



COMPTROLLER
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MARYLAND SALES AND USE TAX FACTS

A newsletter for sales and use tax licensees

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Comptroller Peter Franchot

TAX ON OUT-OF-STATE PURCHASES

Maryland's 6 percent sales and use tax applies to all purchases of tangible personal property that you possess and use in Maryland, no matter where or how you purchased it. Whether you buy an item directly, through mail order, or by calling a toll-free number, it's taxable in Maryland to the extent that it wasn't taxed in the state of purchase and if the item would have been subject to tax if purchased in Maryland. If you have a sales and use tax license, you should report out-of-state purchases on line 7 of the sales and use tax report. If you are not licensed, you must file Form ST118A - Consumer Use Tax Return and remit the amount of use tax due. For more information on the taxability of out-of-state purchases, see Business Tax Tip #3, *Sales and Use Tax on Out-of-State Purchases*. Both Form ST118A and Tax Tip 23 can be downloaded from the Comptroller's Web site at www.marylandtaxes.com or obtained by calling Taxpayer Service at 410-767-1300 from the Baltimore area or 1-880-492-1751 from elsewhere in Maryland.

DIPLOMATIC TAX EXEMPTION

The U.S. Department of State grants tax exemption privileges to eligible foreign officials on assignment in the United States. Foreign officials and government offices that are entitled to tax exemptions are issued a Tax Exemption Card. These credit card-sized plastic cards are valid nationwide and in the Commonwealth of Puerto Rico, Guam, and the U.S. Virgin Islands. For identification purposes, the individual's name, photograph, mission employed by, expiration date, and protocol identification number are provided on the card.

Tax Exemption Cards are used at the point of sale for exemption from state and local sales, restaurant, lodging/occupancy, and other similar taxes charged to customers. These cards do not authorize an exemption for taxes imposed on utilities, gasoline, and vehicle purchases. The authorized level of tax exemption is indicated by the blue or yellow stripe and is stated in detail on the back of each card. Vendors must check cards to comply with exemption restrictions.

BLUE striped cards exempt the bearer from all state and local sales, restaurant, lodging and other similar taxes.

YELLOW striped cards require the bearer to purchase a minimum amount of goods or services before the bearer is

entitled to tax exemption. The requirements may range from a specified purchase amount or could exempt certain sectors, with the most common exclusion being hotel taxes. The limitations are printed on the back of the card.

There are two types of cards.

Personal Tax Exemption Cards are not transferable. Only the person whose photo appears on the front side of the card is permitted to use it.

The Mission Tax Exemption Card is used only for official purchases by a foreign consulate or embassy. All purchases must be made in the name of the mission and paid for by a mission check or credit card (not cash or personal check.) For example, the purchasing agent may use the card to buy office supplies or to book hotel rooms for a visiting official delegation from a foreign country, providing the reservation is in the name of the mission and the bill is paid for by a mission check or credit card. The person whose name and photo appear on the card is the mission's point of contact and is responsible for ensuring the accuracy of the exemption. This individual does not need to be present when purchases are made in the name of the mission.

SECURITY SERVICES

The Comptroller's office amended regulation 03.06.01.39-*Detective, Guard, Armored Car Services and Security System* to clarify the types of security equipment, used in security service monitoring, that is subject to Maryland's sales and use tax. Specifically, equipment that is used to operate or monitor a security system or functions independently as a standalone electronic device, whether wired to the security or wireless, and is normally treated as tangible personal property, does not become part of the realty and therefore is subject to the tax. Examples of such equipment include: computers, laptops, VCRs, DVDs, cameras, monitors, and televisions.

Installers or sellers of tangible personal property included in or as part of a commercial or residential security systems shall separately state the charge for the tangible personal property on any invoice, contract of sale, or lease, and shall charge the sales and use tax to the purchaser. Installers or sellers of items that do not become part of the realty may issue their suppliers a resale certificate to purchase the tangible personal property without charging the sales and use tax.

FREE PUBLICATIONS

You may download the following business tax tip publications from our Web site www.marylandtaxes.com or request them by telephone by calling Taxpayer Service at 410-767-1300 from the Baltimore area or 1-800-492-1751 from elsewhere in Maryland:

- # 1 - Preparing your sales and use tax return
- # 2 - What sales records do I need to keep?
- # 3 - Sales and use tax on out-of-state purchases
- # 4 - If you make purchases for resale
- # 5 - How are sales of food taxed in Maryland?
- # 6 - Retail sales involving exemption certificates
- # 7 - Are repairs to personal property taxable?
- # 8 - Computing Maryland's sales and use tax
- # 9 - Sales and use tax exemptions for production activities
- #10 - Delinquent tax collections and you
- #11 - Sales and use tax exemptions for agriculture
- #12 - Fabrication labor is subject to tax
- #13 - Opening a new business in Maryland
- #14 - Flea market sales are subject to tax
- #15 - Direct debit, business taxes and you
- #16 - Maryland's tire recycling fee and you
- #17 - How to prepare your Maryland tire fee report
- #18 - Real property contractors and Maryland taxes
- #19 - Reporting unclaimed property
- #20 - Computing admissions and amusement taxes
- #21 - Filling out the admissions and amusement tax return
- #22 - Your Maryland sales and use tax packet
- #23 - What you need to know about the International Fuel Tax Agreement
- #24 - Admissions and amusement tax at recreational facilities
- #25 - Direct shipments of alcoholic beverages to consumers are illegal
- #30 - A brief look at Maryland taxes
- #31 - High-tech ways to serve you
- #33 - Admissions and amusement tax on political fund-raisers
- #34 - Comptroller's Office hearing procedures
- #40 - What you need to know about fuel inspections
- #41 - What you should know about retail inspections
- #58 - Offer in compromise tax liability resolution program
- #62 - Your rights as a Maryland taxpayer
- #64 - A guide to business licenses

FREE ASSISTANCE

Web site: www.marylandtaxes.com

- File business taxes electronically, using **bFile**.
- Pay existing income and business tax liabilities online, using **BillPay**.
- Register business tax accounts online.
- Verify sales tax exemption certificates online.
- Use other online services.

Taxpayer Service: Call 410-767-1300 from the Baltimore area or 1-800-492-1751 from elsewhere in Maryland.

Central Registration Unit: For help in completing the Combined Registration Application, call 410-767-1313. You can also fax your completed application to 410-974-3456 or complete and file the application online at www.marylandtaxes.com.

Refund Unit, Compliance Division: For information about sales and use tax, admissions and amusement tax and tire fee refunds, call 410-767-1538.

License Bureau, Investigative Services Unit: To determine if special licenses are required, call 410-260-6240.

No Tax Due? If you have no tax due for the filing period, you may telefile your business tax return at 410-260-7225. You can also file your business tax return electronically, using **bFile**.

File your sales
and use tax
return online



for free by using **bFile** on our
Web site www.marylandtaxes.com
