

HOUSE BILL 864

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Q4

2002 Regular Session
2lr0982

By: **Delegate Giannetti**

Introduced and read first time: February 7, 2002

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Sales and Use Tax - Exemption - Isolated Sale of All Business Assets**

3 FOR the purpose of exempting the isolated sale of all or substantially all the assets of
4 any business from the sales and use tax.

5 BY repealing and reenacting, with amendments,

6 Article - Tax - General

7 Section 11-209

8 Annotated Code of Maryland

9 (1997 Replacement Volume and 2001 Supplement)

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

12 **Article - Tax - General**

13 11-209.

14 (a) The sales and use tax does not apply to a casual and isolated sale by a
15 person who regularly does not sell tangible personal property or a taxable service if:

16 (1) the sale price is less than \$1,000; and

17 (2) the sale is not made through an auctioneer or a dealer.

18 (b) The sales and use tax does not apply to a distribution of tangible personal
19 property by:

20 (1) a corporation or joint-stock company to its stockholders as a
21 liquidating distribution;

22 (2) a partnership to a partner; or

23 (3) a limited liability company to a member.

1 (c) (1) The sales and use tax does not apply to a transfer of tangible personal
2 property:

3 (i) under a reorganization within the meaning of § 368(a) of the
4 Internal Revenue Code;

5 (ii) on organization of a corporation or joint-stock company, to the
6 corporation or company principally in consideration for the issuance of its stock;

7 (iii) to a partnership only as a contribution to its capital or in
8 consideration for a partnership interest in the partnership; or

9 (iv) to a limited liability company only as a capital contribution or in
10 consideration for an interest in the limited liability company.

11 (2) For a transfer that would qualify as a casual and isolated sale under
12 subsection (a) of this section if the sale price limitation were disregarded, the amount
13 of liability transferred to or assumed by a corporation, joint-stock company,
14 partnership, or limited liability company shall be excluded from the consideration
15 transferred by the corporation, joint-stock company, partnership, or limited liability
16 company in exchange for the tangible personal property to determine whether the
17 transfer is made:

18 (i) principally in consideration for the issuance of stock of a
19 corporation or joint-stock company;

20 (ii) only as a contribution to the capital of a partnership or in
21 consideration for a partnership interest; or

22 (iii) only as a capital contribution to a limited liability company or in
23 consideration for an interest in a limited liability company.

24 (D) THE SALES AND USE TAX DOES NOT APPLY TO THE ISOLATED SALE OF ALL
25 OR SUBSTANTIALLY ALL THE ASSETS OF ANY BUSINESS.

26 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
27 effect October 1, 2002.