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By: **Delegates Hixson, Hurson, and C. Davis**  
Introduced and read first time: February 25, 1999  
Assigned to: Rules and Executive Nominations  
Re-referred to: Ways and Means, March 4, 1999

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Committee Report: Favorable  
House action: Adopted  
Read second time: March 23, 1999

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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 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:

1 **Article - Tax - General**

2 8-401.

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

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

6 (ii) net uncollectible revenue;

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

9 1. a service or product for resale; or

10 2. natural gas or natural gas delivery service that is used by  
11 the other public service company in the generation of electricity; [or]12 (iv) gross charges from the sale by a public service company of  
13 internet access service by which a connection is provided between a computer and the  
14 internet; OR15 (V) GROSS CHARGES FROM THE SALE OF TELECOMMUNICATIONS  
16 SERVICE OBTAINED BY USING A PREPAID TELEPHONE CALLING ARRANGEMENT, AS  
17 DEFINED IN § 11-101 OF THIS ARTICLE.

18 11-101.

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

23 (k) "Taxable service" means:

24 (9) credit reporting; [or]

25 (10) a security service, including:

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

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

28 (11) A PREPAID TELEPHONE CALLING ARRANGEMENT.

29 11-108.

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

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

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

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

7 11-219.

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

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