

HOUSE BILL 1130

Unofficial Copy  
Q7

1999 Regular Session  
(9lr2311)

**ENROLLED BILL**  
-- Ways and Means/Budget and Taxation --

Introduced by **Delegates Hixson, Hurson, and C. Davis**

Read and Examined by Proofreaders:

\_\_\_\_\_  
Proofreader.

\_\_\_\_\_  
Proofreader.

Sealed with the Great Seal and presented to the Governor, for his approval this  
\_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_ o'clock, \_\_\_\_ M.

\_\_\_\_\_  
Speaker.

CHAPTER \_\_\_\_\_

1 AN ACT concerning

2 **Prepaid Telephone Calling Arrangements - Taxation**

3 FOR the purpose of excluding certain gross charges from the definition of "gross  
4 receipts" subject to the public service company franchise tax; imposing the sales  
5 and use tax on the sale of prepaid telephone calling arrangements; specifying  
6 when the sale of a prepaid telephone calling arrangement is taxable in the State;  
7 exempting from the sales and use tax the use of ~~certain telecommunications~~  
8 ~~services~~ *a taxable service* obtained by using a prepaid telephone calling  
9 arrangement; *providing for a delayed effective date*; defining a certain term; and  
10 generally relating to the taxation of prepaid telephone calling arrangements.

11 BY repealing and reenacting, with amendments,  
12 Article - Tax - General  
13 Section 8-401(b)(3) and 11-101(k)(9) and (10)  
14 Annotated Code of Maryland  
15 (1997 Replacement Volume and 1998 Supplement)

1 BY adding to  
2 Article - Tax - General  
3 Section 11-101(c-1) and (k)(11), 11-108, and 11-219(d)  
4 Annotated Code of Maryland  
5 (1997 Replacement Volume and 1998 Supplement)

6 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
7 MARYLAND, That the Laws of Maryland read as follows:

8 **Article - Tax - General**

9 8-401.

10 (b) (3) "Gross receipts" does not include:

11 (i) any revenue that a public service company derives from an  
12 activity other than an electric, gas, oil pipeline, telegraph, or telephone business;

13 (ii) net uncollectible revenue;

14 (iii) gross charges from the sale by a public service company to  
15 another public service company subject to the tax imposed by this subtitle of:

16 1. a service or product for resale; or

17 2. natural gas or natural gas delivery service that is used by  
18 the other public service company in the generation of electricity; [or]

19 (iv) gross charges from the sale by a public service company of  
20 internet access service by which a connection is provided between a computer and the  
21 internet; OR

22 (V) GROSS CHARGES FROM THE SALE OF TELECOMMUNICATIONS  
23 SERVICE OBTAINED BY USING A PREPAID TELEPHONE CALLING ARRANGEMENT, AS  
24 DEFINED IN § 11-101 OF THIS ARTICLE.

25 11-101.

26 (C-1) "PREPAID TELEPHONE CALLING ARRANGEMENT" MEANS THE RIGHT TO  
27 USE TELECOMMUNICATIONS SERVICES, PAID FOR IN ADVANCE, THAT ENABLES THE  
28 ORIGINATION OF CALLS USING AN ACCESS NUMBER OR AUTHORIZATION CODE,  
29 WHETHER MANUALLY OR ELECTRONICALLY DIALED.

30 (k) "Taxable service" means:

31 (9) credit reporting; [or]

32 (10) a security service, including:

33 (i) a detective, guard, or armored car service; and

1 (ii) a security systems service[.]; OR

2 (11) A PREPAID TELEPHONE CALLING ARRANGEMENT.

3 11-108.

4 THE SALE OR RECHARGE OF A PREPAID TELEPHONE CALLING ARRANGEMENT  
5 IS TAXABLE IN THE STATE IF:

6 (1) THE SALE OR RECHARGE TAKES PLACE AT THE VENDOR'S PLACE OF  
7 BUSINESS LOCATED IN THE STATE;

8 (2) THE BUYER'S SHIPPING ADDRESS IS IN THE STATE; OR

9 (3) THERE IS NO ITEM SHIPPED, THE BUYER'S BILLING ADDRESS OR THE  
10 LOCATION ASSOCIATED WITH THE BUYER'S MOBILE TELEPHONE NUMBER IS IN THE  
11 STATE.

12 11-219.

13 (D) THE SALES AND USE TAX DOES NOT APPLY TO THE USE OF ~~CELLULAR~~  
14 ~~TELEPHONE OR OTHER MOBILE TELECOMMUNICATIONS SERVICES~~ A TAXABLE  
15 SERVICE OBTAINED BY USING A PREPAID TELEPHONE CALLING ARRANGEMENT.

16 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect  
17 ~~July 1, 1999~~ January 1, 2000.