



COMPTROLLER
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MARYLAND SALES AND USE TAX FACTS

A newsletter for sales and use tax licensees

July 2017 – June 2018

Comptroller Peter Franchot

NO SALES AND USE TAX BULLETIN

There will be no separate Sales and Use Tax Bulletin for 2017. This publication will address the bills affecting sales and use tax enacted during the 2016 and 2017 legislative sessions.

LEGISLATION

2016 Session – On May 10, 2016, Governor Lawrence J. Hogan Jr. approved House Bill 422. The legislation, now known as Chapter 322 of the Acts of 2016, took effect on July 1, 2016, altered the calculation of the annual interest rate set for tax deficiencies and refunds and set the annual interest rate for tax deficiencies and refunds. The calculation method required rounding rates to the nearest whole number.

2017 Session – On May 4, 2017, Governor Lawrence J. Hogan Jr. approved House Bill 112. The legislation, now known as Chapter 506 of the Acts of 2017, takes effect July 1, 2017, and eliminates rounding the annual interest rate to the nearest whole number. The annual interest rate for 2017 is 12%.

On April 18, 2017, Governor Lawrence J. Hogan Jr. approved Senate Bill 622/House Bill 530. The legislation, now known as Chapter 236 and 237, respectively, of the Acts of 2017, effective July 1, 2017, establishes that during the annual tax-free back-to-school shopping period, the sales and use tax does not apply to the first \$40 of the taxable price of any backpack or bookbag.

On May 25, 2017, Governor Lawrence J. Hogan Jr. approved House Bill 713. The bill establishes that the sales and use tax shall not apply to the sale of a light rail transit vehicle or related equipment if the vehicle will be used to provide transit service on the Purple Line in Montgomery County and Prince George's County. The bill will become effective July 1, 2017.

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.

DETECTIVE SERVICES

Sales and use tax applies to certain taxable services. One of the enumerated taxable services is security services which include: (i) a detective, guard, or armored car service; and (ii) a security systems service. On April 18, 2017, Governor Lawrence J. Hogan Jr. approved Senate Bill 235. The legislation clarifies that a detective means a person who is authorized, or is required to provide private detective services under Title 13 of the Business Occupations and Professions Article of the Maryland Annotated code. SB 235 applies retroactively within the four-year statute of limitations period for refund of sales and use tax.

INTEREST RATE CHANGE

The annual interest rate has been changed for 2018 and future years as a

result of House Bill 112 and the repeal of rounding to the nearest whole number (Chapter 506, Acts of 2017). For additional information, please see our website at www.marylandtaxes.com 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.