

# Maryland Sales & Use Tax Bulletin 02-1

---

## 2002 Changes in the Sales & Use Tax Law

The 2002 Maryland General Assembly enacted the following changes in the sales and use tax law, which are effective July 1, 2002.

**Telecommunications Services:** The General Assembly has modified the definition of taxable price in the sales and use tax statute to provide that taxable price does not include a charge for a nontaxable service made in connection with a sale of a taxable communication service even if the nontaxable charges are not separately stated from the taxable charges. In order for the nontaxable charges to be excluded from the computation of the tax the vendor must be able to reasonably identify those nontaxable charges from its books and records that are kept in the regular course of business.

**Effective Rate Agreements:** The General Assembly has authorized the Comptroller to enter into effective rate agreements with licensed vendors that permit the computation of the sales and use tax liability for purchases made by the vendor for a specified period using an agreed-upon predetermined effective rate of tax. If the Comptroller enters into an effective rate agreement with a vendor, the Comptroller may also issue a direct payment permit authorizing the vendor to remit the tax on purchases covered by the effective rate agreement directly to the Comptroller. Vendors interested in entering into effective rate agreements with the Comptroller should contact the Compliance Division.

**Multifuel Pellet Stoves:** An exemption has been enacted for the sale of a multifuel pellet stove designed to burn agricultural field corn.

**Utilities Used to Produce Snow:** An exemption has been created for the sale of electricity, fuel, and other utilities used to operate the machinery or equipment used to produce snow for commercial purposes.

**Vendor Discount Reduced:** Effective with July 2002 returns, due in August 2002, the collection discount has been reduced from 0.9% to 0.45% for tax reported on line 7 of the return in excess of \$6000. The discount for tax collections up to and including \$6000 has been reduced from 1.2% to 0.6%. The discount for returns reporting tax collections over \$6000 is computed by multiplying the entire amount on line 7 by 0.0045 and adding \$9 (.0015 x \$6000).

Any vendor who files on a consolidated basis or is eligible to file on a consolidated basis must compute the discount rate on its combined tax due for all licensed accounts.