

# Sales and use tax bulletin 97-2

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## 1997 changes in the sales & use tax law

The Maryland General Assembly enacted the following changes in the sales and use tax law which are effective July 1, 1997, unless otherwise provided below.

**Production activities:** The sales and use tax exemptions for tangible personal property used in a production activity have been expanded, effective July 1, 1998. Effective that date, a credit against the sales and use tax a person is required to pay has been created for the purchase of tangible personal property used in a manufacturing process. The credit, which will be phased in over two years, should be claimed on the person's sales and use tax report.

Property eligible for this credit is defined as non-capitalized machinery or equipment that would qualify for the exemption under Section 11-210 of the Tax-General Article if it were capitalized; property that would qualify for the exclusion from tax as property consumed in a production activity, except that it does not meet the consumed within one year requirement; equipment that is used physically to move a finished product on the production activity site; machinery and equipment that is used to maintain machinery and equipment that is exempt under Section 11-210 of the Tax-General Article; safety equipment used on the production activity site; and machinery and equipment used in quality control on a production activity site.

Effective July 1, 2000, an exemption has been created for these items which may be claimed directly from the seller instead of claiming a credit on the sales and use tax report.

**Detective services:** Separately-stated charges for the reimbursement of incidental expenses paid to a third party and incurred in connection with providing a taxable detective service are excluded from the tax. Examples of incidental expenses which may be excluded if separately-stated on the bill include car rental charges, hotel charges, meal charges, telephone charges and photocopying.

**Magazine subscriptions sold in fund-raising activity :** An exemption has been created for sales of magazine subscriptions in a fund-raising activity by an elementary school or secondary school in the state if the net proceeds are used solely for the educational benefit of the school or its students. The exemption also extends to sales by a nonprofit parent-teacher organization or other nonprofit organization within an elementary or secondary school. The exemption is not lost if the sales result from an agreement or contract with an organization to participate in a fund-raising campaign for a percentage of the gross receipts with students acting as agents or salespersons for the organization by selling or taking orders for the subscriptions.

