



# MARYLAND SALES AND USE TAX FACTS

A newsletter for sales and use tax licensees

*July 2010 – June 2011*

Comptroller Peter Franchot

## HELP US GO GREEN

This is the last year that we will automatically send paper sales and use tax coupons to businesses that have not filed electronically in the past. We are strongly encouraging all businesses to join with us in saving dollars as we try to save the environment, by using our free *bFile* online service to electronically file your sales tax return. To use *bFile*, visit our Web site [www.marylandtaxes.com](http://www.marylandtaxes.com)

However, if you need to continue to receive the paper coupons, we have provided a dedicated email address or an opt-in card in your coupon package. Please see your sales tax coupon booklet for more details.

## TAX - FREE PERIODS

The 2007 Special Session of the Maryland General Assembly enacted legislation providing for two tax-free periods beginning in 2010 and 2011. Listed below is information pertaining to each tax-free period.

### Tax-Free Week – Clothing and Footwear, Excluding Accessory Items

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 during August in which the sales and use tax does not apply to the sale of any items of clothing or footwear, excluding accessory items, if the taxable price of the item of clothing or footwear is \$100 or less. The first tax free period will occur the week of August 8, 2010, through August 14, 2010. Accessory items, which are not exempt from the sales and use tax during the tax-free week include jewelry, watches, watchbands, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, and belt buckles.

### Tax-Free Weekend – Energy Star Products

Beginning in calendar year 2011 and each year thereafter, there will be a tax-free three-day weekend during February in which the sales and use tax will not apply to the sale of any Energy Star Product listed below. The first tax free weekend will occur the weekend of February 19, 2011, through February 21, 2011. Energy

Star Product means an air conditioner, clothes washer or dryer, furnace, heat pump, standard size refrigerator, compact fluorescent light bulb, dehumidifier, programmable thermostat, or boiler that has been designated as meeting or exceeding the applicable Energy Star efficiency requirements developed by the U.S. Environmental Protection Agency and the U.S. Department of Energy.

## VETERANS' ORGANIZATIONS SALES AND USE TAX EXEMPTIONS

For calendar year 2010, there is a sales and use tax exemption for veterans' organizations qualified under Internal Revenue Code Sections 501(c)(19) and 501(c)(4). However, the exemption for organizations qualified under IRC 501(c)(4) does not take effect until July 1, 2010.

## SALES TAX FOR ENERGY EFFICIENCY REBATE PROGRAMS

The federal government has funded rebate programs for the states to participate in with respect to certain Energy Star household appliances. These programs will take place during calendar year 2010. However, before an agency or utility may issue rebate, they must first require the buyer to certify that he or she has purchased the appliance in a Maryland retail sale or has paid the applicable Maryland sales and use tax.

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## ALLOWANCE TO VENDORS FOR COLLECTION AND TIMELY REMITTANCE OF TAX

The discount allowed vendors for timely filing and payment of sales and use tax was changed during the 2007 Special Session of the Maryland General Assembly. The discount is now computed at 1.2 percent of the first \$6,000 of tax due and 0.9 percent of taxes in excess of \$6,000. Effective January 3, 2008, however, the credit allowed under this computation is capped at \$500 for each return. If a vendor files or is eligible to file a consolidated return, the total maximum discount allowed for all returns for any one period is \$500. The change is effective for a timely filed return with a due date of January 3, 2008 or later. However, the \$500 limit will terminate on June 30, 2011 unless the 2011 General Assembly enacts legislation that extends or makes permanent the limit.

## MITs – MODERNIZED INTEGRATED TAX SYSTEM

The Comptroller of Maryland is working on the phased implementation of a new integrated tax system. The initial phase of implementation will affect business taxes and fees including: Sales Tax, Admissions and Amusement Tax, Tire Fee, Bay Restoration Fee, Withholding Tax, Corporation Income Tax and Pass-Through Entities. When implemented, businesses may notice changes to some tax forms and correspondences. Additional information will be made available to businesses as the project progresses.

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### FREE ASSISTANCE

**Web site:** [www.marylandtaxes.com](http://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](http://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*.

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File your sales and use tax return online for free by using *bFile* on our Web site



[www.marylandtaxes.com](http://www.marylandtaxes.com)

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### FREE PUBLICATIONS

Listed below are just some of the many [business tax tip](#) publications that can be downloaded for free from our Web site [www.marylandtaxes.com](http://www.marylandtaxes.com). You can also 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:

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| # 1 - Preparing your sales and use tax return     | # 6 - Retail sales involving exemption certificates                                       |
| # 2 - What sales records do I need to keep?       | # 7 - Are repairs to personal property taxable?   |
| # 3 - Sales and use tax on out-of-state purchases | # 8 - Computing Maryland's sales and use tax  |
| # 4 - If you make purchases for resale            | # 9 - Sales and use tax exemptions for production activities.                             |
| # 5 - How are sales of food taxed in Maryland?    | For more Tax Tips, visit <a href="http://www.marylandtaxes.com">www.marylandtaxes.com</a> |