



January 29, 2020

The Honorable Guy Guzzone  
Budget and Taxation Committee  
3 West, Miller Senate Office Building  
Annapolis, MD 21401

RE: SB002 Digital Advertising Gross Revenues - Taxation

Position: Oppose

Dear Chairman Guzzone and members of the Committee:

As currently written, SB002 is administratively impractical and overly complex. For the state of Maryland, and for businesses that work in the multi-layered advertising services industry — including the technology platforms that provide digital advertising services — complying with such a law would include:

- Tracking the location of each phone and computer that accesses digital ads.
- Knowing which ads were viewed on which phone and computer.
- Knowing each user's physical location at the time they accessed the ads.
- Requiring the state of Maryland to compile proper instructions and audit the taxpayers.

All of this would add onerous, overly burdensome layers of complexity to an already complex tax system — a direct contradiction to the American Institute of CPAs' Guiding Principles of Good Tax Policy, which define 12 key characteristics of sound tax policy:

1. *Equity and fairness*: Similarly situated taxpayers should be taxed similarly.
2. *Certainty*: The tax rules should clearly specify how the amount of payment is determined, when payment of the tax should occur, and how payment is made.
3. *Convenience of payment*: Facilitating a required tax payment at a time or in a manner that is most likely convenient for the taxpayer is important.
4. *Effective tax administration*: Costs to collect a tax should be kept to a minimum for both the government and taxpayers.
5. *Information security*: Tax administration must protect taxpayer information from all forms of unintended and improper disclosure.
6. *Simplicity*: Simple tax laws are necessary so that taxpayers understand the rules and can comply with them correctly and in a cost-efficient manner.
7. *Neutrality*: Minimizing the effect of the tax law on a taxpayer's decisions as to how to carry out a particular transaction or whether to engage in a transaction is important.

8. *Economic growth and efficiency*: The tax system should not unduly impede or reduce the productive capacity of the economy.
9. *Transparency and visibility*: Taxpayers should know that a tax exists and how and when it is imposed upon them and others.
10. *Minimum tax gap*: Structuring tax laws to minimize non-compliance is essential.
11. *Accountability to taxpayers*: Accessibility and visibility of information on tax laws and their development, modification and purpose, are necessary for taxpayers.
12. *Appropriate government revenues*: Tax systems should have appropriate levels of predictability, stability and reliability to enable the government to determine the timing and amount of tax collections.

We believe SB002 fails to comply with many of these guiding principles. For these reasons, we respectfully request an unfavorable report for SB002. Thank you for your consideration of our position.

Sincerely yours,

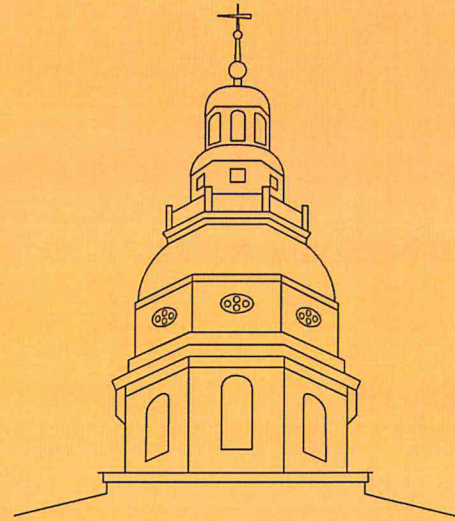


J. Thomas Hood, III, CPA  
CEO & Executive Director

cc: Nick Manis, Manis Canning & Associates

The American Institute of Certified Public Accountants and the MACPA State Tax Committee do not take a position on the "best possible solution" for state tax issues. Rather, they encourage an in-depth debate of the issues, undertaken through an organized and logical process, with the goal of enacting "good tax policies." As the Maryland General Assembly considers new legislation, the unifying goals should be established now to make the effort one that is rational, thoughtful and lasting.

For more information or to find out how you can get involved in MACPA's legislative efforts, please contact Mary Beth Halpern at 443.632.2330 or e-mail [Marybeth@macpa.org](mailto:Marybeth@macpa.org).



## Guiding Principals of Good Tax Policy



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# 12 Guiding Principles of Good Tax Policy

## 1. EQUITY AND FAIRNESS.

Similarly situated taxpayers should be taxed similarly.

**2. CERTAINTY.** The tax rules should clearly specify how the amount of payment is determined, when payment of the tax should occur, and how payment is made.

## 3. CONVENIENCE OF PAYMENT.

Facilitating a required tax payment at a time or in a manner that is most likely convenient for the taxpayer is important.

## 4. EFFECTIVE TAX ADMINISTRATION.

Costs to collect a tax should be kept to a minimum for both the government and taxpayers.

## 5. INFORMATION SECURITY.

Tax administration must protect taxpayer information from all forms of unintended and improper disclosure.

**6. SIMPLICITY.** Simple tax laws are necessary so that taxpayers understand the rules and can comply with them correctly and in a cost-efficient manner.

**7. NEUTRALITY.** Minimizing the effect of the tax law on a taxpayer's decisions as to how to carry out a particular transaction or whether to engage in a transaction is important.

## 8. ECONOMIC GROWTH AND EFFICIENCY.

The tax system should not unduly impede or reduce the productive capacity of the economy.

## 9. TRANSPARENCY AND VISIBILITY.

Taxpayers should know that a tax exists and how and when it is imposed upon them and others.

## 10. MINIMUM TAX GAP.

Structuring tax laws to minimize noncompliance is essential.

## 11. ACCOUNTABILITY TO TAXPAYERS.

Accessibility and visibility of information on tax laws and their development, modification and purpose, are necessary for taxpayers.

## 12. APPROPRIATE GOVERNMENT REVENUES.

Tax systems should have appropriate levels of predictability, stability and reliability to enable the government to determine the timing and amount of tax collections.

