

Department of Legislative Services
Maryland General Assembly
2003 Session

FISCAL AND POLICY NOTE
Revised

House Bill 559
Ways and Means

(Delegate Hixson, *et al.*)

Budget and Taxation

Streamlined Sales and Use Tax Agreement

Under this bill, the State acknowledges the Streamlined Sales and Use Tax Agreement as adopted by the member states of the Streamlined Sales and Use Tax Project on November 12, 2002. The Comptroller is required to report on the fiscal impact of any changes proposed in the Agreement.

The bill takes effect July 1, 2003.

Fiscal Summary

State Effect: None. Acknowledgement of the Agreement does not directly impact State finances because adopting the Agreement or otherwise applying the Agreement's terms would require further legislation. Such legislation to change State sales tax law could have significant fiscal impact, depending on the nature of the changes. Any administrative expenditures by the Comptroller to develop the necessary fiscal estimates could be absorbed with existing budgeted resources.

Local Effect: None. Any changes to local sales tax provisions (of which there are few in Maryland) would require further legislation.

Small Business Effect: None.

Analysis

Current Law: Chapter 727 of 2001 enacted the Simplified Sales and Use Tax Administration Act, as proposed by the National Conference of State Legislatures, to

authorize the State to discuss, and ultimately enter into, a Streamlined Sales and Use Tax Agreement. It authorized the Comptroller to enter into the Agreement with one or more states to simplify and modernize sales and use tax administration, although further State legislation would be required to implement any of the Agreement's provisions.

Background: The Streamlined Sales Tax Implementing States Project began meeting in November 2001 to develop a comprehensive proposal for simplifying state and local sales and use taxes. The group was ultimately composed of 34 states and the District of Columbia. These states approved a Streamlined Sales and Use Tax Agreement in November 2002, and several states are considering legislation in their 2003 legislative sessions to implement this Agreement.

There is currently no joint mechanism for states to collect and remit sales and use taxes. Under the U.S. Supreme Court decisions in *National Bellas Hess* and *Quill*, a state or local government cannot require businesses without a nexus to the state (e.g., physical presence within its borders) to collect sales or use taxes, on the grounds that such tax collection would be unduly burdensome to the seller. Remote sellers (via Internet, phone, and mail order catalogs) are therefore protected from sales tax collection obligations. If the seller is not required to collect and remit the sales tax, then the buyer is required to pay the use tax, but such collections from individual taxpayers are minimal.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 24, 2003
mam/jr Revised - House Third Reader - March 25, 2003

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