Unofficial Copy   1996 Regular Session
Q1   6lr2689

                                      CF 6lr2673

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By: Delegates Hixson, Heller, and Gordon
Introduced and read first time: February 7, 1996
Assigned to: Ways and Means

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Committee Report: Favorable with amendments
House action: Adopted
Read second time: March 18, 1996

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CHAPTER ____

1 AN ACT concerning

2   **Property Tax - Computer Software**

3 FOR the purpose of providing an exemption from valuation and property tax for certain
4   computer software and related documentation; defining certain terms; <u>providing for</u>
5   <u>the application of this Act;</u> and generally relating to a property tax exemption for
6   certain computer software and related documentation.

7 BY adding to
8   Article - Tax - Property
9   Section 7-238
10   Annotated Code of Maryland
11   (1994 Replacement Volume and 1995 Supplement)

12   SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
13 MARYLAND, That the Laws of Maryland read as follows:

14   **Article - Tax - Property**

15 7-238.

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

18   (2) (I) "COMPUTER SOFTWARE" MEANS ANY PROGRAM OR ROUTINE
19 USED TO CAUSE A COMPUTER TO PERFORM A SPECIFIC TASK OR SET OF TASKS.

20   (II) "COMPUTER SOFTWARE" INCLUDES:

21   1. SYSTEM AND APPLICATION PROGRAMS; AND

22   2. DATABASE STORAGE AND MANAGEMENT PROGRAMS.

1   (3) "EMBEDDED SOFTWARE" MEANS COMPUTER INSTRUCTIONS,
2 KNOWN AS MICROCODE, THAT:

3   (I) RESIDE PERMANENTLY IN THE INTERNAL MEMORY OF A
4 COMPUTER SYSTEM OR OTHER EQUIPMENT; AND

5   (II) ARE NOT INTENDED TO BE REMOVED WITHOUT TERMINATING
6 THE OPERATION OF THE COMPUTER SYSTEM OR EQUIPMENT AND REMOVING A
7 COMPUTER CHIP, A CIRCUIT, OR ANOTHER MECHANICAL DEVICE.

8   (B) EXCEPT AS PROVIDED IN ~~SUBSECTION (C)~~ SUBSECTIONS (C) AND (D) OF
9 THIS SECTION, COMPUTER SOFTWARE AND ANY DOCUMENTATION RELATED TO
10 THE COMPUTER SOFTWARE ARE NOT SUBJECT TO VALUATION OR PROPERTY TAX.

11   (C) THE EXEMPTION UNDER THIS SECTION DOES NOT APPLY TO COMPUTER
12 SOFTWARE OR ITS RELATED DOCUMENTATION IF:

13   (1) THE COMPUTER SOFTWARE IS EMBEDDED SOFTWARE; OR

14   (2) THE COMPUTER SOFTWARE IS SOLD FROM STOCK IN BUSINESS IN A
15 TANGIBLE MEDIUM READY FOR USE AS IS.

16   (D) WHEN REPORTING PERSONAL PROPERTY UNDER TITLE 11 OF THIS
17 ARTICLE, A BUSINESS MAY NOT REDUCE THE ORIGINAL COST OF THE COMPUTER
18 HARDWARE BY THE VALUE OF THE COMPUTER SOFTWARE THAT IS ACQUIRED AS
19 PART OF THE PURCHASE OF COMPUTER HARDWARE.

20   SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
21 ~~July 1, 1996~~ June 1, 1996 and shall be applicable to all taxable years beginning after June
22 30, 1997.