



COMPTROLLER
of MARYLAND
Serving the People

MARYLAND SALES AND USE TAX FACTS

A newsletter for sales and use tax licensees

July 2018 – June 2019

Comptroller Peter Franchot

NO SALES AND USE TAX BULLETIN

There will be no separate Sales and Use Tax Bulletin for 2018. This publication will address the bills affecting sales and use tax enacted during the 2017 and 2018 legislative sessions.

LEGISLATION

2017 Session - On April 11, 2017, Governor Lawrence J. Hogan Jr. approved Senate Bill 317. The legislation, now known as Chapter 149 of the Acts of 2017, establishes that a qualified business entity, as defined by the More Jobs For Marylanders Act of 2017, is entitled to a refund for the amount of sales and use tax paid by the qualified business during the immediately preceding calendar year for a sale of qualified personal property or services (made on or after January 1, 2018) if the qualified personal property or services are purchased by the qualified business entity solely for use at an eligible project while the project is enrolled in the program.

2018 Session - On April 10, 2018, Governor Lawrence J. Hogan, Jr. approved Senate Bill 81. The legislation, now known as Chapter 50 of the Acts of 2018, takes effect July 1, 2018, and codifies the position of the Comptroller's Office that sanitary pads, menstrual sponges, menstrual cups, and other similar feminine hygiene products are exempt from the sales and use tax.

On April 9, 2018, the third reading of Senate Bill 743 was passed and enrolled. The bill establishes a sales and use tax rate of 8% applied to sales and charges made in connection with a shared motor vehicle used for peer-to-peer car sharing and made available on a peer-to-peer car sharing program. The bill became effective July 1, 2018, and shall remain effective for a period of 2 years and, at the end of June 30, 2020 will abrogate.

INTEREST RATE CHANGE

The annual interest rate has been changed for 2018 and future years as a result of House Bill 422 (Chapter 322, Acts of 2016). The annual interest rate for 2018 is 11.5%. For 2019, the annual interest rate decreases to 11%. For additional information, please see our website at www.marylandtaxes.gov or email your question to TAXHELP@comp.state.md.us. You may also call 1-800-638-2937 or from central Maryland 410-260-7980.

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.

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.

MORE JOBS FOR MARYLANDERS ACT OF 2017

A Qualified Distressed County is now defined as a county with: (1) an average rate of unemployment for the most recent 24-month period for which data are available that exceeds 150% of the average rate of unemployment for the State during that period; (2) an average rate of unemployment for the most recent 24-month period for which data are available that exceeds the average rate of unemployment in the State by at least 2 percentage points; or (3) an average per capita personal income for the most recent 24-month period for which data are available that is equal to or less than 67% of the average per capita personal income for the State during that period. The definition also includes counties that no longer meet the above listed criteria but have met at least one of the criteria at some point during the preceding 24-month period.

Counties that are Qualified Distressed Counties are also labeled as Tier 1 counties for purposes of the More Jobs for Marylanders program. Business entities engaged in activities which primarily fall within Sector 31, 32 or 33 of the NAICS system may apply to the Department of Commerce to enroll an eligible project in the More Jobs for Marylanders program if the eligible project is within a Tier 1 county and the business intends to create at least 5 qualified positions at the project location, or, if the project is in a Tier 2 county, the business entity must intend to create at least 10 qualified positions.

Business entities must apply to the Department of Commerce to be considered qualified business entities. Upon enrollment in the program, the business entity will become entitled to a refund of the sales and use tax paid during the immediately preceding taxable year for the sale of qualified personal property or services made on or after January 1, 2018, if the qualified personal property or services are purchased by the qualified business entity solely for use at an eligible project while the project is enrolled in the More Jobs for Marylanders program. Unless otherwise specified, the Department of Commerce may not issue sales and use tax refunds in the aggregate totaling more than \$1 million in a fiscal year.