



Sales and Use Tax Updates 2025 – 2026

This publication addresses the bills affecting Maryland sales and use tax enacted during the 2025 regular session of the Maryland General Assembly.

I. Data Services, Information Technology Services, and Software Publishing Services

A. General

Section 4 of Chapter 604 of the Acts of 2025, effective July 1, 2025, expands the definition of services subject to the sales and use tax to include data services, information technology services, system software publishing services, and application software publishing services described in the 2022 edition of North American Industrial Classification System (NAICS), United States Manual, under sectors 518 and 519 and subsectors 5132 and 5415. NAICS subsector 5132 includes software publishing services and NAICS sectors 518 and 519, and subsector 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. The law imposes a 3.0% sales and use tax rate on a sale of these services. A full list of the services described in NAICS sectors 518 and 519 and subsectors 5132 and 5415 can be found by searching those sector codes at www.census.gov/naics.

B. New Exemption for Data Services, Information and Technology Services, and Software Publishing Services

The law also creates new exemptions related to these services. The following sales of data services, information technology services, system software publishing services, or application software publishing services are not subject to the Maryland sales and use tax:

1. A sale of cloud computing to a qualified cyber security business. A “qualified cybersecurity business” is a for-profit entity engaged primarily in the development of innovative, proprietary cybersecurity technology or the provision of cybersecurity services.
2. A sale to a qualified company located in the University of Maryland’s Discovery District in Prince George’s County made in connection with the work of the company. A “qualified company” is a company that contracts with the University of Maryland’s Applied Research Laboratory for Intelligence and Security to develop systems and technologies to advance the use of quantum computers.
3. A sale by a qualified company located in the University of Maryland’s Discovery District in Prince George’s County.

C. Multiple Points of Use Certificate

If a buyer knows, at the time of purchase, that a digital code, digital product, taxable data service, taxable information technology service, or taxable software publishing service will be used concurrently by the buyer both inside Maryland and outside of Maryland, or if it 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 a member, the buyer may present the vendor with a multiple points of use (MPU) certificate at the time of sale. The MPU certificate must apportion the use of the code, product, or taxable service within Maryland and outside of Maryland. A buyer may use any reasonable method of apportionment that is supported by the buyer's records as they exist at the time of the sale. The apportionment must accurately reflect the primary use location in the State. Upon receipt of the completed MPU certificate, a vendor is relieved of their obligation to collect the Maryland sales and use tax, and the buyer is obligated to remit the apportioned use tax to the Comptroller.

II. Sales and Use Tax on Adult-Use Cannabis

A. Cannabis Rate Change

Pursuant to Section 4 of Chapter 604 of the Acts of 2025, effective July 1, 2025, the sales and use tax rate on a sale of cannabis and cannabis products increases from 9% to 12%.

B. New Cannabis Exemption

Chapter 637 of the Acts of 2025, effective July 1, 2025, exempts the sale of cannabis between a licensed cannabis business and a registered cannabis nursery from the sales and use tax.

C. Cannabinoid Beverages

Chapter 120 of the Acts of 2025, effective July 1, 2025, specifies that a cannabinoid beverage is not included in the definition of food in the context of sales of food that are exempt from the sales and use tax pursuant to Tax-General Article § 11-206. A "cannabinoid beverage" is a beverage intended for human consumption by oral ingestion that:

1. is suitable for beverage purposes;
2. contains 5 milligrams or less of tetrahydrocannabinol, as defined in Alcoholic Beverages and Cannabis Article, § 36-1102, per serving;
3. is contained as a single-serving product;
4. is lawfully produced by a cannabis licensee; and
5. complies with:
 - a. the laboratory testing standards established under Alcoholic Beverages and Cannabis Article, § 36-203; and
 - b. the packaging and labeling standards established under Alcoholic Beverages and Cannabis Article, §§ 36-203 and 36-203.1.

III. Additional Sales and Use Tax Exemption Changes

D. Repeal of Certain Exemptions

Pursuant to Section 4 of Chapter 604 of the Acts of 2025, the following exemptions from the sales and use tax are repealed effective July 1, 2025:

1. A sale of the following snack foods sold through a vending machine: potato chips and sticks; corn chips; pretzels; cheese puffs and curls; pork rinds; extruded pretzels and chips; popped popcorn; nuts and edible seeds; or snack mixtures that contain any one or more of the items listed above.
2. A sale of precious metal bullion or coins with a sale price greater than \$1,000, except for sales that occur at the Baltimore Convention Center.
3. A sale of photographic material for use in the production of an item that is used in

composition or printing, or in production of another item used in printing.

4. A sale of custom computer software, regardless of the method transferred or accessed, or a sale of service relating to custom computer software.

E. Exemption for Veterans' Organizations

Chapters 257 and 258 of the Acts of 2025, effective July 1, 2025, updates the definition of the term "veteran" in the context of the sales and use tax exemptions for sales to military veterans' organizations and sales of food or meals served by military veterans' organizations to conform with the definition of "veteran" stated in 38 U.S.C. § 101. A veteran means "a person who served in the active military, naval, air, or space service, and who was discharged or released therefrom under conditions other than dishonorable."

IV. Interest

A. Annual Interest Rate

The annual interest rate for calendar year 2025 is 11.4825%. The Comptroller will publish the 2026 interest rate at MarylandComptroller.gov later this year.

B. Interest on Refunds

Section 30 of Chapter 604 of the Acts of 2025 alters the annual interest rate paid for State sales and use tax refunds resulting from a final decision in the matter of *Potomac Edison Company vs. Comptroller of the Treasury* by requiring the Comptroller to use an annual interest rate equal to the average prime rate of interest during the 12 months preceding the month in which a final decision is rendered in the case.

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