
By: **Delegate Rudolph**

Introduced and read first time: February 8, 2002

Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Sales and Use Tax - Effective Rate Agreements**

3 FOR the purpose of authorizing the Comptroller to enter into certain effective rate
4 agreements with vendors to allow a vendor to compute sales and use tax liability
5 for purchases made by the vendor for a specific period using a predetermined
6 agreed-upon effective rate; authorizing the Comptroller to issue direct payment
7 permits authorizing the direct payment of sales and use tax due on purchases by
8 a vendor subject to an effective rate agreement; and generally relating to the
9 administration of the sales and use tax due on purchases by certain licensed
10 vendors.

11 BY repealing and reenacting, with amendments,
12 Article - Tax - General
13 Section 11-407
14 Annotated Code of Maryland
15 (1997 Replacement Volume and 2001 Supplement)

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

18 **Article - Tax - General**

19 11-407.

20 (a) (1) [On] EXCEPT AS PROVIDED IN SUBSECTION (C) OF THIS SECTION,
21 ON or after July 1, 1993, the Comptroller may not:

22 (i) grant the authority to make direct payment, to the Comptroller,
23 of sales and use tax due on purchases by a vendor; or

24 (ii) issue permits evidencing such authority.

25 (2) Notwithstanding the provisions of paragraph (1) of this subsection,
26 the Comptroller may continue to administer direct payment permits issued to vendors
27 before July 1, 1993.

1 (3) The Comptroller may:

2 (i) [allow the use of] ISSUE the permit subject to reasonable and
3 necessary terms and conditions; and

4 (ii) revoke the direct payment permit at any time for cause.

5 (b) A vendor who receives evidence that the buyer has a direct payment
6 permit is discharged from:

7 (1) the duty to collect the sales and use tax; and

8 (2) the liability for the sales and use tax.

9 (C) (1) (I) THE COMPTROLLER MAY ENTER INTO AN EFFECTIVE RATE
10 AGREEMENT WITH A VENDOR LICENSED UNDER SUBTITLE 7 OF THIS TITLE TO
11 ALLOW THE VENDOR TO COMPUTE ITS SALES AND USE TAX LIABILITY FOR
12 PURCHASES MADE BY THE VENDOR FOR A SPECIFIC PERIOD USING A
13 PREDETERMINED AGREED-UPON EFFECTIVE RATE, ELIMINATING THE NEED TO
14 DETERMINE THE LIABILITY ON A TRANSACTION-BY-TRANSACTION BASIS.

15 (II) AN EFFECTIVE RATE AGREEMENT:

16 1. SHALL SPECIFY THE TYPES OF RECORDS TO BE
17 MAINTAINED BY THE VENDOR; AND

18 2. MAY EXCLUDE SPECIFIED TYPES OF PURCHASES OR
19 PURCHASES IN EXCESS OF SPECIFIED DOLLAR AMOUNTS.

20 (III) THE COMPTROLLER MAY VOID AN EFFECTIVE RATE
21 AGREEMENT ENTERED INTO UNDER THIS SECTION IF THE VENDOR'S OPERATIONS
22 SIGNIFICANTLY CHANGE DURING THE TERM OF THE AGREEMENT.

23 (2) (I) IF THE COMPTROLLER ENTERS INTO AN EFFECTIVE RATE
24 AGREEMENT WITH A VENDOR UNDER THIS SUBSECTION, THE COMPTROLLER MAY
25 ISSUE A DIRECT PAYMENT PERMIT AUTHORIZING THE VENDOR TO MAKE DIRECT
26 PAYMENT, TO THE COMPTROLLER, OF THE SALES AND USE TAX DUE ON PURCHASES
27 BY THAT VENDOR THAT ARE SUBJECT TO THE EFFECTIVE RATE AGREEMENT.

28 (II) A DIRECT PAYMENT PERMIT ISSUED UNDER THIS PARAGRAPH
29 REMAINS IN EFFECT AS LONG AS THE EFFECTIVE RATE AGREEMENT IS IN EFFECT.

30 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
31 July 1, 2002.