



COMPTROLLER  
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# MARYLAND SALES AND USE TAX FACTS

A newsletter for sales and use tax licensees

*July 2008 – June 2009*

Comptroller Peter Franchot

## SALES TAX RATE CHANGE

The 2007 Special Session of the Maryland General Assembly made important changes in the sales and use tax statute. *Effective January 3, 2008*, the sales and use tax rate increased to 6 percent from 5 percent, as follows:

The tax is 1 cent on each sale where the taxable price is 20 cents; 2 cents if the taxable price is at least 21 cents but less than 34 cents; 3 cents if the taxable price is at least 34 cents but less than 51 cents; 4 cents if the taxable price is at least 51 cents but less than 67 cents; 5 cents if the taxable price is at least 67 cents but less than 84 cents; and 6 cents if the taxable price is at least 84 cents.

On each sale where the taxable price exceeds \$1.00, 6 cents on each exact dollar, plus 1 cent if the excess over an exact dollar is at least 1 cent but less than 17 cents; 2 cents if the excess over an exact dollar is at least 17 cents but less than 34 cents; 3 cents if the excess over an exact dollar is at least 34 cents but less than 51 cents; 4 cents if the excess over an exact dollar is at least 51 cents but less than 67 cents; 5 cents if the excess over an exact dollar is at least 67 cents but less than 84 cents; and 6 cents if the excess over an exact dollar is at least 84 cents.

## TAX-FREE PERIODS

The special session of the Maryland General Assembly enacted legislation providing for two tax-free periods beginning in 2010 and 2011. There is no tax-free period in 2008. Listed below is information pertaining to each tax-free period.

### **Tax-Free Week – Clothing and Footwear, Excluding Accessory Items**

Beginning in calendar year 2010, 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 first tax-free period will occur the week of August 8, 2010, through August 14, 2010.

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.

### **Tax-Free Weekend – Energy Star Products**

Beginning in calendar year 2011, 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 first tax-free weekend will occur the weekend of February 19, 2011, through February 21, 2011.

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. During the 2008 regular session, the General Assembly altered the definition of Energy Star Product to include boilers.

## ALLOWANCE TO VENDORS FOR COLLECTION AND TIMELY REMITTANCE OF TAX

The discount allowed to vendors for timely filing and paying sales and use taxes has been changed for the period of January 3, 2008 through June 30, 2011. The discount should be computed at 1.2 percent of the first \$6,000 of tax due and 0.9 percent of taxes in excess of \$6,000.

However, effective January 3, 2008, the credit allowed under this computation is capped at \$500 for each return. If a vendor files or is eligible to file a consolidated return, the total maximum discount allowed for all returns for any one period is \$500. The change is effective for a timely filed return with a due date of January 3, 2008 or later.

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## REPEAL OF COMPUTER SERVICES TAX

The 2007 Special Session of the General Assembly enacted a tax on computer services and removed the sales and use tax exemptions for custom computer software services and optional computer software maintenance contracts. During the regular 2008 session, the General Assembly **repealed** the computer services tax and restored the exemptions for custom computer software services and optional computer software maintenance contracts.

## REAL PROPERTY CONTRACTORS AND SUBCONTRACTORS

Purchases by contractors and subcontractors of materials to be incorporated into and made a part of real property pursuant to a contract for the construction, repair or alteration of real property,

when the contract is entered into pursuant to the obligation of a formal written bid which cannot be altered or withdrawn, and the contract was entered into prior to January 3, 2008, shall be exempt from the additional 1 percent tax.

For more information on how you may claim this exemption, see Sales and Use Tax Bulletin 07-02.

## ABSORPTION OF SALES AND USE TAX

Effective January 3, 2008, a vendor may assume and absorb all or any part of the sales and use tax on a retail sale and pay that tax on behalf of the buyer. However, the vendor must continue to separately state the tax from the sales price at the time of sale to the purchaser. If the vendor absorbs all or any part of the tax on the sale, the vendor shall pay the tax with the return that covers the period in which the vendor makes the sale.

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## FREE PUBLICATIONS

You may download the following business tax tip publications from our Web site [www.marylandtaxes.com](http://www.marylandtaxes.com) or request them by telephone by calling Taxpayer Service at 410-767-1300 from the Baltimore area or 1-800-492-1751 from elsewhere in Maryland:

- # 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
- #10 - Delinquent tax collections and you
- #11 - Sales and use tax exemptions for agriculture
- #12 - Fabrication labor is subject to tax
- #13 - Opening a new business in Maryland
- #14 - Flea market sales are subject to tax
- #16 - Maryland's tire recycling fee and you
- #17 - How to prepare your Maryland tire fee report
- #18 - Real property contractors and Maryland taxes
- #19 - Reporting unclaimed property
- #20 - Computing admissions and amusement taxes
- #21 - Filling out the admissions and amusement tax return
- #22 - Your Maryland sales and use tax packet
- #23 - What you need to know about the International Fuel Tax Agreement
- #24 - Admissions and amusement tax at recreational facilities
- #25 - Direct shipments of alcoholic beverages to consumers are illegal
- #30 - A brief look at Maryland taxes
- #31 - High-tech ways to serve you
- #33 - Admissions and amusement tax on political fund-raisers
- #34 - Comptroller's Office hearing procedures
- #40 - What you need to know about fuel inspections
- #41 - What you should know about retail inspections
- #58 - Offer in compromise tax liability resolution program
- #62 - Your rights as a Maryland taxpayer
- #64 - A guide to business licenses

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## FREE ASSISTANCE

**Web site:** [www.marylandtaxes.com](http://www.marylandtaxes.com)

- File business taxes electronically, using **bFile**.
- Register business tax accounts online.
- Verify sales tax exemption certificates online.
- Use other online services.

**Taxpayer Service:** Call 410-767-1300 from the Baltimore area or 1-800-492-1751 from elsewhere in Maryland.

**Central Registration Unit:** For help in completing the Combined Registration Application, call 410-767-1313. You can also fax your completed application to 410-974-3456 or complete and file the application online at [www.marylandtaxes.com](http://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**.