

Department of Legislative Services
Maryland General Assembly

FISCAL NOTE

House Bill 207 (Delegate Clagett)

Ways and Means

Sales and Use Tax - Resale Certificates - Antique Dealers

This bill provides that vendors who are antique dealers may accept resale certificates for purchases under \$200, and resale certificates that provide a sales and use tax registration number from another state and which 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: Chapter 1 of the First Special Session of 1992 prohibited the use of resale certificates for cash, check, or credit card sales of less than \$500. Chapter 6 of 1993 reduced the limit to \$200. A buyer who pays sales tax under these circumstances may file a claim for a refund from the Comptroller. This bill allows all purchasers of goods for resale from antique dealers to use resale certificates, and thereby not have to pay the sales tax at the time of purchase.

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: In the past, many purchases under \$200 for which resale certificates have been used were actually taxable sales. Because the sales tax cannot be as easily evaded if a refund must be applied for, the disallowance of resale certificates for purchases under \$200 results in a revenue increase. Accordingly, the exemption from this provision for resale purchases from antique dealers will cause a decline in revenue. Based on data from when the \$500 limit was enacted in 1992, and the reduction to \$200 in 1993, it is estimated that allowing antique dealers to accept resale certificates for purchases under \$200 would result in a general fund revenue loss of approximately \$52,000 in fiscal 1999.

General fund revenues could also decline because antique dealers 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 from this provision of the bill is indeterminate, although it is expected to be relatively minor. 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

Fiscal Note History: First Reader - March 9, 1998

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