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## Here's a modest proposal Swift would endorse: Take your business overseas

Baltimore Business Journal - by [Newt Fowler](#)

During the November 2007 special session, the Maryland General Assembly enacted legislation to expand the state's 6 percent sales tax to computer services. And to garner the greatest tax revenue, the legislature has included a broad range of services, from computer facilities management and operation, to custom programming, to computer system planning and design, to integration of software and communication technologies, to data processing, and the list goes on. In fact, few companies in Maryland's information technology sector avoid the new tax entirely.

So, with apologies to Jonathan Swift, perhaps our software sector in Maryland should stop worrying about fixing Annapolis' bright idea to tax technology services. Unlike tanning salons, health clubs and other such services on the hit list, what you do can be worked on and delivered from anywhere. Good luck working on your base tax from Mumbai.

You see, your newly taxed software services don't require you to be local. Your customers care about bytes, not atoms. And things made of bytes move around fairly easily; when you need atoms to get your "service", it gets a bit trickier. Try to download a haircut and you get the point. Maybe the governor and the legislative leadership still think software comes on a disk.

So, what should software companies do? I would propose that you simply get the "service" part of your business out of Maryland. It's easy to do -- just stop "delivering" the bytes to your clients here in Maryland and make them come to you out of state. Just make sure that the server delivering your software is in Northern Virginia or some other tax-hospitable clime. Have your client log into your remote server, and your sale just moved out of Maryland. Simple, isn't it?

If that doesn't do the trick with the comptroller's office, then move your employees to Bangalore or Estonia, or even better yet, find a partner over there to do the work for you. Simply fire your employees and have that partner hire them back right here in Canton or Gaithersburg as their independent contractors. That way you have the added benefit of not being distracted about all those accelerating health care costs. So what if you turned their \$80,000 a year job into a \$45,000 one, without benefits. You get to keep the profit margin as a sales commission, and the actual "sale" and its nagging tax, is no longer your problem.

If any legislators are still reading this, I have a modest proposal for you too. Why not pick off

the other byte-based services one by one -- tax preparation, accounting, bookkeeping, and my favorite, law. Guess what? The workers that deliver a portion of these services are already offshore. You see, the challenge with taxing any service that can be delivered in bytes is that it is hard to figure out whether you can get your tax "nexus" hands on it, as it's hard to figure out where the work is getting done and where the service is delivered.

If I were a legislator, I would stick to taxing atoms, even atoms delivered as a service, as long as the customer has to physically go somewhere to get the service. When atoms are involved, you can bet the sale is in Maryland or just over the border in one of our "service" sales tax-free neighbors. Marylanders are not flying to Bulgaria or Ireland for a facial.

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