

HOUSE BILL 560

Q4, Q1

6lr1918

By: **Delegates Palakovich Carr, Acevero, Bagnall, Boyce, Ebersole, Embry, Fair, Feldmark, D. Jones, Kaufman, Lewis, Lopez, McCaskill, Moreno, Ruff, Ruth, Stewart, Terrasa, White Holland, Wims, and Woorman**

Introduced and read first time: January 28, 2026

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Sales and Use Tax and Property Tax – Exemptions for Data Centers – Repeal**

3 FOR the purpose of repealing an exemption from the sales and use tax for certain sales of
4 certain personal property for use at certain qualified data centers under certain
5 circumstances; repealing the authorization for a governing body of a county or
6 municipal corporation to reduce or eliminate the assessment of certain personal
7 property used in certain qualified data centers; and generally relating to exemptions
8 from the sales and use tax and personal property tax for qualified data center
9 personal property.

10 BY repealing

11 Article – Tax – General

12 Section 11–239

13 Annotated Code of Maryland

14 (2022 Replacement Volume and 2025 Supplement)

15 BY repealing

16 Article – Tax – Property

17 Section 7–248

18 Annotated Code of Maryland

19 (2019 Replacement Volume and 2025 Supplement)

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

22 **Article – Tax – General**

23 [11–239.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



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

2 (2) “Data center” means a building or group of buildings used to house
3 computer systems, computer storage equipment, and associated infrastructure that
4 businesses or other organizations use to organize, process, store, and disseminate large
5 amounts of data.

6 (3) “Department” means the Department of Commerce.

7 (4) “Opportunity zone” means an area that has been designated as a
8 qualified opportunity zone in the State under § 1400Z–1 of the Internal Revenue Code.

9 (5) (i) “Qualified data center” means a data center located in the State
10 in which an individual or a corporation, within 3 years after submitting an application for
11 the sales and use tax exemption under this section, has:

12 1. for a data center located within a Tier I area, invested at
13 least \$2,000,000 in qualified data center personal property and created at least five
14 qualified positions; or

15 2. for a data center located in any other area of the State,
16 invested at least \$5,000,000 in qualified data center personal property and created at least
17 five qualified positions.

18 (ii) “Qualified data center” includes:

19 1. a data center that is a co-located or hosting data center
20 where equipment, space, and bandwidth are available to lease to multiple customers; and

21 2. an enterprise data center owned and operated by the
22 company it supports.

23 (6) (i) “Qualified data center personal property” means personal
24 property purchased or leased to establish or operate a data center.

25 (ii) “Qualified data center personal property” includes:

26 1. computer equipment or enabling software used for the
27 processing, storage, retrieval, or communication of data, including servers, routers,
28 connections, and other enabling hardware used in the operation of that equipment;

29 2. heating, ventilation, and air-conditioning and mechanical
30 systems, including chillers, cooling towers, air-handling units, pumps, energy storage or
31 energy efficiency technology, and other capital equipment used in the operation of that
32 equipment; and

1 3. equipment necessary for the generation, transformation,
2 transmission, distribution, or management of electricity, including exterior substations,
3 generators, transformers, unit substations, uninterruptible power supply systems,
4 batteries, power distribution units, remote power panels, and any other capital equipment
5 necessary for these purposes.

6 (7) (i) “Qualified position” means a position that:

7 1. is a full-time position of indefinite duration;

8 2. pays at least 150% of the State minimum wage;

9 3. is newly created because a data center begins or expands
10 in a single location in the State; and

11 4. is filled.

12 (ii) “Qualified position” does not include a position:

13 1. created if an employment function is shifted from an
14 existing data center in the State to another data center of related ownership if the position
15 is not a net new job in the State;

16 2. created through a change in ownership of a trade or
17 business;

18 3. created through a consolidation, merger, or restructuring
19 of a business entity if the position is not a net new job in the State;

20 4. created if an employment function is contractually shifted
21 from an existing business entity in the State to another business entity if the position is
22 not a net new job in the State; or

23 5. filled for a period of less than 12 months.

24 (8) “Tier I area” means:

25 (i) a Tier I county as defined in § 1-101 of the Economic
26 Development Article; or

27 (ii) an opportunity zone.

28 (b) The sales and use tax does not apply to the sale of qualified data center
29 personal property for use at a qualified data center if the buyer provides the vendor with
30 evidence of eligibility for the exemption issued by the Comptroller.

1 (c) (1) To qualify for the sales and use tax exemption under subsection (b) of
2 this section, an individual or a corporation shall file an application for an exemption
3 certificate with the Department.

4 (2) The application must:

5 (i) demonstrate that the applicant intends to meet the requirements
6 of a qualified data center; and

7 (ii) include any information the Department requires to evidence the
8 capacity and intention of the applicant to fulfill the commitments set forth in the applicant's
9 application.

10 (3) If, based on the information and supporting documentation provided in
11 the application, the Department determines the applicant is eligible for the sales and use
12 tax exemption under subsection (b) of this section, the Department shall certify the
13 eligibility of the applicant.

14 (d) (1) Each year, the Department shall provide the Comptroller with a list of
15 individuals and corporations that the Department determines are eligible for the sales and
16 use tax exemption under subsection (b) of this section.

17 (2) Within 30 days after receiving the list described in paragraph (1) of this
18 subsection, the Comptroller shall issue to each individual and corporation listed a
19 certificate of eligibility for the sales and use tax exemption under subsection (b) of this
20 section.

21 (3) (i) The certificate of eligibility issued under paragraph (2) of this
22 subsection:

23 1. must be renewed each year; and

24 2. except as provided in subparagraph (ii) of this paragraph, may
25 not be renewed for more than 10 consecutive years.

26 (ii) If the individual or corporation invests at least \$250,000,000 in
27 qualified data center personal property, the certificate of eligibility may be renewed for up
28 to 20 consecutive years.

29 (e) For at least 3 years after the termination of a certificate issued under
30 subsection (d) of this section, each individual or corporation that receives the certificate
31 shall:

32 (1) maintain a record of:

33 (i) the amount of sales and use tax that was not paid as a result of
34 the certificate;

- 1 (ii) the number of qualified positions created; and
- 2 (iii) the investment in qualified data center personal property; and
- 3 (2) allow the Department to inspect the records described in item (1) of this
4 subsection.
- 5 (f) (1) The Department may revoke a certificate of eligibility under subsection
6 (d) of this section if any representation made in connection with the application for the
7 certificate is determined by the Department to have been false when made or if the
8 applicant has failed to fulfill the applicant's commitments under the application.
- 9 (2) The revocation may be in full or in part as the Department may
10 determine.
- 11 (3) The individual or corporation shall have an opportunity to appeal any
12 revocation to the Department before notification of the Comptroller.
- 13 (4) The Comptroller may make an assessment against the individual or
14 corporation to recapture any amount of sales and use tax that the individual or corporation
15 has not paid as a result of an exemption under subsection (b) of this section.]

16 Article – Tax – Property

17 [7–248.

18 (a) In this section, “qualified data center” and “qualified data center personal
19 property” have the meanings stated in § 11–238 of the Tax – General Article.

20 (b) The governing body of a county or municipal corporation may reduce or
21 eliminate, by law, the percentage of the assessment of any qualified data center personal
22 property used in a qualified data center that is subject to the county or municipal
23 corporation property tax under this title.

24 (c) (1) A county or municipal corporation that reduces or eliminates the
25 percentage of assessment of taxable qualified data center personal property under
26 subsection (b) of this section shall submit a copy of the law to the Department.

27 (2) If the Department receives a copy of the law on or before May 1, the
28 change will be effective for the taxable year following the date the law is enacted.

29 (d) If any qualified data center personal property is exempt under subsection (c)
30 of this section from county property tax but is subject to municipal corporation property
31 tax, the Department or the supervisor shall provide the municipal corporation with the
32 assessment of the qualified data center personal property.

1 (e) The Department may adopt regulations to implement this section.]

2 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
3 1, 2026.