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February 25, 2026

The Honorable Guy Guzzone, Chair
Senate Budget and Taxation Committee
3 West, Miller Senate Office Building
Annapolis, Maryland 21401

RE: SUPPORT – Senate Bill 600: Sales and Use Tax – Definition of Retail Sale – Alterations

Dear Chair Guzzone and Members of the Committee:

On behalf of the **Cybersecurity Association**, representing hundreds of cybersecurity and information technology companies across the State of Maryland, I am writing to express our strong support for **Senate Bill 600**.

Maryland is widely recognized as a global leader in cybersecurity, home to a dense ecosystem of innovators, federal partners, and specialized service providers. However, to maintain this competitive edge, our tax policy must align with the operational realities of the digital age. SB 600 addresses a critical friction point in our current tax code by modernizing the definition of "retail sale" to exclude certain business-to-business technology services.

For the cybersecurity and IT sectors, this bill is vital for several reasons:

- **Eliminating Tax Pyramiding:** Many of our member companies operate as Managed Service Providers (MSPs) or software developers who must purchase underlying data processing and IT infrastructure services to build the security solutions they sell to clients. Currently, these inputs are often taxed twice—once when the IT company buys the service and again when the final product is sold to the end-user. SB 600 correctly identifies these as "inputs for resale," preventing the compounding costs that make Maryland-based firms more expensive than out-of-state competitors.
- **Protecting Proprietary Innovation:** In the cybersecurity world, firms often operate through affiliated entities or "related pass-through" structures to protect intellectual property or manage risk. Taxing the sharing of IT resources between these affiliated groups serves as a "success tax" on companies trying to scale their operations within Maryland.
- **Fostering a Pro-Growth Climate:** Cybersecurity is a mobile industry. Our member companies can—and do—operate from anywhere. By exempting IT services from the sales and use tax in these specific contexts, Maryland signals that it is committed to being a "business-friendly" home for the tech workforce of the future.

SB 600 is not just a technical correction; it is an economic development tool. It ensures that Maryland's tax code does not inadvertently penalize the very industries we are working so hard to grow. By reducing the tax burden on essential digital inputs, we allow our companies to reinvest those funds into research, development, and high-paying jobs for Marylanders.

For these reasons, the **Cybersecurity Association** respectfully urges a **FAVORABLE** report on Senate Bill 600.

Sincerely,

Tasha Cornish
Executive Director
Cybersecurity Association, Inc.