

SENATE BILL 600

Q4

6lr1659

By: **Senator Hester**

Introduced and read first time: February 5, 2026

Assigned to: Budget and Taxation

A BILL ENTITLED

1 AN ACT concerning

2 **Sales and Use Tax – Definition of Retail Sale – Alterations**

3 FOR the purpose of altering the definition of “retail sale” for purposes of provisions of law
4 governing the sales and use tax to exclude certain sales of technology services under
5 certain circumstances; and generally relating to the sales and use tax.

6 BY repealing and reenacting, without amendments,
7 Article – Tax – General
8 Section 11–101(a), (h)(1), and (m)(14) and (15) and 11–102(a)
9 Annotated Code of Maryland
10 (2022 Replacement Volume and 2025 Supplement)

11 BY repealing and reenacting, with amendments,
12 Article – Tax – General
13 Section 11–101(h)(3)
14 Annotated Code of Maryland
15 (2022 Replacement Volume and 2025 Supplement)

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

18 **Article – Tax – General**

19 11–101.

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

21 (h) (1) “Retail sale” means the sale of:

22 (i) tangible personal property;

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



(ii) a taxable service;

(iii) a digital code; or

(iv) a digital product.

(3) “Retail sale” does not include:

(i) a transfer of title to tangible personal property after its use as facilities, tools, tooling, machinery, or equipment, including dies, molds, and patterns, if:

1. at the time of purchase, the buyer is obligated, under the terms of a written contract, to make the transfer; and

2. the transfer is made for the same or greater consideration to the person for whom the buyer manufactures goods or performs work;

(ii) a sale of tangible personal property, a digital code, or a digital product if the buyer intends to:

1. resell the tangible personal property, digital code, or digital product in the form that the buyer receives or is to receive the property, digital code, or digital product;

2. use or incorporate the tangible personal property, digital code, or digital product in a production activity as a material or part of other tangible personal property or another digital product to be produced for sale; or

3. transfer the tangible personal property, digital code, or digital product as a part of a taxable service transaction; [or]

(iii) a sale of a taxable service if the buyer intends to resell the taxable service in the form that the buyer receives or is to receive the service; **OR**

(IV) A SALE OF A TAXABLE SERVICE DESCRIBED UNDER SUBSECTION (M)(14) OR (15) OF THIS SECTION IF:

1. THE BUYER INTENDS TO USE OR INCORPORATE THE TAXABLE SERVICE INTO ANOTHER TAXABLE SERVICE DESCRIBED UNDER SUBSECTION (M)(14) OR (15) OF THIS SECTION FOR SALE; OR

2. BOTH THE VENDOR AND THE BUYER ARE MEMBERS OF THE SAME AFFILIATED GROUP, AS DEFINED UNDER § 11-403 OF THIS TITLE, OR ARE RELATED PASS-THROUGH ENTITIES, AS DEFINED UNDER § 11-403 OF THIS TITLE.

(m) “Taxable service” means:

1 (14) a data or information technology service described under NAICS Sector
2 518, 519, or 5415; or

3 (15) a system software or application software publishing service described
4 under NAICS Sector 5132.

5 11–102.

6 (a) Except as otherwise provided in this title, a tax is imposed on:

7 (1) a retail sale in the State; and

8 (2) a use, in the State, of tangible personal property, a digital code, a digital
9 product, or a taxable service.

10 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect July
11 1, 2026.