



# COMPTROLLER *of* MARYLAND

*Serving the People*

# MARYLAND SALES AND USE TAX FACTS

A newsletter for sales and use tax licensees

*July 2019 – June 2020*

**Comptroller Peter Franchot**

## NO SALES AND USE TAX BULLETIN

There will be no separate Sales and Use Tax Bulletin for 2019. This publication will address the bills affecting sales and use tax enacted during the 2019 legislative session, as well as one bill from the 2018 session subject to abrogation.

## LEGISLATION

2018 Session - On May 26, 2018, Senate Bill 743 was enacted under Article II, Section 17(c) of the Maryland Constitution. The legislation, now known as Chapter 852, established a sales and use tax rate of 8% applied to sales and charges made in connection with a shared motor vehicle used for peer-to-peer car sharing and made available on a peer-to-peer car sharing program. The bill became effective July 1, 2018, and shall remain effective for a period of 2 years. It will abrogate at the end of June 30, 2020 without any further action.

## 2019 Session

### MARKETPLACE FACILITATORS

On May 25, 2019, House Bill 1301 was enacted under Article II, Section 17(c) of the Maryland Constitution as Chapter 735 of the Acts of 2019. The legislation requires, as of the effective date of October 1, 2019, that a “marketplace facilitator” collect sales and use tax due on a retail sale or sale for use by a “marketplace seller” to a buyer in Maryland. A marketplace facilitator is a person that: (1) facilitates a retail sale by a marketplace seller by listing or advertising for sale in a marketplace tangible personal property; and (2) regardless of whether the person receives compensation or other consideration in exchange for the person’s services, directly or indirectly through agreement with third parties, collects payment from a buyer and transmits the payment to the marketplace seller.

A marketplace seller is a person that makes a retail sale or sale for use through a physical or electronic marketplace operated by a marketplace facilitator. A marketplace seller is not required to collect sales and use tax if the marketplace facilitator collects the sales and use tax.

A marketplace facilitator is required to complete and file a sales and use tax return with the Comptroller’s office. A marketplace facilitator facilitating a retail sale or sale for use must file a sales and use tax return that reports the following: (1) the marketplace facilitator’s gross revenues from the sales of marketplace sellers that the marketplace facilitator has facilitated and delivered in the state; (2) the taxable price of sales of those marketplace sellers on which the sales and use tax is computed; and (3) the sales and use tax due. A marketplace facilitator facilitating a sale for use must report the following: (1) the total value of the tangible personal property or taxable service sold by marketplace sellers the use of which became subject to the sales and use tax; and (2) the sales and use tax.

### LIST OF TANGIBLE PERSONAL PROPERTY AND SERVICES

On April 30, 2019, Governor Lawrence J. Hogan, Jr. approved House Bill 454. The legislation requires the Comptroller of Maryland to publish a comprehensive list of tangible personal property and services, the sale or use of which are subject to sales and use tax, on the Comptroller’s website. The Comptroller is required to update the list at least on a quarterly basis and detail any additions, deletions, or revisions to the list. The legislation, now known as Chapter 257 of the Acts of 2019, takes effect on October 1, 2019.

### SHORT-TERM RENTAL UNITS

Senate Bill 533 and House Bill 884 were enacted under Article II, Section 17(c) of the Maryland Constitution on May 25, 2019 as Chapter 758 and Chapter

704 of the Acts of 2019, respectively. Effective June 1, 2019, short-term rental platforms are required to collect and remit the sales and use tax on specified short-term rental transactions facilitated by the short-term rental platform. A short-term rental platform is an internet-based digital entity that: (1) advertises the availability of short-term rental units for rent; and (2) receives compensation for facilitating reservations or processing booking transactions on behalf of the owner, operator, or manager of a short-term rental unit.

A short-term rental unit is a residential dwelling unit or a portion of the unit used for short-term rentals. Short-term rental unit includes a single family house or dwelling, a multifamily house or dwelling, an apartment, a condominium, or a cooperative.

### COMMERCIAL CLEANING

On April 30, 2019, Governor Lawrence J. Hogan, Jr. approved Senate Bill 283. The legislation created an exemption from sales and use tax for charges for cleaning a commercial or industrial building if the building is owned by a common ownership community or retirement community and used for the following: classrooms; dining; exercise; food preparation or cooking; meetings or gatherings; offices used by the common ownership community for management of the community; recreation; security; sports; storage; or any other common use. The exemption does not apply to charges for cleaning a commercial or industrial building or a proportionate share of the building that requires the collection of the sales and use tax. The legislation, now known as Chapter 293 of the Acts of 2019, took effect upon the date of enactment.

### TELEPHONE ANSWERING SERVICES

Sales and use tax applies to certain taxable services, including telephone answering services. On April 30, 2019, Governor Lawrence J. Hogan, Jr. approved Senate Bill 945. The legislation defines telephone answering service as a service provided to a customer that consists exclusively of the taking of messages, either by an automated system or by a live operator, and transmitting the messages to the customer. A telephone answering service does not include the physical act of answering a telephone on behalf of a customer, if the act is incidental to and less than 5% of the service provider’s total gross receipts in a calendar year. The legislation, now known as Chapter 292 of the Acts of 2019, took effect upon the date of enactment.

### INTEREST RATE CHANGE

The annual interest rate has been changed for 2019 and future years as a result of House Bill 422 (Chapter 322, Acts of 2016). The annual interest rate for 2019 is 11%. For 2020, the annual interest rate decreases to 10.5%. For additional information, please see our website at [www.marylandtaxes.gov](http://www.marylandtaxes.gov) or email your question to [TAXHELP@comp.state.md.us](mailto:TAXHELP@comp.state.md.us). You may also call 1-800-638-2937 or from central Maryland 410-260-7980.

### SHOP MARYLAND BACK-TO-SCHOOL TAX-FREE WEEK

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. The tax-free period occurs in the 7-day period from the second Sunday in August through the following Saturday.

During this time, the sales and use tax does not apply to: 1) the sale of any item of clothing or footwear if the taxable price of the item of clothing or footwear is \$100 or less; or 2) the first \$40 of the taxable price of any backpack or bookbag. Accessory items are not exempt from the sales and use tax during the tax free week. Examples of accessory items include jewelry, watches, watchbands, handbags, handkerchiefs, umbrellas, scarves, ties, headbands and belt buckles.