

**HB1354/395069/1**

BY: Committee on Ways and Means

AMENDMENTS TO HOUSE BILL 1354

(First Reading File Bill)

AMENDMENT NO. 1

On page 1, in line 2, after “Tax” insert “and Personal Property Tax”; in the same line, after “Services” insert “, Aircraft Parts and Equipment, and Data Centers”; in line 4, after “services;” insert “providing an exemption from the sales and use tax for certain materials, parts, and equipment used to repair, maintain, or upgrade aircraft or certain aircraft systems under certain circumstances; requiring the Comptroller to report to the General Assembly on or before a certain date each year; providing an exemption from the sales and use tax for certain sales of certain qualified data center personal property for use at certain qualified data centers under certain circumstances; requiring an individual or a corporation to apply to the Department of Commerce for an exemption certificate for the exemption; requiring that the application include certain information; requiring the Department of Commerce to certify eligibility for the exemption and each year to submit to the Comptroller a list of eligible individuals and corporations; requiring the Comptroller to issue a certificate of eligibility for the exemption within a certain number of days after receiving the eligibility list; requiring that the certificate be renewed each year; providing that the certificate may not be renewed for more than a certain number of consecutive years; requiring certificate holders to maintain certain records and allow the Department of Commerce to inspect the records for a minimum number of years after the certificate expires; authorizing the Department of Commerce, under certain circumstances, to revoke the certificate; requiring that the individual or corporation be afforded a certain appeal before the Comptroller is notified of the revocation; authorizing the Comptroller to make a certain assessment; authorizing the governing body of a county or municipal corporation to reduce or eliminate the assessment of certain personal property used in certain qualified data centers; requiring the governing body of a county or municipal corporation to submit a copy of a certain law to the State Department of Assessments and Taxation; providing that, if the State Department of Assessments and Taxation receives a copy of the law on or before a

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certain date, the law is effective for the next taxable year; requiring the State Department of Assessments and Taxation, under certain circumstances, to provide a municipal corporation with a certain assessment of certain personal property; defining certain terms; providing for the application of certain provisions of this Act;”; in the same line, after “of” insert “and exemptions from”; in line 5, strike “to services” and substitute “and personal property tax”; after line 10, insert:

“BY adding to

Article – Tax – General

Section 11–101(c–4), 11–236, and 11–237

Annotated Code of Maryland

(2016 Replacement Volume and 2019 Supplement)”;

and after line 15, insert:

“BY adding to

Article – Tax – Property

Section 7–246

Annotated Code of Maryland

(2019 Replacement Volume)”.

AMENDMENT NO. 2

On page 1, after line 20, insert:

**“(C–4) “NAICS” MEANS THE NORTH AMERICAN INDUSTRIAL CLASSIFICATION SYSTEM, UNITED STATES MANUAL, 2017 EDITION, PUBLISHED BY THE UNITED STATES OFFICE OF MANAGEMENT AND BUDGET.”.**

On pages 2 and 3, strike in their entirety the lines beginning with line 22 on page 2 through line 9 on page 3, inclusive, and substitute:

**“(14) FUR CLEANING, STORAGE, OR REPAIR;**

**(15) ART MOVING, CLEANING, OR STORAGE;**

**(16) AN ART AND ANTIQUE COLLECTING ADVISORY OR BROKERAGE SERVICE;**

**(17) A SWIMMING POOL CLEANING OR MAINTENANCE SERVICE;**

**(18) A SCENIC OR SIGHTSEEING TRANSPORTATION SERVICE (NAICS SECTORS 4871, 4872, OR 4879);**

**(19) AN INTERIOR DESIGN OR DECORATING SERVICE (NAICS SECTOR 541410);**

**(20) A TELEMARKETING BUREAU OR OTHER CONTACT CENTER SERVICE (NAICS SECTOR 561422);**

**(21) A TOUR OPERATOR (NAICS SECTOR 561520);**

**(22) A LOBBYING OR PUBLIC RELATIONS SERVICE (NAICS SECTOR 541820);**

**(23) A GOLF COURSE OR COUNTRY CLUB MEMBERSHIP OR SERVICE (NAICS SECTOR 713910);**

**(24) WATCH, CLOCK, OR JEWELRY REPAIR (NAICS SECTOR 811490);**

**(25) A TANNING OR DAY SPA SERVICE (NAICS SECTOR 812199);**

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**(26) A HAIR REMOVAL OR HAIR REPLACEMENT SERVICE (NAICS SECTOR 812199);**

**(27) A TATTOOING, PIERCING, OR PERMANENT MAKEUP SERVICE (NAICS SECTOR 812199);**

**(28) A NONVETERINARY PET CARE SERVICE (NAICS SECTOR 812910);**

**(29) AN ASTROLOGY, FORTUNE TELLING, OR PSYCHIC SERVICE (NAICS SECTOR 812990);**

**(30) A SOCIAL ESCORT SERVICE (NAICS SECTOR 812990); OR**

**(31) A PERSONAL CHEF SERVICE (NAICS SECTOR 812990).”**

On page 3, after line 13, insert:

**“11-236.**

**(A) THE SALES AND USE TAX DOES NOT APPLY TO THE SALE OF MATERIALS, PARTS, OR EQUIPMENT USED TO REPAIR, MAINTAIN, OR UPGRADE AIRCRAFT OR THE AVIONICS SYSTEMS OF AIRCRAFT IF THE MATERIALS, PARTS, OR EQUIPMENT ARE INSTALLED ON AN AIRCRAFT THAT:**

**(1) HAS A MAXIMUM GROSS TAKEOFF WEIGHT OF LESS THAN 12,500 POUNDS; OR**

**(2) (I) HAS A MAXIMUM GROSS TAKEOFF WEIGHT OF 12,500**

POUNDS OR MORE; AND

(II) IS PRIMARILY USED IN INTERSTATE OR FOREIGN COMMERCE.

(B) ON OR BEFORE DECEMBER 31 EACH YEAR, THE COMPTROLLER SHALL REPORT TO THE GENERAL ASSEMBLY, IN ACCORDANCE WITH § 2-1257 OF THE STATE GOVERNMENT ARTICLE, ON:

(1) THE AMOUNT OF SALES AND USE TAX REVENUE LOST FROM THE EXEMPTION UNDER THIS SECTION; AND

(2) ANY CHANGE TO THE NUMBER OF AVIATION TECHNICIANS EMPLOYED IN THE STATE AS A RESULT OF THE EXEMPTION UNDER THIS SECTION.

11-237.

(A) (1) IN THIS SECTION THE FOLLOWING WORDS HAVE THE MEANINGS INDICATED.

(2) “DATA CENTER” MEANS A BUILDING OR GROUP OF BUILDINGS USED TO HOUSE COMPUTER SYSTEMS, COMPUTER STORAGE EQUIPMENT, AND ASSOCIATED INFRASTRUCTURE THAT BUSINESSES OR OTHER ORGANIZATIONS USE TO ORGANIZE, PROCESS, STORE, AND DISSEMINATE LARGE AMOUNTS OF DATA.

(3) “DEPARTMENT” MEANS THE DEPARTMENT OF COMMERCE.

(4) “OPPORTUNITY ZONE” MEANS AN AREA THAT HAS BEEN

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DESIGNATED AS A QUALIFIED OPPORTUNITY ZONE IN THE STATE UNDER § 1400Z-1 OF THE INTERNAL REVENUE CODE.

(5) (I) “QUALIFIED DATA CENTER” MEANS A DATA CENTER LOCATED IN THE STATE IN WHICH AN INDIVIDUAL OR A CORPORATION, WITHIN 3 YEARS AFTER SUBMITTING AN APPLICATION FOR THE SALES AND USE TAX EXEMPTION UNDER THIS SECTION, HAS:

1. FOR A DATA CENTER LOCATED WITHIN A TIER I AREA, INVESTED AT LEAST \$2,000,000 IN QUALIFIED DATA CENTER PERSONAL PROPERTY AND CREATED AT LEAST FIVE QUALIFIED POSITIONS; OR

2. FOR A DATA CENTER LOCATED IN ANY OTHER AREA OF THE STATE, INVESTED AT LEAST \$5,000,000 IN QUALIFIED DATA CENTER PERSONAL PROPERTY AND CREATED AT LEAST FIVE QUALIFIED POSITIONS.

(II) “QUALIFIED DATA CENTER” INCLUDES:

1. A DATA CENTER THAT IS A CO-LOCATED OR HOSTING DATA CENTER WHERE EQUIPMENT, SPACE, AND BANDWIDTH ARE AVAILABLE TO LEASE TO MULTIPLE CUSTOMERS; AND

2. AN ENTERPRISE DATA CENTER OWNED AND OPERATED BY THE COMPANY IT SUPPORTS.

(6) (I) “QUALIFIED DATA CENTER PERSONAL PROPERTY” MEANS PERSONAL PROPERTY PURCHASED OR LEASED TO ESTABLISH OR OPERATE A DATA CENTER.

(II) “QUALIFIED DATA CENTER PERSONAL PROPERTY”

INCLUDES:

1. COMPUTER EQUIPMENT OR ENABLING SOFTWARE USED FOR THE PROCESSING, STORAGE, RETRIEVAL, OR COMMUNICATION OF DATA, INCLUDING SERVERS, ROUTERS, CONNECTIONS, AND OTHER ENABLING HARDWARE USED IN THE OPERATION OF THAT EQUIPMENT;

2. HEATING, VENTILATION, AND AIR-CONDITIONING AND MECHANICAL SYSTEMS, INCLUDING CHILLERS, COOLING TOWERS, AIR-HANDLING UNITS, PUMPS, ENERGY STORAGE OR ENERGY EFFICIENCY TECHNOLOGY, AND OTHER CAPITAL EQUIPMENT USED IN THE OPERATION OF THAT EQUIPMENT; AND

3. EQUIPMENT NECESSARY FOR THE GENERATION, TRANSFORMATION, TRANSMISSION, DISTRIBUTION, OR MANAGEMENT OF ELECTRICITY, INCLUDING EXTERIOR SUBSTATIONS, GENERATORS, TRANSFORMERS, UNIT SUBSTATIONS, UNINTERRUPTIBLE POWER SUPPLY SYSTEMS, BATTERIES, POWER DISTRIBUTION UNITS, REMOTE POWER PANELS, AND ANY OTHER CAPITAL EQUIPMENT NECESSARY FOR THESE PURPOSES.

(7) (I) “QUALIFIED POSITION” MEANS A POSITION THAT:

1. IS A FULL-TIME POSITION OF INDEFINITE DURATION;

2. PAYS AT LEAST 150% OF THE STATE MINIMUM WAGE;

**3. IS NEWLY CREATED BECAUSE A DATA CENTER BEGINS OR EXPANDS IN A SINGLE LOCATION IN THE STATE; AND**

**4. IS FILLED.**

**(II) "QUALIFIED POSITION" DOES NOT INCLUDE A POSITION:**

**1. CREATED IF AN EMPLOYMENT FUNCTION IS SHIFTED FROM AN EXISTING DATA CENTER IN THE STATE TO ANOTHER DATA CENTER OF RELATED OWNERSHIP IF THE POSITION IS NOT A NET NEW JOB IN THE STATE;**

**2. CREATED THROUGH A CHANGE IN OWNERSHIP OF A TRADE OR BUSINESS;**

**3. CREATED THROUGH A CONSOLIDATION, MERGER, OR RESTRUCTURING OF A BUSINESS ENTITY IF THE POSITION IS NOT A NET NEW JOB IN THE STATE;**

**4. CREATED IF AN EMPLOYMENT FUNCTION IS CONTRACTUALLY SHIFTED FROM AN EXISTING BUSINESS ENTITY IN THE STATE TO ANOTHER BUSINESS ENTITY IF THE POSITION IS NOT A NET NEW JOB IN THE STATE; OR**

**5. FILLED FOR A PERIOD OF LESS THAN 12 MONTHS.**

**(8) "TIER I AREA" MEANS:**

**(I) A TIER I COUNTY AS DEFINED IN § 1-101 OF THE**

ECONOMIC DEVELOPMENT ARTICLE; OR

(II) AN OPPORTUNITY ZONE.

(B) THE SALES AND USE TAX DOES NOT APPLY TO THE SALE OF QUALIFIED DATA CENTER PERSONAL PROPERTY FOR USE AT A QUALIFIED DATA CENTER IF THE BUYER PROVIDES THE VENDOR WITH EVIDENCE OF ELIGIBILITY FOR THE EXEMPTION ISSUED BY THE COMPTROLLER.

(C) (1) TO QUALIFY FOR THE SALES AND USE TAX EXEMPTION UNDER SUBSECTION (B) OF THIS SECTION, AN INDIVIDUAL OR A CORPORATION SHALL FILE AN APPLICATION FOR AN EXEMPTION CERTIFICATE WITH THE DEPARTMENT.

(2) THE APPLICATION MUST:

(I) DEMONSTRATE THAT THE APPLICANT INTENDS TO MEET THE REQUIREMENTS OF A QUALIFIED DATA CENTER; AND

(II) INCLUDE ANY INFORMATION THE DEPARTMENT REQUIRES TO EVIDENCE THE CAPACITY AND INTENTION OF THE APPLICANT TO FULFILL THE COMMITMENTS SET FORTH IN THE APPLICANT'S APPLICATION.

(3) IF, BASED ON THE INFORMATION AND SUPPORTING DOCUMENTATION PROVIDED IN THE APPLICATION, THE DEPARTMENT DETERMINES THE APPLICANT IS ELIGIBLE FOR THE SALES AND USE TAX EXEMPTION UNDER SUBSECTION (B) OF THIS SECTION, THE DEPARTMENT SHALL CERTIFY THE ELIGIBILITY OF THE APPLICANT.

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(D) (1) EACH YEAR, THE DEPARTMENT SHALL PROVIDE THE COMPTROLLER WITH A LIST OF INDIVIDUALS AND CORPORATIONS THAT THE DEPARTMENT DETERMINES ARE ELIGIBLE FOR THE SALES AND USE TAX EXEMPTION UNDER SUBSECTION (B) OF THIS SECTION.

(2) WITHIN 30 DAYS AFTER RECEIVING THE LIST DESCRIBED IN PARAGRAPH (1) OF THIS SUBSECTION, THE COMPTROLLER SHALL ISSUE TO EACH INDIVIDUAL AND CORPORATION LISTED A CERTIFICATE OF ELIGIBILITY FOR THE SALES AND USE TAX EXEMPTION UNDER SUBSECTION (B) OF THIS SECTION.

(3) THE CERTIFICATE OF ELIGIBILITY ISSUED UNDER PARAGRAPH (2) OF THIS SUBSECTION:

(I) MUST BE RENEWED EACH YEAR; AND

(II) MAY NOT BE RENEWED FOR MORE THAN 10 CONSECUTIVE YEARS.

(E) FOR AT LEAST 3 YEARS AFTER THE TERMINATION OF A CERTIFICATE ISSUED UNDER SUBSECTION (D) OF THIS SECTION, EACH INDIVIDUAL OR CORPORATION THAT RECEIVES THE CERTIFICATE SHALL:

(1) MAINTAIN A RECORD OF:

(I) THE AMOUNT OF SALES AND USE TAX THAT WAS NOT PAID AS A RESULT OF THE CERTIFICATE;

(II) THE NUMBER OF QUALIFIED POSITIONS CREATED; AND

(III) THE INVESTMENT IN QUALIFIED DATA CENTER PERSONAL PROPERTY; AND

(2) ALLOW THE DEPARTMENT TO INSPECT THE RECORDS DESCRIBED IN ITEM (1) OF THIS SUBSECTION.

(F) (1) THE DEPARTMENT MAY REVOKE A CERTIFICATE OF ELIGIBILITY UNDER SUBSECTION (D) OF THIS SECTION IF ANY REPRESENTATION MADE IN CONNECTION WITH THE APPLICATION FOR THE CERTIFICATE IS DETERMINED BY THE DEPARTMENT TO HAVE BEEN FALSE WHEN MADE OR IF THE APPLICANT HAS FAILED TO FULFILL THE APPLICANT'S COMMITMENTS UNDER THE APPLICATION.

(2) THE REVOCATION MAY BE IN FULL OR IN PART AS THE DEPARTMENT MAY DETERMINE.

(3) THE INDIVIDUAL OR CORPORATION SHALL HAVE AN OPPORTUNITY TO APPEAL ANY REVOCATION TO THE DEPARTMENT BEFORE NOTIFICATION OF THE COMPTROLLER.

(4) THE COMPTROLLER MAY MAKE AN ASSESSMENT AGAINST THE INDIVIDUAL OR CORPORATION TO RECAPTURE ANY AMOUNT OF SALES AND USE TAX THAT THE INDIVIDUAL OR CORPORATION HAS NOT PAID AS A RESULT OF AN EXEMPTION UNDER SUBSECTION (B) OF THIS SECTION.

SECTION 2. AND BE IT FURTHER ENACTED, That the Laws of Maryland read as follows:

Article – Tax – Property

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7-246.

(A) IN THIS SECTION, “QUALIFIED DATA CENTER” AND “QUALIFIED DATA CENTER PERSONAL PROPERTY” HAVE THE MEANINGS STATED IN § 11-237 OF THE TAX – GENERAL ARTICLE.

(B) THE GOVERNING BODY OF A COUNTY OR MUNICIPAL CORPORATION MAY REDUCE OR ELIMINATE, BY LAW, THE PERCENTAGE OF THE ASSESSMENT OF ANY QUALIFIED DATA CENTER PERSONAL PROPERTY USED IN A QUALIFIED DATA CENTER THAT IS SUBJECT TO THE COUNTY OR MUNICIPAL CORPORATION PROPERTY TAX UNDER THIS TITLE.

(C) (1) A COUNTY OR MUNICIPAL CORPORATION THAT REDUCES OR ELIMINATES THE PERCENTAGE OF ASSESSMENT OF TAXABLE QUALIFIED DATA CENTER PERSONAL PROPERTY UNDER SUBSECTION (B) OF THIS SECTION SHALL SUBMIT A COPY OF THE LAW TO THE DEPARTMENT.

(2) IF THE DEPARTMENT RECEIVES A COPY OF THE LAW ON OR BEFORE MAY 1, THE CHANGE WILL BE EFFECTIVE FOR THE TAXABLE YEAR FOLLOWING THE DATE THE LAW IS ENACTED.

(D) IF ANY QUALIFIED DATA CENTER PERSONAL PROPERTY IS EXEMPT UNDER SUBSECTION (C) OF THIS SECTION FROM COUNTY PROPERTY TAX BUT IS SUBJECT TO MUNICIPAL CORPORATION PROPERTY TAX, THE DEPARTMENT OR THE SUPERVISOR SHALL PROVIDE THE MUNICIPAL CORPORATION WITH THE ASSESSMENT OF THE QUALIFIED DATA CENTER PERSONAL PROPERTY.

SECTION 3. AND BE IT FURTHER ENACTED, That Section 2 of this Act shall be applicable to all taxable years beginning after June 30, 2020.”.

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and in line 14, strike “2.” and substitute “4.”.