

Maryland



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Maryland tax information 1 WILLIAM DONALD SCHAEFER 1 State Comptroller

Comptroller Schaefer creates Field Enforcement Division

Comptroller William Donald Schaefer has created a new division to coordinate and expand his agency's enforcement and compliance activities. The Field Enforcement Division, headed by former state police superintendent Larry Tolliver, includes the Investigative Services Unit, the Business License Compliance Program, and enforcement compliance audits.

The new division is responsible for investigating the bootlegging of untaxed and illegally manufactured alcohol and cigarettes, inspecting petroleum products, collecting delinquent taxes, investigating

transient vendors, enforcing Maryland's use tax law, enforcing license laws, and more.

"With the increase in the tobacco tax, we need to be ready to stop increased cigarette bootlegging. Our office has just started a major education and enforcement effort to seek millions in uncollected sales tax on large out-of-state purchases. And we will soon be enforcing increased penalties against mail-order alcohol sales," said Comptroller Schaefer. "This new division will give us the ability to better enforce the laws of Maryland and provide tax equity for businesses and individuals."

Electronic filing up 35%, helped by new PC filing

During the just-concluded income tax filing season, more than 296,000 Maryland taxpayers filed their state income tax returns electronically, a 35% increase over 1998. While most of them used the services of professional tax preparers, more than 21,000 Maryland taxpayers filed from their home PCs, a service the

Comptroller's Office provided for the first time this year.

Taxpayers enthusiastically used technology to get forms and answers to questions. They downloaded more than 390,000 forms and instructions from the comptroller's website and 14,000 documents from the Forms-by-Fax system during the filing season. E-mail inquiries during the filing season also surpassed regular inquiries for the first time, 7,969 compared to 3,663.

Marylanders also took advantage of a new service, direct deposit of refunds for paper return filers. 195,201 income tax refunds, including 76,925 refunds on electronic returns, were direct deposited. The direct deposit feature was introduced last year for electronically filed returns.

Comptroller's Comments

Tax filing made easier

When I became comptroller, I promised to make income tax filing easier for Marylanders. I'm happy to say that I'll be able to keep that promise in time for next year's income tax filing season.

While the 1997 Tax Reduction Act reduced the state income tax, it didn't affect the local income tax. This "hold harmless" provision required additional calculations and eliminated the popular short form, Form 503.

The extra local tax calculations made this year's forms too complicated for taxpayers and for preparers, too. During the legislative session, my office worked with lawmakers to find a solution that would help taxpayers without impacting local government revenues.

The new law will make calculating the local tax simpler by making it a percentage of the taxpayer's income rather than a percentage of the state tax liability, eliminating the need to make two separate calculations and letting us bring back the short form.

I welcome your comments on these changes and on any other improvements we can make.

William Donald Schaefer
Comptroller of Maryland

Inside

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- Merchants benefit from new online check for tax-ree sales

New laws at a glance

Following are brief descriptions of legislation enacted by the 1999 session of the Maryland General Assembly that will have the greatest impact on laws administered by the Comptroller's Office.

Income tax

Tax simplification

The Tax Reduction Act of 1997, which reduced the state income tax but held the counties harmless, required a multi-step local tax calculation and as a result eliminated use of the short Form 503. This emergency measure simplifies the calculation and allows for the return of Form 503 by providing that the local income tax be calculated as a percentage of taxable income rather than as a percentage of state tax liability. The two-income subtraction is restored to \$1,200. Effective beginning with tax year 1999. (Chapter 493, Acts of 1999)

Electric and gas utility tax reform

As part of utility deregulation, income from regulated businesses are subject to the corporate income tax, through the elimination of the subtraction of net income subject to the gross receipts tax. The law also allows income tax credits for 60% of property taxes paid and for 25% of wages paid to employees who work at the corporate headquarters of certain utilities. The income tax changes are effective beginning with tax year 2000, while property tax credits are effective July 1, 2000.

This law also creates a special use tax on electricity, effective January 1, 2000. The tax is imposed on the use in Maryland of electricity that is not delivered by a public service company, and the tax rate is .062 cents for each kilowatt hour of electricity. The only exemptions are:

- electricity used for residential purposes or exclusively for emergency back-up generation, or
- on-site generated electricity.

For more information on this law, contact Eric Van DeVerg of the Department of Business and Economic Development at 410-767-6394. (Chapter 5, Acts of 1999)

Higher education investment program

The subtraction modification enacted last year is changed to provide a maximum subtraction of \$2,500 for *each* higher education investment contract an individual buys during the taxable year, rather than just one. In addition, the excess over the \$2,500 limitation for each contract may be carried over to succeeding taxable years until the full amount of the advanced payment has been allowed as a subtraction. This act is *retroactive* and applies beginning with tax year 1998; taxpayers may amend previously filed 1998 returns to claim any additional subtraction allowed. For more information on the program, contact the Maryland Prepaid College Trust at 1-888-463-4723. (Chapter 7, Acts of 1999)

Heritage structure rehabilitation tax credit - mortgage credit certificates

This law allows non-profit corporations to transfer the Heritage Structure Rehabilitation tax credit to the subsequent owner of the property. In addition, individuals or businesses may receive a Historic Rehabilitation Mortgage Credit Certificate in lieu of the credit.

The mortgage credit certificate can be used to obtain a lower interest rate or a lower purchase price on the property. Financial institutions receiving the certificate may claim a corporate income tax credit for the amount of the certificate. Effective October 1, 1999, returns beginning with tax year 1999. (Chapter 667, Acts of 1999)

"One Maryland" economic development program tax credits

This law creates a new credit for businesses that establish or expand a business facility within a qualified distressed county that is approved by the secretary of the Department of Business and Economic Development. In addition, the business must create at least 25 qualified positions at the new or expanded facility and be engaged in one or more business activities enumerated in the law. For information on these credits, contact Jerry Wade in the Department of Business and Economic Development at 410-767-6438. Applicable for tax years *after* December 31, 1999. (Chapter 303, Acts of 1999)

Neighborhood preservation and stabilization tax credits

The time within which an individual may buy a home in a designated neighborhood and be eligible for the credit is extended from June 30, 1999, to June 30, 2001. The geographic area for eligible purchases is also expanded, and the tax credit is no longer available if the property is purchased through federal or state housing assistance programs. For a description of the original legislation see *ReveNews* Vol. 17, No. 3, Summer 1996. Effective June 1, 1999. (Chapter 319, Acts of 1999)

Holocaust victims

Assets and income lost to an individual because of Nazi persecution, as well as reparations or restitution made to Holocaust victims or the spouse or descendants of Holocaust victims are exempted from the income tax and the inheritance tax. Another part of this act, to assist Holocaust victims and their spouses and descendants in recovering insurance proceeds will be administered by the Insurance Commissioner. Effective July 1, 1999, with the inheritance tax exclusion applicable to decedents dying after July 1, 1999, and the income tax subtraction modification applicable beginning with tax year 1999. (Chapter 117, Acts of 1999)

Commuter benefit tax credit

An income tax credit for businesses has been created for half of the cost of providing certain commuting benefits for employees, up to \$360 per employee per year. The credit may be applied against the individual or corporation income tax, financial institution franchise tax, or the insurance premiums tax. For information on this credit, contact Marsha Ways, Division Chief, Air and Radiation Management Administration of the Maryland Department of the Environment at 410-631-3272. Effective beginning with tax year 2000. (Chapter 559, Acts of 1999)

Credit for child and dependent care expenses

This law creates a refundable income tax credit for dependent care and after-school opportunity expenses which is tied to the federal dependent care credit. This credit does not affect the treatment or eligibility for the subtraction modification for dependent care. Effective beginning with tax year 2000. (Chapter 583, Acts of 1999)

Tax break for Coast Guard Auxiliary members

Qualifying members of the United States Coast Guard Auxiliary are eligible for a \$3,500 subtraction modification. To qualify, a person must be an active member of the auxiliary, serve without compensation, and be qualified for active status 8-point system established by the auxiliary. Alternatively, members who have maintained active status for at least 72 months during the last ten calendar years qualify. Effective beginning with the 1999 tax year. (Chapter 375, Acts of 1999)

Job creation tax credit

The Port Land Use Development Zone is added to the definition of "priority funding area" for purposes of the job creation tax credit. Effective beginning with tax year 1999. For information on this credit, contact Jerry Wade in the Department of Business and Economic Development at 410-767-6438. (Chapter 209, Acts of 1999)

Tax credits for new or expanded business premises

This law enhances credits for new or expanded business premises, including an income tax credit for 31.5% for the increased property tax on the expanded premises. It also provides for the recapture of the credits under certain circumstances and repeals the sunset for the credits. Effective beginning with tax year 1999. (Chapter 779, Acts of 1999)

Quality teacher incentive act

This law creates a credit for up to \$1,500 for tuition paid by a classroom teacher holding a Standard Professional Certificate or an Advanced Professional Certificate for graduate level courses required to maintain the certification. Effective beginning with tax year 2000. (Chapter 600, Acts of 1999)

Enterprise zone focus areas

Political subdivisions may ask the secretary of Business and Economic Development to designate all or part of a qualifying enterprise zone as a focus area for the lesser of five years or the remainder of the ten-year term of the applicable enterprise zone.

Qualified businesses located in a focus area may claim a credit for wages paid to a focus area employee during the taxable year. For more information, contact Jerry Wade in the Department of Business and Economic Development at 410-767-6438. Effective October 1, 1999, with the tax credit effective beginning with tax year 1999. (Chapter 467, Acts of 1999)

Business trust formation and powers

This law provides for the formation of a business trust that will be taxed for Maryland purposes as it is for federal purposes. Effective July 1, 2000. (Chap-

ter 452, Acts of 1999)

Heritage structure rehabilitation credit reciprocity

This law allows a reciprocal tax credit for rehabilitating historic structures to the same extent as if the property had been located in Maryland, if the other state also has a reciprocal agreement. Effective beginning with tax year 2000. (Chapter 484, Acts of 1999)

Sales and use tax

Prepaid telephone calling arrangements

The definition of taxable service subject to the sales and use tax has been expanded to include a prepaid telephone calling arrangement, allowing calls using an access number or authorization code.

The sale or recharge of a prepaid calling arrangement is taxable if (1) the sale or recharge takes place at the vendor's place of business in Maryland, (2) the buyer's shipping address is in Maryland, or (3) if there is no item shipped, the buyer's billing address or the location associated with the buyer's mobile telephone number is in Maryland. Effective January 1, 2000. (Chapter 688, Acts of 1999)

Wholesome food

An exemption is created for milk, fresh fruit, fresh vegetables, or yogurt sold through a vending machine. Effective July 1, 1999. (Chapter 406, Acts of 1999)

Electric and gas utility tax reform

Please see "New Laws, Income Tax" for a writeup of this legislation, including the sales and use tax implications.

The courts decide...

Income tax

Delaware holding companies. On April 26, 1999, in *SYL v. Comptroller and Crown Cork & Seal (Delaware) v. Comptroller*, the Maryland Tax Court reversed two assessments the comptroller had levied against Delaware holding company subsidiaries of two multistate corporations. SYL, Inc., is a subsidiary of Syms Corp., a national clothing retailer. Crown Cork & Seal (Delaware) Inc. is a subsidiary of Crown Cork & Seal Company, which manufactures and sells metal cans and closures.

Both parent companies regularly do business in Maryland. Both incorporated subsidiaries in Delaware (which exempts holding companies from Delaware income tax if their only income is from passive sources such as royalties and interest) and assigned valuable intangible assets, such as patents, copyrights, and trademarks, to their subsidiaries. Both parent corporations then licensed the right to use those intangibles, paying the Delaware subsidiaries a royalty for that right and claiming a deduction from Maryland income tax to the extent of those payments.

At issue was the subsidiaries' liability for Maryland income tax on an apportioned share of the royalty income. The comptroller relied on the same legal theory the courts upheld in the treatment of income recognized by domestic international sales corporation (DISC) subsidiaries of operating parents (*Comptroller v. Armco Export Corp.*, see *ReveNews* Vol. 11, No. 3, Summer 1990), asserting that both subsidiaries lacked substance and could transact business only through their respective parents, and that, therefore, they were doing business wherever the parent company was doing business.

However, the tax court ruled that the Delaware holding companies had substance, based on their Delaware offices, furniture and corporate records located at those offices, mail received at the Delaware offices, and the existence for each subsidiary of a bank account and an employee.

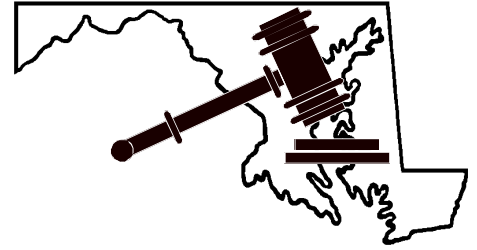
The court did not find it significant that most, if not all of these services were provided for a nominal fee by a self-described nexus service provider whose advertised purpose was to supply nexus in Delaware to such holding companies.

In addition, the court refused to accept the analysis of the South Carolina Supreme Court which, in the *Geoffrey* case, held that nexus was created in a taxing state by the operating parent company's licensing and use of the intangible assets in the state. The court also concluded that, before 1995, such companies were not subject to tax and therefore that the comptroller's effort to impose an income tax on Delaware holding companies retroactively was a change in policy that could only be instituted prospectively through formal rule making procedures.

The comptroller had argued that there was no policy exempting such entities before 1995 and therefore no change in policy; the comptroller simply did not know of their existence. The comptroller has appealed to the Circuit Court for Baltimore City.

Telecommunications nexus. Using the same analysis it applied to cases involving Delaware holding companies (see above), the Maryland Tax Court reversed an approximately \$2,000,000 assessment of additional corporate incomes taxes in *MCI International Telecommunications v. Comptroller*, decided on April 26, 1999.

The company involved is a subsidiary of MCI, the well-known long distance telephone company, and earns revenue from international phone calls made by MCI customers. The comptroller asserted that the company did business in Maryland by having related companies solicit international telephone business and transmit international calls on its behalf in Maryland. Therefore, the comptroller maintained, the company was doing business in Maryland and required to file a Maryland tax return.



Since it was a bookkeeping entity with no independent substance, it was also required to use the apportionment formula of the affiliated MCI company that performed operating functions on its behalf to determine the share of total income allocated to Maryland. The tax court rejected the assessment, holding that the due process clause of the United States Constitution requires a physical presence within the state before a company is required to pay income tax. The comptroller has appealed to the Circuit Court for Baltimore City.

Apportionment, allocation. The Maryland Tax Court reversed assessments against three financial service corporation subsidiaries of a bank in *America's Mortgage Servicing, Inc., et al. v. Comptroller*, issued April 22, 1999. Two basic issues were involved.

First, the comptroller treated the corporations as service companies and required them to apportion their income using the single sales factor rather than the three factors of property, payroll, and sales. The tax court agreed with the comptroller on this issue.

The second issue was cost allocation. The comptroller disallowed numerous reallocations of costs recommended by the parent company's accountants. The parent, which was carrying forward huge losses, reallocated millions of dollars of costs to several subsidiaries.

The parent asserted that the costs were properly chargeable to the subsidiaries even though they had not yet been booked to the subsidiaries when the tax returns were filed.

But the tax court held that the costs had in fact been incurred and documented and that there were no legal impediments to the after-the-fact cost reallocation. The comptroller has appealed the decision.

Please see Courts on page 5

The courts decide...

Courts continued from page 4

Estate Tax

Refund claim. In a case defining what assets are part of an estate, the Circuit Court for Baltimore City has upheld a tax court judgement directing the comptroller to refund approximately \$192,000 in Maryland estate taxes in *Comptroller v. Estate of Jeannette Page*, decided May 3, 1999.

The Maryland estate tax is the difference between a statutorily established federal credit and state inheritance taxes actually paid out of the decedent's estate. In his will, Jeannette Page's husband, who predeceased her, created a marital trust. Jeannette Page's will, partially exercising a power of appointment granted to her by her husband's will, directed that the inheritance taxes imposed on the marital trust be paid out of that trust. Her estate then claimed a credit against its Maryland estate tax liability for those inheritance taxes. The comptroller, relying on a 1947 Court of Appeals decision (*Connor v. O'Hara*), concluded that property (such as inheritance taxes) passing by the exercise of a power of appointment passed from the donor, Jeannette's husband, rather than from the donee, Jeannette, and therefore could not be viewed as having been paid out of Jeannette's estate.

The circuit court disagreed, reasoning that the requirement that the taxes must have actually been paid out of the Maryland estate (of Jeannette) was met because the phrase "Maryland estate" included the entire federal gross estate of the decedent that Maryland had the power to tax. In this case, since Maryland had the power to tax the marital trust, inheritance taxes paid by the trust were paid out of Jeannette's estate.

Sales and use tax

Corporate officer liability. The Court of Special Appeals of Maryland has affirmed a lower court decision upholding a sales and use tax assessment in *Stephen T. Fox v. Comptroller*, decided April 29, 1999. The case involved the personal liability of a corporate vice president for the Baby Shop, Inc., trading as Crib N' Cradle, Inc. for unpaid sales and use taxes. For certain corporate taxes, including the sales and use tax and the withholding tax, Maryland law allows the comptroller to proceed against certain officers of the corporation to collect delinquent taxes.

When Crib N' Cradle did not remit its sales and use taxes, the comptroller proceeded against Mr. Fox. The court held that the statute was quite unambiguous in spelling out which officers were personally liable and also rejected several constitutional challenges Mr. Fox made to the statute (*ReveNews* Vol. 19, No. 3, Summer 1998)

New laws at a glance

Continued from page 3

Admissions and amusement tax

Political fundraisers

The definition of "admissions and amusement charge" has been amended to specify that it does not include a charge for admission to a political fundraiser. Gross receipts from wheels of chance and other games of entertainment at political fundraisers are taxable. Effective July 1, 1999. (Chapter 250, Acts of 1999)

Motor fuel tax

Refunds for transportation systems for elderly, handicapped, or low income individuals

The June 30, 1999, sunset date for refunds of motor fuel taxes paid by non-profit organizations transporting elderly, handicapped, or low-income persons is repealed. Effective July 1, 1999. (Chapter 133, Acts of 1999)

Electronic Filing

The comptroller is authorized to require that certain motor fuel tax returns be filed electronically rather than by paper. This will not apply to small business taxpayers who do not have the means to transmit data electronically. Effective July 1, 1999. (Chapter 485, Acts of 1999)

Alcohol and tobacco tax

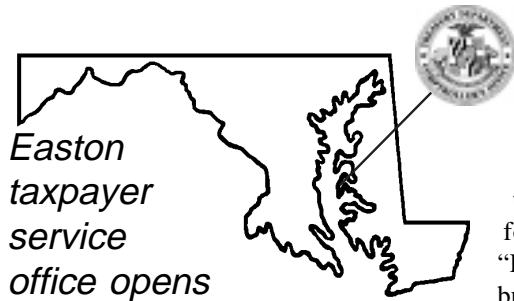
Tobacco tax increase

Effective October 1, 1999, the tax on a package of cigarettes is increased from 36 cents per pack of 20 to 66 cents per pack of 20. Effective July 1, 2000, a 15% tobacco tax will be levied on cigars and smokeless tobacco products. (Chapter 121, Acts of 1999)

Mail-order alcohol

Direct "mail order" shipments of alcoholic beverages from out of state to Maryland consumers becomes a felony, effective October 1, 1999. These shipments may be a result of Internet sales, catalog sales, or sales through beverage clubs, such as wine clubs. (Chapter 616, Acts of 1999)

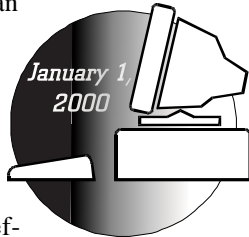
Briefly noted . . .



On July 7 Comptroller William Donald Schaefer opened a new taxpayer service office in Easton, replacing the Denton office. The Easton office, which has been opened since May 3, is conveniently located at 301 Bay Street, Bay Street Plaza, Suite 308. The telephone numbers are 410-822-0953 and 410-822-1039 (fax 410-822-1253), and office hours are from 8:00 a.m. to 5:00 p.m., Monday through Friday.

State payroll system Y2K compliant

All paychecks and direct deposits issued to more than 100,000 state employees now come from a payroll system that is Year 2000 (Y2K) compliant. The effort to bring the system into compliance, which was completed in March, required code changes to more than 2,400 programs. The state payroll system makes up to 127 different payroll deductions, such as health insurance payments, retirement contributions, and savings bond purchases, and insures that those payments are transferred to the right vendors.



Swann receives public service award

The Maryland Chapter of the American Society for Public Administration has awarded Deputy Comptroller Robert L. Swann the prestigious Charles Mac Mathias, Jr., award for outstanding state

public service. Comptroller William Donald Schaefer nominated Mr. Swann for the award, commending him for the excellent job he did as comptroller in guiding the office through a difficult period of transition following the death of Louis Goldstein. "Perhaps Mr. Swann's strongest contribution to public administration during this critical period was his dedication to preserving the highly respected service and operations of the Comptroller's Office," Comptroller Schaefer said.

New directors named

Comptroller William Donald Schaefer has appointed David F. Roose as director of the Bureau of Revenue Estimates. Mr. Roose, who joined the Comptroller's Office in September as an economist, has served as the acting director since December 1998. He has been responsible for tracking the state's economy and helping forecast state General Fund revenues for the Board of Revenue Estimates, which is chaired by the comptroller. Before joining the Comptroller's Office, Mr. Roose spent five years as a Senior Policy Analyst with the Department of Legislative Services of the Maryland General Assembly.

The comptroller has also appointed Paul G. Edwards as his new director of communications. Mr. Edwards comes to the Comptroller's Office after retiring in February as BGE's manager of customer relations. His career in communications also includes a stint as press secretary and speech writer for the late Governor John N. Dalton of Virginia and 16 years as a staff writer for *The Washington Post*.

Former State Police Superintendent Larry Tolliver has been named director of the comptroller's new Field Enforcement Division. A 30-year law enforcement veteran, Mr. Tolliver was most recently the chief of the Anne Arundel County Police Department. As director of the new division, he will supervise all enforcement compliance activities for the Comptroller's Office.

Next phase of production exemption effective July 1

The second phase of sales and use tax legislation passed in 1997, which broadened the definition of manufacturing or production machinery and equipment that is exempt from the tax, will go into effect on July 1, 1999.

Because the exemption was phased in over two years, it has been implemented as a credit.

Property purchased on or after July 1, 1998, but before July 1, 1999, is entitled to a credit of one-third of the taxes paid. The second year of the phase-in will begin July 1 of this year, and any eligible property purchased on or after that date but before July 1, 2000, will be entitled to a credit of *two-thirds* of the taxes paid. Beginning July 1, 2000, purchases of machinery and equipment covered by the legislation become totally exempt from the sales and use tax, and businesses will no longer need to claim the credit or file for a refund.

Business tax tip #9, *Sales and use tax exemptions for production activities*, details the purchases eligible for the credit and explains how to claim the credit. It is available on the comptroller's website at www.marylandtaxes.com and through our Forms-by-Fax system at 410-974-3299.

Help for drivers with disabilities

Drivers with disabilities who find it difficult to pump gas for themselves can find help at service stations across Maryland, thanks to the combined efforts of the Maryland Comptroller's Office, private associations, and other state agencies. Through the "It's Good Busine\$\$!" program, the



Merchants benefit from first-in-nation online check for tax-free sales

If you are a retailer, you often deal with customers who claim to be exempt from Maryland's sales and use tax, either because they're making a purchase for resale or for a tax-exempt organization. A new feature on the comptroller's website makes it easier for you to confirm those claims.

While there's no absolute requirement that sellers verify numbers on resale certificates or exemption cards, they *are* required to exercise reasonable care in accepting requests for tax-free status. Often, this means verifying the appropriate number. Until now, that's meant calling our Taxpayer Service Office during regular business hours, Monday to Friday, 8 a.m. to 5 p.m. But *your* business hours are often on evenings and weekends, and that's when *you* need answers.

Now, you can verify sales and use tax registration and exemption numbers 24 hours a day, seven days a week, at *your* convenience, through our website at

www.marylandtaxes.com. The information is updated every week night on this online service - the first of its kind in the nation.

Here's how it works. Select "Sales Tax Exemption" from the "Web Services" box that appears on our home page. That takes you directly on an Online Verification screen, where you have three choices.

Ⓔ If your customer is claiming the resale exemption, enter the customer's Maryland Sales and Use Tax Registration Number where indicated on the screen. The system will tell you whether or not the number is valid. If it's not, you need to collect the sales and use tax. If it is, you don't need to collect the tax. But you can print a resale certificate for the customer to sign, which you can keep with your records. The system will just ask you to enter your own name at the prompt. The online system also gives sellers an easy way to update their resale

certificate files routinely. Just check your current certificates against the system, and when you find invalid numbers, contact the customers for updated information or purge the certificates from your files. If you do this, your resale information will always be up-to-date in event of an audit.

Ⓕ If your customer is claiming the non-profit exemption, enter that number where indicated. Again, the system will tell you whether or not the number is valid. If the number is valid, you may want to print a copy of the screen to keep with the records of the sale, but you don't need the purchaser's signature.

Ⓖ The third option allows you to select a list of "Direct Day Permit" holders, businesses which are authorized to claim exemption at the point of sale and self-assess the tax. None of these permits have been issued since 1992, and it's not likely that you'll see many of them.

Merchants who aren't online can still call the Taxpayer Service Section to verify exemption numbers. Call 410-767-1300 in the Baltimore area or 1-800-492-1751 elsewhere in Maryland. Business tax tips #4, *If you make purchases for resale*, and #6, *Retail sales involving exemption certificates* are available on the comptroller's website and through our Forms-by-Fax system at 410-974-FAXX (3299).

This first of its kind online verification of tax account numbers is another way the Comptroller's Office is making it easier for businesses to do business in Maryland. If you have a suggestion on how we can improve this service, let us know.

Briefly noted . . .

Help for drivers with disabilities

Continued from previous page

Comptroller's Office, the Maryland Department of Transportation, and the Maryland Governor's Office for Individuals with Disabilities, with the Maryland Petroleum Council, and the Maryland Service Station Dealers' Association developed a campaign to encourage service stations across the state to join the program, which provides full pump service to persons with disabilities at self-service prices.

Fuel dealer assessed for unpaid taxes

On May 18, the Comptroller's Office levied \$300,141 in tax assessments, interest, and penalties against a Virginia company for operating an unlicensed motor fuel business and failing to pay Maryland state motor fuel taxes on fuel sold to Maryland motorists. The assessment resulted from an internal audit the Comptroller's Office performed on petroleum transporter reports compiled by a legitimate carrier that delivered the fuel to service stations in Maryland that are owned by the unlicensed supplier.

Do you have any tax questions?

Visit our website at
www.marylandtaxes.com

e-mail
taxhelp@comp.state.md.us

Focus on . . .

A Maryland tax tip - What you need to know about Maryland's use tax

Most of us are familiar with Maryland's sales tax, but far fewer people know anything about the use tax and about when they must pay it. Our new tax tip, *What you need to know about Maryland's use tax*, answers the most commonly asked questions about the use tax and includes a consumer use tax return for out-of-state purchases.

The use tax applies to purchases made out of state and brought into Maryland. It's nothing new, and it isn't unique to Maryland; all 45 states with a sales tax also have a use tax. When would you have to pay the use tax? A good example would be a Maryland resident who orders furniture from an outlet or

factory in North Carolina. The merchant isn't legally required to collect the Maryland sales tax, so it's up to the consumer to pay, and we've made that easy, with a short consumer use tax form that's part of the tax tip.

Why does Maryland tax out-of-state purchases? Use tax protects Maryland businesses from unfair competition. If tax isn't paid on items bought out of state, local businesses that have to collect the tax are at a competitive disadvantage. Fairness to Marylanders who buy locally and pay the tax is also an issue.

What kinds of purchases are taxable?

What if I paid sales tax on an item I bought in another state? Do you mean just items I go out of state to buy? These are just a few of the other questions answered in the free tax tip. You can download a copy of *What you need to know about Maryland's use tax* and the consumer use tax form from the comp-troller's website at www.marylandtaxes.com. Or, you can call our Forms-by-Fax service at 410-974-FAXX (410-974-3299); ask for item #3018 from index 2. You can also call the Taxpayer Service Section at 410-260-7980 in central Maryland and 1-800-MD TAXES toll-free from elsewhere to receive your free copy of this tip.

New tax laws inside
