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MAJORITY LEADER

Ways and Means Committee
Chair, Revenues Subcommittee



The Maryland House of Delegates
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THE MARYLAND HOUSE OF DELEGATES
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SPONSOR TESTIMONY

House Bill 791 - Sales and Use Tax – Digital Product – Definition

Chair Atterbeary, Vice Chair Washington, Members of the Ways and Means Committee,

In 2020, the General Assembly addressed the issue of taxation of digital products by passing House Bill 932. The passage of this legislation updated our sales tax to accommodate the buying habits of the 21st century.

The intention of House Bill 932 was to tax products which the sales and use tax previously applied to when physically bought and sold. But since this update was a novel measure, some products that were not previously taxed ultimately found the sales and use tax applying to them. Some corrective language was passed during the 2021 Legislative Session to address this and House Bill 791 seeks to make further technical corrections.

This legislation seeks to 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. House Bill 791 is also intended to 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 reduce tax compliance burdens that were unintentionally created through House Bill 932.

The language of this legislation was crafted by a group of experts and stakeholders during the interim. This bill is a technical correction and seeks to support the original intent of House Bill 932. For these reasons, I thank the Committee for your consideration and ask for a favorable report.

Sincerely,

A handwritten signature in cursive script, appearing to read "Eric Luedtke".

Delegate Eric Luedtke.

