



CITRINCOOPERMAN®

RAMP: Grants, Funding, and Tax Incentives for Manufacturers





Overview of Maryland S&U Tax Exemptions



Overview of Applicable Maryland Sales & Use Tax Exemptions

General Exemptions

- Sales & use tax does not apply to the sale of tangible personal property used directly and predominantly in a production activity [Md. Code Ann Tax-Gen. §03.06.01.32-2]
- Sales & use tax does not apply to a sale of tangible personal property for use or consumption in research and development [Md. Code Ann Tax-Gen. §11-217(b)]
- Sales & use tax does not apply to the sale of tangible personal property that is necessary for the establishment and maintenance of a clean zone or cleanroom regardless of whether it is considered part of a real property project [Maryland Private Letter Ruling – date June 13, 2007]



Overview of Maryland S&U Tax Exemptions



Overview of Applicable Maryland Sales & Use Tax Exemptions

Production activity” means:

- Assembling, manufacturing, processing, or refining tangible personal property for resale, except for processing food or beverages by a food vendor;
- Generating electricity for sale or use in another production activity
- Laundering, maintaining or preparing textile products for rental
- Producing or repairing production machinery or equipment
- Establishing or maintaining clean rooms or clean zones as required by applicable provisions of the Federal Food, Drug and Cosmetic Act.
- Providing for the safety of employees; or
- Providing for quality control

[Md. Code Ann Tax-Gen. §03.06.01.32-2



Overview of Maryland S&U Tax Exemptions



Overview of Applicable Maryland Sales & Use Tax Exemptions

Production activity” does not means:

- Servicing or repairing tangible personal property, except servicing or repairing production machinery or equipment;
- Maintaining tangible personal property, except textile products for rental and production machinery and equipment;
- Providing for the comfort or health of employees; and
- Storing of the finished product

“Used directly and predominately in a production activity” means:

- Use of the property is integral and essential to the production activity, occurs where the production activity is carried on, and occurs during the production activity; and
- Property used both in production activities and administrative, managerial, sales or any other operational or non-operational activities that is used more than 50 percent of the time directly in production activities.



Overview of Maryland S&U Tax Exemptions



Overview of Applicable Maryland Sales & Use Tax Exemptions

Research & Development Exemption

- Sales and use tax does not apply to a sale of tangible personal property for use or consumption in research and development. [§11-217(b)]
- Research & Development means:
 - Basic and applied research in the sciences and engineering; and
 - The design, development, and governmentally required pre-market testing of prototypes, products, and processes. [§11-217(a)(1)(i)&(ii)]



Overview of Maryland S&U Tax Exemptions



Overview of Applicable Maryland Sales & Use Tax Exemptions

Cleanroom Exemption

- Any purchases made for the establishment or maintenance of a cleanroom or clean zone are exempt from Maryland sales and use tax
- This includes both purchases of tangible personal property or real property materials purchased by General Contractors or Subcontractors in the provision of their real property contracts.



New Computer Services Tax



New Computer Services Tax

- Effective July 1, 2025— MD has imposed a 3% tax on IT and data services.
- These definitions can capture a broad array of data and IT services, such as computing infrastructure, data processing, internet hosting and information retrieval, computer system design, and software publishing.
- Canned software is taxed at the full 6%
- Custom or Enterprise software is taxable at the new 3% rate.
- There is a multiple points of use certificate available. It must be preauthorized by the State of Maryland before its use.