
By: **Delegates Hixson, Hurson, and C. Davis**
Introduced and read first time: February 25, 1999
Assigned to: Rules and Executive Nominations

A BILL ENTITLED

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 obtained by using a prepaid telephone calling arrangement; defining a
9 certain term; and generally relating to the taxation of prepaid telephone calling
10 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)

16 BY adding to
17 Article - Tax - General
18 Section 11-101(c-1) and (k)(11), 11-108, and 11-219(d)
19 Annotated Code of Maryland
20 (1997 Replacement Volume and 1998 Supplement)

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

23 **Article - Tax - General**

24 8-401.

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

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

1 (ii) net uncollectible revenue;

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

4 1. a service or product for resale; or

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

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

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

13 11-101.

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

18 (k) "Taxable service" means:

19 (9) credit reporting; [or]

20 (10) a security service, including:

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

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

23 (11) A PREPAID TELEPHONE CALLING ARRANGEMENT.

24 11-108.

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

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

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

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

1 11-219.

2 (D) THE SALES AND USE TAX DOES NOT APPLY TO THE USE OF CELLULAR
3 TELEPHONE OR OTHER MOBILE TELECOMMUNICATIONS SERVICES OBTAINED BY
4 USING A PREPAID TELEPHONE CALLING ARRANGEMENT.

5 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
6 July 1, 1999.