

Sales and use tax bulletin 95-1

The Maryland General Assembly enacted the following changes in the sales and use tax law which are effective July 1, 1995.

Short-term rental vehicles: The 11½% sales and use tax rate has been extended through June 30, 1999, on the rental of any passenger car or Class M multipurpose vehicle for a period of 180 days or less, for which the vendor does not provide a driver and which will not be used to transport individuals or property for hire. Taxpayers collecting the 11½% tax should continue to report receipts and taxes collected on Line 4 of their sales and use tax return. The legislation also extended the provision which included all sales and charges made in connection with the short-term vehicle rental as part of the taxable price subject to the tax. These charges include insurance, freight, handling, equipment and supplies, delivery and pick-up, cellular telephone and other accessories but do not include sales of motor fuel subject to the motor fuel tax. The provision entitling a vendor to claim a credit against the vendor's sales and use tax liability for an amount equal to the titling tax imposed by §13-809 of the Transportation Article on qualifying passenger and Class M vehicles has also been extended.

Long-term vehicle rentals: An exemption has been created for the lease of a motor vehicle leased for a period of at least one year. This exemption is applicable to all motor vehicle lease contracts entered into on or after July 1, 1995. Charges for all vehicle leases entered into prior to July 1, 1995, remain subject to the 5% sales and use tax.

Local sales tax on food and beverages: The General Assembly has enacted legislation which would permit code home rule counties to impose a local sales and use tax not to exceed one percent on the sales of food and beverages in resort areas for the sole purpose of providing revenues to pay the principal and interest on bonds issued relating to the construction, reconstruction, repair, renovation or equipping of a convention center facility in the resort area.

Computer software maintenance contracts: An exemption has been created for the sale of an optional computer software maintenance contract if the purchaser does not have the right under the terms of the contract to receive software products that are separately priced and marketed by the seller at no additional cost. If the purchaser does have the right to receive separately priced and marketed products from the vendor as part of the maintenance contract, the price of the contract is subject to the sales and use tax. This provision does not affect mandatory maintenance contracts, which remain subject to the tax. 1995 Changes in the Sales and Use Tax Law