Sales and use tax bulletin 96-1

1996 Changes in the Sales and Use Tax Law

The Maryland General Assembly enacted the following changes in the sales and use tax law which are effective July 1, 1996, unless otherwise provided below.

Production activities: The sales and use tax exemption for a sale of machinery or equipment to be used in a production activity has been expanded. The prohibition on the use of machinery and equipment in administration, management, sales or other non-operational activities has been removed.

Machinery and equipment purchased on or after January 1, 1997, will qualify for the exemption if it is used predominantly in a production activity and meets the other requirements of §11-210(b) of the Tax-General Article. Under this provision, a piece of machinery or equipment is used predominantly in a production activity if it is used more than 50% of the time directly in that activity.

Appeal of assessments: Taxpayers contesting assessments by the Comptroller's Office are required to file an appeal within 30 days after the date the Notice of Assessment is mailed. Effective with assessments issued on or after July 1, 1996, the statute has been amended so that the comptroller may issue an order decreasing or abating an erroneous assessment the taxpayer failed to appeal during the initial 30-day period. This provision will permit the comptroller to reopen a case and provide a taxpayer with an opportunity to demonstrate that the assessment should have been reduced or abated in its entirety. After review of the case, a final order will be issued, which is not subject to review by the courts. This provision does not apply to situations where the taxpayer has filed a timely initial protest but failed to appeal from subsequent decisions.

Vending machine sales: The computation of tax on gross receipts of taxable sales made through vending machines has been amended. Vendors should multiply their gross receipts by 95.25% before applying the 5% rate to determine the tax due on the gross receipts from vending machine sales.

Bakery equipment: An exemption has been created for the sale of certain equipment to be used by a retail food vendor to manufacture or process bread or bakery goods for resale. To qualify for the exemption, the vendor must operate a substantial grocery or market business as defined in §11-206(a) of the Tax-General Article at the same location where the food is sold, and the taxable price of each piece of equipment must be at least $2,000 .