

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

Senate Bill 644

(Senator King)

Budget and Taxation

Ways and Means

Sales and Use Tax - Certificates Indicating Multiple Points of Use - Alterations

This bill alters provisions of the State sales and use tax regarding multiple points of use (MPU) certificates for the purchase and use of specified digital codes, digital products, and taxable data and information technology (IT) services. A buyer that obtains authorization from the Comptroller may issue MPU certificates and must provide a MPU certificate in the form and manner required by the Comptroller for each vendor from which the buyer intends to make purchases subject to a MPU certificate. A vendor who receives a MPU certificate must verify the authenticity of the certificate. A MPU certificate provided to a vendor remains in effect for all future purchases from the vendor until the authorized buyer rescinds the MPU certificate, the vendor receives notice that the buyer’s authorization to issue MPU certificates has been revoked, or the vendor otherwise knows or should know that the buyer’s authorization has been revoked. **The bill takes effect January 1, 2027.**

Fiscal Summary

State Effect: Potential decrease in State general fund revenues due to the reduction in tax compliance capacity at the Comptroller’s Office. General fund expenditures increase by \$183,400 in FY 2027 for personnel and one-time computer programming changes. Future year expenditures reflect annualization and inflation.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(-)	(-)	(-)	(-)	(-)
GF Expenditure	\$183,400	\$181,200	\$189,700	\$198,300	\$207,000
Net Effect	(\$183,400)	(\$181,200)	(\$189,700)	(\$198,300)	(\$207,000)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: Chapter 604 of 2025 (Budget Reconciliation and Financing Act of 2025) expanded the definition of taxable services under the State sales and use tax, beginning in fiscal 2026, to include data and IT services described under North American Industrial Classification System (NAICS) sectors 5132, 518, 519, and 5415. NAICS sector 5132 includes software publishing services and NAICS sectors 518, 519, and 5415 include, respectively, (1) computing infrastructure providers, data processing, web hosting, and related services; (2) web search portals, libraries, archives, and other information services; and (3) computer systems design and related services. Chapter 604 specified that the sales and use tax on data and IT services does not apply to (1) sales of cloud computing services to a qualified cybersecurity business or (2) sales to or by a qualified company in an emerging technology development area, which encompasses quantum computing research and development at the University of Maryland, College Park Campus.

Chapter 604 imposes a 3.0% sales and use tax on these data and IT services and distributes the revenue to the general fund. Chapter 604 also shifted the responsibility of collecting and remitting the sales and use tax from the vendor to the buyer in instances where the buyer presents a completed MPU certificate verified by the Comptroller to the seller of specified digital codes, digital products, or specified taxable data and IT services.

The December 2025 general fund revenue forecast assumes \$609.0 million in revenues from the data and IT services sales and use tax in fiscal 2027 and \$769.9 million in fiscal 2031.

Multiple Points of Use Certificate

The Comptroller's Office issued a Maryland Tax Alert addressing sales and use tax changes made during the 2025 legislative session including MPU certificates and the sales and use tax imposed on data and IT services. A copy of the alert can be found here: [Tax Alert Sales and Use Tax Updates 2025-2026](#).

State Revenues: As noted, Chapter 604 shifted the responsibility of collecting the State sales and use tax from the vendor to the buyer in instances where the buyer presents a completed and verified MPU certificate to the seller of specified digital codes, digital products, or specified taxable data and IT services.

The bill does not alter this general requirement and does not alter the amount of sales and use taxes that must be collected and paid for specified purchases. The bill also still requires the buyer, rather than the seller to collect and remit the sales and use tax under specified circumstances. As such, the bill should not have an effect on State sales and use tax revenues.

However, the Comptroller’s Office advises that the bill may make it harder for the Comptroller to verify that a filer actually has a MPU certificate. This could result in fraudulent MPU certificates being issued due to a lack of verification, which could result in a decrease in sales and use tax collections.

The Comptroller’s Office reports that 751 MPU certificates have been issued through January 2026.

State Expenditures: The Comptroller’s Office reports that, currently, MPU certificates are issued on a per transaction basis, which allows them to be tracked for compliance to ensure that the appropriate amount of sales and use tax is being paid. Under the bill, the Comptroller’s Office advises that the agency would not have as much access to MPUs that are issued and therefore the potential for risk and noncompliance would increase, thus requiring additional audit work to ensure compliance. As a result, general fund expenditures for the Comptroller’s Office increase by \$183,400 in fiscal 2027 and by \$207,000 in fiscal 2031, which reflects the bill’s January 1, 2027 effective date. This estimate is based on hiring two financial compliance auditors to validate the accuracy of the taxable status of purchases made under MPUs that are not issued by the Comptroller. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. This estimate includes a one-time computer programming expense totaling approximately \$75,000 in fiscal 2027 to update the tax collection system. These costs include discovery, design, development, testing, and system interfaces.

Positions	2.0
Salaries and Fringe Benefits	\$91,482
Computer Programming and Modification	75,000
Operating Expenses	<u>16,893</u>
Total FY 2027 Comptroller Expenditures	\$183,375

Future year expenditures reflect full salaries with annual increases and employee turnover and ongoing operating expenses.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 933 (Delegate Wilkins) - Ways and Means.

Information Source(s): Comptroller’s Office; Department of Legislative Services

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