent and uniform method, that is supported by the buyer's records as they exist at the time of the sale and accurately reflect the primary use location in the state.

The bill also made substantial changes to the Maryland personal income tax. Notably, however, the conference committee deleted a provision that would have required worldwide combined reporting for corporation income tax purposes. [House Bill 352](#) now heads to the Governor for signature. If approved, the sales and use tax provisions of the bill take effect on July 1, 2025. For questions about House Bill 352, please contact [Jeremy Jester](#).

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