

Maryland Sales & Use Tax Bulletin 01-3

2001 Changes in the Sales & Use Tax Law

The 2001 Maryland General Assembly enacted the following changes in the sales and use tax law, which are effective July 1, 2001.

Simplified sales and use tax: The General Assembly has authorized the comptroller to enter into an agreement with one or more states to simplify and modernize sales and use tax administration to substantially reduce the burden of tax compliance for all sellers and for all types of commerce.

Under the Simplified Sales and Use Tax Administration Act, the comptroller may act jointly with other states that are members of the agreement to establish standards for a certified service provider (also known as a trusted third party) and certified automated system and to establish performance standards for all multi-state sellers. The act, which is effective for two years, provides certain requirements that must be met before the comptroller may enter into the agreement and provides that the comptroller shall provide semiannual reports to the General Assembly on the progress of the multi-state discussions.

Distribution and use of sales tax revenues: The General Assembly has enacted legislation providing that the sales and use tax collected from short-term vehicle rentals shall be distributed in its entirety to the Transportation Trust Fund, beginning January 1, 2002 through June 30, 2007. Since July 1, 1999, 45 percent of the sales and use tax collected on short-term vehicle rentals has been distributed to the fund.

Energy for residential condominiums: An exemption has been created for the sale of electricity, steam, or artificial or natural gas for use in residential condominiums. Before July 1, 2001, only the fuel rate adjustment charge imposed on the sale of electricity, steam, or artificial or natural gas used in residential condominiums was excluded from the tax.

Supplies supporting breast feeding: A sales and use tax exemption has been created for tangible personal property manufactured for the purpose of initiating, supporting, or sustaining breast-feeding. Items now exempt from the tax include breast pumps, breast pump kits, nipple enhancers, breast shields, breast shells, supplemental nursing systems, softcup feeders, feeding tubes, breast milk storage bags, periodontal syringes, finger feeders, haberman feeders, and purified lanolin.

Resale certificates: The requirements regarding the use and acceptance of resale certificates have been altered for sales of antiques and used collectibles. Vendors may accept from purchasers of antiques or used collectibles a resale certificate with the sales and use tax registration number of another state if the purchaser does not engage in the business of an out-

of-state vendor as defined in Section 11-701 of the Tax-General Article. Purchasers using a registration number issued by another state on a Maryland resale certificate must also provide the seller with a copy of their sales and use tax registration license issued by the other state. Purchasers from states without a sales and use tax must provide the seller with a copy of a trader's license or comparable type of identification from that state.