## SB0600_FAV_MTC_Sales & Use Tax - Definition Retail

Uploaded by: Drew Vetter

Position: FAV

MARYLAND TECH COUNCIL
ADVANCING LIFE SCIENCES AND TECHNOLOGY

Senate Budget and Taxation Committee
February 25, 2026
Senate Bill 600 – *Sales and Use Tax – Definition of Retail Sale – Alterations*
**POSITION: SUPPORT**

The Maryland Tech Council (MTC), with over 800 members, is the State's largest association of technology companies. Our vision is to propel Maryland to be the country's number one innovation economy for life sciences and technology. MTC brings the State's life sciences and technology communities into a single, united organization that empowers members to achieve their goals through advocacy, networking, and education. On behalf of MTC, we submit this letter of **support** for Senate Bill 600.

Senate Bill 600 modifies Maryland's sales and use tax law by adjusting the definition of "retail sale" to exclude certain sales of technology services in specific situations. The MTC understands that the intent of this legislation is to narrow the scope of what is taxed under the sales and use tax framework for technology service transactions, thus providing clarity and potential tax relief for businesses that buy and resell services or transact within affiliated structures.

Maryland's innovation economy is built on interconnected businesses. Small software developers, cybersecurity firms, artificial intelligence startups, cloud integrators, data analytics companies, and information technology (IT) service providers frequently purchase technology services from one another to build, enhance, and deliver new solutions to customers. The modern technology marketplace is layered and collaborative: one company's service is often a component of another company's final product.

Senate Bill 600 recognizes this reality by clarifying that certain technology service transactions, particularly those intended for resale or occurring within affiliated business structures, should not be treated as taxable retail sales. By doing so, the bill prevents cascading tax burdens that can occur when services are taxed multiple times as they move through the development chain. The relief provided by this bill is especially important considering Maryland's enactment of a 3% tax on data and IT services in the 2025 Session. This new tax has already had a significant detrimental impact on Maryland's technology sector, both in terms of real dollars and in Maryland's reputation as a favorable place to grow, expand, and innovate. Even though this bill is narrowly tailored to a specific circumstance, it represents a step in the right direction and a common-sense effort to apply the tax fairly. For these reasons, we urge a **favorable** report for Senate Bill 600.

**For more information call**:
Andrew G. Vetter
J. Steven Wise
Danna L. Kauffman
Christine K. Krone
410-244-7000

**MDCC_SB 600_Favorable.pdf**
Uploaded by: Grason Wiggins
Position: FAV

MARYLAND
Chamber of Commerce

**Senate Bill 600**

**Position: Favorable**
Committee: Budget and Tax
Date: February 25, 2026

Founded in 1968, the Maryland Chamber of Commerce (the Chamber) 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 health and growth for Maryland businesses, employees, and families.

Senate Bill 600 ("SB 600") provides important clarification and modernization of Maryland's sales and use tax law by refining the definition of "retail sale" as it applies to certain technology services. This targeted adjustment reflects the realities of today's digital economy and will help ensure that Maryland remains competitive in attracting and retaining innovative businesses.

Without clear statutory guidance, businesses face uncertainty regarding whether certain technology services are subject to sales and use tax. SB 600 addresses this ambiguity by clarifying which transactions fall outside the definition of "retail sale." Clear rules promote compliance, reduce disputes, and create a more predictable business environment.

Maryland competes regionally and nationally for technology investment, startups, and high-skilled jobs. Uncertainty or overbroad application of sales tax to technology services:

- Increases operating costs for Maryland businesses;
- Discourages companies from locating or expanding in the State;
- Creates competitive disadvantages relative to neighboring jurisdictions; and
- Reduces capital available for hiring, research, and innovation

By providing clarity and aligning tax treatment with modern service models, SB 600 sends a strong signal that Maryland welcomes innovation. Additionally, SB 600 helps level the playing field by establishing clearer statutory standards, allowing businesses to focus on growth, job creation, and customer service rather than tax uncertainty.

Technology services are no longer confined to the tech sector alone. Healthcare providers, manufacturers, retailers, and financial institutions all rely on digital platforms and cloud-based services to operate efficiently. Clarifying the tax treatment of these services benefits the broader Maryland economy by lowering barriers to digital adoption and modernization across industries.

Maryland has long been a leader in cybersecurity, biotechnology, research, and advanced services. SB 600 is a strong step towards to help Maryland maintain that leadership. **For these reasons, the Maryland Chamber respectfully requests a favorable report on SB 600.**

**SB600 Testimony.pdf**
Uploaded by: Katie  Fry Hester
Position: FAV

KATIE FRY HESTER
*Legislative District 9*
Howard and Montgomery Counties

Education, Energy, and
Environment Committee

Chair, Joint Committee on
Cybersecurity, Information Technology
and Biotechnology

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

*Annapolis Office*
James Senate Office Building
11 Bladen Street, Room 304
Annapolis, Maryland 21401
410-841-3671 · 301-858-3671
800-492-7122 *Ext.* 3671
KatieFry.Hester@senate.state.md.us

**Testimony in Support of SB600 - Sales and Use Tax - Definition of Retail Sale - Alterations**

February 23, 2026

Chairman Guzzone, Vice-Chairman Rosapepe, and members of the Budget and Taxation Committee:

Thank you for your consideration of SB600, which would add a new exception to Maryland's retail sales tax to exclude the sale of certain Information Technology (IT) and software services.

Maryland first adopted its sales tax just after World War II, at a time when most consumer spending was on goods. Since then, our economy has transformed dramatically. Services have grown from roughly 40% to nearly 70% of consumer spending, and technology now underpins nearly every sector. As digital services replace physical goods, such as cloud storage replacing hard drives, it is reasonable to evaluate whether our tax structure is keeping pace with economic reality. The goal of modernization is understandable and responsible: maintaining stable revenue to fund education, health care, and other essential public services.

Maryland already taxes many technology-related services. Telecommunications services, electronically delivered services, digital downloads, subscription streaming, and digital products are all subject to sales tax. The recent reform extending a 3% rate to data storage, computing services, web hosting, and software-related services was intended as part of that broader modernization effort. However, early data shows that the implementation of this policy has not functioned as a broadly distributed modernization measure. Instead, it has disproportionately impacted one sector: technology.

First-quarter results of the tech tax indicate that although multiple industries are subject to the tax, 45% of the total impact has fallen on the technology industry alone. This represents a significant concentration of burden on one of Maryland's most innovative and mobile sectors. Unlike industries rooted in physical infrastructure, small and mid-sized technology firms can relocate across state lines with relative ease. Maryland's neighboring states do not impose a comparable tax structure on these services. When nearly half of the tax burden falls on a single, highly mobile industry, we risk driving away precisely the businesses that fuel innovation, job growth, and long-term economic expansion. The technology sector represents $37.8

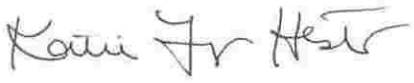
billion—nearly 9% of Maryland's economy—and supports tens of thousands of jobs. Modernization should strengthen that foundation, not weaken it.

SB600 does not reject the need to modernize our tax code. Rather, it recognizes that the current structure has produced an unintended and disproportionate impact. Therefore, SB600 provides some carve outs that are already in place in our manufacturing tax to ensure we are not double taxing our companies:

- If a tech service is being resold or incorporated into another tech service for sale, it would not count as a taxable retail sale; or
- If both the seller and buyer are part of the same affiliated group or are related pass-through entities, the sale of these tech services would not count as a retail sale.

This legislation would restore balance, ensure fairness across industries, and protect Maryland's ability to compete for technology investment and talent. Modernization should be even-handed. It should not single out one sector to carry nearly half the load. For these reasons, I respectfully request a favorable report on SB600.

Sincerely,



Senator Katie Fry Hester
Howard and Montgomery Counties

**SB600 - MACPA Written Testimony - FAVORABLE.pdf**
Uploaded by: MB Halpern
Position: FAV

**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 or Nick Manis at nmanis@maniscanning.com .

**The CA Letterhead_SB 600.pdf**
Uploaded by: Tasha Cornish
Position: FAV

10440 Little Patuxent Pkwy
Floor 12
Columbia, MD 21044
+443-853-1970
info@cyber-association.com
www.cyber-association.com

**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.