

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 400 (Delegates Montague and M. Burns)

Ways and Means

Sales and Use Tax - Resale Certificates - Out-of-State Vendors

This bill provides that resale certificates need not have a Maryland registration certificate number; rather, the certificate could have a sales and use tax registration number from another state, if it says that the buyer is an out-of-state vendor who does not engage in the business of an out-of-state vendor (essentially, does not regularly do business in the State).

This bill is effective July 1, 1998.

Fiscal Summary

State Effect: Indeterminate general fund revenue loss beginning in FY 1999. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: Minimal.

Fiscal Analysis

Background: Under current law, sellers must generally collect the State sales tax at the point of sale unless the buyer presents a resale certificate with the buyer's name, address, and Maryland sales and use tax registration number. The Office of the Comptroller encourages sellers to verify questionable registration numbers through an 800 phone number. Valid Maryland registration numbers are relatively easy to verify, since they are eight digits, always start with a zero, and have no letters in them. If an out-of-state vendor does not have a Maryland registration number, the tax must be paid at the point of sale, although a refund can be claimed.

State Revenues: General fund revenues could decline because sellers will have no method of verifying out-of-state registration numbers, so fraudulent exemption claims could increase. In addition, some out-of-state vendors may decide not to register in Maryland. They could still claim the resale exemption, and could more easily avoid having to collect sales tax on sales they make in the State. Moreover, those holding Maryland registration numbers are subject to audit by the Comptroller's Office; the Comptroller has no jurisdiction over those who do not register in Maryland.

The revenue loss occasioned by this bill is indeterminate, though it is expected to be relatively minor (several hundred thousand dollars). It depends on the resale exemptions which would be claimed by those who are not entitled to them, as well as any loss of sales tax collections by out-of-state vendors who would no longer need to register in Maryland.

Information Source(s): Office of the Comptroller (Bureau of Revenue Estimates), Department of Legislative Services

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