

Senate Bill 904

Date: March 5, 2025

Committee: Senate Budget and Tax

Position: Unfavorable

Founded in 1968, the Maryland Chamber of Commerce is the leading voice for business in Maryland. We are a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic recovery and growth for Maryland businesses, employees, and families.

The Maryland Chamber respectfully submits this testimony opposing the establishment of a data broker registry and the introduction of a data broker gross income tax in SB 904. Instead of fostering a pro-business environment in Maryland, this proposed legislation would deter businesses from seeking to maintain or expand their operations within the State. The regulatory and tax components of this proposal undermine several fundamental principles of tax policy.

The proposed tax in SB 904 directly targets business inputs, violating key tax policy principles such as transparency, fairness, economic neutrality, and competitiveness. This tax would lead to pyramiding, where multiple intermediate taxes are imposed, resulting in an effective tax rate on final goods that exceeds the statutory rate. Businesses would either need to raise prices or reduce operations in Maryland to remain competitive with companies not facing the same tax burdens. Additionally, the tax would impact industries that rely on data for their operations, such as the insurance sector.

Currently, Maryland's corporate income tax already applies to the activities of data brokers doing business in the State, and there is no justification for imposing an additional tax on the same activities. Maryland's "economic nexus" approach allows the state to impose corporate income tax without a physical presence, so businesses subject to the proposed gross receipts tax are already taxed under the corporate income tax. Furthermore, Maryland's market-based sourcing and single-sales factor formula ensures that services, including those provided by data brokers, are appropriately taxed under the corporate income tax system. Therefore, the proposed tax in HB 1089 would be redundant and unnecessary.

Moreover, the proposed data broker gross income tax in SB 904 conflicts with policy principles as it imposes significant burdens on businesses, requiring them to overhaul systems for tax collection and reporting. HB 1089 defines "data brokers" more broadly than any other existing data broker definition or regulation, which problematically circles in any business that buys or

receives data—approximately all businesses. This bill also lacks clear distinction between data processors and data controllers, which is necessary for consumer protection.

The Maryland Chamber is concerned that SB 904's establishment of a data broker registry, the introduction of a data broker gross income tax, and insufficient language surrounding "data brokers" will implement unnecessary and burdensome costs for Maryland businesses. For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report** on **SB 904**.

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