
By: **Delegates Healey and Hixson**
Introduced and read first time: February 13, 2004
Assigned to: Ways and Means

A BILL ENTITLED

1 AN ACT concerning

2 **Sales and Use Tax - Exemptions for Agricultural Products and Property**
3 **Used in Production Activity - Conditional Repeal**

4 FOR the purpose of repealing an exemption from the sales and use tax for the sale of
5 certain items used for an agricultural purpose; repealing an exemption from the
6 sales and use tax for the sale of certain tangible personal property used in a
7 production activity; providing for the termination of this Act under certain
8 circumstances; and generally relating to repealing certain exemptions from the
9 sales and use tax.

10 BY repealing
11 Article - Tax - General
12 Section 11-201
13 Annotated Code of Maryland
14 (1997 Replacement Volume and 2003 Supplement)

15 BY repealing and reenacting, with amendments,
16 Article - Tax - General
17 Section 11-210
18 Annotated Code of Maryland
19 (1997 Replacement Volume and 2003 Supplement)

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

22 **Article - Tax - General**

23 [11-201.

24 (a) The sales and use tax does not apply to a sale of the following items for an
25 agricultural purpose:

- 26 (1) livestock;
- 27 (2) feed or bedding for livestock;

- 1 (3) seed, fertilizer, fungicide, herbicide, or insecticide;
- 2 (4) baler twine or wire;
- 3 (5) fuel for use in farm equipment or a farm tractor, as defined in §§
4 11-120 and 11-121 of the Transportation Article; and
- 5 (6) if bought by a farmer:
- 6 (i) a container to transport farm products that the farmer raises to
7 market;
- 8 (ii) a farm vehicle, as defined in § 13-911(d) of the Transportation
9 Article, when used in farming;
- 10 (iii) a milking machine, when used in farming;
- 11 (iv) fabrication, processing, or service, by a sawmill, of wood
12 products for farm use in which the farmer retains title; and
- 13 (v) farm equipment when used to:
- 14 1. raise livestock;
- 15 2. prepare, irrigate, or tend the soil; or
- 16 3. plant, service, harvest, store, clean, dry, or transport seeds
17 or crops.

18 (b) Except for flowers, sod, decorative trees and shrubs, and any other product
19 that usually is sold by a nursery or horticulturist, the sales and use tax does not apply
20 to a sale of an agricultural product by a farmer.]

21 11-210.

22 (a) The sales and use tax does not apply to a sale of:

- 23 (1) machinery or equipment used to produce bituminous concrete; or
- 24 (2) electricity, fuel, and other utilities used to operate that machinery or
25 equipment.

26 [(b) The sales and use tax does not apply to a sale of:

- 27 (1) tangible personal property used directly and predominantly in a
28 production activity at any stage of operation on the production activity site from the
29 handling of raw material or components to the movement of the finished product, if
30 the tangible personal property is not installed so that it becomes real property;

1 (2) a melting, smelting, heating, or annealing coke oven, aluminum
2 furnace, anode bake oven, electrolytic pot, cathode, refractory, or other material used
3 in relining and rebuilding a furnace or oven; or

4 (3) a foundation to support other machinery or equipment or an item
5 required to conform to an air or water pollution law and normally considered part of
6 real property.]

7 [(c)] (B) The sales and use tax does not apply to a sale of equipment that is
8 used by a retail food vendor to manufacture or process bread or bakery goods for
9 resale if:

10 (1) the taxable price of each piece of equipment is at least \$2,000; and

11 (2) the retail food vendor operates a substantial grocery or market
12 business, as defined in § 11-206(a) of this subtitle, at the same location where the
13 food is sold.

14 [(d)] (C) The sales and use tax does not apply to the sale, on or after January
15 1, 2000 but before January 1, 2008, of machinery or equipment:

16 (1) that enables a television or radio station to originate and broadcast or
17 to receive and broadcast digital signals; and

18 (2) that was or is purchased to comply with or to facilitate compliance
19 with the Telecommunications Act of 1996, Pub. L. 104-104, 110 Stat. 56.

20 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take
21 effect July 1, 2004. It shall remain effective until the taking effect of the legislation
22 enacted by the General Assembly increasing the rate of the sales and use tax to 6%.
23 Upon the taking effect of legislation enacted by the General Assembly increasing the
24 rate of the sales and use tax, with no further action required by the General Assembly,
25 this Act shall be abrogated and of no further force and effect.