

House Bill 1089

Date: February 25, 2025
Committee: Economic Matters
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.

House Bill 1089 (HB 1089) directly targets a broad array of businesses, violates key tax policy principles, and reduces Maryland's competitiveness with surrounding jurisdictions. The 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. As a result, 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 adjacent industries like the insurance sector that relies upon data for their operations.

Maryland's corporate income tax already applies to the activities of data brokers doing business in the State, which means that HB 1089 would impose a second tax on activities that are already being taxed. Maryland's "economic nexus" approach allows the state to impose corporate income tax without a physical presence. As a result, businesses already subject to the proposed gross receipts tax are already taxed under the corporate income tax. Further, 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.

The proposed data broker gross income tax in HB 1089 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 includes any business that buys or receives data.

The Maryland Chamber is concerned that HB 1089's establishment of a data broker registry, the introduction of a data broker gross income tax, and the broad definition of "data brokers" will result in unnecessary and burdensome costs for Maryland businesses. For these reasons, the Maryland Chamber of Commerce respectfully requests an **unfavorable report on HB 1089**.