

Department of Legislative Services
Maryland General Assembly
2000 Session

FISCAL NOTE
Revised

House Bill 260 (Delegate Rzenkowski. *et al.*)

Ways and Means

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

This bill waives a seller's obligation to collect the sales and use tax on the sale of an antique or used collectible if the seller receives a resale certificate from a purchaser with an out-of-state sales and use tax registration number and certain conditions are met.

The bill is effective July 1, 2000.

Fiscal Summary

State Effect: General fund revenue losses of between \$100,000 and \$150,000 beginning in FY 2001. Expenditures would not be affected.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Bill Summary: The bill provides that resale certificates for the sale of an antique or used collectible need not have a Maryland registration certificate number. Rather, the certificate could have a sales and use tax registration number from another state, if the certificate states that the buyer is an out-of-state vendor who does not regularly do business in the State. If the buyer provides an out-of-state registration number, the buyer must also provide a copy of a sales and use tax registration license issued to the buyer from that state. If the buyer is from a state without a sales and use tax, the buyer must provide a copy of a trader's license from that state or a comparable type of identification.

Current Law: Sellers must generally collect the State sales tax at the point of sale unless:

(1) the transaction is for \$200 or more; and (2) the buyer presents a resale certificate with the buyer's name, address, and Maryland sales and use tax registration number. 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.

Background: The Comptroller's Office advises that valid Maryland registration numbers have a standardized format (eight digits, starting with a zero, with no letters), while out-of-state registration numbers will vary in format from state to state. In response to previous proposed legislation (noted below) and to otherwise assist sellers, the Comptroller's Office provides a toll-free telephone number and Internet search capabilities so that sellers may verify questionable Maryland registration numbers. The agency has also amended its "Refund by Fax" form to permit taxpayers to submit a schedule of purchases in lieu of copies of invoices and created an abbreviated sales tax registration form for out-of-state dealers. The agency has sent copies of the new forms to antiques dealers who have registered with the State.

State Revenues: General fund revenues could decline by between \$100,000 and \$150,000. Revenue losses are associated with two sources:

1. Out-of-state resellers who are currently eligible for refunds of sales taxes paid but who do not claim such refunds but who under the bill would not pay the tax in the first place; and
2. Out-of-state resellers who, under the bill, 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. Those holding Maryland registration numbers are subject to audit by the Comptroller's Office, while the Comptroller has no jurisdiction over those who do not register in Maryland.)

Additional Information

Prior Introductions: HB 1071 of 1999 and HB 400 of 1998 received unfavorable reports from the House Ways and Means Committee.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

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