

**Department of Legislative Services**  
Maryland General Assembly  
2026 Session

**FISCAL AND POLICY NOTE**  
**First Reader**

House Bill 560

(Delegate Palakovich Carr, *et al.*)

Ways and Means

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**Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal**

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This bill repeals a specified sales and use tax exemption for the sale of qualified data center personal property for use at a qualified data center. The bill also repeals the authority of local governments to reduce or eliminate the percentage of the assessment of any data center personal property used in a qualified data center. **The bill takes effect July 1, 2026.**

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**Fiscal Summary**

**State Effect:** General fund and Blueprint for Maryland's Future Fund (BMFF) revenues increase beginning in FY 2027. The amount of the increase could be significant. State expenditures are not affected.

**Local Effect:** County and municipal property tax revenues may increase to the extent that local governments have exempted portions of data center personal property from local property taxes. Local expenditures are not affected.

**Small Business Effect:** None.

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**Analysis**

**Current Law:**

*Data Centers*

Chapter 640 of 2020 established a sales and use tax exemption for the sale of qualified data center personal property for use at a qualified data center. “Qualified data center” means a data center located in the State in which an individual or a corporation, within three years

after submitting an application for the sales and use tax exemption, has invested at least \$5.0 million (for a data center located within a Tier I area, \$2.0 million) in qualified data center personal property and created at least five qualified positions. “Qualified data center” includes (1) a data center that is a co-located or hosting data center where equipment, space, and bandwidth are available to lease to multiple customers and (2) an enterprise data center owned and operated by the company it supports.

Chapter 640 also authorizes local governments to reduce or eliminate the percentage of the assessment of any data center personal property used in a qualified data center. The State Department of Assessments and Taxation is authorized to adopt regulations to implement the personal property tax exemption.

#### *State Sales and Use Tax*

The sales and use tax is the State’s second largest source of general fund revenue, accounting for approximately \$6.1 billion in fiscal 2026 and \$6.2 billion in fiscal 2027, according to the December 2025 revenue forecast. **Exhibit 1** shows the sales and use tax rates in surrounding states and the District of Columbia.

#### *Blueprint for Maryland’s Future Fund*

Chapter 33 of 2022 altered the distribution of sales and use tax revenues beginning in fiscal 2023. Chapter 33 requires the Comptroller, after making certain other distributions, to pay to BMFF the following percentage of the remaining sales and use tax revenues:

- 9.2% for fiscal 2023;
- 11.0% for fiscal 2024;
- 11.3% for fiscal 2025;
- 11.7% for fiscal 2026; and
- 12.1% for fiscal 2027 and each subsequent fiscal year.

Chapter 33 also repealed the distribution of sales and use tax revenues to the BMFF from marketplace facilitators, certain out-of-state vendors, and specified digital products or digital codes.

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**Exhibit 1**  
**Sales and Use Tax Rates in Maryland and Surrounding States**

Delaware	0.0%
District of Columbia	6.0%; 10.0% for liquor sold for on-the-premises consumption and restaurant meals; 10.25% for alcoholic beverages for consumption off the premises, tickets to specified sporting events, and specified rental vehicles; 8.0% for specified soft drinks; 14.95% for transient accommodations; 18.0% for motor vehicle parking in commercial lots
Maryland	6.0%; 9.0% for alcoholic beverages
Pennsylvania	6.0% plus 1.0% or 2.0% in certain local jurisdictions
Virginia*	5.3%; 1.0% for eligible food items; 1.0% for specified essential personal hygiene items
West Virginia	6.0% plus 1.0% in specified municipalities

\* An additional state tax of (1) 0.7% is imposed in localities in Central Virginia, Northern Virginia, and the Hampton Roads region; (2) 1.0% in Charlotte, Gloucester, Halifax, Henry, Northampton, Patrick, and Pittsylvania counties, and the City of Danville; and (3) 1.7% is imposed in James City County, York County, and Williamsburg (Historic Triangle). The sales and use tax rate for food and personal hygiene products decreased to 1.0% as of January 1, 2023.

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**State Fiscal Effect:** General fund and BMFF revenues increase beginning in fiscal 2027 as a result of repealing the sales and use tax exemption for personal property purchased for use at a qualified data center. The Department of Commerce reports that there are currently 10 qualified data centers that have been approved for the sales and use tax exemption. In addition, there is one pending application for the exemption, and three applications have been denied. Neither Commerce nor the Comptroller's Office has data on the value of the sales and use tax exemptions used by these data centers.

**Local Fiscal Effect:** The bill also repeals local government authority to reduce or eliminate a data center personal property subject to a county or municipal property tax. To the extent that local jurisdictions have reduced or eliminated data center personal property subject to local taxes, local property tax revenues in these jurisdictions will increase accordingly beginning in fiscal 2027.

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## **Additional Information**

**Recent Prior Introductions:** Similar legislation has not been introduced within the last three years.

**Designated Cross File:** None.

**Information Source(s):** Department of Commerce; Maryland Association of Counties; Maryland Municipal League; Comptroller's Office; State Department of Assessments and Taxation; Department of Legislative Services

**Fiscal Note History:** First Reader - February 11, 2026  
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Analysis by: Michael Sanelli

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510