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MARYLAND SALES AND USE TAX FACTS

A newsletter for sales and use tax licensees
July 2021–June 2022

Comptroller Peter Franchot

NO SALES AND USE TAX BULLETIN

There will be no separate Sales and Use Tax Bulletin for 2021. This publication will address the bills affecting sales and use tax enacted during the 2020 and 2021 legislative sessions.

LEGISLATION

2020 Session

ARTIFICIAL HEARING DEVICE EARMOLDS, EQUIPMENT, AND PARTS

On May 7, 2020, House Bill 1326 was enacted under Article II, Section 17(c) of the Maryland Constitution as Chapter 637 of the Acts of 2020. The legislation exempts the following hearing related equipment and parts from the State sales and use tax: (1) a custom-made earmold for an artificial hearing device; (2) a battery charger for an artificial hearing device; or (3) a receiver for an artificial hearing device. The bill also repealed the exemption the sale of a replacement cord for an artificial hearing device from sales and use tax. The legislation took effect on July 1, 2020.

AIRCRAFT PARTS AND EQUIPMENT

On May 7, 2020, Senate Bill 121 was enacted under Article II, Section 17(c) of the Maryland Constitution as Chapter 638 of the Acts of 2020. The bill creates a sales and use tax exemption for sales of materials, parts, or equipment used to repair, maintain, or upgrade aircraft or the aviation systems or aircraft if the materials, parts, or equipment are installed on an aircraft that: (1) has a maximum gross takeoff weight of less than 12,500 pounds; or (2) has a maximum gross takeoff weight of 12,500 pounds or more and is primarily used in interstate or foreign commerce. Comptroller's office is required to issue a report with the following information: (1) the amount of sales and use tax revenue lost from the exemption; and (2) the number of aviation technicians employed in Maryland because of the exemption. The legislation became effective July 1, 2020 and shall remain effective for a period of 5 years. It will abrogate at the end of June 30, 2025 without any further action by the General Assembly.

DATA CENTERS

On May 7, 2020, Senate Bill 397 was enacted under Article II, Section 17(c) of the Maryland Constitution as Chapter 640 of the Acts of 2020. The legislation creates a sales and use tax exemption for the sale of qualified data center personal property for use at a qualified data center if the buyer provides the vendor with evidence of eligibility issued by the Comptroller. Qualified data center personal property means personal property purchase or leased to establish or operate a data center. A qualified data center includes a data center that is a co-located or hosting data center where equipment, space, and bandwidth are available to lease to multiple customers; and an enterprise data center owned and operated by the company it supports. The legislation took effect on July 1, 2020.

LICENSED CATERERS

On May 7, 2020, Senate Bill 843 was enacted under Article II, Section 17(c) of the Maryland Constitution as Chapter 644 of the Acts of 2020. Sales and use tax does not apply to the sale of materials, equipment or supplies to a licensed caterer if they are: (1) used by the caterer to perform a contract for catering services; and (2) intended for resale to the caterer; and used directly or predominantly by the caterer in performing a catering contract that includes the provision of food and beverages. A licensed caterer is a holder of a food service license issued by a county that offers catering services in connection with a specific event. A licensed caterer does not include a food service facility that is primarily engaged in the preparation and service of food to the general public at the facility. The legislation became effective on July 1, 2020.

PEER-TO-PEER CAR SHARING

Chapter 852 of the Acts of 2018 established 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 for a period of 2 years and was set to end June 30, 2020.

On May 7, 2020, Senate Bill 573 was enacted under Article II, Section 17(c) of the Maryland Constitution as Chapter 567 of the Acts of 2020. The legislation extended the effective period to 3 years.

QUALIFIED OPPORTUNITY ZONES IN BALTIMORE COUNTY AND TARGET REDEVELOPMENT AREAS IN WASHINGTON COUNTY

On May 7, 2020, Senate Bill 185 was enacted under Article II, Section 17(c) of the Maryland Constitution as Chapter 639 of the Acts of 2020. The legislation provides an exemption from the sales and use tax for certain construction material or warehousing equipment purchased solely for use in a qualified opportunity zone in Baltimore County or target redevelopment area in Washington County under certain circumstances. The legislation requires a buyer claiming the exemption to provide a vendor evidence of eligibility issued by the Comptroller. The legislation took effect on July 1, 2020.

2021 Session

ELECTRONIC SMOKING DEVICES, TOBACCO PIPES, AND VAPING LIQUID

The Maryland General Assembly passed House Bill 732 on March 18, 2021 during the 2020 Session. Governor Lawrence J. Hogan vetoed House Bill 732 on May 7, 2020. During the 2021 session, the Maryland General Assembly overrode the Governor's veto on February 12, 2021. House Bill 732 became law per under Article II, Section 17(d) of the Maryland Constitution as Chapter 37 of the Acts of 2021. The sales and use tax rate for electronic smoking devices is 12% of the taxable price. The sales and use tax for vaping liquid sold in a container that contains 5 millimeters or less of vaping liquid is 60% of the taxable price. The legislation became effective March 14, 2021.

On May 30, 2021, House Bill 1324 was enacted under Article II, Section 17(c) of the Maryland Constitution as Chapter 767 of the Acts of 2021. The sales and use tax rate for tobacco pipes is 12% of the taxable price.

DIGITAL CODE AND DIGITAL PRODUCT

The Maryland General Assembly passed House Bill 932 on March 18, 2021 during the 2020 Session. Governor Lawrence J. Hogan vetoed House Bill 932 on May 7, 2020. During the 2021 session, the Maryland General Assembly overrode the Governor's veto on February 12, 2021. House Bill 932 became law per under Article II, Section 17(d) of the Maryland Constitution as Chapter 38 of the Acts of 2021. The sales and use tax applies to the sale or use of certain digital codes and digital products. The legislation became effective March 14, 2021.

RELIEF ACT

On February 15, 2021, Senate Bill 496 was enacted under Article II, Section 17(c) of the Maryland Constitution as Chapter 39 of the Acts of 2021. The 2021 RELIEF Act authorizes eligible vendors to retain an increased vendor tax credit for the months of Mary, April and May of 2021. The amount of the vendor credit allowed is equal to the lesser of the amount of sales and use tax collected during the month the vendor qualifies for the increased credit or \$3,000, not to exceed \$9,000 in three months.

CECIL COUNTY

On May 18, 2021, House Bill 582 and Senate Bill 294 were enacted under Article II, Section 17(c) of the Maryland Constitution as Chapters 281 and Chapter 282 of the Acts of 2021. The bill, effective July 1, 2021, provides an exemption from the sales and use tax for certain construction material or warehousing equipment purchased for use in a certain federal facilities redevelopment area in Cecil County under certain circumstances. The buyer claiming the exemption is required to provide evidence of eligibility issued by the Comptroller to the vendor.

VENDOR COLLECTION CREDIT

On May 18, 2021, House Bill 337 and Senate Bill 257 were enacted under Article II, Section 17(c) of the Maryland Constitution as Chapters 354 and Chapter 355 of the Acts of 2021. The bill, effective July 1, 2021, authorizes certain vendors who are qualified job training organizations to claim a credit for the expense of collecting and paying the sales and use tax. The total amount of credits a vendor may claim may not exceed \$100,000. The vendor must apply to the Secretary of Labor to become certified as a qualified job training organization to claim the credit.

INTEREST RATE

The annual interest rate has been changed for 2020 and future years because of House Bill 422 (Chapter 322, Acts of 2016). The annual interest rate for 2020 was 10.5%. The annual interest rate decreases to 10.0% for 2021 and 9.5% for 2022.

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.

For additional information, please see our website at marylandtaxes.gov or email your question to TAXHELP@marylandtaxes.gov.