

Business tax tip #26

What you need to know about Maryland's use tax

I've never heard of a use tax. What is it and how does it affect me?

Maryland's 6 percent sales and use tax applies to all taxable tangible property that you use in Maryland - no matter where you bought it - even if you bought it out-of-state.

Is this something new?

No. The use tax has been in effect since 1947, when Maryland's sales tax was first imposed. All 45 states which impose a tax on sales also have a companion tax on out-of-state purchases.

What kinds of purchases are taxable? There's a simple test: If you would pay tax on the purchase if you made it in Maryland, you should pay tax on the same item if you purchased it untaxed outside of Maryland. Some of the most common taxable out-of-state purchases made by consumers are items such as computers, clothing, jewelry, electronics, books, furniture, appliances and works of art.

When you talk about out-of-state purchases, do you mean just items I go out of state to buy? No. Items you buy out of state, either directly, over the Internet, through mail order, or through a toll-free number, are taxable in Maryland to the extent that they weren't taxed where you purchased them.

Why are out-of-state purchases taxed? Use tax protects Maryland businesses from unfair competition. If tax isn't paid on items bought out of state, local businesses are at a competitive disadvantage. The amount charged for a particular item will be 6 percent greater than the price an out-of-state vendor might charge, even if the ticket price is the same.

Why can't the merchant collect the tax? Sometimes items ordered from out-of-state catalogs, or on the Internet, include the Maryland tax. Only merchants who have a place of business in Maryland, employees in Maryland, or some other presence in Maryland can be required to collect the Maryland tax on purchases residents make. When you've paid tax on an out-of-state catalog or Internet order, you've probably dealt with a business that has a Maryland presence. But the Comptroller's Office can't require out-of-state businesses which don't have a Maryland presence to collect the tax. If the business doesn't collect Maryland sales and use tax, the buyer must pay it directly to the Comptroller's Office.

What happens if I don't pay the tax? You could be liable for penalties and interest in addition to the tax due.

How do I report out-of-state purchases and pay the tax? You can [download the use tax form](#) to report and pay the tax. The tax is due quarterly, and you can use the

Purchases Date	Use Tax Due
January - March	April 20
April - June	July 20
July - September	October 20
October - December	January 20

chart below to determine when to pay the tax. If the due date falls on a Saturday, Sunday or legal holiday the return or voucher is due on the next business day.

What if I paid sales tax on an item I bought in another state? Am I going to be taxed twice? No. Maryland grants a credit for sales tax paid to another state up to the amount of Maryland's 6 percent sales and use tax liability. The credit can be taken on line 4 on of the [use tax return](#). For example, if you paid a 4 percent sales tax to another state, you would be liable only for the difference, or 2 percent.

For more information about the use tax, see Business Tax Tip #3, [Sales and Use Tax on Out-of-State Purchases](#).