



The Senate of Maryland
ANNAPOLIS, MARYLAND 21401-1991

SB 2 - Digital Advertising Gross Revenues - Taxation

Testimony of Senate President Bill Ferguson

On January 29, 2020

Before the Budget and Taxation Committee

Why This Bill Matters:

Massive technology corporations have ballooned in influence over the last two decades. Over that time, innovative companies and platforms have grown on their ability to monetize personal data for targeted advertising. While Maryland is a state that fosters innovation, we must ensure that it is done in way that maximizes individuals' potential. As more people shop, consume news, and generally engage online, these companies' profits will continue to grow exponentially.

Right now, the growth of these companies has resulted in negative externalities socialized and borne by the public. In order for a more efficient and fair marketplace to exist in this new media environment, externalities created by private actors' actions must be borne by that actor. At the federal level, there has been conversation about antitrust laws, or targeted regulatory action. That is a discussion for a different forum.

The problem we're seeking to solve is ensuring that innovative companies like these are helping to build the future of democracy in Maryland. The basis of this solution is based off a model originally built by Paul Romer, a Nobel Prize winner in Economics, is to levy a progressive tax on the currently untaxed revenues of companies' revenue from digital ad revenue. This tax is specifically geared towards large multinational corporations with at least \$100 million in annual digital ad revenues each year.

What This Bill Does:

As drafted, Senate Bill 2 creates a progressive tax on companies which bring in at least \$100 million a year in global digital ad revenue. The tax is applied proportionately to Maryland's population in comparison to the total U.S. population.

It is broken into the four tax brackets below and corresponding rates:

- 2.5% assessable rate on companies which bring in between \$100 million and \$1 billion in annual global ad revenue
- 5% assessable rate on companies which bring in between \$1 billion and \$5 billion in annual global ad revenue
- 7.5% assessable rate on companies which bring in between \$5 billion and \$15 billion in annual global ad revenue

- 10% assessable rate on companies which bring in over \$15 billion in annual global ad revenue

The revenues raised from this bill would then be placed into the Blueprint for Maryland's Future Fund.

We recognize that the formula and technical language in the bill is not perfect and are working to offer amendments which fix these issues.

Why You Should Support This Bill:

The lack of action at the federal level has allowed these companies to continue collecting and monetizing users' personal data and leaves a void in leadership for states to fill. By levying this tax on digital ad revenues, ad-driven platform companies will contribute a projected \$250 million a year to Maryland's public education system while ensuring that future generations are technology literate and can distinguish between credible and subversive content.

These innovative technology companies will continue collecting more personal user data in new and sophisticated ways which can then end up in the hands of those wishing to influence the political process at the detriment of our society. Maryland should lead the way in creating novel policies to fundamentally change the way these companies contribute back to public society.

This bill, which is increasingly relevant in a 21st century economy built on innovative platforms and the sharing of content, is one of the strongest mechanism we have to fund the Kirwan Commission's recommendations in a way that does not impact Marylander's day to day lives.