

SENATE BILL 1045

Q4

5lr3654
CF HB 1554

By: **Senator Hettleman**

Introduced and read first time: February 15, 2025

Assigned to: Rules

A BILL ENTITLED

1 AN ACT concerning

2 **Sales and Use Tax – Taxable Business Services – Alterations**

3 FOR the purpose of altering the definitions of “taxable price” and “taxable service” for the
4 purposes of certain provisions of law governing the sales and use tax to impose the
5 tax on certain labor and services; specifying the rate of the sales and use tax for
6 certain labor and services; and generally relating to the sales and use tax.

7 BY repealing and reenacting, without amendments,
8 Article – Tax – General
9 Section 11–101(a) and (l)(1)
10 Annotated Code of Maryland
11 (2022 Replacement Volume and 2024 Supplement)

12 BY adding to
13 Article – Tax – General
14 Section 11–101(c–12) and 11–104(l)
15 Annotated Code of Maryland
16 (2022 Replacement Volume and 2024 Supplement)

17 BY repealing and reenacting, with amendments,
18 Article – Tax – General
19 Section 11–101(c–12), (l)(3), and (m)
20 Annotated Code of Maryland
21 (2022 Replacement Volume and 2024 Supplement)

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

24 **Article – Tax – General**

25 11–101.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



1 (a) In this title the following words have the meanings indicated.

2 (C-12) "NAICS" MEANS THE NORTH AMERICAN INDUSTRIAL
3 CLASSIFICATION SYSTEM, UNITED STATES MANUAL, 2022 EDITION, PUBLISHED BY
4 THE UNITED STATES OFFICE OF MANAGEMENT AND BUDGET.

5 [(c-12)] (C-13) "Permanent" means perpetual or for an indefinite or unspecified
6 length of time.

7 (l) (1) "Taxable price" means the value, in money, of the consideration of any
8 kind that is paid, delivered, payable, or deliverable by a buyer to a vendor in the
9 consummation and complete performance of a sale without deduction for any expense or
10 cost, including the cost of:

11 (i) any labor or service rendered;

12 (ii) any material used; or

13 (iii) any property, digital code, or digital product sold.

14 (3) "Taxable price" does not include:

15 (i) a charge that is made in connection with a sale and is stated as
16 a separate item of the consideration for:

17 1. a delivery, freight, or other transportation service for
18 delivery directly to the buyer by the vendor or by another person acting for the vendor,
19 unless the transportation service is a taxable service;

20 2. a finance charge, interest, or similar charge for credit
21 extended to the buyer;

22 3. a labor or service for application or installation **UNLESS**
23 **THE LABOR OR SERVICE IS A TAXABLE SERVICE;**

24 4. a mandatory gratuity or service charge in the nature of a
25 tip for serving food or beverage to a group of 10 or fewer individuals for consumption on the
26 premises of the vendor;

27 5. a professional service **UNLESS THE SERVICE IS A**
28 **TAXABLE SERVICE;**

29 6. a tax:

1 A. imposed by a county on the sale of coal, electricity, oil,
2 nuclear fuel assemblies, steam, or artificial or natural gas;

3 B. imposed under § 3–302(a) of the Natural Resources
4 Article, as a surcharge on electricity, and added to an electric bill;

5 C. imposed under §§ 6–201 through 6–203 of the Tax –
6 Property Article, on tangible personal property subject to a lease that is for an initial period
7 that exceeds 1 year and is noncancellable except for cause; or

8 D. imposed under § 4–102 of this article on the gross receipts
9 derived from an admissions and amusement charge;

10 7. any service for the operation of equipment used for the
11 production of audio, video, or film recordings **UNLESS THE SERVICE IS A TAXABLE**
12 **SERVICE**; or

13 8. reimbursement of incidental expenses paid to a third party
14 and incurred in connection with providing a taxable detective service;

15 (ii) the value of a used component or part (core value) received from
16 a purchaser of the following remanufactured truck parts:

17 1. an air brake system;

18 2. an engine;

19 3. a rear axle carrier; or

20 4. a transmission;

21 (iii) a charge for a nontaxable service that is made in connection with
22 a sale of a taxable communication service, even if the nontaxable charges are aggregated
23 with and not separately stated from the taxable charges for communications services, if the
24 vendor can reasonably identify charges not subject to tax from its books and records that
25 are kept in the regular course of business; or

26 (iv) a transportation network company impact fee imposed under §
27 10–408 of the Public Utilities Article.

28 (m) “Taxable service” means:

29 (1) fabrication, printing, or production of tangible personal property or a
30 digital product by special order;

1 (2) commercial cleaning or laundering of textiles for a buyer who is engaged
2 in a business that requires the recurring service of commercial cleaning or laundering of
3 the textiles;

4 (3) cleaning of a commercial or industrial building;

5 (4) cellular telephone or other mobile telecommunications service;

6 (5) "900", "976", "915", and other "900"-type telecommunications service;

7 (6) custom calling service provided in connection with basic telephone
8 service;

9 (7) a telephone answering service;

10 (8) pay per view television service;

11 (9) credit reporting;

12 (10) a security service, including:

13 (i) a detective, guard, or armored car service; and

14 (ii) a security systems service;

15 (11) a transportation service for transmission, distribution, or delivery of
16 electricity or natural gas, if the sale or use of the electricity or natural gas is subject to the
17 sales and use tax;

18 (12) a prepaid telephone calling arrangement; [or]

19 (13) the privilege given to an individual under § 4-1102 of the Alcoholic
20 Beverages and Cannabis Article to consume wine that is not purchased from or provided
21 by a restaurant, club, or hotel; **OR**

22 **(14) THE FOLLOWING SERVICES IF BOTH THE PROVIDER OF THE**
23 **SERVICE AND THE BUYER ARE BUSINESS ENTITIES:**

24 **(I) AN ACCOUNTING, BOOKKEEPING, BILLING, OR PAYROLL**
25 **SERVICE DESCRIBED UNDER NAICS SECTOR 5412;**

26 **(II) AN OFFICE SUPPORT SERVICE, INCLUDING A SERVICE**
27 **DESCRIBED UNDER NAICS SECTOR 561110, 5614, OR 561910, OTHER THAN A**
28 **SERVICE DESCRIBED UNDER ITEM (6), (7), OR (9) OF THIS SUBSECTION;**

1 (III) A PERMANENT OR TEMPORARY EMPLOYEE OR CONTRACTOR
2 PLACEMENT, INCLUDING A SERVICE DESCRIBED UNDER NAICS SECTOR 5613;

3 (IV) A DATA OR INFORMATION TECHNOLOGY SERVICE
4 DESCRIBED UNDER NAICS SECTOR 518, 519, OR 5415;

5 (V) A SYSTEM SOFTWARE OR APPLICATION SOFTWARE
6 PUBLISHING SERVICE DESCRIBED UNDER NAICS SECTOR 5415;

7 (VI) A CONSULTING SERVICE DESCRIBED UNDER NAICS
8 SECTOR 5416;

9 (VII) AN EXPERIMENTAL DEVELOPMENT SERVICE DESCRIBED
10 UNDER NAICS SECTOR 5417;

11 (VIII) A PHOTOGRAPHY, DESIGN, OR PRINTING SERVICE,
12 INCLUDING A SERVICE DESCRIBED UNDER NAICS SECTOR 541420, 541430, OR
13 541490;

14 (IX) A LOBBYING, PUBLIC RELATIONS, OR MARKETING SERVICE
15 DESCRIBED UNDER NAICS SECTOR 5418;

16 (X) A LANDSCAPING AND NONRESIDENTIAL BUILDING OR
17 PROPERTY MAINTENANCE SERVICE, INCLUDING A SERVICE DESCRIBED UNDER
18 NAICS SECTOR 561210, 5616, OR 5617, OTHER THAN A SERVICE DESCRIBED
19 UNDER ITEM (3) OR (10) OF THIS SUBSECTION;

20 (XI) A HEAVY TRUCK OR BUS REPAIR SERVICE DESCRIBED
21 UNDER NAICS SECTOR 8111;

22 (XII) A REPAIR SERVICE DESCRIBED UNDER NAICS SECTOR
23 8112 OR 8113;

24 (XIII) A FINANCIAL PLANNING OR TAX PREPARATION SERVICE
25 DESCRIBED UNDER NAICS SECTOR 5239 OR 5412;

26 (XIV) AN APPRAISAL SERVICE DESCRIBED UNDER NAICS
27 SECTOR 541990;

28 (XV) A SPORTS OR PERFORMING ARTS ADVERTISING SERVICE;
29 OR

1 **(XVI) A VALET OR PARKING SERVICE DESCRIBED UNDER NAICS**
2 **SECTOR 812930, OTHER THAN A PUBLIC PARKING GARAGE.**

3 11-104.

4 **(L) (1) THE SALES AND USE TAX FOR A SALE OF A TAXABLE SERVICE**
5 **DESCRIBED UNDER § 11-101(M)(14) OF THIS SUBTITLE IS 2.5% OF THE TAXABLE**
6 **PRICE.**

7 **(2) IF A DIFFERENT RATE FROM THE RATE SPECIFIED UNDER**
8 **PARAGRAPH (1) OF THIS SUBSECTION COULD BE APPLIED TO A SALE OR USE OF**
9 **TANGIBLE PERSONAL PROPERTY, A DIGITAL CODE, A DIGITAL PRODUCT, OR A**
10 **TAXABLE SERVICE, THE HIGHER RATE SHALL APPLY TO THE SALE.**

11 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
12 1, 2025.