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THE MARYLAND HOUSE OF DELEGATES
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Testimony in Support of HB695 – Digital Advertising Gross Revenues Tax

HB695 will levy a tax on Digital Advertising Gross Revenues – a service that has been operating tax free for years - and will provide much needed additional funding for education reform in Maryland.

As we all know, giant technology companies are increasingly collecting and utilizing our personal data. Over time, these companies have come up with innovative ways to specifically target advertisements to individuals on their phones, laptops, and social media.

While these companies have benefitted from the collection of personal data through their platforms, they have not paid a tax on this service. While we applaud the innovation of these companies, it is also important to ensure that they are helping to build the future of democracy in our state.

According to a recent report, mobile advertising revenues jumped from **$7 billion** in 2013, to **$70 billion** in 2018. This number is projected to increase to over **$235 billion** by 2024. This is in addition to the nearly **$40 billion** from desktop digital advertising. It is clear that massive, multinational companies have made significant profits from targeted advertising. This bill specifically targets companies who have digital ad revenues of at least $100 million.

HB695 imposes a tax on a company's annual gross revenues derived from digital advertising services in the State of Maryland. Digital advertising services are considered as being provided in the State if they appear on the device of a user with an Internet Protocol (IP) indicating the user's device is in Maryland.

The tax will be imposed at the following rates:

- 2.5% assessable rate on companies with gross revenues of $100 million through $1 billion;
- 5% assessable rate on companies with gross revenues of $1 billion through $5 billion;
- 7.5% assessable rate on companies with gross revenues of $5 billion through $15 billion; and
- 10% assessable rate on companies with gross revenues exceeding $15 billion.

Revenues from the digital advertising gross revenues tax will then be distributed to the Blueprint for Maryland's Future Fund, after the Comptroller's administrative costs are deducted.

<u>HB695 will generate over $250 million in revenue in the first year, according to DLS estimates.</u>

We acknowledge that this bill is far from perfect, and we are working on ways to fix technical language and other issues. That being said, HB695 will create a new revenue stream to provide the funding needed to pay for education reform in our State – which is why it is critical that we pass this progressive tax bill into law.

For these reasons, I respectfully request a favorable report on House Bill 695.