

HOUSE BILL 670

Q4

8lr2764

By: **Delegate Barve**

Introduced and read first time: February 1, 2008

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Sales and Use Tax - Computer Services Used in Production Activities and**
3 **Research and Development**

4 FOR the purpose of exempting from the sales and use tax the sale of a computer
5 service that is used directly and predominantly in certain production activities
6 under certain circumstances; exempting from the sales and use tax the sale of a
7 computer service for use in certain research and development; providing for the
8 termination of this Act; and generally relating to the sales and use taxation of
9 certain computer services.

10 BY repealing and reenacting, without amendments,
11 Article - Tax - General
12 Section 11-101(f)(1)
13 Annotated Code of Maryland
14 (2004 Replacement Volume and 2007 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article - Tax - General
17 Section 11-210(b)(1) and 11-217
18 Annotated Code of Maryland
19 (2004 Replacement Volume and 2007 Supplement)

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

22 **Article - Tax - General**

23 11-101.

24 (f) (1) "Production activity" means:

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (i) except for processing food or a beverage by a retail food
2 vendor, assembling, manufacturing, processing, or refining tangible personal property
3 for resale;

4 (ii) generating electricity for sale or for use in another
5 production activity;

6 (iii) 1. laundering, maintaining, or preparing textile products
7 for rental; or

8 2. laundering, maintaining, or preparing textile products
9 in providing the taxable service of commercial cleaning or laundering of textiles for a
10 buyer who is engaged in a business that requires the recurring service of commercial
11 cleaning or laundering of the textiles;

12 (iv) producing or repairing production machinery or equipment;

13 (v) establishing or maintaining clean rooms or clean zones as
14 required by applicable provisions of the Federal Food, Drug, and Cosmetic Act, the
15 Public Health Service Act, and the Virus–Serum–Toxin Act, and the regulations
16 adopted thereunder, pertaining to the manufacture of drugs, medical devices, or
17 biologics;

18 (vi) providing for the safety of employees; or

19 (vii) providing for quality control.

20 11–210.

21 (b) The sales and use tax does not apply to a sale of:

22 (1) tangible personal property **OR A COMPUTER SERVICE** used
23 directly and predominantly in a production activity at any stage of operation on the
24 production activity site from the handling of raw material or components to the
25 movement of the finished product, if, **IN THE CASE OF TANGIBLE PERSONAL**
26 **PROPERTY**, the tangible personal property is not installed so that it becomes real
27 property;

28 11–217.

29 (a) (1) In this section, “research and development” means:

30 (i) basic and applied research in the sciences and engineering;
31 and

1 (ii) the design, development, and governmentally required
2 pre-market testing of prototypes, products, and processes.

3 (2) "Research and development" does not include:

4 (i) market research;

5 (ii) research in the social sciences or psychology and other
6 nontechnical activities;

7 (iii) routine product testing;

8 (iv) sales services; or

9 (v) technical and nontechnical services.

10 (b) The sales and use tax does not apply to a sale of tangible personal
11 property **OR A COMPUTER SERVICE** for use or consumption in research and
12 development.

13 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
14 July 1, 2008. It shall remain effective until the taking effect of the termination
15 provision specified in Section 13 of Chapter 3 of the Acts of the General Assembly of
16 the 2007 Special Session. If that termination provision takes effect, this Act shall be
17 abrogated and of no further force and effect. This Act may not be interpreted to have
18 any effect on that termination provision.