



**Senate Bill – Sales and Use Tax – Definition of Retail Sale – Alterations**  
**Senate Budget and Taxation Committee**  
**February 25, 2026**  
**Position: FAVORABLE**

Founded in 1901, the Maryland Association of Certified Public Accountants (MACPA) is a statewide organization dedicated to advancing the CPA profession. Our members serve thousands of Maryland residents and businesses across all sectors of the economy.

Senate Bill 600 corrects unintended multiple taxation created by the 2025 technology services sales tax by applying long-standing sales tax principles to subcontracted and related-party information technology services. The bill does not create a new concept, but instead clarifies how existing common sales tax rules should apply to modern technology service arrangements.

**Why SB 600 Is Needed**

**Prevents tax pyramiding:** Technology services are frequently delivered through multiple contractors and subcontractors working on a single project. Under current law, intermediate services may be taxed even though they are merely component parts of one taxable service ultimately sold to the end customer. SB 600 ensures that component services are taxed once, at the final retail sale. This is the same rule as exists for manufacturers who don't pay sales tax on purchases of raw materials that become components of a product for sale.

**Aligns related-party treatment:** Many businesses centralize IT functions within a single affiliated entity or related pass-through entity for efficiency and security. When these same services are performed by in-house employees, no sales tax applies. SB 600 appropriately treats related entities as a single economic unit, producing that same tax result and preventing the sales tax outcomes from turning solely on organizational structure.

MACPA members report that the technology services tax has significantly increased compliance complexity, particularly for small and mid-sized businesses that rely on multiple vendors or shared service arrangements. SB 600 provides clear, administrable rules that reduce uncertainty for taxpayers and improve consistency for the state's administration of the tax.

Senate Bill 600 aligns with widely recognized principles of good tax policy, including equity and fairness, neutrality, and effective tax administration. The bill ensures similarly situated taxpayers are treated similarly, minimizes the influence of tax law on business structure decisions, and supports clear and consistent tax administration.

Senate Bill 600 advances sound tax policy by preventing unintended multiple taxation, aligning the treatment of technology services with established sales tax principles, and improving fairness and administrability. For these reasons, MACPA respectfully urges a **FAVORABLE** report on SB 600.

For more information about this position, please contact Mary Beth Halpern at [marybeth@macpa.org](mailto:marybeth@macpa.org) or Nick Manis at [nmanis@maniscanning.com](mailto:nmanis@maniscanning.com).

