

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 468

(Delegate Martinez, *et al.*)

Ways and Means

Health and Taxation - Digital Social Media Services and the Mental Health Care Fund for Children and Youth

This bill imposes a tax on the gross revenues of specified digital social media services. After making deductions for the administration of the tax, the Comptroller is required to deposit the revenues received from the tax to the Mental Health Care Fund for Children and Youth, which is established by the bill. The bill provides for the filing of the tax returns and making tax payments. **The bill takes effect July 1, 2028, and applies to taxable years beginning after December 31, 2028.**

Fiscal Summary

State Effect: Special fund revenues increase significantly beginning in FY 2029. Under one set of assumptions, State revenues increase by more than \$30.0 million in FY 2029; by year four of full implementation, State revenues could increase by more than \$75.0 million. Special fund expenditures for the Comptroller's Office increase by \$1.8 million in FY 2029 and by \$765,000 in FY 2031. Future year expenditures reflect annualization and inflation.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary:

Digital Social Media Gross Revenues Tax

The bill imposes a tax on the annual gross revenues of a person derived from digital social media services in the State. The part of the annual gross revenues of a person derived from digital social media services in the State is determined using an apportionment fraction: (1) the numerator of which is the annual gross revenues of a person derived from digital social media services in the State, and (2) the denominator of which is the annual gross revenues of a person derived from digital social media services in the United States. The Comptroller must adopt regulations that determine the state from which revenues from digital social media services are derived.

The digital social media gross revenues tax is imposed at the following rates:

- 5% of the assessable base for a person with global annual gross revenues of \$500.0 million through \$1.0 billion;
- 7.5% of the assessable base for a person with global annual gross revenues of \$1.0 billion through \$10.0 billion; and
- 10% of the assessable base for a person with global annual gross revenues exceeding \$10.0 billion.

Revenues from the digital social media gross revenues tax are distributed to the Mental Health Care Fund for Children and Youth, after the Comptroller's administrative costs are deducted.

Tax Returns

Each person that has annual gross revenues derived from digital social media services in the State of at least \$1.0 million in a calendar year must complete, under oath, and file a return with the Comptroller on or before April 15 of the next year.

Each person that reasonably expects annual gross revenues derived from digital social media services in the State to exceed \$1.0 million must complete, under oath, and file with the Comptroller a declaration of estimated tax, on or before April 15 of that year. A person required to file a declaration of estimated tax for a taxable year must complete and file a quarterly estimated tax return on or before June 15, September 15, and December 15 of that year.

A person required to file a return must include an attachment with the return that states any information that the Comptroller requires to determine annual gross revenues derived from digital social media services in the State. A person must maintain records of digital social media services provided in the State and the basis for the calculation of the digital social media gross revenues tax owed.

Payment of Digital Social Media Gross Revenues Tax

Each person required to file a return must pay the digital social media gross revenues tax with the return that covers the period for which the tax is due. A person filing an estimated digital social media gross revenues tax return must pay (1) at least 25% of the estimated digital social media gross revenues tax shown on the declaration or amended declaration for a taxable year with the declaration or amended declaration that covers the year and with each quarterly return for that year and (2) any unpaid digital social media gross revenues tax for the year shown on the person's return.

Penalties

A person who willfully fails to file a digital social media gross revenues tax return is guilty of a misdemeanor and, on conviction, is subject to a fine of up to \$5,000 and/or imprisonment of up to five years.

Definitions

“Annual gross revenues” is defined as income or revenue from all sources, before any expenses or taxes, computed according to generally accepted accounting principles.

“Assessable base” is defined as the annual gross revenues derived from digital social media services in the State.

“Digital social media service” is defined as a service provided to the public through an Internet website or a mobile application that (1) includes features that allow a user to share images, text, or video through the Internet with other users of the service whom the user has met, identified, or become aware of through the use of the service and (2) has more than 1.0 million monthly active users in the United States or generates more than \$500.0 million in annual gross revenue, adjusted annually for inflation. “Digital social media service” does not include a service that is primarily used for (1) the sale or provision of professional services; (2) the sale of commercial products; or (3) if the service does not include the ability for content to be sent by a user directly to another user, the provision of news or information.

“User” is defined as an individual or any other person who accesses a digital interface with a device.

Mental Health Care Fund for Children and Youth

The bill establishes the Mental Health Care Fund for Children and Youth for the purpose of improving access to mental health care services for children and youth in the State. Money expended from the fund can only be used for this purpose and is supplemental to and is not intended to take the place of funding that otherwise would be appropriated for improving access to mental health care for children and youth in the State.

Current Law: Chapter 37 of 2021 imposed a digital advertising gross revenues tax on the annual gross revenues of a person derived from digital advertising services in the State. The part of the annual gross revenues of a person derived from digital advertising services in the State must be determined using an apportionment fraction based on the annual gross revenues of a person derived from digital advertising services in the State and the annual gross revenues of a person derived from digital advertising services in the United States.

The tax is imposed at the following rates:

- 2.5% of the assessable base for a person with global annual gross revenues of \$100.0 million through \$1.0 billion;
- 5% of the assessable base for a person with global annual gross revenues of \$1.0 billion through \$5.0 billion;
- 7.5% of the assessable base for a person with global annual gross revenues of \$5.0 billion through \$15.0 billion; and
- 10% of the assessable base for a person with global annual gross revenues exceeding \$15.0 billion.

Revenues from the tax are distributed to the Blueprint for Maryland’s Future Fund, after the Comptroller’s costs to administer the tax are deducted.

State Revenues: The bill requires businesses that have at least \$500.0 million in global annual gross revenues to pay a tax on gross revenues derived from digital social media services in the State. After a deduction for administrative costs for the Comptroller’s Office, revenue from the tax is distributed to the Mental Health Care Fund for Children and Youth. As a result, State special fund revenues may increase by a significant amount beginning in fiscal 2029.

Under one set of assumptions, special fund revenues could increase by more than \$30.0 million in fiscal 2029, which reflects one-half a year’s collections of the digital social

media gross revenues tax. By year four of full implementation, special fund revenues could increase by more than \$75.0 million. The assumptions used in the estimate are outlined below:

- Global digital social media revenues for the nine largest social media companies totaled \$206.0 billion in 2023.
- The United States represents 4.7% of global social media users.
- Maryland represents 1.8% of the total U.S. population.

State Expenditures: Special fund expenditures for the Comptroller's Office increase by a significant amount beginning in fiscal 2029 to administer the digital social media gross revenues tax, which includes identifying businesses subject to the tax, processing and auditing tax returns and payments, enforcing tax compliance, and handling expected litigation.

As a result of the additional workload, the Comptroller's Office indicates that an additional 12 staff positions and computer programming are required at a total cost of \$2.2 million in fiscal 2029. The additional staff include the following positions:

- 5 financial compliance auditors;
- 4 revenue examiners;
- 1 financial compliance auditor supervisor;
- 1 accountant specialist; and
- 1 senior tax attorney.

However, the Department of Legislative Services advises that a reduced number of staff is likely required based on similar legislation in prior years. As a result, special fund expenditures for additional staff may increase by \$819,000 in fiscal 2029 and by \$765,000 in fiscal 2031. This estimate is based on 8 additional positions (2 financial compliance auditors, 2 revenue specialists, 1 audit supervisor, 1 accountant, 1 revenue examiner, and 1 senior tax attorney). It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. As noted above, the Comptroller's Office also incurs computer programming expenses totaling approximately \$1.0 million in fiscal 2029 to add the new digital social media gross revenues tax to the current tax system. These costs include discovery, design, development, testing, and system interfaces.

Positions	8.0
Salaries and Fringe Benefits	\$740,365
Computer Programming and Modification	1,000,000
Operating Expenses	<u>78,680</u>
Total FY 2029 Comptroller Expenditures	\$1,819,045

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

The balance of special fund revenues available from the digital social media gross revenues tax is available for expenditure to improve access to mental health care services for children and youth in the State. Under the bill, the Secretary of Health must administer the fund; accordingly, any such special fund expenditures are presumed to be made through the Maryland Department of Health – although they may only be made in accordance with the State budget. This analysis does not account for any additional staff needed to manage that funding or the timing of those expenditures.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 414 of 2025 and HB 1372 of 2024.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Maryland Department of Health; Department of Legislative Services

Fiscal Note History: First Reader - February 11, 2026
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