

Maryland Tax Alert



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Sales and Use Tax Facts 2023-2024

This publication addresses the bills affecting sales and use tax enacted during the 2023 legislative session.

Cannabis Reform

The Maryland General Assembly passed House Bill 556 on April 8, 2023, and Senate Bill 516 on April 10, 2023. These bills became law on May 3, 2023, the date Governor Wes Moore signed them. Beginning July 1, 2023, adult-use cannabis can be sold from a licensed dispensary or on-site consumption establishment to a consumer who is at least 21 years old.

The new law imposes a sales and use tax rate of 9% on the retail sale of adult-use cannabis beginning July 1, 2023, and sets forth other licensing and regulatory provisions. The sales and use tax does not apply to the sale of medical cannabis or the sale of cannabis between two licensed cannabis establishments.

The sales and use tax return, Form 202, has been updated with new lines to report taxable sales and purchases of cannabis for periods beginning July 2023. Taxable sales of cannabis are reported on **Line 12** as “Sales subject to the 9% rate under Senate Bill 516 of 2023.” Cannabis businesses are required to file separate sales and use tax returns for each of their locations.

Redevelopment Areas in Baltimore County

House Bill 237 and Senate Bill 174 were enacted under Article II, Section 17(c) of the Maryland Constitution as Chapters 17 and Chapter 18 of the Acts of 2023.

The legislation extends the sunset provision for the sales and use tax exemption for construction and warehousing materials used in certain redevelopment areas in Baltimore County until 2036. The bill becomes effective on July 1, 2023.

Home Amenity Rentals

Beginning July 1, 2024, Senate Bill 691 applies the sales and use tax to home amenity rentals. These rentals include the temporary use of residential property, excluding bedrooms, for not more than 15 consecutive hours. Common home amenities available for rental include, but are not limited to, residential swimming pools, saunas, and barbecue areas.

The bill also allows counties and municipalities to impose local taxes on home amenity rentals.

INTEREST RATE

The annual interest rate for calendar year 2023 is 9% . The Comptroller will publish the 2024 interest rate at marylandtaxes.gov later this year.

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. This year, the tax-free back-to-school shopping period is August 13, 2023 through August 19, 2023.

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.