



COMPTROLLER
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MARYLAND SALES AND USE TAX FACTS

A newsletter for sales and use tax licensees

July 2012 - June 2013

Comptroller Peter Franchot

ALCOHOLIC BEVERAGE SALES AND USE TAX CALCULATION

Beginning July 1, 2011, a flat 9% sales and use tax rate applies to the taxable price of alcoholic beverage sales. Beginning July 1, 2012, the 9% flat rate applies to the charge for the alcoholic beverage and the 6% rate applies to charges for labor, materials, or property used in connection with the sale of an alcoholic beverage. Also effective July 1, 2012, the 6% rate applies to mandatory gratuity charges or services charges in the nature of a tip for serving food or beverage to a group containing more than 10 individuals.

Please note: Taxpayers who must include or report sales and use taxes for the 9% rate on the taxable price of alcoholic beverage sales may not file returns and remit tax using the EFT ACH (Electronic Funds Transfer Automated Clearinghouse) option. The ACH option does not accommodate the complexity of the information required to be submitted by these taxpayers.

“CORKAGE” FEE PERMIT

Beginning July 1, 2012, a restaurant, club, or hotel with a Class B or Class C alcoholic beverage license may apply for a special permit to establish a “corkage” fee, which is subject to Maryland sales and use tax at the 6% rate. This permit, which will be obtained from the local licensing board, will allow an individual to consume wine not purchased from or provided by the restaurant or facility if the wine is consumed with a meal, the individual receives the approval of the license holder, and the wine is not available for sale on the license holder’s wine list. The license holder is allowed to establish and charge a “corkage” fee for the privilege of consuming the wine.

The restaurant, club, or hotel who charges this fee is required to collect the Maryland 6% sales and use tax on this fee.

TAX-FREE PERIODS

The 2007 Special Session of the Maryland General Assembly enacted legislation providing for two tax-free periods beginning in 2010 and 2011. Listed below is information pertaining to each tax-free period.

Shop Maryland - Tax-Free Week on Clothing and Footwear, Excluding Accessory Items

Beginning in calendar year 2010 and each year thereafter, there will be a one week tax-free period for back-to-school shopping in Maryland during August in which the sales and use tax does not apply to the sale of any items of clothing or footwear, excluding accessory items, if the taxable price of the item of clothing or footwear is \$100 or less. The 2012 tax free period will occur the week of August 12 through 18. Accessory items, which are not exempt from the sales and use tax during the tax-free week include jewelry, watches, watchbands, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, and belt buckles.

Shop Maryland Energy - Tax-Free Weekend on Energy Star Products

Beginning in calendar year 2011 and each year thereafter, there will be a tax-free three-day weekend during February in which the sales and use tax will not apply to the sale of any Energy Star Product listed below. The 2013 tax free weekend will occur the weekend of February 16 through 18. Energy Star Product means an air conditioner, clothes washer or dryer, furnace, heat pump, standard size refrigerator, compact fluorescent light bulb, dehumidifier, programmable thermostat or boiler that has been designated as meeting or exceeding the applicable Energy Star efficiency requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of Energy. Please note that under Energy Star requirements, no dryer has an Energy Star rating and therefore dryers do not currently qualify for this tax-free period.

SALES OF DYED DIESEL FUEL BY MARINAS

Beginning July 1, the 6% Maryland sales and use tax must be applied to 94.5% of the gross receipts of dyed diesel fuel sold by a marina. Marinas are required to remit the sales and use tax to the Comptroller’s Office and may not collect the tax from the buyer as a separately stated item. A marina is defined as a person who maintains a place of business where motor fuel is sold primarily to vessels.

EXEMPTION CERTIFICATES RE-ISSUED

Exemption certificates issued to qualifying veterans' organizations will expire on June 30, 2012. New cards will be issued during the first week in June to qualifying organizations that have completed the renewal process. The new exemption certificate is a white card with green printing, bearing the organization's eight-digit exemption number and a September 30, 2017 expiration date. Businesses should not honor the old white card with blue printing and the 2012 expiration date after June 30, 2012.

Exemption certificates issued to qualifying nonprofit charitable, educational, and religious organizations will expire on September 30, 2012. New cards will be issued during the first week in September to qualifying organizations that have completed the renewal process. The new exemption certificate is a white card with green printing, bearing the exempt entity's eight-digit exemption number and a September 30, 2017 expiration date. Businesses should not honor the old white card with purple printing and the 2012 expiration date after September 30, 2012.

Sales tax should be charged on all sales made on or after July 1, 2012 to any veterans' organization or on or after October 1, 2012 to any qualifying nonprofit organization that does not present a new certificate at the time of sale. Exempt organizations are urged to contact vendors with whom they regularly do business before the certificates expire so that the vendor can verify that a new certificate has been issued to the organization. Certificates issued to governmental entities containing no expiration date continue to remain valid and will not be re-issued. Any questions regarding the new certificates should be referred to Taxpayer Service at 410-260-7980 in Central Maryland or 1-800-MD-TAXES from elsewhere in Maryland, Monday - Friday, 8:00 a.m. - 5:00 p.m. For general information about exemption certificates, see **Business Tax Tip #6 - Retail Sales Involving Exemption Certificates** on the Comptroller's Web site at www.marylandtaxes.com.

FREE ASSISTANCE

Web site: www.marylandtaxes.com

- File business taxes electronically, using bFile.
- Pay existing income and business tax liabilities online, using BillPay.
- Register business tax accounts online.
- Verify sales tax exemption certificates online.
- Use other online services.

Taxpayer Service: Call 410-260-7980 from Central Maryland or 1-800-638-2937 from elsewhere.

Central Registration Unit: For help in completing the Combined Registration Application, call 410-260-

7980 from Central Maryland or 1-800-638-2937 from elsewhere.

You can also fax your completed application to 410-260-7908 or complete and file the application online at www.marylandtaxes.com.

Refund Unit, Compliance Division: For information about sales and use tax, admissions and amusement tax and tire fee refunds, call 410-767-1538.

License Bureau, Investigative Services Unit: To determine if special licenses are required, call 410-260-6240.

No Tax Due? If you have no tax due for the filing period, you may **telefile** your business tax return at 410-260-7225. You can also file your business tax return electronically, using **bFile**.

FREE PUBLICATIONS

Listed below are just some of the many business tax tips available online at www.marylandtaxes.com.

You can also request them by telephone by calling Taxpayer Service at 410-260-7980 from Central Maryland or 1-800-638-2937 from elsewhere:

- # 1 - Preparing your sales and use tax return
- # 2 - What sales records do I need to keep?
- # 3 - Sales and use tax on out-of-state purchases
- # 4 - If you make purchases for resale
- # 5 - How are sales of food taxed in Maryland?
- # 6 - Retail sales involving exemption certificates
- # 7 - Are repairs to personal property taxable?
- # 8 - Computing Maryland's sales and use tax
- # 9 - Sales and use tax exemptions for production activities.