

Maryland Businesses!

July 1st

is almost here

**ARE YOU
READY?**

Beginning July 1, some Maryland businesses will be required to collect a 3% sales tax on certain IT services.

To make sure your business is ready, review the checklist below and learn more at
MarylandComptroller.gov/2025TaxUpdates

- ✓ Determine if the services you sell are taxable as of July 1
- ✓ Sign up for Maryland Tax Connect
- ✓ Register for a Sales and Use Tax License
- ✓ Calculate and collect taxes due on sales
- ✓ Prepare to remit
Consider filing yourself or working with a tax professional



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S E R V I N G T H E P E O P L E

Where do these new taxes come from?

During the 2025 legislative session, the Maryland General Assembly passed the Budget Reconciliation and Financing Act which makes several changes to Maryland's tax laws beginning in the 2025 tax year and beyond. While some of these changes will impact Personal Income Tax in 2026, some Maryland Businesses may need to make changes to how they collect Sales and Use Taxes ahead of July 1, 2025. The Office of the Comptroller is working to implement these taxes and ensure Marylanders are aware of these changes.

General Questions and Answers

1. What are the new taxable services?

Effective July 1, 2025, sales of a data or information technology service described under NAICS sectors 518 or 519, or subsector 5415, and a system software or application software publishing services described under NAICS subsector 5132 are subject to sales and use tax at a rate of 3%. A list of services described under these codes is found in Section IV of our Frequently Asked Question document, Technical Bulletin No 56. which can be found on our website at MarylandComptroller.gov/2025TaxUpdates.

2. Are data or information technology services and software publishing services taxable based on the NAICS code of the vendor, contract solicitation, or based on the NAICS code of the individual service being purchased?

The classification that a business reports as their primary business activity code for federal and state income tax purposes is not determinative of whether sales and use tax is imposed on sales of services by the business. Instead, a business must compare the services it provides to the NAICS activity descriptions for data or information technology services and software publishing defined by Maryland law as taxable services to determine taxability.

Maryland law employs the business activity descriptions for NAICS sectors 518 and 519, and subsectors 5415 and 5132 to define the data or information technology services and software publishing services subject to the Maryland Technical Bulletin No. 56 I Sales and Use Tax on Data or Information Technology Services and Software Publishing Services: Questions and Answers 1 sales and use tax. A business that has chosen a classification other than 518, 519, 5415, or 5132, but which sells a service described by those codes is required to collect and remit sales and use tax on the sale.

3. How does a vendor determine whether a particular data or information technology service or software publishing service is subject to the sales and use tax?

Each service a vendor provides must be evaluated individually to determine its taxability. The list of data or information technology services and software publishing services subject to the 3% sales and use tax is listed in Section IV of Technical Bulletin No. 56. The Comptroller's Office has also submitted the list of services to be published in the Code of Maryland Regulations ("COMAR") as regulation 03.06.01.48. The vendor must use industry standards and common definitions in its analysis.

4. Does the 3% sales and use tax imposed on data or information technology services and software publishing services apply to services performed by an internal services company for a charge to its other affiliated company members? What if the services are provided at cost?

The sales and use tax applies to all retail sales unless an exemption applies, whether or not the seller makes any profit from the sale. There is no exemption for sales made to affiliated company members. The 3% rate applies to the taxable price of the service.

Visit MarylandComptroller.gov/2025TaxUpdates
for more Frequently Asked Questions



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