



Wes Moore | Governor  
Aruna Miller | Lt. Governor  
Harry Coker, Jr. | Secretary of Commerce

**DATE:** February 12, 2026  
**BILL NO:** House Bill 560  
**BILL TITLE:** Sales and Use Tax and Property Tax - Exemptions for Data Centers - Repeal  
**COMMITTEE:** House Ways and Means Committee  
**POSITION:** Letter of Concern

The Maryland Department of Commerce (Commerce) would like to express concerns with House Bill 560 - Sales and Use Tax and Property Tax - Exemptions for Data Centers – Repeal.

**Bill Summary:**

House Bill 560 repeals the sales and use tax exemption for qualified data centers as well as enabling language for local jurisdictions to offer property tax exemptions for such data centers. The bill does not provide grandfathering language or provisions gradually phasing out the exemption, ending it for all current and future projects on July 1, 2026.

**Background:**

Chapter 640, Acts of 2020 authorized a sales and use tax exemption for the sale of qualified data center personal property for use at a qualified data center. To be certified as a qualified data center, businesses must apply to and be certified by Commerce. A business is eligible for a 10-year consecutive benefit period, subject to an annual renewal. Within the first three years after submitting an application, the business must create at least five qualified positions and make a minimum investment of:

- At least \$2 million in qualified data center personal property for a business located within a Tier 1 Area, and
- At least \$5 million in qualified data center personal property for a business located in any other area of the State.

The benefit period expands to 20 years, subject to annual renewal, if the business invests at least \$250 million in qualified data center personal property within the first ten years after submitting an application.

To date, Commerce has certified ten qualified data centers in Maryland.

**Rationale:**

Commerce’s concerns with House Bill 560 center on the immediate repeal of the sales and use tax exemption and broader repercussions for Maryland’s information technology sectors — the long-term success of which remains a vital component of the state’s workforce development and economic growth strategy.

First, without grandfathering language or provisions to keep current exemptions in place, companies that have made investments or commitments to invest several million dollars and hired workers with the promise of receiving the tax exemption for several years, in some cases up to 20 years, will suddenly have that benefit revoked. This repeal would significantly disrupt

business operations that add value to Maryland's economy. For example, the master planned 2,100 acre Eastalco Project (formerly marketed as Quantum Loophole) in Frederick County, projected to support approximately 15,500 jobs and over \$1 billion in employee compensation statewide, is mid-development with three sites already under construction. By suddenly losing this exemption, these businesses would effectively face an unanticipated 6 percent cost increase on IT hardware, potentially leading them to cancel half-built—and community approved—infrastructure investments. Alternatively, companies may relocate these data center developments to other interconnected states, creating a scenario where Marylanders feel the strain of added energy costs without reaping any of the workforce or economic benefits.

Second, disincentivizing sustainable data center development risks losing momentum in Maryland's advanced biohealth, quantum, and information technology industries. As Governor Moore has shown through his letter to the PJM Board of Managers as well as his work with the Northeast States Collaborative, the Moore-Miller Administration is committed to managing data center projects responsibly, and will not allow the cost of new data centers to be passed on to Maryland ratepayers. However, the blanket removal of the State's tools to attract data center investment, as proposed in HB 560, will restrict necessary infrastructure growth. Thriving innovation industries require local digital infrastructure that minimizes latency and computing costs. If this is unavailable in Maryland, not only will the state and local jurisdictions risk losing direct revenue from data center jobs, property taxes, and capital expenditures, but jeopardize the future growth of lighthouse sectors that support tens of thousands of jobs statewide.

In general, legislation that repeals existing business incentives without warning sends a message to businesses, site selection consultants, and others, that they are not welcome in Maryland. Commerce has worked diligently to change this message. Maryland has the labor force, institutions, infrastructure, and business network needed to make Maryland's economy more competitive and resilient, but the state needs every tool available to support industry sectors we believe hold the greatest potential for growth and therefore return on its investments.