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THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

SPONSOR STATEMENT

Senate Bill 723 – Sales and Use Tax – Digital Products - Definitions

March 8, 2022

Mister Chairman and Members of the Budget and Taxation Committee:

In 2020 the General Assembly passed House Bill 932 – The 21st Century Economic Fairness Act. The passage of this legislation addressed the issue of taxation of digital products and updated our sales tax to reflect the buying habits of today's economy.

The intent of that legislation was to apply a sales and use tax to products that were previously taxed when physically bought and sold. Interpretation of the legislation strayed somewhat from the intent of the legislation and some products that were not previously taxed were ultimately taxed. Some corrective language was passed in the 2021 Legislative Session to address this, but there are still some technical corrections needed.

Senate Bill 723 seeks to further clarify that purchases of computer software, software as a service, (SaaS), and other similar service models used in an enterprise computer system, where the software is purchased exclusively for commercial services, remain non-taxable. Senate Bill 723 will also clarify that purchases of self-created digital products used in advertising or marketing, where the advertiser holds a copyright or other intellectual property interest, remain non-taxable. Together, these two provisions reduce the tax burden that was unintentionally created through 2020's House Bill 932.

This legislation provides technical corrections and supports the intent of The 21st Century Economic Fairness Act, and so I respectfully request a favorable report on Senate Bill 723.