

Maryland lawmakers move ahead with first tax on internet ads

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Maryland lawmakers are moving forward with a first-in-the-nation tax on internet ads for Big Tech companies like Google and Facebook to help pay for a comprehensive and costly measure to improve K-12

education.

The Maryland General Assembly, which is controlled by Democrats, overrode Republican Gov. Larry Hogan's veto of legislation for the tax Friday. Lawmakers also voted to override Hogan's veto of the separate education bill, a measure which is projected to cost billions of dollars over the next decade.

Sen. James Rosapepe, a Democrat, said the measure aims to modernize the state's tax system and make thriving Big Tech companies pay their fair share.

"If we don't modernize our [tax system](#), if we don't make sure that the new winners in the new economy pay taxes just like every [small business](#) on Main Street in Maryland, we're going to be in deep trouble," Rosapepe said.

The Senate voted 29-17 to override Hogan's veto, the minimum number of votes to reach the three-fifths needed. The House of Delegates voted to override the veto earlier in the week.

The education measure, which has been years in the making, focuses on five main policy areas. They include expanding pre-K, increased teachers pay, college and career readiness, aid for struggling schools and accountability in implementation.

It also aims to address inequities in schools that serve high numbers of children in poverty. Billions of dollars to implement it would be phased in over 10 years, reaching about \$4 billion in added spending in fiscal year 2030.

Sen. Guy Guzzone, a Democrat who chairs the Senate's budget committee, pointed out that the state has been planning for the education

measure for years, and that the state already has set aside money for the first four years of the framework.

"We're going to take the same careful look at this every year to ensure it continues to keep being paid for, because that's the responsible thing to do," Guzzone said.

The tax measure is now set to take effect in 30 days, but supporters and opponents agree a court challenge is likely, leading to a potential injunction until the case is resolved. The bill also nearly doubles the state's cigarette tax from \$2 to \$3.75 a pack and adds a new tax on electronic cigarettes.

Opponents say the measure will raise costs on businesses during a pandemic. They contend the tax on digital ads violates the federal Internet Tax Freedom Act, which prohibits discrimination against electronic commerce, as well as other federal laws.

"This bill taxes the way businesses communicate with their customers," said Sen. Stephen Hershey, an Eastern Shore Republican, who added the measure hits businesses "where it hurts the most: targeted, cost-effective online advertising."

Doug Mayer, a spokesman for a coalition of Maryland businesses called Marylanders for Tax Fairness, described the bill as "shortsighted, foolish, and harmful to countless small businesses and employees, and Marylanders will remember it that way."

"We will continue fighting this regressive tax wherever possible, including in a court of law," Mayer said.

Google and Facebook declined to comment on the legislation.

State analysts have estimated the tax could raise about \$250 million a year.

The measure, which would require companies to file a tax return with the state, imposes a tax based on global annual gross revenues for companies that make more than \$100 million globally.

The tax rate would be 2.5% for businesses with gross annual revenue of \$100 million; 5% for companies with revenue of \$1 billion or more; 7.5% for companies with revenue of \$5 billion or more and 10% for companies with revenue of \$15 billion or more.

Senate President Bill Ferguson, a Baltimore Democrat, has introduced legislation this session that would exempt news media from the tax. It also would prohibit tech companies from passing the cost of the tax on to businesses that advertise.

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