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By: **Delegate Rudolph**

Introduced and read first time: February 8, 2002

Assigned to: Ways and Means

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Committee Report: Favorable with amendments

House action: Adopted

Read second time: March 15, 2002

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CHAPTER\_\_\_\_\_

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:

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

3 (ii) issue permits evidencing such authority.

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

7 (3) The Comptroller may:

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

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

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

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

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

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

21 (II) AN EFFECTIVE RATE AGREEMENT:

22 1. SHALL SPECIFY THE TYPES OF RECORDS TO BE  
23 MAINTAINED BY THE VENDOR; AND

24 2. MAY EXCLUDE SPECIFIED TYPES OF PURCHASES OR  
25 PURCHASES IN EXCESS OF SPECIFIED DOLLAR AMOUNTS.

26 (III) THE COMPTROLLER MAY VOID AN EFFECTIVE RATE  
27 AGREEMENT ENTERED INTO UNDER THIS ~~SECTION~~ SUBSECTION IF THE VENDOR'S  
28 OPERATIONS SIGNIFICANTLY CHANGE DURING THE TERM OF THE AGREEMENT.

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

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

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