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Maryland's Digital Ad Tax Is a Bad Idea, and Gov. Hogan Should Veto It

by

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Amid a frantic end to a session cut short by the COVID-19 pandemic, the Maryland legislature passed the nation's first tax specifically targeting digital advertising.

Should the legislation (H.B. 732) become law, it will more likely generate legal bills than fund the expensive educational reforms proposed by the so-called Kirwan Commission. That probably shouldn't be surprising. Indeed, the novel tax is based on a proposal apparently chiefly designed not to generate revenue, but rather to force websites to abandon popular ad-supported business models.

Gov. Larry Hogan should veto this misguided legislation.

The legislation would impose a tax — ranging from 2.5% to 10% — on annual gross revenues derived from "digital advertising services" provided via a "digital interface" within Maryland. It would not apply to traditional forms of advertising such as print or TV. Because companies with under $100 million in annual global gross revenues would be exempt, popular digital platforms like Google, Facebook, Spotify, Twitter, Expedia and Etsy are in the crosshairs.

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Senate President Bill Ferguson has stated that the bill builds upon a New York Times opinion piece by economist Paul Romer advocating a tax specifically on targeted digital advertising, not because of the revenue it might generate, but rather because the tax might actually suppress targeted advertising generally. Indeed, when Mr. Romer testified before the Senate's Budget and Taxation Committee, he stated that he wants targeted advertising to stop and would be happy if the tax resulted in no revenue.

This truly is misguided. Targeted advertising is a crucial element to the Internet's usefulness and vitality. Consumers willingly provide personal information (browser history, etc.) and, in return, receive "free" content and services. Exposure to targeted ads — which, importantly, provide information on specific products that, by definition, they are likely to find compelling — is the non-monetary price they agree to pay. This voluntary exchange benefits consumers, especially low-income individuals that cannot readily afford non-ad-based subscription services.

In sum, H.B. 732 would require the state to expend substantial sums on legal fees and likely never go into effect. If it did, it would lead to higher prices, shift advertising spending to other states, harm both consumers and businesses and undermine popular ad-supported business models.

There are lots of good reasons why H.B. 732 should not become law. Once again, Governor Hogan should veto this highly flawed legislation.

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Read the entire piece at: https://www.baltimoresun.com/opinion/op-ed/bs-ed-op-0330-maryland-digital-ad-tax-20200330-2xwdsodxynefnof53p3rs6njvi-story.html