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13-1

2013 Changes in the Sales and Use Tax Law

The 2013 Maryland General Assembly passed the following changes to the Sales and Use Tax Law, which are effective July 1, 2013, unless otherwise indicated.

SB 486/HB 523 – Short-Term Rental of Motorcycles – Sales and Use Tax and Motor Vehicle Law: The cross-filed bills include motorcycle rentals in the definition of “short-term vehicle rental” for purposes of the State sales and use tax so that they are subject to the 11.5% sales tax rate applicable to short-term vehicle rentals. The bills also exempt motorcycle rentals from the motor vehicle excise tax, and specify that rental motorcycles are subject to a \$35 annual vehicle registration fee.

SB 745 – Public Safety – 9-1-1 Emergency Telephone Systems – Collection of Surcharge: The bill creates a “Prepaid Wireless E 9-1-1 Fee” for prepaid wireless telecommunications services. “Prepaid wireless telecommunications” service means a commercial mobile radio service that allows a consumer to dial 9-1-1 or access 9-1-1 service; must be paid for in advance; and is sold in predetermined units that decline with use in a known amount. The 60¢ fee is collected by the seller from the consumer for each retail transaction in Maryland. The fee is not subject to Maryland sales and use tax. Sellers of prepaid wireless telecommunications services are required to report and remit to the Comptroller all Prepaid Wireless E 9-1-1 Fees collected by the seller. Before December 28, 2013, a seller may deduct and retain 50% of prepaid wireless E 9-1-1 fees collected from consumers for direct start-up costs. On or after December 28, 2013, a seller may deduct and retain 3% of prepaid wireless E 9-1-1 fees collected from consumers.

HB 232 – Sales and Use Tax - Exemption - Parent-Teacher Organization Fundraisers: The bill provides that the sales and use tax does not apply to a sale by specified parent-teacher organizations or other organizations within an elementary or secondary school in the State or within a school system in the State.

HB 1513 – Public Safety – Response to a State Disaster or Emergency – Licensing and Taxes: The bill establishes that an out-of-state business that performs disaster- or emergency-related work during a disaster period does not establish a level of presence that would require the out-of-state business or its out-of-state employees to be subject to any requirement to collect and remit Maryland sales and use tax among other requirements. The bill requires an out-of-state business to provide to the Comptroller a statement that the business is in the State solely for purposes of performing disaster- or emergency-related work. The statement must include the following information for the out-of-state business: (1) name; (2) state of domicile; (3) principal address; (4) federal tax identification number; (5) date of entry into the State; and (6) contact information. A registered business in the State must provide the same information for any out-of-state business affiliate that enters the State to perform disaster- or emergency-related work. The bill will take effect on June 1, 2013.

HB 1515 – Transportation Infrastructure Investment Bill of 2013: The bill imposes a sales and use tax equivalent rate on all motor fuel except for aviation and turbine fuel beginning in fiscal 2014. The percentage rate used to calculate the sales and use tax equivalent rate effective on July 1, 2013 is 1%. The rate increases to 2% on January 1, 2015, and to 3% in fiscal 2016. However, if federal legislation on sales tax collection is not enacted by December 1, 2015, the percentage rate used to calculate the sales and use tax equivalent rate increases from 3% to 4% on January 1, 2016, and then increases to 5% beginning in fiscal 2017. Alternatively, if such federal legislation is enacted and the Comptroller adopts regulations that require out-of-state sellers to collect the State sales and use tax on sales by out-of-state sellers to buyers in the State that takes effect before December 1, 2015, the percentage rate used to calculate the sales and use tax equivalent rate remains at 3% and the Comptroller is then required to distribute 4% of total State sales and use tax revenues to the Transportation Trust Fund. Except as provided in the aforementioned paragraph, the bill will take effect June 1, 2013.

Please note: Beginning August 1, 2013, taxpayers may no longer include or report sales and use taxes using the EFT ACH (Electronic Funds Transfer Automated Clearinghouse) option. Taxpayers required to pay by immediately available funds can do so by filing online for free using bFile at www.marylandtaxes.com, or pay by credit card online at www.officialpayments.com or by calling 1-800-2PAYTAX. If you are new to bFile, please verify that your financial institution will accept debit transactions.

New Alcohol Permits Allowing Sales of Alcohol: A number of new alcohol permits were created by legislation in the 2013 session. Sales of alcohol under these new permits are subject to the 9% sales and use tax rate on the taxable price of alcoholic beverage sales. Please see the General Assembly’s Web site for more information: <http://mgaleg.maryland.gov>.