



This Week in State Tax (TWIST)

June 23, 2025



Maryland: Comptroller Releases Guidance on New IT and Data Services Taxes

The Maryland Comptroller recently released [Technical Bulletin No. 56](#), which provides guidance regarding the 3 percent tax on certain data and information technology services taking effect on July 1, 2025. [See April 24, 2025 [TWIST](#) for further information.] The guidance answers several questions beyond what services are taxable, including the treatment of software-as-a-Service (SaaS), timing matters, the use of MPU certificates.

Taxable Services – The new law defines the services that are taxable by reference to a business’s primary NAICS code. The guidance clarifies that the codes are to be used to define the services subject to the tax. If a business provides a service that meets the definition described in an enumerated code, the service will be subject to the new 3 percent tax, even if that is not the business’s primary category. The bulletin also provides a list of services that are subject to the 3 percent tax.

Treatment of SaaS – SaaS is considered both a digital product and a taxable software publishing service. The definition of digital product, however, excludes computer software and SaaS for use in an enterprise computer system. Thus, if SaaS is purchased for use in an enterprise computer system, it will generally be subject to the 3 percent rate. However, if purchased for individual use, it will be treated as a digital product and will be taxed at the 6 percent rate. The exemption for software and SaaS that is customized or configured as required by the buyer will be repealed on July 1, 2025.

Timing Matters – For subscriptions, installment sales, and credit sales, the timing of payments before and after the law takes effect is important. For subscriptions, each payment is considered a separate sale for tax purposes, meaning that payments received after July 1 are taxable. For installment sales and credit sales, the date of execution of the contract generally controls the taxability of a payment. Contracts entered into before July 1, 2025, are generally not subject to the tax, unless there is a change order, or additional services are purchased after this date. If a contract is automatically renewed after the July 1 effective date, that automatic renewal will be subject to tax. The guidance provides several examples to clarify the general rule.

MPU Certificates – The new Maryland law authorizes the use of a Multiple Points of Use (MPU) certificate if a buyer knows, at the time of purchase, that a digital code, digital product, taxable data service, taxable information technology service, or taxable software publishing service will be used concurrently by the buyer both inside and outside Maryland, or if it will be resold in its original form to a member of an affiliated group or a related pass-through entity of which the buyer is a member. If the buyer presents the vendor with a MPU certificate, the seller

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is relieved of the obligation to collect tax, and the tax obligation shifts to the buyer. The bulletin discusses the requirements of the MPU and provides guidance around what is considered a “reasonable method of apportionment” for allocating use among states in which the product or service is used. For information or questions, please contact [Jeremy Jester](#).

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