David Bilger
From Policy, LLC
202-870-7815
In Opposition to HB0695

I would like to comment in opposition to House Bill 0695, Digital Advertising Gross Revenues Taxation.

The bill defines advertising services provided in the state as a user:

(1) WITH AN INTERNET PROTOCOL ADDRESS THAT INDICATES THAT THE USER'S DEVICE IS LOCATED IN THE STATE; OR
(2) WHO IS KNOWN OR REASONABLY SUSPECTED TO BE USING THE DEVICE IN THE STATE.

This is ambiguous and difficult to enforce. For example:

A person with a smart phone with a Maryland Verizon account visits a website. That device ID is captured and the user is served ads in Maryland as a result, BUT, that user also works in Washington DC. The ads are served there. Records for gross sales would indicate the ads were bought to serve the Maryland region (or within a certain radius of a target area). However, a drill down involving possibly numerous ISPs would uncover that many of the ads were actually served elsewhere. Those ads could likely also be on several platforms placed through ad auctions. There would be a tremendous reporting responsibility placed on digital business carried out in Maryland, involving more than just intended targeting. Enforcement and challenges to assessed taxes could be a nightmare.

This bill unintentionally targets small business.

The proposed tax rate can run from 2.5% to 10%, based on the advertising entity's global revenue.

2019 Google ad revenue was 134.81 billion, giving them a top tier tax rate, which would amount to a 10% digital ad revenue tax in the state. That top tier tax would then be applied to every ad targeted in the state, and history has shown that is likely passed down, whether a small agency like ours places them, or the owner of a small business like Capital Comics on main street.

Result? Indirect taxes on small businesses - the businesses that need affordable ways to advertise the most.

The Law can affect the Google grants program:

Google offers qualifying 501c3 charities a monthly grant of up to $10,000 in free Search Engine Marketing, or SEM advertising. The grant must be applied for, and once approved, the ad campaign must be administrated according to rules dictated by Google. No money actually changes hands. Instead, the charity is awarded up to $322 of free advertising per day. The amount is use or lose, based on the amount of searches, bid rates, and cost per click. How would this tax be applied to granted digital advertising? The question is quite significant to charities.

For Rockville based Comfort Cases, a charity that works with foster children, their Google grant is their biggest source of advertising. In January and February, they were awarded $7000 in free advertising. Prior to Google grants, their ad budget, which consisted of social media & Facebook boosts was small, under $200. Under the new law, would Google hit them with a $700 bill? Or simply cancel the program in Maryland?

Without proper exemptions and clarifications, charities and small businesses a who utilize digital advertising the most, like Comfort Cases and nearly every small business in Maryland, would be harmed by this bill.

House Bill 0695 creates far reaching, unintended consequences that directly affect countless constituents in every district in Maryland.