

**Department of Legislative Services**  
Maryland General Assembly  
2004 Session

**FISCAL AND POLICY NOTE**

Senate Bill 400

(Senator Hogan)

Budget and Taxation

Ways and Means

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**Streamlined Sales and Use Tax Agreement**

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This bill adopts the Streamlined Sales and Use Tax Agreement as adopted by the Streamlined Sales and Use Tax Project on November 12, 2002, contingent on the enactment of both specified trigger legislation by the U.S. Congress and conforming legislation by the General Assembly.

The bill requires the Comptroller to prepare and submit proposed regulations and draft legislation to identify and implement changes that need to be made to the State's laws, regulations, or policies in order to bring the State into compliance with the Agreement and other changes recommended by the Comptroller.

The bill takes effect July 1, 2004.

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**Fiscal Summary**

**State Effect:** None. The requirements of the bill are absorbable within the Comptroller's existing budgeted resources.

**Local Effect:** None.

**Small Business Effect:** None.

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**Analysis**

**Bill Summary:** Specifically, the bill states that the adoption of the Agreement by the State of Maryland is contingent on the enactment of legislation by the U.S. Congress

consenting to the Agreement and authorizing states that are parties to the Agreement to require remote sellers to collect and remit sales and use taxes of those states.

Within 90 days of enactment of this legislation by Congress, the Comptroller is required to submit to the Governor and the General Assembly proposed regulations and draft legislation that identify and implement any changes in State laws and regulations that would be required.

Notwithstanding legislation enacted by Congress, the State cannot implement the Agreement absent additional legislation enacted by the General Assembly.

**Current Law:** See below.

**Background:** The Streamlined Sales Tax Project was organized in March of 2000 as an effort of state governments, with assistance from local governments and the private sector to simplify and modernize sales and use tax collection and administration. The main motivators of the effort were the National Conference of State Legislatures, the National Governor's Association, the Federation of Tax Administrators, and the Multistate Tax Commission. The stated mission of the project was to develop measures to design, test, and implement a sales and use tax system that radically simplified sales and use taxes. The goal of the project was to provide states with a system of which the key features included: (1) uniform definitions; (2) rate simplification; (3) state level administration; (4) uniform sourcing rules; (5) simplified exemption administration; (6) uniform audit procedures; and (7) state funding for the system.

Chapter 311 of 2003 required the Comptroller to submit a report that identified any changes in State statutes, regulations, or policies that would need to be made in order to bring Maryland into compliance with the Streamlined Sales Tax Agreement as adopted November 12, 2002. This report was issued November 17, 2003.

In its November 2003 report, the Comptroller indicated that a significant number of changes would need to be made to Maryland's sales and use tax law in order to bring the State into compliance with the Agreement. Some of the changes are minor, while some have significant operational, fiscal, and policy implications.

It is estimated that these changes could result in State revenue loss of approximately \$25 million. The most significant change with regards to revenue loss has to do with the State's rounding rule.

The Agreement requires a method of rounding where the tax is rounded up to the next cent whenever the third decimal place is greater than four. Maryland is one of only a few

states that do not do this. Maryland's sales and use tax is calculated using a bracket system that always rounds up. It is estimated that the rounding rule would result in a revenue loss of approximately \$18 million.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** HB 694 (Delegate Hixson, *et al.*) – Ways and Means.

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

**Fiscal Note History:** First Reader - February 13, 2004  
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