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Appropriations Committee

Subcommittees

Capital Budget

Chair, Transportation and the
Environment

Oversight Committee on Personnel



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THE MARYLAND HOUSE OF DELEGATES
ANNAPOLIS, MARYLAND 21401

21st-Century Economy Sales Tax Act (HB 932)
Testimony of Delegate Marc Korman--Favorable

Thank you Madam Chair, Mr. Vice Chair, and the members of the Ways and Means Committee. I come before you today to discuss the 21st-Century Economy Sales Tax Act, legislation that will apply the sales and use tax to certain digital products and require the Comptroller to distribute the revenue raised by the tax to the Education Trust Fund.

Thirty states already tax digital goods, but Maryland is not one of them. Digital sales have the potential to be a substantial revenue source because of the shift from traditional physical media transactions to digital ones in the last two decades. If I buy a CD at a store, I pay the sales tax. If I buy the same songs on iTunes, I do not. There has been an obvious shift in our economy from physical goods to digital goods including movies; music; books; video games and more, all of which we used to physically purchase but now only download on our phones, laptops, ipads, and other devices.

There is some ambiguity in the bill as drafted as to whether it applies to video and streaming services, which I will leave to the Committee to clarify and address. And for clarity, this is separate from legislation related to online advertising or physical goods a consumer purchases online and has delivered.

The 21st-Century Economy Sales Tax Act designates the revenue generated by the digital sales tax to the Education Trust Fund. As the General Assembly debates implementing recommendations brought forth by the Kirwan Commission, it is vital that we secure additional streams of revenue. The bill would add an additional revenue stream to the Education Trust Fund without a raise in income or property taxes and would not put an undue burden on Maryland consumers. The fiscal note projects revenue of \$117.4 million in FY 2021 and revenue of \$147.4 million by FY 2025.

The 21st-Century Economy Sales Tax will modernize the Maryland tax code for the digital economy and bring it in conformance with the majority of states all while helping to fund the

important recommendations of the Kirwan Commission which will provide a better future for Maryland's students. I urge a favorable report.