



MULTISTATE INDIRECT TAX

Maryland enacts sales tax on information technology and data services

Tax Alert

Overview

On May 20, 2025, Maryland [House Bill 352](#) ("H.B. 352") was enacted into law. Effective July 1, 2025, H.B. 352, among other tax changes, imposes a new 3% sales tax on information technology and data services.

This Tax Alert summarizes some of the relevant provisions in H.B. 352.

Sales tax on certain information technology and data services

H.B. 352 expands the definition of "taxable services" for sales and use tax purposes to include certain data or information technology services and provides that the listed data or information technology services are subject to a 3% sales tax rate.

The services that are subject to the 3% sales tax are based on the North American Industrial Classification System ("NAICS"), including:

- A data or information technology service described under NAICS sector 518, 519 or 5415, as defined below:
 - Sector 518: The Computing Infrastructure Providers, Data Processing, Web Hosting, and Related Services subsector groups establishments that provide computing infrastructure, data processing services, web hosting services (except software publishing), and related services, including streaming support services (except streaming distribution services);
 - Sector 519: Industries in the Web Search Portals, Libraries, Archives, and Other Information Services subsector group establishments supplying information, storing and providing access to information, searching and retrieving information, and operating web sites that use search engines to allow for searching information on the internet. The main components of the subsector are libraries, archives, and web search portals;
 - Sector 5415: This industry comprises establishments primarily engaged in providing expertise in the field of information technologies through one or more of the following activities: (1) writing, modifying, testing, and supporting software to

- meet the needs of a particular customer; (2) planning and designing computer systems that integrate computer hardware, software, and communication technologies; (3) on-site management and operation of clients' computer systems or data processing facilities; and (4) other professional and technical computer related advice and services.
- A system software or application software publishing service described under NAICS sector 5132, as defined below:
 - Sector 5132: This industry comprises establishments primarily engaged in software publishing. Establishments in this industry carry out operations necessary for producing and distributing computer software, such as designing, providing documentation, assisting in installation, and providing support services to software purchasers. These establishments may design, develop, and publish, or publish only. These establishments may publish and distribute software through subscriptions or downloads.

For purposes of sourcing sales of taxable data or information technology services, H.B. 352 applies the same sourcing rules as those used to source the retail sale of digital codes and digital products.

Additionally, H.B. 352 allows buyers of digital codes, digital products, and taxable data or information technology services to provide the vendor a certificate indicating multiple points of use ("MPU") at the time of purchase. A buyer may provide the vendor a certification indicating MPU, if:

- The buyer knows at the time of purchase that the digital code, digital product, or taxable data or information technology services will be concurrently available for use by the buyer in more than one taxing jurisdiction.
 - The buyer delivering the certificate indicating MPU may use any reasonable but consistent and uniform method that is supported by the buyer's records as they exist at the time of the sale and accurately reflects the primary use location in the state; or
- The buyer knows at the time of purchase that the digital code, digital product, or taxable data or information technology services will be resold in its original form to a member of an affiliated group or a related pass-through entity of which the buyer is also a member.
 - If the apportionment on the certificate is based on a subsequent resale to one or more members of an affiliated group or related pass-through entities, the affiliated member or related pass-through entity reselling the digital code, digital product, or taxable data or information technology services to another affiliated member or related pass-through entity shall (1) assume or absorb the sales and use tax due from the affiliated member or members or related pass-through entity or entities on that portion of the sale apportioned to the state and pay the sales and use tax due on behalf of the affiliated member or members or related pass-through entity or entities; or (2) be liable for the sales and use tax due from the affiliated member or members or related pass-through entity or entities.

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