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Application of Sales and Use Tax to Digital Products and Digital Codes

The Maryland General Assembly voted to override Governor Lawrence J. Hogan Jr.'s veto of House Bill 932 from the 2020 Regular Session on February 12, 2021. As a result of the override, the sale of digital products and digital codes, as defined by the Maryland General Assembly, became subject to Maryland's 6% sales and use tax effective March 14, 2021. Collection of the sales and use tax began on that date.

In response to the veto override, the Comptroller's office issued [Tax Tip #29, Sales of Digital Products and Digital Code](#) to help taxpayers comply with the new law. Based on concerns raised about the taxability of online classes and other digital products, the Maryland General Assembly is contemplating corrective legislation to clarify the scope of the tax on digital products. If a corrective bill is enacted, the Comptroller's Office will promptly issue guidance on any alterations to the law. If the legislature makes any retroactive changes to tax collected and remitted under this law, the Comptroller will ensure refund claims are processed as appropriate.

Further, due to changes included in the RELIEF Act and the time necessary to produce revised tax forms, the deadline for sales and use tax returns has been extended. Any sales and use tax returns and payments for sales taking place in March, April and May of 2021 are now due on July 15, 2021.