



COMPTROLLER *of* MARYLAND

Serving the People

MARYLAND SALES AND USE TAX FACTS

A newsletter for sales and use tax licensees

July 2022–June 2023

Comptroller Peter Franchot

NO SALES AND USE TAX BULLETIN

There will be no separate Sales and Use Tax Bulletin for 2022. This publication will address the bills affecting sales and use tax enacted during the 2021 and 2022 legislative sessions.

REMINDER: FEMININE HYGIENE PRODUCTS NOT SUBJECT TO SALES AND USE TAX

In the 2018 session, the Maryland General Assembly clarified in Senate Bill 81 that the sales and use tax does not apply to the sale of sanitary pads, tampons, menstrual sponges, menstrual cups, or other similar feminine hygiene products. Any vendor who has not done so already should immediately cease charging sales and use tax on feminine hygiene products to Maryland customers.

LEGISLATION

2021 Session

ELECTRONIC SMOKING DEVICES

The Maryland General Assembly passed House Bill 732 on March 18, 2021 during the 2020 Session. Governor Lawrence J. Hogan vetoed House Bill 732 on May 7, 2020. During the 2021 session, the Maryland General Assembly overrode the Governor's veto on February 12, 2021. House Bill 732 became law per under Article II, Section 17(d) of the Maryland Constitution as Chapter 37 of the Acts of 2021. The sales and use tax rate for electronic smoking devices is 12% of the taxable price. The sales and use tax rate for vaping liquid sold in a container that contains 5 millimeters or less of vaping liquid is 60% of the taxable price. The legislation became effective March 14, 2021.

On May 30, 2021, House Bill 1324 was enacted under Article II, Section 17(c) of the Maryland Constitution as Chapter 767 of the Acts of 2021. The sales and use tax rate for tobacco pipes is 12% of the taxable price.

DIGITAL CODE AND DIGITAL PRODUCT

The Maryland General Assembly passed House Bill 932 on March 18, 2021 during the 2020 Session. Governor Lawrence J. Hogan vetoed House Bill 932 on May 7, 2020. During the 2021 session, the Maryland General Assembly overrode the Governor's veto on February 12, 2021. House Bill 932 became law per under Article II, Section 17(d) of the Maryland Constitution as Chapter 38 of the Acts of 2021. The sales and use tax applies to the sale or use of certain digital codes and digital products. The legislation became effective March 14, 2021.

RELIEF ACT

On February 15, 2021, Senate Bill 496 was enacted under Article II, Section 17(c) of the Maryland Constitution as Chapter 39 of the Acts of 2021. The 2021 RELIEF Act authorizes eligible vendors to retain an increased vendor tax credit for the months of March, April, and May of 2021. The amount of the vendor credit allowed is equal to the lesser of the amount of sales and use tax collected during the month the vendor qualifies for the increased credit or \$3,000, not to exceed \$9,000 in three months.

CECIL COUNTY

On May 18, 2021, House Bill 582 and Senate Bill 294 were enacted under Article II, Section 17(c) of the Maryland Constitution as Chapters 281 and Chapter 282 of the Acts of 2021. The bill, effective July 1, 2021, provides an exemption from the sales and use tax for certain construction material or warehousing equipment purchased for use in a certain federal facilities redevelopment area in Cecil County under certain circumstances. The buyer claiming the exemption is required to provide evidence of eligibility issued by the Comptroller to the vendor.

VENDOR COLLECTION CREDIT

On May 18, 2021, House Bill 337 and Senate Bill 257 were enacted under Article II, Section 17(c) of the Maryland Constitution as Chapters 354 and Chapter 355 of the Acts of 2021. The bill, effective July 1, 2021, authorizes certain vendors who are qualified job training organizations to claim a credit for the expense of collecting and paying the sales and use tax. The total amount of credits a vendor may claim may not exceed \$100,000. The vendor must apply to the Secretary of Labor to become certified as a qualified job training organization to claim the credit.

2022 Session

DIGITAL PRODUCTS

The Maryland General Assembly passed House Bill 791 on April 7, 2022 and Senate Bill 723 on April 11, 2022. The bills specify that digital products do not include (1) a product having electrical, digital, magnetic, wireless, optical, electromagnetic, or similar capabilities where the purchaser holds a copyright or other intellectual property interest in the product, in whole or in part, if the purchaser uses the product solely for commercial purposes, including advertising or other marketing activities; or (2) computer software or software as a service purchased or licensed solely for commercial purposes in an enterprise computer system, including operating programs or application software for the exclusive use of the enterprise software system, that is housed or maintained by the purchaser or on a cloud server, whether hosted by the purchaser, the software vendor, or a third party.

BABY PRODUCTS

On April 1, 2022, Governor Lawrence J. Hogan approved House Bill 282, House Bill 288, and Senate Bill 316. The legislation exempts from the sales and use tax the sale of baby bottles, baby bottle nipples, diapers, diaper rash cream, baby wipes, and infant car seats. The legislation, now known as Chapters 7, 8 and 9 of the Acts of 2022, takes effect on July 1, 2022.

ORAL HYGIENE PRODUCTS

On April 1, 2022, Governor Lawrence J. Hogan approved House Bill 492 and Senate Bill 571. The legislation exempts from the sales and use tax the sale of toothbrushes, toothpaste, tooth powders, mouthwash, dental floss, and other similar oral hygiene products. The legislation, now known as Chapters 10 and 11 of the Acts of 2022, takes effect on July 1, 2022.

MEDICAL DEVICES AND PRODUCTS

On April 1, 2022, Governor Lawrence J. Hogan approved House Bill 364, House Bill 1151 and Senate Bill 488. The legislation exempts from the sales and use tax the sale of the following: (1) medical or clinical thermometers; (2) pulse oximeters; (3) blood pressure monitors; (4) N95, China KN95, Japan DS, Korea 1st Class, AS/NZS P2, or European FFP2 filtering facepiece respirators; and (5) various diabetic care items. The legislation, now known as Chapters 12, 13 and 14 of the Acts of 2022, takes effect on July 1, 2022.

CONSTRUCTION MATERIALS

On April 12, 2022, Governor Lawrence J. Hogan approved House Bill 897. The legislation exempts from the sales and use tax the sale of construction material if: (1) the material is purchased for use in furtherance of the construction or redevelopment of a sports entertainment facility or a Prince George's County Blue Line Corridor facility; (2) the sale is made on or after October 1, 2021; and (3) the buyer provides the vendor with evidence of eligibility for the exemption issued by the Comptroller. The legislation, now known as Chapter 61, takes effect on June 1, 2022.

INTEREST RATE

The annual interest rate has been changed for 2022 and future years because of House Bill 422 (Chapter 322, Acts of 2016). The annual interest rate for 2022 is 9.5%. The annual interest rate decreases to 9% for 2023.

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.

For additional information, please see our website at marylandtaxes.gov or email your question to TAXHELP@marylandtaxes.gov.